

Atos Origin
Analysts Forum
London 12 and 13 December 2007

Atos Origin Strategy Going Forward

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Chairman of the Management Board and CEO

I. Welcome

Good afternoon. Welcome. It is really a pleasure to have you for these two half-days. It was one of our objectives to have – for the first time as a matter of fact – this kind of meeting. Clearly it is my ambition to have this kind of meeting at least once a year so that we really have a chance to present to you what we are doing, give you some forward-looking about the company, and create – let me put it this way – some intimacy between you and the management of this company.

As mentioned before, most of the management of the company is going to be with you for the two half-days. First the management board, with Wilbert Kieboom and Eric Guilhou, and probably the vast the majority of the executive committee, with the country managers and the service line managers, will be with you during these two days. So do not hesitate to listen to us answer any questions during the Q&A session later today, and really to interact with us during these two half-days.

II. Two Recent Announcements

Before I enter into the presentation we have been preparing for the last few weeks, I would like to make a few comments about two announcements we made yesterday night, or early this morning. I can tell you, believe it or not, it is pure coincidence that we made these two announcements. There is no link with today's meeting.

1. Disposal Of Atos Origin Italy

The first information we gave to the market yesterday was the disposal of Atos Origin Italy (Italy). It was not a surprise because we had already mentioned to the market that we were in discussions with Engineering Ingegneria Informatica (Engineering) about the potential disposal of Atos Origin Italy. It is a done deal. I always said that Italy is a difficult market, and was a difficult market for Atos Origin in 2006. It is a very fragmented market. There are a limited number of players who are successful in this market. At some point in time we decided to investigate the capacity of bringing our activity to another player, especially an Italian player, to create a larger IT service company in Italy. So we are selling Atos Origin to Engineering. We are selling Atos Origin for €45 million. It is going to be done in cash, not in shares.

At the same time there will be a couple of partnerships between Engineering and Atos Origin. Engineering is going to partner with us to serve our customers in Italy. They will also partner with us when they would like to deliver a service to their Italian customers in Germany, France or everywhere else in the world except Italy.

Clearly, and as you know, Atos Origin had a significant issue in terms of loss-making in 2006. We went back to break-even in the month of May. At full year 2007, it is loss-making entity. Even if next year, on the budgeting exercise we are finalising for 2008, we were in the process of being profitable next year in terms of breaking margin, we are envisaging that there will still be a significant cash drain on that activity in the range of €20 million.

At the same time as we have disposed of Atos Origin Italy, €32 million of pensions will be transferred to the new entity. There will be another impact in terms of a strong decrease of Atos Origin working capital, because of the disposal of Atos Origin. You know that the DSO in Italy is not as short as in many countries in Europe. So there will be a positive impact of about €100 million on the working capital of the company. We will start to deconsolidate Atos Origin Italy on the 1st January 2008. This will have an impact of about €80 million of revenues which will not be accounted in 2008.

So that is Atos Origin Italy.

2. Disposal Of Stake In Atos Euronext Market Solutions (AEMS)

The second subject is our announcement yesterday night of the disposal of our 50% stake in AEMS. Once again that was not a surprise. We had already mentioned, on the 1st August, that we could envisage any type of evolution of AEMS with New York Stock Exchange Euronext.

It was a political decision of New York Stock Exchange (NYSE) to reinsource the information system of Euronext. It has nothing to do with the quality of delivery or the quality of service we provided. It has nothing to do with all the savings we provided to Euronext year after year, and which we were still envisaging for the next few years. That was clearly a political decision from NYSE Euronext.

Based on that, we decided to negotiate with NYSE Euronext the disposal of our 50% stake in NYSE Euronext. The price has been decided at €275 million. This price integrates the multiple, which is significantly higher than the multiples applied to Atos Origin. Basically, the €275 million represents €220 million, plus 50% of the cash which is inside Atos Euronext Market Solutions. 50% of that cash is €55 million.

At the same time Atos Origin will purchase from Atos Origin Market Solutions the clearing and the capital market activity, which account for about €110 million of revenues. We are going to purchase these two activities for €20 million. This is below the book value they have within Atos Euronext Market Solutions.

So we starting 1st January 2008 by deconsolidating €220 million of revenue and €33 million of operating margin, which is operating margin of the stock exchange activities of Atos Euronext Market Solutions.

Capital management and clearing are going to be profitable in 2008. There will be some reorganisation and restructuring which are going to be paid by NYSE Euronext. We will also have some upside because we will have some discount of rental on premises which will mean additional savings for Atos Origin of about €2 million per year. At the same time we sign an agreement with NYSE Euronext to be their preferred supplier of system integration and in out-sourcing worldwide.

So that was quickly the different points we wanted to mention on that deal.

Once again, it was pure coincidence that we signed these two deals just the day before the analyst conference, but it is done. For Atos Euronext Market Solutions, it is going to be finalised in summer 2008. For the disposal of Atos Origin, the closing will probably be within the next two months.

III. Main Presentation – Company Strategy Evolution

Let me come back to the presentation I wanted to make in terms of strategy evolution for the company.

We know where we come from and what we want to achieve. Let me just try to highlight that point.

1. Where Atos Origin Have Come From

If you look at the history of Atos Origin, the company has been growing quite fast. It has been growing by 20% per year over the last ten years, mainly through acquisitions. You all know that. We started as small company, Axime, in 1991. We purchased Sligos, then Origin, then KPMG Consulting, then Sema, then Banksys and BCC in 2006.

So clearly we created, by acquisition, one of the top IT services companies in Europe. We are number one in the Netherlands, we are number two in France. But beyond the positioning of Atos Origin in the different countries in Europe, I think it is important to see that, when we compare ourselves with the number one in the European market, who are IBM, we are half their size. We are slightly more than 75% of the size of the number two company. In terms of size we are clearly one of the very key players in Europe. We strongly believe that we have the critical size for the European market.

2. Organic Growth

Since we have been growing mainly by acquisition, it is maybe clear that one of the weak points of Atos Origin was organic growth. I do not have the history of organic growth in the last five or six years, but clearly, when you look back, organic growth in 2006 was not satisfactory. We are currently putting a lot of effort into generating more organic growth. There is no reason why Atos Origin should not grow at least at the same speed as the market. As you can see, in 2007 we have had an acceleration of the growth. Early this year we clearly stated that the objective of organic growth for 2007 was around 4%, with lower organic growth during the first semester and larger organic growth during the second semester. During the first semester we achieved 2.7% organic growth. To achieve the 4% organic growth, we clearly need to grow more than 4% during the second semester. By the way, during Q3 we grew by 6.6%.

It is one of our key objectives to deliver strong organic growth, or at least higher organic growth than in the past, over the next few years.

3. Atos Origin Self Analysis

At the end of 2006 we looked at the company. You may remember that, at the end of 2006, we had two profit warnings and a decrease of the operating margin rate. We did some analysis of our strengths and weaknesses, and based on that we implemented a few actions. We continue to implement additional actions these days.

a. Strengths

Firstly, we have the critical mass in Europe as a leading IT service provider. This is demonstrated almost every week by the deals we win against some big international players. We are one of the biggest and we are competitive.

Secondly, we can provide end-to-end delivery with an integrated operating model. I mean design, build, operate. We have consulting, we have system integration and we have managed operations.

Thirdly, one of the strengths of the company is the fact that, because we have about two thirds of our activities which are recurrent when we start on the 1st January, we have a significant share of our revenue which is already in front of us. That is probably one difference with some of peers – the fact that two thirds of our activities are recurring, are multi-year contracts.

When I look at the competencies within the company, there is a high level of competencies. This is probably sometimes well-known. By the way, it is going to be one of our objectives today and tomorrow to share with you some competencies within the company which you may not be aware of. Payments is well known. Nuclear control command is less well known. You will discover that kind of thing about us today and tomorrow.

b. Weaknesses/Areas For Improvement

In terms of improvement areas, we clearly had to implement some improvement in governance. I will give you a few examples which might be well known.

We have decreased the number of management board members. We used to have six management board members, with the majority of those being in charge of regions. Now we have three. There is myself, Wilbert Kieboom, who is in charge of operations, which are the countries and the service lines, and Eric Guilhou who is in charge of the support function of the group, finance, HR, legal, purchasing, information systems, and risk management. So a management board which is limited in number.

Second point, we created an executive committee. In the past we did not have an executive committee. Once a month we have a full-day meeting between the country managers, the service lines, and the group support function and we change. We created a real working team with people who were not really used to meeting each other frequently.

Another example of governance is about offshoring. At the very beginning of the year we decided that the transfer of prices on offshore, from India to France and Germany, would be [out-cost?] in

order to motivate the country to use offshore. By the way, we are going to double our offshore resources this year.

So we made a few changes in terms of governance to improve the way we run the company. Organisation was too geographically driven. Now there is a good balance between the geographies – because most of our customers are local, we need to be close to them – and service lines.

We had limited organic growth.

We had a go-to-market approach which was a little bit complicated in some countries, in which we basically had three sales courses. One was for systems integration (SI), one for managed operations and one for consulting. This needed to be simplified, and we will come back to that later.

Really limited [synergies?] across business lines and geographies. Once again we are going to illustrate that point by looking at some competencies or solutions we developed in a single country which were not extended in the rest of the company, and which can in future provide a good leverage in terms of incremental organic growth.

4. Vision and Strategy

In summary of that first part, our vision is clear. Our vision is to be an independent European player refocused on delivering business outcomes and delivering globally. When I say, ‘European player’, that obviously does not prevent us having offshore activity and it does not prevent us developing some activities around the IT service in non-European countries like China, for example. We will illustrate that with ChemChina later.

Our strategy is to boost performance for operational excellence and global delivery footprint; focus on core market and activities; and strengthen differentiating elements. We will give you many more details about that.

5. ‘303’ Transformation Programme

We consider that operational excellence is mandatory. On 5th February this year, we launched a transformation programme called the ‘303’ programme – three objectives over three years. The three objectives are:

1. Operate as a global company.
2. Improve operational efficiency.
3. Accelerate organic growth

We have been discussing that transformation programme with the market quite a lot. There are seven initiatives, 70 projects. It is moving fast, it is moving in the right direction and it is around industrialisation, global sourcing, global factories, support function, purchasing, talent management, global markets and global sales. On top of that we run an exercise reviewing our company’s portfolio of service and we will give you some of the results of that portfolio analysis.

a. Illustrations of Progress of the 303 Transformation Programme

When I say that the transformation programme is moving fast, there are already quite a lot of illustrations of that move.

In sales, we launched the Sales University, and this year we will have trained 250 sales people. It is a little bit less than one quarter of the sales force. So it is moving.

On industrialisation, we have 6,000 employees involved in setting a factory model.

Global delivery resources will double this year. We will have 3,000 employees in offshore at the end of this year. This is a mix of India and some additional countries. Our strategy is not to put everybody offshore in India, but to have a good balance in different geographies. So it is India, Morocco, Brazil, Malaysia, Poland and Armenia.

Global factory. For example we are moving fast in consolidating our mainframe activity into one site. The Netherlands and Italy have already moved their mainframe activities into our mainframe centre in Essen.

We are decreasing the number of data centres in Europe. Instead of looking at our data centres on a country-by-country basis, we are looking on a European basis and making optimisations.

Talent management. We are pretty much measuring our attrition rate. It is below 15%.

On finance, HR and IT, we are deploying shared service centres in Europe. There will be economies of scale. There will be economies because some the shared centres are not going to be in high-cost countries, but in low-cost countries.

On top of that we have significant initiatives in purchasing, because [inaudible] purchasing is one way to make additional savings. Historically, purchasing was split among the different countries in Europe. We decided to centrally manage purchasing and we launched 60 actions with suppliers to decrease the purchase price.

So things are moving. As I said, we have 70 projects and we are speeding up all these projects as much as possible to deliver additional operating margin, additional organic growth and operational excellence.

6. Market Analysis

If I can make a very short analysis of the market. We believe that the market will continue to grow. We believe that the [inaudible] market in Europe by Atos Origin will have 5% growth per year over the next few years. We are up on the growing market.

There are always questions about, 'Do you forecast any slowdown of the market because of potential economic crises?', and these kind of things. We have not had any customer come back to us saying, 'I am going to slow down on my project,' 'I am going to cancel my project.' We do not have any sign of that. We believe that the market will continue to be a growing market.

On top of that we believe that the vast majority – almost 100% – of the resources which will be necessary to generate that growth will be coming from low-cost countries. What does that mean?

It means we do not forecast that we will increase our head-count in Europe. Most of the head-count increase in the next few years will be coming from our offshore, near-shore and end-of-shore activities. Basically from low-cost countries.

What we can say about that chapter is the fact that we have a transformation programme. The transformation programme is moving fast and in the right direction and already has some clear results. The objective is really to have operational excellence and to generate more revenues. By the way, and I will come back to that later, I fully confirm the outcome of 2007. There will not be any surprise today.

7. Market Trends

We believe that there are a few trends in the market.

a. Industrialisation and Globalisation – From One-to-One Delivery to One-to-Many Delivery

First, there is a trend which is moving from one-to-one delivery to one-to-many delivery. This means that the IT service market is becoming more and more industrialised. I am not saying it is becoming a commodity market, but it is clear that some of our activities may become commodity activities. We need to industrialise our processes more. We need to share the same processes and tools among the different countries. Industrialisation and globalisation is a key trend.

How do we address that? The creation of global factories, which I already mentioned. Standardisation of processes and tools. Acceleration of global delivery plans. Constant effort to increase quality and reliability. Enhanced cost effectiveness and competitiveness. We always have it in our head to deliver more industrialised processes, work on cost, and optimise our cost structure and processes.

b. Customer Demand for Business Outcome

The second trend is the move in customer demand from just asking for IT efficiency, to more asking for business outcome.

8. Atos Origin Processes And Activities Changing With The Market

a. Mapping Activities and Processes

When I map our different activities on a very global basis, what do we see on that chart of our different activities? We have managed operations, which are more based on IT efficiency and which are moving from initially very tailored, one-to-one delivery, into one-to-many delivery with industrialised processes. We have system integration which is in between business outcome and IT efficiency, and which is also moving into a more industrialised way. Worldline was already more on a business outcome approach, like consulting.

