

# ATOS ORIGIN –FULL YEAR 2009 RESULTS - TRANSCRIPT

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## PRESENTATION

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### **Thierry Breton - Atos Origin - Chairman & CEO**

Good morning ladies and gentlemen. Together with the executive committee of Atos Origin, Charles Dehelly, Gilles Grapinet, Michel-Alain Proch we are very happy to welcome you for this important event, which is our '09 results.

So one year ago, if you remember, I set some ambitious goal for our Company. At that time we anticipated that we would have to cope with a pretty challenging year. And yes, it was a pretty challenging year.

On the other hand, we decided altogether, especially Gilles Grapinet, Charles Dehelly and myself, and the Board of Director, to set for the Company pretty ambitious goals in order to be back to where we believe should be the profitability and sustainability of our business.

So I just want to remind you that we decided that in '09, thanks to the Programs we have launched and, of course, TOP program, but also including, Charles many sub programs within TOP. We will discuss this later on today.

We committed to improve our operating margin by 50 basis points to 100 basis point, to generate positive free cash flow, and a revenue with a slight decrease. So it's my pleasure today to announce you that, in '09, we have reached all our commitments.

First, operating margin; we improved the margin by 84 basis points, at 5.7%, versus 4.8% last year. Certainly, in term of cash generation, we achieved net debt reduction by EUR 165 million, which is very important, and operational free cash flow of EUR 117 million. And yes, we were able to run the business with a slight decrease, between minus 3% and minus 4%, which is what we said last year, at minus 3.7%.

So again, the highlight -- the key highlights of '09, this is what we will talk today. First of course, under the umbrella of reinventing Atos Origin, which is really what we are committed to do with the management team.

So the implementation of TOP Program, you will see that we had, in '09, a solid commercial activity. We have launched successfully the integration of Atos Worldline within the rest of the Group. We have accelerated innovation, which is the key differentiator from Atos Origin, compared to its competitors.

We anticipated some new offers, just to be ready for the quote, unquote, after the crisis IT market. And we have run the Company in '09, and we continue in '010, with a key priority on human resources, and we will comment on this.

So first in TOP, we have been able to report significant improvement of our personnel performance, thanks to more than 30 programs now that we are running under TOP. And I just remind you, but Charles you will explain this today again, that TOP is not a cost cutting program. TOP is really management program with many, many programs in it focused on Lean management, best management. But also some social programs, growth programs; we will comment these today.

We achieved our offshore objectives, and we have deployed everywhere within the Company, and we continue to deploy it in '09, our Lean management effort.

Solid commercial activity with a full reorganization of our sales force dedicated to key markets, and other global Atos market alignment. We call it GAMA. Gilles, I think will comment this today. And we start our TOP sales initiative, which will be also a key priority in '010.

As I mentioned, we had a successful launch of Atos Worldline integration within the Group. We have deployed, and many of you were already with us in June last year, exactly what we told you we will do, with the rolling out of our HTTS initiative, within the main geographies of the Group. And also in H2, we have now completed our organization, staffing, so that now we will deploy all our HTTS offer within every geography of our Company.

Innovation is absolutely key. This is, as I said, the key differentiator from Atos Origin, versus its main competitors. We will continue to enhance this difference with a new package offer developed thanks to a very strong Atos Origin Scientific Community, which is a strong support for us, in order to design and present a high tech offer to our customers.

One of the priority set by the Board of Directors to manage a Company of the size of Atos in a difficult environment was to maintain and reinforce our skills, and develop employability within the Company.

Key priority was to maintain our people within our organization, whatever it cost, and I'm glad that we were able to do it successfully, last year. And by the way, we continue not only to manage our workforce, but also to hire new talents, which is of course, mandatory for the future of our Company.

So, a few words on our commercial activity, because of course, this is what is most important for us overall. We had a very solid commercial activity last year, and I should say that I'm pretty proud of the work that the team has done in a struggling environment. I think we demonstrated a very strong resilience. Of course, I'm not happy with the minus 3.7% growth, but when I compare with the sector, I think the team was extremely active, and I'm proud of that.