So we have a pretty good mapping of all these different processes.

b. Synergies Within the Business

At the same time, we believe that there are synergies between consulting, system integration, and managed operations. You will see a few times in our presentation something which may sound strange, which is ‘ACSIMO’ – Atos Consulting, System Integration and Managed Operations. We believe that, even if consulting has an independent life, there is a significant leverage to be achieved between consulting and SI, and at the same time between SI and consulting. Nothing prevents consulting from benefiting from our customer base in system integration to generate more revenues.

c. Innovation

We believe that innovation is going to be of core value. We need to be proactive with our customers. That is why we created an innovation team at the headquarter level and we have innovation teams in the service lines in other countries. We are investing in innovation. Some other companies may talk to you about R&D – the kind of ‘R&D approach’.

d. Consultative Selling

Being proactive in consultative selling. You can be good in innovation, you can have good ideas in terms of providing solutions to the different markets or to our different customers, but we have to train our sales people to have that consultative selling approach. This is one of the objectives we have with the sales university.

e. Partnerships

We believe that we are in a market where we cannot just move by ourselves. We need to have partnerships. The best example which is going to be delivered today is the partnership with SAP. We have significant partnerships with SAP in manufacturing, soon in banking and in different parts of the world including China and, obviously, Europe.

f. Verticalisation of Offers

We believe that if we are going to talk about business outcome, if we talk about being proactive to provide solutions to our customers, in some areas we also have to have verticalisation of all offers. We also have to have a focus on business outcome. That is clearly something that our customers are asking for.

9. Mapping Competencies

Today, we consider that we have a strong basis which is our mainstream business. By the way, if we look on that chart, in terms of relative volume of revenue, the mainstream business will be much bigger. It is a significant part of the revenues today and it will continue to be a significant part of revenues in the future. So it is not – because we are going to talk quite a lot about distinctive offers – that we are going to get rid of the mainstream business. The mainstream business in consulting, managed operations and system integration will remain a significant part of our activities. So we have that strong basis.

On top of that there are a few markets or economical sectors we are mainly focusing on. Public sector, financial services, manufacturing, utilities, telecom and retail. We have a few distinctive

offers which may cover all these markets. The payments systems may cover most of these markets. The payments system is not just for financial services, it covers retail, it covers telecom – in the future, and already, you can pay through your mobile phone. So payment is a distinctive offer where Atos Origin has a strong competence based on history, and where we can provide solutions to these different markets. The same for enterprise content management, and the same for e-service or CRM for private sector, or SAP, where we see transformation.

At the same time, if you look at all the different verticals of markets, we have for these different markets a few specialities, or a few competencies, which clearly differentiate our company from some of our peers.

- CRM – Clearly for the public sector, e-services, CRM is going to be a differentiator for us.
- SAP for banking – SAP for banking, with our relationship with SAP, is going to be a differentiator for the financial services market.
- SAP MMT – Maybe it is not a differentiator, but it is clearly something we want to focus on.
- Nuclear instrumentation and control in the utility sector – That is something which clearly differentiates Atos Origin from our peers.
- Intelligent Networks – In telecoms, our competence in intelligent networks is a differentiator.

Clearly, we consider that the development of the company is going to be based on the mainstream business and, on top of the mainstream business, we have potential differentiators. Let me put it this way: We have potential accelerators of growth which are based on very specific competencies we have developed internally, which may be in one single country, but which we are going to expand in the rest of the company.

10. Mainstream Activity

Let me just come back onto the mainstream activity and to insist the mainstream activity we have today will remain a key, strong basis of our company. To give you an example of the growth we have these days, which is better than in the past, except in consulting, in which we clearly have a recovery plan. We will address this and we will be back to growth next year. I mentioned to the market recently that we will be back to double digit operating margin rate in 2009 on consulting.

So clearly we have good growth in system integration, managed services, year to date. This just means that in Q3 we had a much higher growth than this one.

On the right column you have a few examples of deals we signed recently with a few well-known logos. KPN was an historical logo and we renewed our contract for three years. We have new logos like Dresdner Bank, for example, or Capita, which are quite interesting, and obviously ChemChina.

I want to insist that that mainstream will continue to be a significant part of our activities and we will have a clear focus on that activity.

11. Distinctive/Differentiator Areas Of Business

At the same time we will try to develop differentiators. So what are the differentiators? I am not going to comment too much because we will come back to that later in a different presentation.

a. *SAP for Manufacturing*

But first, maximise manufacturing together at the end-to-end SAP solutions. It is a huge market in Europe. We consider that this market is about €3.9 billion in Europe. We have about close to €100 million of revenues from that activity. We believe that we can do better because we have many competencies around SAP and within the company. We can develop more growth on that activity.

By the way we have a good customer base in the manufacturing environment. 80% of our SAP customers are in manufacturing. There is a willingness to invest on our side in SAP, and to take a larger share of SAP activities in Europe.

b. *SAP for Banking*

SAP for banking is something else. We consider that, step-by-step, banks are willing to move into more standardised software and applications. We consider this an opportunity. Step-by-step, maybe the tier two banks will start in that direction, and will get rid of their legacy systems step-by-step. But we believe that, with a strong partnership with SAP, we can develop an activity for banking, maybe focusing for our first step on the tier two banks.

c. *E-services and CRM*

E-services and CRM in public and private sectors. This is a big market. It is going to be above €2 billion by 2010/2011. We consider that this market is growing by something like double digit growth per year over the next few years. Even if you look at the public sector, in many countries in Europe we are talking about 20% to 25% growth. So this is an opportunity, and even more so for a company like Atos Origin, because we already achieve €160 million in this market. We are a strong player in Europe in this market, mainly thanks to Worldline. We have about 20 years of experience in this market and top of that we have full IPR on existing solutions. We believe that we can do better and develop that activity.

So just as a reminder, I will give you a few examples of activities where we have strong points competencies in that field. We have the speared control systems, we have the Wanadoo convergent messaging, Orange convergent messaging, you have also online trading, the health patient record, [Ocean?] e-commerce. So we have a strong track record in that field.

We have three other distinctive offers which we believe can generate good development. By the way, I mention in that presentation, six distinctive offers. It is a start. There are more to come. It is more a question of focusing on what has most potential short term, and moving step-by-step.

d. Global Payment Services

This is obvious. You know that we are a big European player. We are in Germany, we are in France, we are in Belgium. I already stated a couple of times, probably more than a couple of times, that if we are going to make acquisitions in the future, our priority will be in the payment platform field, to expand our geographical coverage in Europe. Clearly that is an activity we will continue to develop, and which is, by the way, a strong profitability activity.

e. Enterprise Content Management (ECM)

This is a good market. We consider it's size in 2007 is about €2 billion. It may present about €3 billion in 2010. So pretty good growth over the next three years. We are active on ECM, but mainly in one country. Basically we are active in the Netherlands. We developed a strong competence in the Netherlands. We developed a full solution which is about €60 million of revenue around ECM in the Netherlands. Clearly that is the best example in our line of extending a strong competence in one country into many other countries. This is an opportunity.

f. Nuclear Instrument and Control

The last example I can give you is on nuclear instrument and control. As you know, there will be quite a lot of new reactors being installed over the next ten years. We are talking about 360 new reactors to be installed in Europe and different parts of the world. So this is a significant market.

We are the supplier of common control for EDF nuclear plants. The good news with this kind of contract is that it is usually a very long term contract. We signed 17-year contracts with EDF.

We have 300 engineers in Grenoble. There are really scarce resources. It is quite difficult to find this kind of competence. We are one of the very few companies in the world to have that number of strong, competent engineers in nuclear. That is probably an opportunity to expand our activities outside of EDF in many other new nuclear plant implementations.

Basically, once again the idea is to benefit from a competence we have in one country and to extend it in other countries, because we are an international global company.

12. Summary and Conclusion Of Distinctive/Differentiator Areas Of Business

So we have identified distinctive areas. They are [inaudible] areas to define what is a distinctive areas. It has to be business outcome-focused. It has to be cross-service line. It has to become pan-European. It has to provide a high gross and a good return. A good level of profitability. But when I talk about good return, I talk about operating margin but also about return on capital employed. It has to benefit from partnership leverage.

The distinctive areas of expertise we have, as you have seen in the previous slides, are in three industry domains. Financial services, manufacturing and public sectors. So in financial services we are talking about card payment and SAP banking. In manufacturing we are talking about end-to-end SAP solutions. In public sector we are talking about e-services and CRM platforms.

We have two cross-industry domains. Payments, enterprise content management and we have one partnership domain which may cover nuclear and telecoms for example. So that is the way we are

going to approach what we are going to create on top of the mainstream business over the next few years.

13. Conclusions – Development And Arbitrage

Let me finish with a few additional comments in terms of development and arbitrage.

a. Need to Strengthen Core Business

First, we need to continue to strengthen our core business. We need to strengthen our delivery, so consolidation of operating centres, and industrialisation of global factories. Once again, it is based on the idea that our IT service market is becoming an industrialised market, and if we want to continue to be competitive, we need to industrialise our processes more and more.

b. Need to Improve the Way We Go to Market

We also need to improve the way we go to the market, and Patrick Adiba will come back to that later. We are market-focused. We have to be more efficient in terms of addressing our customers and we have to be more efficient in terms of being pro-active on the customer demand. We have to be pro-active in providing solutions for our customers, and we have to continue to provide an internal reach to our company.

c. Geographies

We do not want to de-focus the company on too many geographies. So clearly we are willing to focus Atos Origin on key geographies and activities. The key markets are very clear. They are France, the Netherlands, the UK, Germany, Spain, India (but mainly for offshoring), China (for the internal market today, but probably in the future it will be for the internal market and for offshoring), and Brazil (for offshoring and internal market). There might be a few other geographies, like Morocco, where we have a couple of customers plus offshoring activities. But these are the key markets we are going to focus on.

d. Divestments and Investments

As you saw, we divested Atos Origin Italy. So we made the first divestment. There might be some additional divestments, and there might be some selected investments. I clearly stated that there will not be any big acquisitions over the next few years. So there will not be any acquisitions of the magnitude of Origin or Sema. We do not need it. We have the critical size today. But there might be some acquisitions of small or medium sized companies, and my first priority is clearly in the payments systems.

e. Readiness for Growth Opportunities

Readiness for growth opportunities. It is clear that we also want to keep a good balance between European countries, and to have a few high growth countries. That is why we have a clear focus on China. I believe that China can provide significant growth over the next few years, and I will have exactly the same approach for Brazil.

f. Offerings

The offering, it is clear that we have the mainstream business, we have the distinctive offers. We may look at BPO opportunities or partnerships. It is not a closed door to BPO. If we have an opportunity for acquisition or a new contract, or a partnership with [inaudible] BPO, it is not the case today.

g. Innovation

We have a clear focus on innovation.

h. Outlook for this Year

Two last lines. The first to confirm our outlook for this year. It is my belief that so much of the last few months is, you fully understand that we will achieve this focus on organic growth year on year, and we will achieve our objective in terms of improving operating margin compared to last year. As I stated at the Q3, we are comfortable with these two objectives. By the way, on the 12th December we should have pretty good visibility of what is going on by the 31st December.

More than that, I want to insist on that slide. Clearly, if we are talking about distinctive offers, if we are talking about investments, the key question could be, 'Can you afford to make these developments and these investments?' That is probably information we have not given so often to the market. We do not talk too much about that.

We do not have any financial issues. By the way, we said that by the end of this year, we should end at about the same level of net debt as last year, with the same perimeter. About €360 million of net debt. We are far away from any covenant from the bank, so the net debt divided by EBITDA at the end of this year should be around one, compared to covenants which are 2.5. So we do not have an issue with covenants.

In the past Eric Guilhou has negotiated a 1.2 billion credit line until May 2011, with 1.05 billion until May 2012. So we do not need any financing. If you hear in the future that we may make an acquisition, do not think that we are going to make a capital increase. We cannot afford acquisitions by ourselves, with our cash. When I mentioned the €360 million of net debt at the end of this year, I do not include the disposal of Italy, and I do not include the disposal of 50% stake in AEMS. So we have a clear flexibility in terms of financing.

i. Focus on Cash Generation

The second point I want to insist on, and which is not new, is that we have a clear focus on cash generation, on free cash flow, on managing our capex. So clearly we have an objective in terms of free cash flow for next year, for 2009, and we are willing to move, and to continue to put pressure on cash flow generation.

By the way, we gave an objective at the beginning of 2007, and there will be another objective at the beginning of 2008, to the top management of the company, to the top three or four hundred managers of the company, of a cash remuneration objective which is OMDA minus capex. So there is a clear focus on cash generation.

j. Dividend

Third point, I confirm it is our willingness to pay a dividend. The company has never paid any dividend in the past. It is our objective to pay a dividend, and not wait until 2009. It is a clear objective to pay a dividend, starting 2008 and based on 2007 results.

The objective is clearly to have long term investors, to create value and to keep the loyalty of our shareholders. If I look forward, when we will generate significant free cash flow – €300 million of free cash flow, – I consider that at least one third of that free cash flow we generate on a yearly basis should be delegated to dividend, and the rest, about two thirds, should be delegated to acquisitions.

k. Capex Financing

The last point which is important is the capex financing. You know that we stopped the operating lease, and that increased the capex. At the same time we are currently looking at some of our business models, where our customers are transferring to Atos Origin the paying of capex. We are looking at how we can transfer the paying of capex to financial partners. We are not a bank. We are an industrial company, we are an IT services company. We are not a bank. So there might be some adjustment in terms of business model in the future which could lead us to improve the capex management, increase the capex, and improve the free cash flow of the company.

l. Conclusion

So that was shortly what I wanted to tell you as an introduction of the meeting. Clearly I insist the vision of the company is to be an independent European player, focusing on delivering business outcomes and delivering globally, highly industrialised, highly productive, competitive.

If there is a few messages you should keep in mind, clearly Atos Origin is changing and things are moving fast. Things are moving fast in terms of operations. Things are moving fast in terms of asset arbitrage. Things are going to move fast in terms of growth generation and, I should say, profitable growth generation. So we are capitalising on our strengths and relationships. We are accelerating in terms of globalisation and industrialisation. That is clearly the 303 plan. Organic growth is an obsession. Clearly, keep in mind that we have a strong, healthy financial situation which allows us to move and to create value over the next few years.

So that was my introduction, so now I pass to our friends, SAP. Thank you.

Working With Atos Origin

Dr Manfred Heil

Senior Vice-President, SAP AG

I. Introduction

Thank you. Ladies and gentlemen it is a pleasure being here today. When I was coming here I thought about what would be a good opening here for SAP, and people were telling me that normally when an American would give a speech like this he would be starting with a joke and also ending with a joke. Being a German who flies a lot, I thought I would at least try to start with a joke here in my opening. Being a German that might be a risky game! Nevertheless I am going to try.

Philippe was talking about competitive advantage, he was talking about speed. So I thought – well, this is not a part of the joke, so... So Philippe was talking about competitive advantage. He was talking about acceleration and speed and so forth. A story came to my mind which I believe might fit into the picture. So the story goes like this.

There were two executives from SI companies and they were meeting and they decided to take a walk. And taking that walk, they were going around and having a good time talking about the latest strategies, and talking about the latest market trends. So they approached a big, dark forest. Approaching that forest there is a big signpost and it says, 'Be aware of the big bear.' So there is a big grizzly bear in that forest. And, you know, they had a good time, and decided, 'Well, we'll simply ignore that old signpost and the story with the bear.' So they go into that forest, are having a good time, discussing business, but all of sudden they hear noises, grunting behind the bushes and so forth. So, well, they kept on going. All of a sudden the executive from Atos Origin sits down, takes off his backpack, and takes out a pair of running shoes. The competitor says, 'What is this all about with those running shoes?' The Atos Origin guy says, 'Well basically, you know, it is all about competitive advantage.' The competitor says, 'You seriously believe that you could run faster than the bear?' The Atos Origin guy says, 'Well, no. But I will be running faster than you, if that is what it takes!'

I think Atos Origin has those running shoes. We believe that at SAP, as a partner of Atos Origin. We believe it is all about strategy, it is all about timing. The strategy that Philippe was outlining is very much complementary to our strategy. As a matter of fact what I am trying to do is give you a little bit of insight – how SAP views that market and how we work together with Atos on a regular basis.

II. SAP AG Core Strategy

I think for the industry analysts, and maybe also for the financial analysts this is a known slide. Henning Kagermann, our CEO, is using it for almost every office speech. It shows the core strategy of SAP. So you see SAP is expanding, the width is expanding, the addressable market, and basically in five areas. Of course focusing on our business [inaudible] adding more

functionality, more industry flavours to our offering. But also, SAP is moving more and more into middleware, becoming a platform provider. Of course this is kind of expanding our addressable market. Four or six months ago we announced Business ByDesign, which was addressing our mid-market. Already now I can give you a little bit of a preview.

Of course we are also talking to Atos Origin about what the future model is for collaboration on the mid-market. So that is certainly a field for both companies where we are looking at an extended partnership. Then of course things like Duet and addressing the business users.

For those of you following the market, our announcement around the plant acquisition is, I have to say, exactly fitting in that picture of business object.

The fifth point, and I like to highlight this and the slides you will be seeing afterwards are basically on that very topic, is around what we call our ‘ecosystem’. Our partnerships we are having in place. We believe that a customer-focused ecosystem will be one of the key differentiators for our industry in our go-to-market, moving into the future. As a matter of fact we believe that of those platform providers in the market, there will only be handful coming out of that competitive battle over the next couple of years. But the ecosystems of those providers are going to be a competitive differentiator.

So you see here that cost strategy and the bullets I was highlighting are translated into our aspiration. More than doubling our addressable market by 2010. So going from 30/35 million in 2005, to 75 billion in 2010.

I believe with Atos we have, in all various areas – maybe the mid-market, maybe information work, maybe platform, maybe the traditional solutions – we have many things ongoing. I am going to go into some detail on that in a couple of minutes.

III. Evolution Of The Industry – The ‘S’-Curves

I think it is worthwhile, and Philippe rightfully did it in his speech, to ask where this is all coming from. What have been the s-curves both companies dreamt on in the past?

1. ‘Make It Run’

The way SAP is looking at the ecosystems and partnerships and the main drivers and trends in that topic. SAP is looking back at a very long, positive and productive tradition in those partnerships. It was in the 90s where those partnerships were basically focused around technology, hardware, operating systems. The name of the game was, ‘Make it run.’ I think then the company realised, as the success has been growing, the volume element kicked in and it was all about implementation capacity. Atos has been growing along with that.

2. Verticalisation

The next stage has been the verticalisation. Again, Phillip was talking about this topic. Having key domain expertise in the various industries. Verticals being credible in those industries. You have seen it reflected in SAPs organisation when we introduced those 26 industries, lots of activities – manufacturing was mentioned, banking – where we also work with Atos.

Then it was more of a business-focused message that we and partners gave to the market. It was kind of a business play. We came up with joint business planning with our key partners, companies like Atos Origin. We sit together once a year and we plan for the next year, making sure that those companies are aligned when it comes to goals, KPIs, objectives, go-to-market and so forth. So that is formalised and in place.

3. The Customer-Centric Ecosystem

Now we believe that the next stage in that evolution, the next s-curve, is really about the platform play, the customer-centric ecosystem. That is our paradigm, the way we are looking at it.

What is a ‘customer-centric ecosystem’? We believe the sum of product, service, partners, and so forth, cannot be looked at from the different pieces. The orchestration of all the elements is a core competency, a key differentiating factor. We believe that SAP is well geared up for having that customer-centric ecosystem in place. Like I said, Atos is one of the key drivers and key partners for that.

IV. The Dynamics Of The Customer-Centric Ecosystem

Looking at the momentum in that ecosystem, to give you an idea of what I’m talking about when SAP is talking about the dynamics of that ecosystem, we have roughly 5,000 SI engagements on an annual basis. That is when an SI company is bringing incremental revenue, incremental deals to us, to SAP. We have seen a rapid growth around that factor. Compared year over year, we have a growth of 40%. Of course the market is not growing by 40%, but you see in SAPs go-to-market, the partners becoming more and more important. So over-proportionately, that matrix is growing.

When I move from the services partners to the software partners, by now we have 2,000-odd NetWeaver-certified solutions in place. Again Philippe was talking about the industrialisation, also of SI partners. We believe that things like composite applications where our SI partners are trying to kind of package their IP into repetitive business, or into kind of semi-packaged software, is one future element. We are in discussions with Atos about that topic. As a matter of fact, we already have one of those composites in place. So it is certainly something to monitor in the future.

When it comes to technology partners, we opened up some co-innovation labs around world. There is also one lab in place with Atos Origin in Walldorf. That is really where the technology people are working together, coming up with additional value and new solutions for the customers.

Some more metrics and, like I said, Atos is involved in all of that. Three years ago SAP introduced what we call the SAP Developer Network. What is the SAP Developer Network? Basically it is an online community that fits with the Web 2.0 paradigm. By now we have more than a million participants. Developers from partners, customers, SAP come together, discussing certain topics in wiki, forums and blogs. It is organised along topics.

It is quite interesting in that we have 5,000 posts per day, and now when any person in the world is asking a question in that online community, the average response time is 15 minutes. So out of that community questions are being answered. Of course we also see Atos Origin as being a vital member of that group. Their consultants are taking part in those communities, representing and introducing Atos Origin.

We have something similar which we call the Business Process Expert Community. That is where the business people and consultants are coming together, as opposed to the developers. It is basically the same, with Atos very active in the field.

Beyond that we have communities for individuals. We have what we call the Community for Companies. There is one community around enterprise services. So for those of you familiar with [solar?] concepts and platform concepts, that is really where the core of the future SAP solution offering is being defined. We are working with partners as well as with customers defining those future services, those future solutions. This is a by-invitation-only community. Atos is part of that, as well as in some of the industry value networks. So those are industry-centric communities where our industry people are working together with partners and customers.

So what I was trying to explain here was that the Atos Origin partnership, in the eyes of SAP, is not only one dimensional. You know, on the customer side: How do we go-to-market? How do we do implementation? It is also about creating the future, co-innovation in the various areas like enterprise services, like platform, also around the developers, and so forth.

V. Working With Selective Partnerships: The SAP – Atos Origin Partnership

Now some insight to give you a flavour, explain what this means and where the competitive differentiator is. We are fairly selective with those partnerships. As a matter of fact, on the left hand side you see the partners who we call the ‘global partners’. There are only 14 which we consider as global partners, and Atos Origin among this elite group. In total we have 1,200 SI partners.

From looking at those numbers, you can imagine that Atos Origin is a very important partner for us. We have regular meetings on all levels, in the industries and in the field. Now Philippe is meeting Leo Apotheker on a regular basis. They are both living in Paris. I think they are also enjoying some glasses of red wine once in a while! So you see there is a close relationship between the companies. For us it is very important, and Atos is very supportive in that regard.

One of the key objectives that SAP has this year and next year, is to really grow the consultant basis in the market. It is kind of a resource gap in the market and I think [Ian?] you are going to explain what your growth plans are in terms of consultants. What we are looking at is to grow our consultant base to more than 20,000/30,000 in the course of next year. Atos to play a very important role in that field as well.

This is kind of a summary slide, I believe, nicely summarising those interaction points. We have Atos on the left-hand side as a trusted and relevant partner. It is really important for us to have a relevant partner, not only a logo. I do not think that is a one way street. So Atos is a very prominent partner in that field. Atos is right in middle of our customer-focus, and go-to-market, and being a very credible and critical player for our business process platform strategy, taking part in the definition groups and so forth. We also have, of course, our communities of innovation, where Atos is very much active.

1. The Chemistry Industry - An Example Of Industry Value Networks

This is an example for the chemical industry. Basically, it is how it works now – taking it to the next level around a certain industry – what we usually do. I was just talking about the industry

value networks. This is an example of that. We invite certain customers and partners to those industry value networks. You can see our solution map on the right-hand side. Those companies, partners, customers discuss where SAP needs to improve, where our white spots are, who can contribute. It is really a kind of a community around a certain industry. You see highlighted here that Atos is one partner in that and, of course, the activities around ChemChina plays a vital role. By the way, also when it comes to defining joint industry standards, we are working with Atos very intensively.

2. Organic Growth – Consultancy

What we have seen in the past in terms of growth, and it is all about growth of growth. Organic growth is also the strategy of SAP, as you know. Like I said, the number of consultants is very important for us, a very important metric. You see how it evolved here over the last couple of years. The number goes up from slightly below 3,000 consultants in 2003, to 2008 when we are looking at having more than 5,000 consultants.

3. Upgrades

So you see the big momentum, the big growth drivers. It is not only the growth of consultants, but also the end-to-end coverage that Philippe was talking about. So application management, certainly reducing the legacy system footprint, a joint target. We see it reflected in joint activities around the upgrades. I have to say, for me, Atos is really in the same league as IBM and Accenture when it comes to our upgrade activities. For us, again one of the strategic objectives is moving our install base, moving our new customers to EMP 6.0. I believe what I have been seeing from a number of perspectives, and also from a qualitative perspective, Atos has developed a certain methodology which makes this migration for our customer very smooth and cost-effective. So we have been seeing, over the course of these years, tremendous growth in that area. Like I said, the same league as Accenture or IBM. So that is something we are driving in common. We have regular business meetings where we are in close lockstep discussing those initiatives and those topics.

4. Composite Applications

Then eSOA. I was talking about composite applications. We are talking about, on top of the SAP platform, what future composite applications, new functionality could be built together utilising leverage and our services here. I believe banking is a prominent example. This is not an announcement here, but I have to say the discussions with our banking IBO and Atos Origin are going along very productively and very positively. So please stay tuned over the next couple of weeks, and I am sure that we will have something to say in that regard.

5. Manufacturing

On the other side you see what I believe is one of the almost neglected topics – good old manufacturing. If you look at SAP, and where SAP are really making the money, it is still in those traditional industries. They might not really be sexy for some of the market participants, but manufacturing is still one of the growth drivers for SAP. So we are happy to combine strength and skills and forces here with Atos in oil and gas, chemicals, automotive and hi-tech, for instance.

6. Industrialisation Of The Upgrade Process

Industrialisation of the upgrade process. You see here some numbers. We had a plan to do 65 customer migrations, upgrades this year. I am convinced and pretty much confident that we will significantly over-achieve that number. I hope that we are getting to something like 80 or so, but we will see at the end of the year. We have a very healthy pipeline of 130 or 140 customers with whom we are working together and driving those upgrades.

VI. Conclusion

I believe that the bottom line for us in SAP is that this partnership is nothing new. It is a proven partnership, it is a long-standing partnership, and SAP is committed to support the new strategy developed by Atos Origin, the direction that P was describing. We are a committed partner and I am convinced that in 2008, I believe those running shoes that you are putting on will accelerate to new heights and to new speeds. We are going to continue working closely together and we are convinced that 2008 will be a breakthrough year for Atos Origin.

With that said, thank you, ladies and gentlemen.

Go-To-Market Strategy

Patrick Adiba

Executive Vice President, Olympic Games and Major Events

I. Introduction

With regard to the go-to-market strategy, the objective is to present to you how we are going to take to market, to our clients, what you have seen earlier on in Phillippe's presentation about the strategy. I will also be touching on some of the points on partnership, and expanding a bit on what you have seen on SAP. Essentially the presentation is going to be divided into three parts:

1. What the portfolio of new offers is. You have seen a quick, brief overview during Phillippe's presentation. I am going to zoom in to some of them to give you an example of what those offers are about.
2. How do we sell them and what is new in the go-to-market. What are the things that we have put in place and that we are going to accelerate in 2008.
3. Who are we selling to? What our customer base is, and how this customer base is evolving with this new strategy.

II. What Atos Origin Are Selling – The Portfolio Of New Offers

So what are we selling? The first thing in this line is to say that now we have a portfolio of offers which is essentially composed of the distinctive offers by selected markets, which are market specifics. We have the distinctive offers of our cross-service lines, across the various markets. And we have the mainstream offers. This combination creates this portfolio.

The new thing is that we are going to manage this portfolio in a dynamic way. We have identified some offers that are very successful and that we are going to replicate in various geographies or various customers, but we are also going to regularly revisit this portfolio.

This is the second point, which is innovation, where, any time we need to innovate and develop something new, we will put it in place and propose it to our customer in a very dynamic way, shortening the cycle between innovation and go-to-market.

The third point is partner management. Absolutely essential. I do not need to comment. We have had a good presentation from SAP. It is absolutely essential to have good partners for two reasons. For having the best geographical reach, and also to complement our offer portfolio whenever it is necessary.

This is the picture that Philippe presented earlier on in terms of the various offers. I will zoom in, in each of them. We have as a baseline the mainstream offer. We have the horizontal offer across service lines. We have the very specific offer per market. I will zoom in on some of them, just to give you more information about the type of project and solution that we are offering. Then I will explain how we are taking them to market.