You see here on this slide, the figures; I will comment this later on. Total order entry of EUR 5 148 million. What is important is that it represent book to bill ratio at 100%, as in '08. We have a full backlog at EUR 6.8 billion, which represents 1.3 year of revenues, after of course, and we will speak later on, on this, the EUR 0.4 billion cancellation of Arcandor.

The full qualified pipeline was at EUR 3 billion, and this is an increase by +14%, and a strong backlog coverage at 56%, which is a good start in '010. In terms of book to bill ratio, you see that we are pretty well positioned in our resilient activities, Managed Services and HTTS, over 100%.

Some important contracts that we won in '09. So in France, and you will see that France was pretty resilient last year, with a very big contract like the renewal of Renault, major banks, major public deals.

In The Netherlands, a very important MS contract, in energy, transport and public sector. And in the UK, very strong activity last year. UK was the best performing GBU last year, and I'm very proud of what our colleagues did there.

By the way, you can see that it's the first time that we have an HTTS contract and this is a good sign. One with the Department for Work & Pensions, which is a demonstration of what we want to do overall within the Company.

Atos Worldline of course, very strong activity, very good activity with new contract in GIP eBourgogne, Numéricable, SNCF, and many others. And everywhere very dynamic activity. And by the way, what I can tell you that we won these contracts because we are different, and thanks to the specificity of many of our services and technology.

So Michel-Alain Proch, it's time now to dig into the results, and then we will have a presentation by Charles Dehelly, on our TOP initiative, and Gilles Grapinet, on our sales and HTTS initiative. I will then come back for innovation and, of course, the guidance.

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## **Michel-Alain Proch - Atos Origin - CFO**

Good morning ladies and gentlemen. I will start by presenting you the financial highlights of the Company. First, in term of financial performance, we closed the year, as Thierry Breton said, with an organic decrease of minus 3.7%, which is close to the decrease we reached at the end of September; it was minus 3.4%.

The fourth quarter had a decrease of minus 4.6%, which was a bit better than Q3, which was at minus 5.6%. Looking at our revenue profile, 71% of our revenue is recurring. We have four main verticals, public sector, finance, telecom and manufacturing.

The operating margin reached 5.7%, at EUR 290 million, which is an increase of 84 bps, compared to year 2008. The 5.7% is in the upper bracket of our guidance, which was from 5.3% to 5.8%, despite the economic environment that you all know, and the effect of the Arcandor bankruptcy, which by itself, weighted on our Group statement, by 30 bps.

Net income Group share was EUR 32 million, and we have reduced the net debt by EUR 165 million, at a level which is significantly below our guidance. I will detail after the main items of the P&L and the cash flow.

So Arcandor, in June year 2009, as I already told you, we had to face the bankruptcy of Arcandor, one of our major clients. As we already disclosed, this represent a net charge of EUR 14 million in operating margin that we booked in H1. And during the second semester, we encountered an additional effect of EUR 87 million in the operating income, with EUR 30 million in restructuring, EUR 22 million of asset write-off, and EUR 31 million of goodwill depreciation.

As part of the Group transformation, cost of staff restructuring was EUR 111 million, and rationalization was EUR 79 million. This includes EUR 36 million, related to our Paris sites concentration project to one single location, in Bezons, next to Paris.

I remind you that we are closing five sites. And I want to tell you too, that this charge of EUR 36 million is fully financed by the new landlord of our headquarters through a two year rental exemption.

In October, year 2009, you may remember that we issued a convertible bond for EUR 250 million, at a 2.5% coupon rate with a six year maturity and a conversion rate at 38%. This convertible bond was very well received by the market. Actually we have recognized EUR 48 million in the equity corresponding to the conversion option; I will get back to that.

Finally pension; regarding pension in The Netherlands we reversed EUR 39 million depreciation that we recorded in year 2008. And we reversed that due to the recovery of the Dutch pension fund assets during the year.

A quick glance to revenue organic change, just to present the reconciliation between statutory and constant scope. As you can see, in order to be comparable we adjust last year revenue by the amount of the disposals, a total of EUR 199 million that we disposed in '08, and the effect of exchange rates mainly for the British pound, which weights for EUR 101 million.

Let's move to operating margin. You remember that we based our guidance year 2009 on the stable first semester at 4.6%, and a significant improvement in the second semester. We actually delivered EUR 172 million of margin in H2, 6.8%, an increase of 180 bps compared to H2 year 2008. This figure materializes

the progresses that we have made through the implementation of the stock program that Charles will detail, hereafter.

So one slide with the performance by service line. I will detail in the next few slides the performance of each service line, but in a nutshell the two major points that should be highlighted. First, the economic crisis obviously took its toll on the Group's cyclical activities, Consulting, and in System Integration, time and material. The revenue decreased in these activities by almost 13%, while in recurring activities, so recurring is Managed Services, HTTS and BPO, despite the market condition achieved a slight increase of 3.5%.

Second, apart from Consulting, all service lines increased their profitability between 30 bps to 430 bps during the year, including Managed Services. And it's in Managed Services that we have recorded the effect of the Arcandor bankruptcy. Finally, global function took their share in the improvement of the Group profitability by significantly reducing their cost from EUR 83 million in year 2008 to EUR 70 million in year 2009.

I move now to the detailed performance of each service line, and I begin by Managed Services. So the revenue reached EUR 1,953 million; this is 38% of the total revenue of the Group and an organic increase of 4.4%. And as I said, despite the Arcandor revenue ramp down which weighted for roughly EUR 17 million this year.

Group service offering covered by Managed Services are service desk, desktop and network services; this is roughly 30% of this figure. Server management, which represents another 30%, mainframe management 20%, and professional services 20%. The growth of 4.4% was fuelled mainly by the UK in the public sector, Asia, with our great bank client, Standard Chartered Bank, and France in the energy utilities sector. Benelux and GCE showed a good resilience to market conditions and posted low single-digit decrease.

Operating margin reached 5.5% of revenue, increasing by 30 bps compared to year 2008. All the GBUs contributed to the improvement except Germany and Central Europe, which is affected, as I said, by the bankruptcy of Arcandor. If we exclude this EUR 14 million of depreciation due to Arcandor, the operating margin of GCE, would have reached 6.2%, an improvement of 100 bps, mainly thanks to both TOP programs and revenue growth. In terms of headcount, you know that the headcount decreased by minus 1.2% in a growing activity, which is materializing Managed Services' productivity improvement this year.

Systems Integration; so the revenue reached EUR 1,894 million, this is 37% of the Group now roughly as Managed Services, an organic decrease of 11.2%, with 13.1% in the second semester. While Professional Services and Application Management posted double-digit organic decrease, Project Services showed a better resilience to market condition with the minus 6.6% organic decrease, thanks to non-ERP activities.

So the combined effect of tariff pressure and volume reduction strongly affected Benelux and Spain/South America, which posted respectively minus 23% and minus 16%. France, UK and GCEMA posted single-digit decrease, and this is directly linked to the fact that they have a larger part of fixed price projects in their review mix.

A very important point that I guess you were all waiting for that, so operating margin is reaching 5%. It's an increase in System Integration by 90 bps. This performance was achieved through the implementation of the top program, and a very strong workforce management, strict control of recruitment, training and re-skilling of engineers, significant reduction of subco, I will get to that, and restructuring.

So in term of headcount, we are now in this service line at 23,000 people, and this is 1,400 less than at the beginning of the year. Utilization rates, a key indicator in System Integration, reached 81%; this is an improvement of 2 bps compared to year 2008.

So let's move now to HTTS in its current geographical span including Atos Worldline present in France, Germany and Belgium, and the HTTS activity in Iberia and in UK. So the revenue reached EUR 879 million, that's 17% of Group revenue and an organic increase of 3.5%.

Here one important point, HTTS comprises the following activities: first card payment include acquiring, issuing and processing; this is 59% of the revenue of HTTS; e-services and CRM is 27%. We have a small activity of check control which is 4%. And finally, Financial Markets 10%. Excluding the planned decrease of the latter division, Financial Market that the Group is currently repositioning, the core businesses (Payment and e-services) grew by +5.6%.