1. Example Of A Distinctive Offer – Nuclear Instrument And Controls

I will start with the distinctive offer by selected market. The one in blue in this slide, at the top. What is absolutely clear about those offers is that they require a very strong business process knowledge of our client. We need to understand exactly and very specifically the business process, the driver of our client, and we need to have experts, particularly consultants, helping and supporting the implementation of those offers with our various clients.

If I take an example, the example we have chosen here is nuclear instruments and control systems for the nuclear power plants. We have developed a very strong expertise in this domain over the last thirty years. Today there are two opportunities. One is refurbishment of existing power plants, which is a business opportunity. Also the growth of nuclear power plants around the world.

We have developed a very strong partnership with EDF in that matter. What is interesting is that France is the second largest install base of nuclear power plants after the United States, and therefore we are present in a very big part of the market. Therefore we have some long term expertise that we can replicate in various geographies and with other customers. This is typically what we want to do with those distinctive offers in very specific markets, where we have a very distinctive expertise.

What is important as well is that we have done, in partnership with many companies, and it is also essential to have the right partnership to be able to push and implement those solutions across the various geographies we are targeting.

2. Example Of A Cross-Service Line Offer – Enterprise Content Management

If I move on to the cross service line offer, which I would say is horizontal and across markets, on this one we have selected the example of enterprise content management. We touched briefly on it earlier on. Philippe made a comment. This is a very growing market. It is a big market, it is growing very fast. The key problem is for all enterprises to manage a large volume of information, archiving documents, archiving emails. There are a lot of regulations that we have to comply with. We have developed this expertise. It is clearly a managed service, an end-to-end managed service. We have to understand from the very top of the business process. What is necessary to define clearly the needs, and also do the implementation, and potentially run the system for the client?

We have developed this expertise predominantly in Holland, although we have done it in other clients as well. Again this is a good example where we can leverage geographies. So what has been done very well in a country like Holland, similarly to the nuclear power plants in France, leverage across geog. But also leverage it across customers. So we have implemented this solution in Holland with many clients. The idea is to be able to expand it rapidly, and propose it and install it with many other clients.

3. Mainstream Offer

I move onto the mainstream offer, and here I take two very specific examples on mainstream offer. Mainstream offer does not mean commodity and does not mean simple offer. The mainstream offer is really at the heart of our business. It still represents a significant part of our revenue, and will still represent a significant part of our revenue on which we can also elaborate and sell distinctive offers. Here I want to take two examples of what we have achieved recently in order to materialise what are these mainstream offers.

a. Example 1: Dresdner Bank

The first example is Dresdner Bank. We have recently won a contract with Dresdner Bank in Germany, which is an application management project. This project involves a lot of competencies available within Atos Origin. It is in Germany. We did not have any significant presence in the finance market in Germany, but we managed to convince the customer by putting together all the expertise we had around the world in finance services and in offshoring. This project contains a fair amount of offshoring activity, it is probably one of the biggest offshoring projects in Germany in the finance industry so far. We managed to convince the customer that we had the best solution for him by first of all pulling together all the competences around the world that we have in the company, and secondly creating an intimacy with the customer and being able to really adapt exactly a solution that was matching the need of customer. We did not push a product or services that were pre-packaged. We understood what they wanted. We did very deep analysis of the needs, and we managed to deliver the solution.

The key benefits for the customer in that case are significant costs savings, and also an increased flexibility. Their main problem was to be more agile, to be able to go to market more quickly, and to develop and launch new products more quickly. We were able to demonstrate that we were able to do that with this customer.

In the mainstream business in this case, we integrated all the skills we have in the service lines. Consulting, system integration, managed operations, offshoring – absolutely all the skills available. Competence in the finance services, and we were able to sell this product.

So although it is a mainstream business, as you can see it requires quite a complex process to bring that to market. Later in the go-to-market approach you will see how we do that in terms of organisation and process.

b. The Olympics

The second example I want to take is the Olympics. You have seen the video earlier on. I want to focus on the Olympics because they are really a showcase of all the competencies we have in the mainstream business. It is clearly a design, build and run project. It requires four years to prepare. In the Olympics we have absolutely all the expertise that is available within Atos Origin. On top of that it is a project where we are really judged by the business outcome. What is important is that the Olympics runs smoothly. So we are really judged by the business outcome. People do not really care what the technical solutions or the processes that we put in place are. What is important is that it runs.

It is also an example of a very long-term partnership, which illustrates what we want to do with our customers. We started in 1992 with the International Olympic Committee. We will go all the way to 2012, which will be 20 years. So a long term partnership during which we mutually can reach each other on applying innovation, making the games faster, safer, etc.

The other element about the Olympics is that it is a fantastic element to shorten the go-to-market. When we do something for the Olympics, and we demonstrate it to any client, we are immediately credible to deliver it in any industry. I personally presented this project to the thousands of representatives of our clients in the last years, and every time you present some particular expertise that we are able to deploy, like IT security – securing the information in the systems of the games, or knowledge transfer, we are imminently credible.

It is very important to shorten the time to market, particularly when we are going to develop new logos, or sell to our existing clients applications or services for which they do not know us.

III. Who Atos Origin Are Selling To

We have seen what to sell, the distinctive offers specific by industry, the horizontal distinctive offers, and the mainstream business. Now we are going to see who we are selling to and the customer base.

If you look at this slide, this is the evolution of our client base between 2005, 2006, and 2007. You see the grey part on the top are the new logos. I will zoom in later on this part. You see in 2005 the top 50 clients were representing more than 63% of our business. If you look at 2007, this part will be 56%, although we grew in the mean time. This means that the other and new logos have increased by 7 points in this period, which means we are diversifying our client base more and also we have increased our win rate ratios in medium-sized deals. So our ability to be less dependent on very big clients which we think is a positive element.

If we zoom in on the portion ‘other and new logos’, you see that on this part we actually grew more than the market. The market growth was about 6 to 7% over the period. The growth on the other and new logos is about 11%. We believe that the reason behind that is because we are able to match exactly and understand better the customer needs for this kind of customer and we are able to differentiate ourselves by proposing innovative solutions that are giving positive business outcomes to our clients.

IV. How Atos Origin Are Selling

How do we do that? We have a set of offer and portfolio that we manage dynamically. We are extending our customer base. The next topic touching on how we are doing that, what we have done in terms of go-to-market and sales organisation in order to be able to deliver that to the market.

The key element is that we have really put the global account manager as the key orchestrator of the relation with the client. The account manager is really the main interface with the customer. His responsibility is, of course, to understand the customer best – the evolution of their needs, the trends, and to be able to pull together, from the organisation, the necessary resources to support the development of the account.

If I take for example the distinctive offers per market. In this particular area, Atos Consulting will be particularly critical in order to understand the needs and deploy the solution, and to, if necessary, support the transformation that goes with those distinctive offers that are very often required to transform the company to make them successful.

If we are talking about more mainstream offers, or integrated cross-service line offers, it could be a mix of Atos consulting, systems integration, managed operations, Worldline, that will assemble a team together that will be able to deliver the best solution. That is exactly what we did in the case of Dresdner, which I was describing earlier on.

So the key thing is the global account manager as the orchestrator of the customer relations. There will be a much stronger role in the selling process of the global markets and Atos Consulting. That is new, and we do that in a very dynamic way.

Of course we also do that internationally. For all international accounts we are absolutely able to operate in this model in a totally international manner.

The Atos University

An important element as well, when we talk about innovation, new offers, moving markets, moving needs, is to have professionals that are all the way up-to-speed. We have created the Atos University centre market. We created this university in June 2007. The objective of the university is twofold. One is to train our sales force purely in sales techniques, or marketing. Also, on the market and on the specific solutions. So all the solutions we are discussing, and that you will see in more detail, are actually pushed, and we train the sales people at the university on the specific aspects of the solutions to develop the concept of more consultative type selling. Instead of just coming and saying a solution, understanding what the need of the client is, and how the solution can be adapted to the customer need.

Two objectives here. Continuous professional development. Making sure that every time we have something new, we can very quickly push it to the market. The other interesting thing that I think is unique about the Atos University is that our customers, our partners – like SAP – the analysts, the advisers, are part of the programme of the university. So they are part of the jury when we have the graduation of the courses, they are part of delivering some of the modules. So it is completely embedded with the reality of the business. We do not have theoretical classes. We have the university totally open to the environment we operate in, and that has proven to be quite successful with the last six to eight months of operations.

The university started in June 2007. We have already trained 250 sales executives. We are planning to train about 800 in 2008. We already have most of the courses booked. So it is up and running and it will deliver results very quickly.

V. Conclusion

To wrap up what I said, what is important is what our customers will see. We have these new offers, this new strategy, the important thing is what difference that will make in the eyes of the customer. I tried to organise that in three parts: the offers, how we manage our clients, and in the go-to-market itself.

1. Offers

In terms of offers, what the customer will see is a consistent and balanced portfolio of offers, something that is more homogenous and that is relevant to their own business. Also, being focused on the business outcome, meaning that we do not talk too much about services lines. We are not selling MO, or consulting, or SI. We are selling a solution and we are using all the competencies we have inside the company to deliver the solution to the customer. This is a different approach to the one that was in place up until now.

2. Client Management

In terms of client management, competent account managers being trained, being up to date, knowing exactly what we are selling and how we can deploy them, and capable of leveraging the whole organisation. This means the governance of the sales has been adapted so the account managers are empowered to leverage the entire organisation in order to deliver the solution, and have a better approach to consultative selling. To really understand before trying to push something to a particular client.

3. ‘One Atos Origin’

The third point, I think we will also cover it in more detail in the following presentation, particularly in Tarek’s presentation, is ‘One Atos Origin’. We are one company with a set of competences, and we are able to mobilise those competences, and make them available to a particular client to develop the business. Again, touching back to Dresdner before, even if we are not present in this geog, in this particular sector, like finance services, we are able to demonstrate to the client in front Accenture and IBM – which were the two competitors who were in the shortlist at the end of the Dresdner project – we are able to mobilise, to be totally credible and win the business with the customer.

I think with all that this is the new face that Atos will present to the customer in this new go-to-market strategy, and I think I will pas it over to Tarek to explain how we are moving to the 'One Atos Origin'.

Operational Excellence

Tarek Moustafa

Group CIO

I. Introduction

Good afternoon everybody. Let me first say that it is an enormous pleasure to be able to make this presentation, particularly in partnership with Hubert and Francis. I will take a very short period of time to just set the scene. Essentially what I am going to try and cover is just to explain to you about how we are going about the transformation.

The first message I want to leave you with is that 303 is really an integrated and related set of initiatives, and it is being managed that way. You have seen that Patrick, in his previous presentation, has covered the go-to-market, which covers a spectrum of elements in the 303 programming. You will see that the focus of the follow-on from my few slides will be around industrialisation, global sourcing and the MS global factory, which has the label of global delivery.

II. Common Thread Holding New Initiatives Together

Maybe I could just take a few moments and identify what is really the common thread that is holding all these initiatives together. It is simply about leveraging the existing scale of Atos for growth and efficiency. Philippe explained to you earlier the history of the company. It has grown fast through acquisition. One of the consequences of that is that the level of integration across the business is not as tight as a company that may have grown through organic growth.

Essentially what we are driving towards in this transformation is to put in place a common enterprise framework for Atos Origin. You will hear a lot, and you have heard a lot, about shared service centre principles, which is one of the underlying drivers behind the transformation.

III. How Atos Origin Are Going About The Transformation

The question you may ask is, 'How are we going about this?' Any change has the potential to deliver major benefits, but it also has the potential to cause disruption.

It will not be a surprise to you all that we are, frankly, following our own methodologies in terms of executing the change. At the heart of what we are doing is the process. You will hear a lot about the process from Hubert and Francis in the follow-on presentations. You will hear ITIL, you will hear CMMI, you will hear different expressions of internal definitions of processes that we are working on. You will also hear a lot of messages regarding standardising KPIs and driving

efficiency. You will hear some organisational statements and the selection of standard tools and solutions. One thing not to be neglected is the required controls that we need to wrap around any process that we build. We are in an industry where we are serving other industries, and there are numerous standards and requirements in terms of controls that need to be in place.

IV. Conclusion

The real key message I want to leave you with is that 303 is a framework. It is a framework that is active as an accelerator on actions that were already being worked on in the business. My personal belief is that we are in next phase now. We are talking about operational excellence. We are essentially driving towards a situation where this becomes part of our business-as-usual behaviour, and underlying that is continuous improvement driven by performance-based KPIs.

At this point I would like to hand over to Hubert and Francis, to cover subject of global delivery.

Global Delivery – Consulting And Systems Integration

Hubert Tardieu

Executive Vice-President, Consulting and Systems Integration

I. Introduction

Thank you. Good afternoon. I would like to present to you, jointly with Francis Delacourt, the global delivery. For us this is the combination of industrialisation, global sourcing and managed services global delivery. Both Francis and myself are responsible for the global service line, which are Atos Origin Consulting and Systems Integration in one hand, and Managed Operations on the other hand. It has been our responsibility for three or four years now to make sure that this globalisation of our delivery was possible.

What 303 has really brought to the scene is an acceleration of this process into a web which is extremely significant because for once we have been able to cope with really the three elements of the global delivery. This is really the organisation – basically how the service line organises in every geography. It is extremely important to say that only if you have a common pattern of organisation, are you able to reap the benefits of the economies of scale. Obviously the expertise in terms of industry, in terms of technologies, in terms of products. We have been very clear for some time, and that has been reinforced in 303, about the industry within which we want to work, the technology within which we want to work. Having those capabilities – full, shared capabilities in terms of centres of excellence, in terms of solutions, in terms of innovation and processes, were absolutely necessary in order to make this happen.

II. Four Pillars Of Global Delivery

Basically in the economy of scale we use, we are absolutely looking for global delivery. We have four basic pillars, which are important.

1. Industrialisation

Let us start with industrialisation. In industrialisation, what is important for the population, which is doing specifically in my case systems integration, and in Francis's case managed operations, is to make sure that we use common processes and common tooling. The reason, as Philippe has explained is because the company has been built by several acquisitions. In each of the acquisitions you add many methodologies, processes and toolings. What has been done, and I will explain how, is that we have now agreed altogether to have these things around a shared service centre.

2. Partnership

Partnership has been very well explained by Manfred. What it means, and you can understand as he said it very explicitly, is that at one point you need to have enough experts and consultants to deliver. In the case of SAP typically, we have a shortage that he mentioned.

3. Industry Standards

We have two kinds of industry standards. One which is called CMMI is for software development. Another one is called ITIL and is for service delivery. Both of them are measuring the maturity of our organisation. What we have decided up front is to accept and confront our level of maturity to an independent assessment. I will explain to you in a minute the way that works.