Operating margin increased by an extra 60 bps and reached 15.4%, due to higher card processing revenue, ramp-up in trends mainly in the public sector contracts and, I would say, overall operational productivity. We have a headcount of 5,260 people at the end of the year.

Consulting now; so Consulting is clearly the service line which suffered the most from the economic condition. Revenue reached EUR 248 million; it's a decline of minus 23.7%. As we already mentioned, Consulting faced very difficult market conditions throughout the year with price pressure, cancelled or delayed projects. And, however, we are progressing in the repositioning of this service line. And actually now one of our offering, called operational transformation offering, which is representing one third of this EUR 248 million, has showed a good resistance to the market condition with a minus 6%.

As a consequence, operating margin, as you can see, was strongly affected, but is still positive at EUR 3.2 million due to the drastic measures taken on non-personnel costs and, obviously, workforce resizing. Utilization rate is 66%; this is 4 points more than last year. At the end of the year we have 2,000 consultants in the Group.

I finish up with Medical BPO, which is a service line only operating in the UK, representing 3% of the Group revenue, and it grew by 3.5% in year 2009. With the overall number of medical assessments that we are making on behalf of our main customer, Department for Work and Pensions, actually increased throughout the year, and overcompensated the volume decrease in the Primary Care business. The operating margin reached 12.8%, due to the combined effect of a successful ramp up, as I said, with DWP, productivity improvements and the one-time revenue on previous services. Headcount reached 1,900 employees, and maybe you know that this is mostly composed of nurses and doctors.

So next slide is the performance by GBU. So I'm not going to comment all the figures; we have already looked at them through the service line. But the main points are the follow one. As Thierry Breton said, two GBUs were really the engines of the Group in year 2009, both in term of revenue and in term of profitability; it's UK and Worldline. UK reported a 7.4% organic growth, mainly due to an extensive fertilization of its public sector contracts, with 9.1% margin in year 2009. It confirms a full turnaround of its profitability, which was engaged three years ago, and based on cost optimization and delivery excellence. Worldline revenue increased by 3.7%. As already mentioned, without financial market decrease, the core businesses grew by 5.6%, and with an overall increase of margin reaching 15.8%.

France; France is clearly the very good news of year 2009. The GBU well resisted to the difficult market conditions. We saw minus 3% revenue decrease and, thanks to the TOP program strongly implemented by the new Management Team in France, operating margin almost doubled reaching 3.9%, mainly deriving from the turnaround of the System Integration division.

GCEMA experienced, as I told you, a very singular year with the collapse of its number one customer, Arcandor. Nevertheless, commercial activity in the EMA area partly compensated GC decrease, and overall revenue declined by 6.7%. Operating margin reached 3.8% but, as I said, excluding the Arcandor effect it would have been an increase of 140 bps.

The two GBUs that suffered the most from these market conditions, which is clearly the combination of price pressure in time and material and volume transaction, are Benelux and Iberia/South America, which are posting respectively minus 13.8% and minus 10.1% of revenue decrease.

Nevertheless, with the strong Managed Services footprint and drastic measures in Consulting and System Integration, Benelux management managed to slightly increase operating margin from 8.2% to 8.4%, while in Iberia in South America, where the revenue is fully cyclical because it is fully System Integration, the margin dropped by EUR 40 million. In the GBU for Rest of the World, the revenue decreased by minus 4%, and operating margin improved by EUR 7 million, mainly due to a delivery improvement in Asia.

Headcount now; so as far as the headcount is concerned, the Group employed 49,000 people at the end of the year 2009, which is 2,000 less than at the end of year 2008. While maintaining and reinforcing key competencies, the Group restructured almost 3,000 staff, according to the overall plan that we shared with you at the beginning of this year. We hired 4,500 new engineers this year, to be compared with almost 11,000 in year 2008. Young graduates represent 50% of our hiring, and attrition rate went down, as you may know, and is remaining low at 7%.

So this is just showing graphically, by quarter, the steady decrease of the headcount that you see we have stabilized at the end of the year. And if I move now to offshore, the Group base now reached 5,000 engineers in five major center. India, which is presenting 70% of the total, Morocco, South America, Poland and Malaysia. We have now more than 500 engineers in Morocco and 400 engineers in Poland.