4. Global Delivery

Finally, global delivery. It is hard to get organised in terms of close-shore. We call close-shore the delivery which is done within the country but not within the town, when you can get probably 20% to 25% of less cost than in the main town. Near-shore, in the same kind of time-zone, and that you have the main countries. Finally offshore, which as I will show to you in a minute, is concentrated around India, Brazil and some others.

In order to get that thing together, we have been reorganising. It was a little bit before, for that organisation. At this point in time, what is important is to say that since the beginning of 2006, we are organising a matrix organisation like that, with the responsibility for the service line to make sure that we have that kind of capability to make things more global.

One of the things that has been mentioned several times – ACSIMO – is the name we are giving to the ability, using our enterprise architecture approach, to do end-to-end delivery with Atos Consulting taking care of strategy and business scales, business process modelling and operational transformation. Systems Integration primarily to do development and roll-out and Managed Operations to operate in [inaudible] such as [storage?] and compliances. All that from a common approach which is defined within Atos Origin, under the enterprise architecture trademark.

III. 303 Programme Objectives

Before I give you some statistics about the progress which has been achieved, let me remind you of the kinds of objective we have given to ourselves in 303.

1. Standard Delivery

First, standard delivery. What we see more and more is that there is a tendency for time and materials to evolve to service level agreement. This is something which is true across the service lines. It has been true for very long in Managed Operations, but it is coming very strongly in SI.

a. *Consistence, Matrix And KPIs*

Consistence, matrix and KPIs. I believe this is probably one of the most significant requests of the industry. We are beginning to see calls for tender which are entirely based around those matrixes. In our business those matrixes are called function points. They were invented in a very specific context of specific development. We have extended it, both into the application management business, as well as the packaged business. This is the way we are measuring our productivity .

b. *Output-Based*

Output-based, meaning that several of our customers are asking us to be invoiced by the number of units of work which we have been able to produce. Typically, in the application management contract, it means that you are paid by the number of calls you have received to signal to you problems and errors or the kind of improvements which are requested. That is for standard delivery.

2. Distributed delivery

This is very classical in our picture. Where we want to have, in the front of this, all our experts having the customer intimacy, the innovation, with resources which are able to understand the customer, while we get the efficiency in terms of economies of scale from specialised factory. I will show you in a minute how it works. This is across the whole world, which means that those capabilities are to deliver to all regions.

The name of the game in that case was to get into shared service centres which are providing the proper infrastructure to the Atos Origin staff. Basically speaking, what it means, the eligible population, which I will show you that later on, is about 15,000 people in SI. It means that all these people are progressively using the same processes and tools. For instance the tools are delivered out of the network, out of specialised tool centres that we have created.

IV. Geographies

This is, to start with, the map in terms of global sourcing. You see a primary centre in India. I will get into the numbers later on. This centre at this point was in Mumbai and Calcutta. We are extending it with a large campus in Pune. And we have recently opened in Bangalore at the location of an acquisition.

The next one which has been created on a large scale is Brazil. It was inaugurated two weeks ago. This will use our capability in Brazil, especially in the development of projects, but also in a very important business which is SAT configuration that we are now able to do more and more out of offshore.

You see two other centres in Morocco, which is primarily dedicated to French clients, and Armenia which is a centre we opened at the beginning of this year and is around IBM technology and mainframe.

V. Achievements So Far

What is important is to tell you, after I have explained what the objectives are, what the achievements have been. I would like to tell you in a very specific way that our plans are more than respected in terms of their progress. You can see here the offshore and close-shore capability. We have made a commitment, in terms of offshore, to be at the level of 8,000 by the end of 2009, which represents about 20% of our total delivery. You see that capability, and here you have only the SI portion. As Philippe said, we have been able to grow India by 70% this year through the new mechanisms that we have put in place. This has been signalling that our capability to grow is possible out of offshore.

I have also mentioned here the close-shore. Just to tell you, the magic formula we want to have achieved by the end of 2009 is 20% out of offshore, 40% out of close-shore and 40% out of the front office next to the customer. This is the picture, and we are well in line with that progress.

VI. Progress On CMMI

What I have also shown in the second chart, which is the one in green, is our progress in CMMI. CMMI, for those of you who are maybe less familiar with that, is measuring in a scale which, if you are at 1, you are little bit chaotic. If you are CMMI 2, you are repeatable. So when you are successful, you know how to repeat that. CMMI 3 is 'defined', so all your processes are defined.

This is assessed by independent company, which is the same across the world of Atos Origin. By the end of 2007, 40% of our people will be at CMMI 3 or above. At the end of 2009, 80% of our people will be at CMMI 3 or above. This is simply demonstrating our ability to put in place the capability in terms of processes across the [inaudible].

VII. Tooling

If we look now at tooling. We have had a very in-depth analysis at the beginning of the process of where the places are where tools have an obvious return on investment. Seen from a little bit remotely, everything seems to be equivalent to everything. In fact, what we have demonstrated in a very clear way is that the one thing which are the best return on investment are testing factories, requirement management, project management, productivity management, data mining and configuration management. What is important to say here is that all these tools, starting next year – we are already a little bit into 2007 – will be available out of the top, on the network.

At this point this typically means that the project management tool we have chosen is having a service centre installed in France, and that the Indian engineers are doing project management out of the network in the same way as the other part of the group.

You see on the chart on the left that by 2009 half of the population will be addressing, in a systematic way, this tooling. Why only half? Because you do have a portion of the business which is done with specific tools required by the customer and we will probably progress, but it will not

be, at the end, the totality of it. You see in the mean time some kind of a decline of the specific part of T&M outside of the SLA, which is reducing year after year.

All in all, that means that the whole of system integration is to be organised as software and development, and maintenance centres, which are concentrating the ability to do the processes, to inform the processes, to inform the tooling, and also to be the gate for opportunity in terms of offshore, which we want to push.

VIII. Examples Of Global Delivery

I would like to give you two examples of this process before handing over to Francis.

1. Contract With Renault

This first one is a contract that we signed at the end of 2004. It is a five-year application management out-sourcing contract. In that contract, we have the customer facing units which are in France, while we have the delivery which is done out of Spain, India and Brazil. So they are absolutely following and respecting the scheme I was presenting before. Common processes, common tools, common matrix.

Renault is a very, very big fan of function points, so they have been asking us to use that extensively. We have decided up-front with our customer that this business was only valid if we are gradually able to get the whole of both Renault and ourselves together at CMMI 3. We will be together at CMMI 3 in 2008, which will be assessing the situation of the mature process with our customer.

It is very interesting as well that Renault made the request. They have given to us, up-front, units of work to measure the way we work in terms of function points and in terms of application management. This is in terms of the number of emails, the number of calls we are receiving every month. So we are measured on output-based evaluation.

2. Contract With Dresdner

That is the first thing. Patrick mentioned Dresdner. Dresdner will be done in a very similar pattern as we are doing most of our contracts from now on. Just to give you an idea, in that kind of contract we are normally reaching, at the end of the period, which is normally four or five years, 60% of the business which is done out off offshore, near-shore, or close-shore, and very little done next to the customer at the end.

3. Contract With ChemChina

Another case, which is a recent one, is ChemChina. I was willing to mention ChemChina as a nice illustration of the ACSIMO model at work. The thing started in January 2007, when through the MMP initiative, we identified the opportunity to become the strategy partner for ChemChina, which is the number one chemical enterprise in China. From there we started a consulting engagement, helping ChemChina to design their strategy, to choose which ERP they want to use and finally to decide which kind of template mechanism is used, knowing that ChemChina has very many different metiers in chemistry.

In September 2007, we signed a global strategy partnership. This is giving us a framework agreement both for business consulting and IT, and we are, right now starting an SAP implementation, in such a way that we will be able to roll out all the systems, most of them, before they are listed on the stock market, which is something they want to do in the next two years.

Just to illustrate my point, that would not have been possible without the competence centre in chemistry which is based out of Germany. In Germany we have the best experts in SAP Chemical. Some of these people will have spent days, months in Beijing to make it happen. But as well, we have been using our competence centre on SAP which is based out of Brussels in such a way that the best capability be given in China where we are now growing our capability very rapidly.

I would now like to hand over to Francis.

Global Delivery – Managed Operations

Francis Delacourt

Global MO, Member Of Executive Committee

I. Introduction

I am head of the Global MO service line in Atos Origin. My role at Atos Origin encompasses Infrastructure, Managed Services and BPO. Global delivery model and global sources is an already existing situation in MO. In Atos Origin we have been delivering based on this model and offshore centres for years, but the recent 303 initiative has been a booster in order to move faster in this delivery model.

II. Offshoring

In terms of offshore sites, we already have Morocco, Poland, India, Malaysia, Surinam and Brazil up and running. Those offshore centres cover service desks and are of course linked with languages. Morocco for French-speaking and English. Poland for Central Europe and Dutch. India for all APAC countries and UK. Surinam for Dutch language. Brazil for the Latin, Spanish and Portuguese languages. All those service desks are interconnected. We have been following the principle whereby tickets can in principle be transferred from one service desk to another in full continuity. We have operations centres in Morocco, Poland, Malaysia and Brazil, and Level 2 and Level 3 support in most of the countries, essentially India. This is where we are today.

A number of FTEs are offshore at the moment. In 2007, we are close to 1,000 FTEs in those offshore centres, which is approximately 15% of what I call the addressable population. This population is all those services and people who could potentially be offshore.

We will have a very significant step to make in 2008, moving from 15% to 25% of the eligible population – the addressable population – thanks to the growth of the Casablanca service desk and money centre. The French-speaking customers will now be serviced from Casablanca. This is a

very big step. We know France and Germany are very often reluctant to resource offshore delivery models. But Germany as well, will now move faster and faster to Poland.

We will reach 30% of the addressable pop in 2009. I am fully confident we will verify these figures.

III. CSDM – Continuous Service Delivery Model

IT CSDM. CSDM is our own way of implementing 100% comply and delivery model with [ITIL?]. CSDM stands for Continuous Service Delivery Model. At the moment already 50% of the population of MO is working based on these CSDM processes. 100% of the Dutch organisation, 30% of the UK, 20% of the German one and 10% of the French population are working based on CSDM. With regular growth, we expect 70% of MO people working on these CSDM processes in 2009.

IV. Key Initiatives Boosted By The Transformation Programme

A quick focus on a couple of key initiatives which have been boosted by this transformation program. Server management, linked with monitoring centre, and service desk and fixed services. These two initiatives, in fact, directly improve the performance of 60% of our business, because service desk desktop and server management account for 60% of our business.

1. Server management

Our plan for moving to standardised way to manage servers, to consolidation, virtualisation, and what we call optimised way of managing servers, will improve what we call the 'spoc', the number of servers one FTE can manage, by more than 40% between now and 2009.

2. Monitoring

Monitoring centres also, that is one person can monitor a certain number of servers. Our average rate at the moment is one FTE manages – from the monetary centre – 150 servers. We achieve close to 250 servers per FTE by sharing the appropriate automation and tooling we have and we are currently running out over the various monetary centres.

3. Service desks

We will increase the performance we measure in terms of KPI by number of calls managed per analyst by a more conservative figure. Probably 30% improvement linked with a roll-out of a service portal and also knowledge management that will be shared across our service desks. We also need to know the real performance of service desk and desktop management is mainly to reduce the number of incidents which are managed at the level of field services. We need to manage incidents remotely, in order to achieve greater managed incidents. By deploying new technology, new toolings and new processes we will dramatically reduce the cost of field services by improving and increasing the number of incidents managed per engineer from 30 incidents at the moment up to 120 within three years.

All these plans are on track. We will deliver these figures.

V. Working Example – Alstom Contract

We closed this deal, which is one of biggest full desktop deals closed in the past 18 months. This one was closed 12 months ago. 47,000 desktops worldwide. Two waves. One is mainly continental Europe, North America, which are the largest countries of Alstom, and then all the minor countries.

We decided to put in place our global delivery model in order to deliver those services. We have already transitioned France, Belgium and Switzerland. We are transitioning UK and Germany. All this we have done for 60% of the full potential of desktop. This is working well. We are using our offshore centres. Kuala Lumpur for the UK. Poland and Morocco for French-speaking countries. We are using all our tooling and our processes 100% fully compliant with ITIL. This is a tremendous achievement. All the other global customers we are starting now we are delivering based on this model.

VI. Conclusion

That is it. Just to repeat again, we have a tremendous asset of knowledge in this company. Our real purpose is to leverage this. Global designing, building and operating solutions. Including a lot of innovation. This is absolutely what we want to do. This is what we have been doing but we will again move faster in this direction, using this global delivery model which is absolutely consistent between SI and MO, based on the strong [?].

That is my conclusion, and I think we are now ready to answer your questions. Thank you.

Question and Answer Session

Roger Cox

We are now going to have a question and answer session, so we are going to invite Philippe and the board members onstage to answer questions to us and to any of the speakers. There will be a microphone. Put your hand up and we will hand you a microphone so you can make your point. I am going to run this for the next 45 minutes. Thank you very much.

[Neil Steer, Redburn Partners?]

On one of the charts you show that, in terms of partnerships, they are very important going forward, but the only name that appears there is actually SAP. I am just wondering to what extent is the business putting all their eggs in one basket, to what extent we can see other partnerships being formed in due course, and whether you can perhaps talk a little bit about what else is taking place on that front?

Philippe Germond

First, hopefully it is not just SAP. That is an example, and a visible example. But Hubert, if you want to give some other examples?

Hubert Tardieu

In terms of partnerships, we have used SAP to show the magnitude of what it can bring to us. At this point in time we are following partnerships across the board, and we are following partnerships per market. Across the board, obviously we have SAP, IBM, HP. In terms of ECM, we have recent partnerships with EMC, FileNet and IBM again. I would say for the overall partnerships, we can probably mention Novell as well in the MO camp. This is probably it.

In vertical, we also have many partnerships that we are building. Philippe has mentioned on several occasions that the distinctive solutions will be done through partnerships. This has been mentioned for industrial nuclear, it has been mentioned for telecoms, and we currently working on that. I guess Philippe, we are in a position where we are able to announce this thing around mid-February, when we will give you the details of this offering.

Philippe Germond

We have some very basic ideas. We did not want to reinvent the wheel. ‘Not reinventing the wheel’ just means that if we have a strong competence in a single country within Atos Origin, we need to expand that competence over different geographies.

The second point is that ‘not reinventing the wheel’ also means time to market. By partnering with some application vendors or some other companies, helping us to speed up the process of providing solutions to our customers.

Neil Steer

Just a quick follow-on question. You talked a lot in the presentation about common KPIs across the group, and at the same time you have highlighted the very acquisitive build-up of Atos Origin for the last ten years or so. Can you talk a little bit about the common systems that are now in place? What do you actually use on a day-to-day basis to ensure that the data across the group is actually now on a single platform, and the business is now being run on a real-time basis?

Eric Guilhou

For a while we have had a common information system that we are finishing rolling out. It is an SAP system. That will upgrade to 6.0 in the coming year. This will allow us to have all the data.

What we are working on today is, as we have defined new KPIs, to follow up the operations, as has been described in particular with managed services and managed operations. We will adapt to the financial system, so as to follow up this kind of matrix.

Neil Steer

Just one final question. Just to clarify, on the AEMS disposal that was announced this morning, I presume that net debt figure that you gave us at the end of Q3 actually included 100% of the cash that was in the joint venture?

Eric Guilhou

Yes and consequently it is the minority interest, because this company was capitalised quite a lot with cumulative cash, not distributed.

Neil Steer

Okay, but it was actually consolidated within the net debt figure you gave us at Q3. So that means your revised target for net debt at the end of the year is coming down closer to €300 million. Is that correct?

Eric Guilhou

We do not change our net debt target by the end of the year, just by the fact that the transaction will be finalised in 2008.

Neil Steer

That was my final question. You have announced it today, but why is the transaction not due to complete until, as I think you mentioned, the summer of 2008? It seems a long way off.

Eric Guilhou

Because there are some processes to execute so as to disintegrate the various operations. We have to inform the working council. I am informing the working council of the disintegrating of some of the operations. It becomes public knowledge, public information.

[Richard Benot?], Biat Group

Several times you mentioned innovation and innovative solutions. You mentioned these without really explaining them, so could you provide some examples?

Hubert Tardieu

What is important, and Philippe described it in a very clear way, are five criteria.

First of all it has to be something which is already existing as a solution, proven with a given customer, and for which we have the very strong feeling that is a long effort. In other words, if you push it in other countries, the market conditions, the maturity of the solution, the solidity of the solution means that it will naturally become an extension of the business.

What is really new in the strategy that Philippe has presented is that, instead of keeping the jewel embedded in each country, we make clear to everyone that those jewels are for sale. 'For sale' meaning they have to be sold in the various geographies in such a way that we have enough of the go-to-market, as Patrick has explained, to make it happen.

If you take the example of the nuclear industry, it is true that this thing is a 30-year-old story. But it is true that it has become the fashion of the month. Why that is, is difficult to say, but at the end

of the day you have an immense shortage of technical people in the nuclear industry. We have the best in the world, and what we need to get organised is the ability to sell to the French, UK, Chinese, US markets in a way where we are prepared to answer the offer.

Philippe Germond

Hubert, the question was more on innovation, and giving some examples of innovation. Maybe Dominic, if you want to give a few examples? I know you were in the back of the room earlier...

Hubert Tardieu

Okay, I will take it. Typically...

Eric Guilhou

Dominique Rerat is the new head of innovation at group level. This is a new position in the group. As explained, innovation was in each country and each operation. Dominic Rerat was Head of Innovation at the Worldline division, which is a division where the innovation is completely embedded in the business strategy. I think it will be interesting if he explained what he did for in Worldline, and what he is going to do at the group level.

Philippe Germond

We can keep that question for Dominique later.

[Dominic Hardier, Nelson Hope?]

A question regarding the UK market. You mentioned the past. You wanted to increase the synergies between consulting and systems integration in the UK. You also wanted to do more body shopping in the UK, which is interesting for a country which is not known for body shopping. Could you update us on that, please? Thank you.

Wilbert Kieboom

If you look at the UK situation and the fact that you have Keith Wilman here in the group as well, the key thing is that the consultative sales model applies to any country. We have long passed the situation in Atos Origin where are a multi-domestic group, whereby every country just does it's own thing, and nothing comes together. If you look at where we are successful, particularly in the consulting divisions, whether that is in China with ChemChina, or the [Stabile?] work that we have done in France, or the Netherlands which has been sustained double digit margins over the past years – which is also ex-KPMG, by the way – it is where we brought consulting much closer to system integration and MO. It is the front end leading into the customer.

If you actually sell from a content perspective, with subject matter experts and selling consultants, and they are able to provide that front end into the client base, they immediately have a pull effect on the system integrations and the managed operations business as well. So in a sense the old consult, build, operate model applies even more than in the past.

For me, ChemChina is a clear example of what Hubert presented here, whereby we sent two consultants cold, into a completely new, blank account. Consequently they are appointed as the CIO Head of Technology and before you know it, we have the complete SAP implementation, we are talking about out-sourcing, and everything follows on.

This is not different than the model that we have got in the Netherlands and France, and the model that we are not actually implementing in Belgium, Germany and, guess what? Also in the UK. Up to this point, in the UK it was completely separated out from the other divisions. It was managed as a completely separated, I would say, consulting practise, with partners in isolation. We have changed a few managers that are able, capable, and also understand effectively what the consulting model of the future is, whereby you integrate not only the, let us say, traditional consulting practises, but also the IT concept as a whole.

So that is the main difference.

With respect to SI, it is not so much that we are migrating or shifting into a type of material base in the UK, but what we are doing is making sure – again in line with all the other countries that we have within Atos Origin, that we have flexibility to deal with over-capacity. So if, all of a sudden, you have a number of people coming back on the bench, we have adapted the model in such a way so that there is also a sales force taking into account the selling of over-capacity on bench.

In the early days this was not the case. Everything was embedded in fixed business units. The moment people would come on the bench, they got stuck there. So if there was no demand in any specific sector in that unit, the people would just sit there while colleagues, or let us say other business unit managers a couple of doors further down the hall actually needed them. So that was taken out. We have now flushed them back into the, let us say, generic bench, and from the bench there is either a demand into market sectors or they will be sold, if needs be, on a time and material basis for a small percentage.

I want to re-emphasise this is not a shift into time and material, but flexible leverage in dealing with over-capacity.

[Vos Gerardus , Citigroup]

Thanks. Just a couple of questions, if I may.

Firstly, if we talk a lot about the kind of differentiated revenues, or the kind of jewels in your business. Roughly how much is that of revenues, what is the growth rate, and is the profitability above group level there?

Secondly, you showed a slide showing the new logos were growing around 11% organically, which seems to imply that you are back-pedalling in the existing client base. Has anything changed there, or what is going on there? Historically you have always been able to grow quite well in the existing client base.

Finally, in relation to SAP, some reference was made to Business ByDesign and growth opportunities. Maybe you could explain what kind of opportunities you see there as a system integrator?

Thanks.

Philippe Germond

I will take the first one. I will be helped by Wilbert on the second one.

On the first one, I am not going to give you details today, because I do not want to enter into making a presentation of what the outlook could be for 2008 and 2009. That is going to be done on the 15th February, when we give you all the details about 2007 and our outlook for 2008.

Basically, we are still on our web. I confirm and I consider that as being the basis of our growth on the famous focus and growth per year of the transformation program. I consider that as a basis, first because the market has a good trend, and also because we confirm that this kind of level is reachable. I think that, when you compare organic growth in S1 to what should be S2 once we confirm our objective for this year by the final results, it shall show a good momentum and growing growth, semester on semester. But once again, I would prefer to give you more details on 15th February.

On the second point – I mean about what the growth is and new logos versus customer base – what we have to understand is that when we sign a large contract with a customer, one of the objectives of the customer, and especially if we have a managed operations customers, is to decrease it's costs year after year. This means decreased revenue for us.

If you take the precise example of the Netherlands, and if you want to comment on that, the Netherlands has been able, over the last few years, to generate good growth, but with a mix of decreasing revenues coming from Phillips and KPN, and significant growth on new logos and new customers. We will continue to have that kind of balance. By the way, this does not prevent us having, on the one side, a large contract being signed with a customer which implies a decrease of revenue year after year, but at the same time getting new revenues from the customer. [Inaudible] is a good example. I do not know if you want to comment on that. Maybe you will, Wilbert?

Wilbert Kieboom

I think, you know the traditional story, as Philippe was already commenting on, the fact that if you have got a couple of real big deals, like Cash Outcome, like KPN, like Phillips, there is compensation that needs to be found in the other client base.

I think the good news is that Atos Origin is doing that. If you take the example that was just given, of the Netherlands, and you take KPN and Phillips out, the remainder of the accounts are growing by 16%, 17 %. So at the moment we have a sales machine that is generating growth – organic growth. The comments that always we got at Atos Origin were, 'You guys are great at aggregating, and putting all sorts of new businesses together and merging companies and stuff like that, but are you also able to generate organic growth?'

At the moment we are. So the 4% that Philippe was mentioning is a solid 4%, and that is taking into account some of the accounts that we have just mentioned. By the way where it is happening, if you look at any of the research at the moment, the big [moments?] in the accounts, or in the countries, are not that prevalent any more. This is probably except for Germany. A lot, a hell of a lot is happening in the tier just underneath. What we have already done, two years ago, is adjust our organisation so that we are actually able to tackle that tier, and that is where, at the moment, we are generating a phenomenal amount of our sales growth.

That is it. That is a very clear calibration.

Eric Guilhou

I think that we need to position the comment in, I would say, the life-cycle of Atos Origin. One of the main objectives of Atos Origin between the years 2000 and 2005 was to get a critical mass in each of the major countries. In each of these countries some big contracts were accrued, or attacked, to gain customers. We knew at the beginning, by ourselves, that having a big customer in one specific country put pressure on the future revenue growth because this customer will decline revenue if you have a big market share. But you have the critical mass to get access to market to win your deals.

The case of Cash Outcome is a very good example. We know that, with Cash Outcome, our revenue is not growing, so this affects the overall revenue growth of Germany. But that allows us to go to market, and to get new customers.

So it is a kind of ‘chicken and hatch’ subject, a kind of balance.

I think what we are showing here is that, for first time in 2007, we are starting to replace the big customers going down by new categories of customers in the range of €20-€50 million revenue (whereas big customers are at €200-€300 million revenue) and to replace this within the life-cycle of Atos Origin. In the future this will lower the risk for Atos Origin in terms of revenue exposure with one customer.

Philippe Germond

Before [inaudible] to have something, I would like to add one point which is the visibility we have on renewals. [We have conducted?] a major study. There is no specific period of time within the next, let us say three years, where you suddenly have, in a quarter, a very large number of renewals. It is pretty well-balanced

Eric Guilhou

The other thing that is important to note is that the spreading of risk that we also now have in these accounts gives for a much more balanced portfolio. Therefore also, an easier growth opportunity. That is something that we have been seeing.

Let us say if you look at the total contract value reductions that you need to manage in the programmes in the various years, with these larger accounts, the compensation and the growth, let us say in the other account base, and even within those accounts where are managing the TCP, the fact that we have got a lot of innovative solutions has allowed us to free up a lot of the money that we are actually able to save in those accounts and plough it back into new projects and new innovation. At the moment that is also generating growth.

Without giving specific numbers, I think that if you go forward into 2008-2009, even within the large account base, that is the challenge Patrick Adiba was presenting today, and was also taking care of the Olympics, is probably going to track... I have to be careful because I am sure you do not want to hear a long string of numbers, but ‘market comfort’, let us put it that way.

Philippe Germond

Maybe we can come back to your question on market innovation because Dominic is here, so he will give you a few examples about what we do.

Dominic Rérat

For me the definition of innovation is the successful launch of new ideas. It is a process coming from something new, putting it into motion, and then creating value. This is the way we approach innovation.

To take a concrete example in the payment area, there are a lot of small merchants like doctors, taxi drivers, and so on, who do not have a point of sale terminal or card reader in their office because they do not manage enough transactions. So we have imagined with telco's and banks a way to use a mobile to enable payment with the same level of warranty as with a point of sale terminal. We have also embedded high security technology in the phone to do that, plus the ecosystem, banks and telco, and it has been launched. Today we process millions of transactions with this new means of payment. This is a concrete example.

Another example. We have FloraHolland. The first one was in Belgium. We are also running it out in the UK, regarding FloraHolland. It is a marketplace where there are auctions to buy flowers. There are 5,000 auctions per day in a four hour timeframe, and they face huge logistics issues to manage trains of flowers from one place to another. So we have set up a very flexible and robust RFID-based logistics system which allows them to proceed, in a faster way, with less error, all the exchanges. What is the benefit for customer in that? They can trace every train of flowers and can ensure and guarantee the freshness of flowers. Then they can change the price of the flowers. So we have several benefits like that.

If you come tomorrow to the workshop with me, I would be delighted to go through several more.

May I continue or is that enough?

Last example. Let us take, on another continent, a very large oil company. They have two business issues. One is that they are facing a lack of resources. Second, there is an aging population. When you combine both, it is a huge commercial thing. As you see, when you see the oil price rocketing, you have to find a solution. Second, they had services based on IT to support processes on-field. We introduced web 2.0 technologies, processes and approach to re-engineer all that.

The outcome is basically that the knowledge management system has been increased by 30%. We are re-inventing the collaborative approach. So 30% in terms of quantity of information, but also in accuracy and quality of information.

So if you improve the knowledge management system, it is much easier to face the aging population and shortage of people.

Regarding the on-field solution which sustains the processes, we changed completely the old-fashioned client server application. We have real-time collaboration tools. We have [inaudible] applications, and so on.

Now, as a result, they are gaining ground and shares, and will launch a very large campaign to hire new clients. So this technology approach for RFID process assessment, knowledge management, business skills, technology for the oil support and for the payment, was mainly about managing an ecosystem, small part of new technologies.

That is enough? Thank you.

Philippe Germond

That is clearly the type of project where we are talking about business outcome. That is in line with what we want to develop.

Eric Guilhou

What is important with the examples given by Dominic is that the innovation is not in a lab on the last floor where nobody goes because there are very strange people there who are working on technologies that nobody understands. The innovation team are people who are permanently in discussions with the customers. They are exchanging with the customers and elaborating with the technology knowledge that they have in advance of any solution being marketed and prepared. In the discussions with the customers, there is new business model innovation. The innovation is the combination between the technology and the business model.

Douglas Hayward, IDC

You have not mentioned that [it could?] BPO was a big growth driver for you a couple of years ago. What has happened there?

Secondly, you mentioned that your win rate has gone up in the mid-sized market. What has it gone from and what has it gone to?

Philippe Germond

What was your first question?

Douglas Hayward

First question was medical BPO. You have not mentioned it.

Philippe Germond

No. In fact, just two points regarding BPO.

I mentioned a few months ago that BPO is pretty far away from the IT service activity. You know that we have a healthy BPO activity in the UK, which is in the range of €200 million. That is the average profitability of the group. By the way, we currently [sign?] additional contracts. So it is a good activity, but it is a bit far away from our core business which is IT service.

I just mentioned, on 1st August this year, that the activity is a question mark for me. It is not an urgent question mark, there is no strategy issue. It is purely a UK activity. The average of profitability. The question for me is, 'What is the optimum of value, outside versus inside?' Optimal value in terms of timing, and depending on the pipeline and the new deals we sign.

But today I have to recognise that it is an activity which employs doctors and nurses, with an extremely limited IT back office. So I really differentiate what BPO is sitting on a strong IT service activity, like HR BPO, or administrative BPO, and the other BPO activity we have internally. So what we say on administrative BPO is that, if we have an opportunity, we may move in that direction, but we are not going to invent that activity from scratch, or from basic organic growth. It would be nonsense to do it that way. So if we have a big contract opportunity, in a good economic environment, with a good profitability, we may move into that direction. But it will be opportunistic.

Your second question was regarding...?

Douglas Hayward

Sorry. Mid-market win rate, which you mentioned going up.

Philippe Germond

I do not think that we give these kinds of figures, so sorry.

[Michael Finchis, Gartner]

Good day. I just have two questions.

The first question is, do you foresee any negative implications from the current crisis in some of the financial markets? This is one of your vertical coverage areas. Are you planning to [complement?] potential losses there from other vertical coverage areas. That is point one.

Point two is you have not talked about geographical expansion. I understood that you have focused yourself on a couple of those countries. Is this really a long term strategy? If so, how do you think you can differentiate yourself against the number of Indian service providers and others that go to market with exactly those messages of global coverage?

Thank you.

Philippe Germond

On the first point on financial services, before the disposal of AEMS, and up until our full year 2007, finance services was about 20% of our revenues. But if you take out AEMS, and the payments activity of Worldline, financial services represent about 8% of our total revenues. The majority of these revenues are coming from managed operations, which are multi-year contracts.

By the way, when you have a slowdown of the economy and a pressure on the cost structure of our customers, maybe you have a short-term penalty on consulting or systems integration, but it might be positive for managed operations. This is because one of the basic ideas for managed operations

or outsourcing is the idea of – I mean, ‘Bring me your IT activity, your data centres, and we are going to decrease your costs.’

So I consider that our company not exposed if there is slowdown in financial services. Even more, do not forget that we have only 1.5% of our revenues in the US. If there is a slowdown of the financial services, it may first start in the US and then in Europe. So compared to many of our peers, we have very little exposure to that situation.

About geographical strategy. I believe that you cannot do too many things at the same time in a company. When on one side you have a significant transformation programme, the objective of which is to earn better profitability and improve the competitiveness of the company, you cannot at the same time make a big acquisition. You cannot really improve the processes, structure and organisation of the company, while at the same time have a major restructure because of a merger or major acquisition. I do not want to, at same time – let us say within the next couple of years – de-focus the company too much on the major geographies where we are.

It does not mean that we are not going to benefit from high-growth geographies, but I do not want to see the company being all over the place, everywhere in the world. In many cases the big accidents are coming from small entities which are not properly controlled. So I prefer to say, ‘Okay, we are strong in a few major geographies which are the major markets in the world, or at least in Europe.’

I do not plan to expand our activities in the US, but there are a couple of geographies in the world, maybe more, where we are present, and where we can benefit from the strong growth. The first example is clearly China. We are present in China. Last year we were not extremely big in China. In 2006, our revenues in China were in the range of €13 million. That is not big. But basically, between China-mainland and Hong Kong, we have about 1,000 employees. ChemChina – we will probably come back to that tomorrow, and we mentioned it today – is a big contract.

There are many opportunities like ChemChina, some the same size, some smaller. But there is a big question of putting in place strong ERPs in Chinese state-owned companies or state-owned enterprises. That is an opportunity for us. If we succeed – and we will succeed in ChemChina – it is going to be highly visible, and give us something we can leverage in some other companies in China.

Do not forget that, because of the Olympic Games in Beijing, Atos Origin is highly visible. It is highly visible to the Chinese government.

So I consider that, if there is a geography outside of Europe where we have a significant opportunity of growth, it is China. This is because, first, the Chinese market is going to grow, and second, it is a very fragmented market, so everything is still open. We are not late. I would even say that we are pretty in advance in terms of visibility and track record. So we should benefit in China.

Brazil is another market. Once again, if we talk about Brazil, we could talk about South America. I do not think it would be the proper strategy to say, ‘Okay, in Brazil. I will go in Chile, I will go in Argentina, I will go in Venezuela.’ We did the opposite. There were small subsidiaries. We closed these subsidiaries, we sold these activities, focusing on a limited number of geographies, and I believe it is the right range.

Eric Guilhou

We need to not confuse having global coverage, being everywhere in world, with having a global delivery capability. You can focus in a few countries to develop your core competencies and your core operations. You can have a core relationship with the headquarters of the companies in this country and have separate global delivery operations, delocalised, as has been presented with the global organisation for managed services and for systems integration. You can even sometimes use industrial partnership for delivering some of the field services that we need to deliver for our global contract.

If you take the case of the Alstom contract, which has been [exposed?] by Francis, you will see that we have to operate in 90 countries? Something like that?

Francis Delacourt

It will probably be 50 or 60 countries I believe.

Eric Guilhou

50 or 60 countries at the end. We will not present in all of these 50, 60 countries, but we will deliver. So we will deliver part of this service remotely in our global delivery centres, from the helpdesk centres as explained by Francis, and part of the field services will be delivered in countries where the partner - Maybe you can explain the partners that we have?

Francis Delacourt

Unisys. We have two global partners for field services. One is Unisys – global partners I mean – the second one is Fujitsu-Siemens and we have a worldwide agreement with these two partners. We also have regional or local partners in field services.

We are, deal-by-deal, adopting the best strategy, whether we work with a global one or with a network of regional ones, and that has worked very well.

We are not unique, because I think most of the companies are delivering in exactly the same way. Even HP and IBM, let us be clear.

Philippe Germond

On a case-by-case basis, on a potential big contract, [inaudible] was a competitor, was becoming a partner.

You can take one example, which is probably well-known, where there will be decision probably during the first half of 2008 – Michelin. We [enter?] with Accenture, because we are complimentary in terms of competencies and geographies.

[Angel DeBarger?], Ovum

You talked earlier about innovation, and a couple of times you also mentioned outcome-based pricing arrangements you have in some of the contracts. Can you give us the share of outcome-based revenues that you have in your current revenues, and how big you would like to see that going forward? And what are the incentives you put in place in your go-to-market operation?

Philippe Germond

Maybe Hubert, you can answer it?

Hubert Tardieu

I could start. I would say that in our, what I call the hi-tech BPO business – mainly Worldline – probably 50% of the revenue is really based on outputs, and business KPIs for the customer. Of course we can do this because we have unique expertise in designing our own solutions, so the risk is mitigated in that case. We have very strong experience.

We have other customers where we have this type of output-based, or sharing the risk with the customer. One is [Accent Nobel Carre Finish?] which is a full design, build and run outsourcing contract worldwide, and we are charging the customer mainly on the revenue of the customer. So we are fully sharing risk. That is a company which has a very broad usage of SAP in areas of their operations. We are familiar with this and we consider that it was the type of business challenge we could meet.

Last but not least, we have finalised a contract in Germany with Alcatel Lucent, and the way we will charge will be based on the KPIs, which are the Alcatel Lucent KPIs, with nothing to sell, no link with storage or servers. It is completely different. So, again, in terms of revenue I would say that probably 20% of our revenue is based on this type of model.

Eric Guilhou:

I think that what is important for you to understand is why we want to go to business outcome. If we stay in the business where we are measured on the cost per [MEEPs?], cost per terabyte, on storage, or things like that, we are in open competition, and there are a lot of benchmarks being applied, every six months, every year, that put pressure apparently on you.

If you discuss and contract with the customer on business outcome, first you are speaking his language. For me, I have a CFO, what I pay to global IT is a cost per user. A cost per user. We define different categories of user, and they pay cost per user.

I want to see, year after year, the cost per user going down. The work of global IT is to improve the process, so we can have either less users or more automated processes which reduce the processing cost for each user. It is a pricing per transaction, so you are on a completely viable way, going with the customer on his success, or on his failure. It is all these kind of elements that we are tracking and that we are trying to work.

If we take the application management contract with Renault, it is what we call ‘numbers of points’. That means that it changes screen as the numbers of points value, and a point has a euro

value. It is our own problem, internally in our production, to produce at the lowest cost base. So consequently there is not a complete mirror for the customer to see what our real cost is, faced with the price per unit.

This is the business interest for us. First that we speak the same language, and second that we break the mirror between the customer and us in terms of our cost management.

Hubert Tardieu

For Systems Integration, I believe about 5% to 10% of our business is output-based. What is important is the trend. In one of the calls for tender which has been mentioned – I cannot give you the detail – we now we see a completely different approach. What they want to see is what our number of FTE – full time equivalent – per function point is. Separately, what is the cost of our FTE. So they have a benchmark – which has probably been delivered by some of you – and then they are telling us very simply, ‘Either you are below the benchmark, or you are out.’ Okay?

So if you come with a simple story about you having the best people in Java or J2E, you are out. Okay? So this is now becoming more and more the way forward. Okay?

Wilbert Kieboom

I think that has actually become the distinguishing factor in the way Atos Origin is going to market at the moment. I mean there have been so many other examples. DSM in the south of the Netherlands at one point wanted to do a big SAP implementation. When we went there to sell the project, the guy walked to the window and he said, ‘You know, you see that autobahn that passes here? If our SAP logistics system does not work, I am going to block the entire infrastructure of the Netherlands all the way up to the centre of the Netherlands. You know what that means with the politics?’ So he said, ‘If you guys are prepared to sign KPIs with me to warrant the SAP implementation and get it really working according to the SLAs, you have the deal.’ So we said, ‘Fine. Let us take the deal.’

Another example is ING. ING wanted to do a fast implementation outsourcing contract, and had been playing with it for years. We went to the senior board directors, and we showed them what we did in the Olympics. The guy said, ‘How is it possible that you guys can scale up like this within one year, take over a complete infrastructure, do everything you want to do, and my people tell me I cannot do that within my bank?’ So we said, ‘You know what? We can do that also in your bank, if you give us the freedom to do it.’ And they did, which was the famous outsourcing contract that we signed in the Netherlands.

So I think we are changing. We are becoming more aggressive. We have changed from just talking technology to talking business and advantages for the business that we can provide to the customer base, sector by sector, with replicable solutions. It is not just that we take anything. We take solutions that we can replicate client to client, and from market sector to sector. And that is how we are going to go forward.

[Extra coverage?] was mentioned. That was another interesting negotiation, because the CEO said, ‘You know what? I want my IT cost to be managed down. I dare you, if you are able to do that on a fixed percentage.’ I said, ‘You know what? We will take your challenge. What is the percentage? We will manage it. But I want freedom to do whatever we need to do. Rationalise the

landscape, work the infrastructure, do consolidations, whatever it is, I have the freedom, but I will manage at a fixed percentage.’ A business solution. And it worked.

Anyway, there are more examples that we can talk about in the workshops.

Jonathan Crozier, West LB

Just a quick question. You mentioned that you would be interested in making acquisitions in the payments area, but having sat through this presentation it is not obvious that that is even part of your group. It did not really feature. It does not seem to be part of the ‘One Atos’. Is it subject to improvement through IT, offshore delivery? Does it really fit? Is it ring-fenced? And if so what is it doing there?

Philippe Germond

I can only insist on the fact that Worldline is part of the group. It is totally part of the group because it is on the one side, consulting, system integration, managed operations. It is a question of efficiency of data centres. If we talk about e-services, if we talk about payments – and I am trying to come back onto the slide I was showing earlier – I mean it is everywhere. It is in all markets we cover. So if you have any doubt, I just confirm that Worldline is part of the group, and if it were not part of the group, I would not say that our first priority in acquisition is going to be in payment systems.

Once again, the acquisition achieved in 2006 – Banksys, BCC – was an excellent acquisition for many reasons. Extremely well negotiated, well integrated, delivering more than what we initially forecast, and clearly we believe that Atos Origin – and I say Atos Origin, not Atos Worldline or Worldline – can be a strong consolidator of the precipa payment market.

Eric Guilhou

Atos Worldline is not only a payment business.

Philippe Germondhil

It is e-service and payments.

Eric Guilhou

It is a payments business, an e-service business, [Sera?] business. Worldline is the case within Atos Origin where we have been successfully able to do, in a completely integrated way, ACSIMO design, build and run. And the output-base for the customers.

What we want to do is to progressively deploy Worldline within the group. You cannot change a business model from scratch when you have operations in systems integration and in outsourcing, so we are now trying to build up the link with ACSIMO between the various service lines, particularly through the various offering here, and that will naturally create this natural embedded design, build and run which is, I would say, a natural way to go to the market for Worldline.

Philippe Germond

So where is Worldline? So it is totally integrated into Atos.

Elizabeth Buckley, Arete Research

Can I ask a question? You have talked a lot today about your offshore targets for fiscal year 2009. For example I know [inaudible] you were talking about 30% offshore effort. Obviously we see some of the Indian SI's who have, for some of the very service offerings that you describe, much more aggressive offshore/onshore effort targets – 90% offshore in some cases. Can you talk about how you define your benchmarks for your offshoring programme for the different services lines, and under what conditions you might, given competitive pressures, need to upgrade these objectives?

Thanks.

Hubert Tardieu

I believe we have seen a first wave of offshore which has been primarily in the US. What is very, very important to look at is the proportion of the T&M in the current Indian players. So you take the first three, Infosys, [Data Consulting?] and [Y Pro?]. It is only very recently that they have reached point that more than half of their business is non-T&M, okay? Non-time and materials.

I can tell you, because we know that market very well, there is no way that in our customers in Europe will accept the US model, which is you have an application to maintain. You receive, in time and materials, Indian people to understand what is going on, and these people have only one objective in life, which is to send the business, on a time and materials basis, to India. That will not be acceptable in Europe.

Therefore when Wilbert was talking about units of work, we are absolutely pushing for that because we believe it is fitting the way our European customers understand the business. The beauty of it, if we are successful, and we will be successful, is that if you do that you are not questioned every year about the fact that your people, 'Instead of being \$19 per hour, should be \$18.5', and so on. You reap the benefit of productivity, you reap the benefit of going more offshore, and you give to your customer a blended right which is a huge decrease of cost for customer.

So our view is that the jury is still out on the way offshore will be a success in Europe. If they come into Europe with a body shopping attitude, I do not believe that the Indian companies will succeed.

Elizabeth Buckley

But I guess it could be seen that these objectives be, you know, revised upwards? You know, obviously given the competitive pressures that the Indians are probably going to put even more so in the European markets-

Hubert Tardieu

Would you believe I am raising that question just about every week?!

Wilbert Kieboom

There is also such thing as how you approach a fact of the addressable market. I mean if you look at the business that Atos Origin is doing, I can guarantee you there is a fair component that is not going to go offshore. The nuclear power plants and the security systems that we are doing there, I guarantee you that is not going to go to India. Stock exchanges – that is not going to go to India. A lot of the stuff that we do in security for NATO, defence and all the other countries in Europe – that is not going to go to India by contract. I mean we are even limiting access to that at a local level to the managers. [Inaudible] that we open that up to go to India or Armenia or anywhere else.

So we have looked at what are the parts and components at Atos Origin that we feel we can in the offshore, in the blended rates, in the mix. This is where we have made our projections and we are totally on track. We have been doing offshore since way back in the early 90s, when it was still Philips. It is nothing new to us. We have had all the opportunities to upscale. We are looking at areas such as the Ukraine, Eastern Europe, new parts where we can actually reap some of the benefits to actually have the next generation of offshoring. There is going to be a lot more competitiveness, now that you are a little bit after the main curve, than if you are smack in the main curve.

With respect to a lot of the Indian companies coming to Europe, I am very sceptical on that. I can guarantee that Indian companies acquiring companies in Europe are immediately going to be de-credited and devalued in the overall scale, because the next day the customers are going to come and say, 'Excuse me, can I have a lower rate?'

That has been part of their problems. That is one reason. The second reason is that a lot of the Indian companies, if they come here, do not have the flexibility with the client base to adapt a lot of the resources which the local companies, such as Atos Origin, can.

So therefore I think there is a balance to be looked at and, at least for Atos, we believe in the output that we put in there and we are not going to revise upwards because we do not see the reason for it.

Philippe Germond

If I may, I have two comments. The first one, I had a meeting a couple of weeks ago with a Chairman and CEO of one of our peers in North America. At one point he told me that he has feeling that, looking at inflation, wage inflation, rupee appreciation, attrition rates in India, he forecasts that some places in North America are going to be cheaper than India within the next couple of years. I mean you can just look at wages, but we need to look forward and you need to look at the additional costs you have offshore.

That was quite interesting. You may wonder that, if you have dozens of thousands of new Indian organisations, if you have the trend continuing for the next five or ten years, maybe there is an issue.

I do not want to only talk about India. We talk about low-cost countries and we need to have a well-balanced low-cost countries strategy. Basically if we talk about Asia, it might be India. I believe that China is not today ready for offshoring, but within the next few years it is going to be ready because the supply of IT engineers will significantly increase. Personally, from a past company, I have a very good experience of product development and hi-tech product development, made by Chinese people who were not even speaking English. But when you provide good specifications, they are extremely efficient. So I believe that China within the next few years, is going to be an offshore platform. Maybe also, if we are talking about Asia, Vietnam is going to be a country we need to consider at some point of time.

So clearly on our side we will develop India, but we are not going to put all our eggs in same basket. If we talk about low-cost countries, Armenia is an excellent example of a place where we have high-level competencies in IT, and which is cheaper than India. When you look at all the costs, Morocco can also be competitive in front of India.

Unknown female speaker 1

Just another strategic question on the consulting area. How do you see that as a percentage of your overall revenue mix in the medium term? Clearly that has been a severely underperforming part of your business from a growth standpoint. How do you look at that in the overall mix, given the blend of services that you are offering today, and could you potentially make acquisitions in that area to boost consulting exposure?

Thank you.

Philippe Germond

Well first, today the revenue may represent about between 5% and 6% of our revenues. It is not the right level. So clearly I would like to see consulting growing faster and increasing share.

Once again, I consider consulting to be part of the company. What does it mean, 'being part of the company'? If they are totally a part of company and totally independent, there should not be, in that case, parted companies. I consider consulting having their own life, but connected with the rest of the company and leveraging their expertise with the rest of the company.

I would consider that in most of countries in which we operate consulting activities, let us say the UK, Spain, the Netherlands, France, I do not think we need acquisitions. We can tool up our activities. We need to increase the number of partners, and I should say we need to increase the number of sitting partners. Maybe if we want to speed up process the process of developing activities in consulting, an acquisition in Germany might be something we could envisage. But once again, I prefer to develop our activities organically in most countries in consulting.

[Mark Bryant?], Deutsche Bank

In your summary outlook, Phillippe, you talked about the ambition to change the client engagement, where I think you used the phrase some clients have been piggy-backing off your capex, and you are going to look to use a third party for that. I guess what I am wondering really is how realistic is it that you might be able to change that client engagement? How quickly should we expect to see that?

And in terms of capex, obviously as a percentage of sales it has increased quite markedly in the last two years or so. Should we actually expect to see that percentage dropping or will you need to use the capex saving to pump into other areas of the business? Into the offshore operations for example.

Philippe Germond

It is not a question of changing the customers, it is a question of changing the way we approach this business model. Maybe Eric will answer that.

Eric Guilhou

I think that, first, you need to remember that, when we did the acquisition of Sema, and when we did the big contract with [inaudible], we integrated significant amounts of assets being financed by operating lease. The situation at the beginning of the year 2005 was that we had a stock of operating lease, so equivalent I would say asset value, of €250 million. This was not managed properly through proper asset management. The life-cycle of this asset was not in line with the cycle of operating lease.

That means one of two things. First, we are not in the situation to give this asset back to the lessor, and that we had to pay additional lease, or the effective cost of the lease was absolutely [exposed? 110:05]. Or second, that we had to refresh the lease on a much more rapid term than the effective life. So the effectiveness of this financing was not adaptive to [inaudible] that we had.

I strongly recommended to the board at that time that we stop the operating lease, and that we refinance that through capex so as to have a clear, I would say, asset view. That we enter into a new financing model once we have a clear, I would say, understanding of our customer business model.

So today we are clearing this point. First, to the stock of operating lease we will add to our own €40 million at the end this year. So that means that it will be [inaudible]. Second, we have analysed all our capex in three natures. The first one which is the big capex that we have to do next year is on data centres. We need either to upgrade the level of our data centres in terms of capacity, or to manage the consequence of the data centre rationalisation, where we will integrate into new data centres. So we will have some significant investments to do in data centres. The life duration of the data centre is 10, 15, 17, 20 years.

Is it our strategy to invest in long-term capex with a very long cycle of depreciation, versus our business model, which is much shorter in terms of asset management and asset life-cycle? I think that we are coming to the conclusion that, 'No.' So in such case, these assets could be financed by a financial partner and we will rent a long duration contract. This is because when you implement a data centre, and when you accredit a centre, it is not for three years. It is for 10 or 15 years. So that is the first point.

The second point is that we have also analysed the nature of capex, which are fully dedicated to the customers. That means there are some customers who are pushing some defeasance of their assets, but which oblige that we manage certain categories of asset and certain categories of refresh. Providing that we have a proper asset management tool, which is all the work now being done by Francis in the last two years to implement proper asset management tools in the managed services

operations. Providing that the contracts with the customers specify very precisely that this asset has to be refreshed under a certain time-frame, and that this refresh is compatible with operating lease, we will go to operating lease.

The third category will be the assets that we own for managing what is either the data centre – not, I would say, the box of the data centre – and those IT infrastructure assets that we managed in a shared way for several customers, and in which we can have optimisation, either in terms of asset investment, asset choice, asset life-cycle, asset virtualisation. Those assets will be invested on finance through the capex, because it is here where we can manage the written off assets.

So today we are on the high curve. It is clear that we are on the high curve of the capex, because we have stopped the operating lease to have a clean sheet in front of us. We have in front of us significant capex to do in light of the data centre rationalisation and the data centre restructuring. We now have the year 2008 to finalise all our programmes, so as to optimise it.

Mark Bryant

So you are being clear there, it is going to show an increase into 2008 as a percentage of sales before it potentially drops in 2009? Because obviously this has now, you know, not just cash flow implications but, for the shareholders, dividend implications as well? So an increase in the next year and then a drop off back into 2009?

Eric Guilhou

I would say it is a little too early to give you precise figures about that. But it is clear that if we let those things go as they are, the capex will increase. So now it is our obligation to optimise the asset management and the capex management through different ways, and it will be fully transparent for you.

Philippe Germond

Clearly, there is a clear focus on cash generation in the return on capital employed. Optimisation.

Maybe I will take two last questions?

Unknown Male Speaker 1?

Two questions.

With KPN, can you tell us how you expect the relationship to develop and the revenue to develop in the coming years?

Second, you mentioned the progress you achieved in terms of delivery, new strategies and so on. What level of cost saving have you already achieved in the last three years, and what is your target in the next two years?

Philippe Germondh

Okay. On KPN there was a lot of noise around the spring, and finally there was a lot of noise for nothing. It was re-signed for three years. They decided to reinsource the desktop services internally, because that was part of the strategy. But they maintained, and extended for three years, the contract they had on the other activities.

So basically that was a decrease of €40 million of revenues – €20 million coming from desktop services and €20 million coming from a decrease of price on the other services – and with an extension of three years on a contract. By the way, this does not prevent us signing additional contracts with KPN – the fertilisation of contracts.

So a lot of noise for nothing. We are doing extremely well with KPN, and [mont sys?] business for KPN and they are very satisfied with what we are doing.

By the way the acquisition of [Gate Release?] does not change at all the contract we signed with KPN.

Maybe Hubert, you can answer the question on industrialisation effect?

Hubert Tardieu

Industrialisation, as I have mentioned, is taking a little bit of time to operate. But what is important is that the first results are in line with our expectations.

The first visible thing which we can say is that in 2006 we had a 3% project slippage. So it cost us 3% of our operating margin in the SI portion, which is about half of it. We are very well on track to reach the objective which has been given at the beginning, which is 0.8% of our margin which is eroded by project slippage.

When I say ‘well on track’, it means that we are absolutely sure we will reach our objectives on that. For the rest, just to give you an idea, we are measuring in detail, from recently, by function point, our production. We have established KPIs which are valid across the board, and so we are comparing ourselves with the benchmark, and comparing ourselves between the countries.

This is something which we are measuring completely independently of the percentage of the offshore things we are doing. So we are measuring those two things and this is giving you an idea that the objective which has been given in the first place will be met.

Philippe Germond

Okay. Last question.

[Anthony Miller?], Arete

I always get a little nervous when I hear European companies go through a list of the things that will never go to India. Several years ago even I was saying, ‘Indians will never get into infrastructure outsourcing because they are not going to take on the assets.’ They did not need to.

They developed remote infrastructure management, which is now one of their fastest growing service lines, and you know what? A couple of them are now buying data centre assets on site.

Similarly with consulting. A few years ago the received wisdom was, ‘Indians will never get into consulting.’ Of course, they are there now.

As I look at Atos Origin today, you have already got an Indian cuckoo in your nest. You have got Infosys, with this big BPO deal in one of your marquée accounts, Philips.

My two questions are: How on earth did that happen? And what do you think you can and must do to defend your strategic clients from infiltration by the Indians? Because, as you know, once they are in, they start growing further.

Wilbert Kieboom

Not only do we go through the list, but we do it almost every quarter and every year, and thank god we do because that way we know what is happening within the client base. That is what I call prudent planning.

I think that if you look at what are we doing vis-à-vis the competition, and we have been talking about that a lot, is making sure that we actually offer business solutions and business propositions with content knowledge that is way beyond any level that the Indian companies are able to offer at the moment. That does not mean that we are not doing the offering, because we are. It does not mean that we are not up-scaling, because we are up-scaling.

We can have a philosophical debate as to whether the up-scaling that we are doing is high enough or not. That is, I think, up to the strategic direction of this company and this management board to define, but the answer is we are up-scaling. We are not in denial, so let us be clear on that as well. Far from it. We are looking at new areas where we can actually source in an even cheaper, better way than using the traditional Indian situation.

One way to be competitive is to be ahead on knowledge base, and to be cheaper and more efficient with further advanced industrialisation. Why are we talking the whole afternoon here about 303 and industrialisation? Because that is our competitive edge. That is where we are going to get the advantages. Software factories that do things three times faster than the way it used to be done. Freeing up the same resources and generating more utilisation out of those same resources. Industrialisation and knowledge are going to be our key competitive edges. And that is, by the way, why you now see a lot of the Indian companies trying to source people out of Europe. To import a lot of that knowledge. I think if you always go with business propositions and business solutions, that is going to be the European’s best defence.

Philippe Germond

To conclude, I think that the strong knowledge of our customer’s application needs, and intimacy with our customers is also key. When I look at the reasons why we have won some significant deals, and I have a couple of these in mind, we made it different because we had a history with the customer, a deep knowledge of it’s environment and application environment. It makes a difference. That is something that I think as a differentiator is going to be sustainable for many years, if we entertain it. That is why the go-to-market, the market understanding, the intimacy with

the customer is going to be critical, while at the same time, as Wilbert was mentioning, industrialisation is mandatory. You may know the customer pretty well, but if you are not competitive you are not going to get the deal.

So it is industrialisation and it is global delivery, but at the same time maintaining what has been our strength for many years, which is customer intimacy.

Eric Guilhou

Just one final word. We must not confuse ourselves with our words. Remote management in the IT infrastructure is a part of outsourcing business. It is not all of outsourcing business. Today you see no, I say no, big multinational company deciding to put a data centre in India. For what reasons? Security, network access, business continuity. So many things which cannot be sustained today in these areas. So I think it is very, very important not to confuse this.

Effectively, in all chunks of business, in systems integration and in outsourcing, there are parts of the services which can be done remotely, done offshore, but not all. This is where we have to do our work to differentiate ourselves to all the customers – on what we can do onshore, and what we can do offshore.

Philippe Germond

Okay. I propose we close this afternoon's session and return for a drink.

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