These two centers are serving our French and German customers who, for most of them, still prefer writing their IT specification in their own language. The Group will continue to reinforce these two centers based on its business mix. So these 5,000 engineers represent the largest part of 8,000 staff that we have in emerging countries, while the remaining 3,000 are serving local customers. So this 8,000 staff represents 16% of the workforce, so 16% of the workforce is based in the emerging countries.

A quick slide on staff by GBU. Without going into much detail you will notice that the workforce has been adjusted, in line with business needs and market conditions. The two major adjustments were made in Benelux and Iberia/South America. So as I said, Benelux reported minus 13.6% of decrease in revenue, so we adjusted the staff by 14.3%. Iberia/South America decreased in revenue by minus 10%; we have adjusted the staff by minus 10.4%. You will also notice the strong ramp-up of the Finance Share Service Center as part of the TOP program, which is now reaching 150 people based in Poland.

One slide about attrition; you see the line of the three service lines of the Group, so now we are reaching an average of 7% in December '09. We already said, during the last presentation, that we believe this level should be considered as a plateau. However, for the time being, there is no signal that this rate may significantly increase in this year, at least in the first semester.

One slide about the evolution of the Group subcontractors. At the beginning of year 2009 we took the commitment to decrease subcontractors by 1,000. We actually achieved a reduction of 1,500. And with the number of subcontractors, which are now representing 5% of the total direct workforce, we believe that we have reached a sustainable level.

Bench; so the decrease of the bench has continued during the second half of the year. And this clearly explains the operating margin improvement in System Integration. As part of the TOP programs, the workforce management implemented to control the bench was a key success factor in year 2009. We have reinforced, as I said, our training and re-skilling action of people on the bench in order to reassign them to customer, or to have them replace subcontractors. The level of 900 employees on the bench, reached in the last quarter, represent less than 4% of our System Integration workforce.

I move on to the financial results, and I would like to begin with one slide to give you an overall vision of the situation of Arcandor, and the impact in our accounts. You already know what was the situation in June 2009, we disclosed it. So to give you an update, last October Primondo Quelle was declared in liquidation, and the Group launched, consequently, a restructuring plan of 300 employees working under contract. So we have accrued a charge of EUR 30 million in operating income.

In November, insolvency administrator declared his plan to dispose the Karstadt retail stores, and the Group successfully negotiated a EUR 80 million contract on the next three year. Due to the particular situation of this client, this contract was not registered in the Group backlog. Finally, in December 2009, the Group decided to take a conservative position and fully wrote off EUR 22 million of dedicated and mutualized assets as well as EUR 31 million of goodwill.

So globally, this economic disaster, because obviously it's a disaster, weighted on Group financial statement by minus EUR 14 million in operating margin, minus EUR 97 million in operating income and, taking into account the tax credit at the end, minus EUR 76 million in net income; obviously it is huge.

Statutory income statement. We are really presenting you this income statement; we're showing you the different impact of Arcandor that I just mentioned. As we already told you, operating margin EUR 290 million; it's actually EUR 304 million without Arcandor. Restructuring charges represent a total of EUR 141 million in line with, maybe you remember, the EUR 150 million that I mentioned at the beginning of the year, EUR 30 million of which, as I said, are linked to Arcandor. Rationalization represent EUR 43 million, without Arcandor, directly linked to TOP program T09, which is real estate rationalization. And actually this program is already showing its effect into the Group cost base that Charles will show you. Rent and lease have decreased in '09 by EUR 30 million, 15%.

In addition, according to IFRS rules, we booked a EUR 36 million charge for the remaining lease obligation of the five existing sites in Paris, which are being closed, as I told you, as part of the project to regroup 4,500 staff in the new headquarters of the Group in Bezons. This charge has no cash impact, since it is fully financed by the new landlord through a two year rental exemption started in year 2010. So I already explained asset write-offs, which are linked to Arcandor, and the depreciation of goodwill.

Regarding the pension in The Netherlands, I told you we reversed this EUR 39 million depreciation recorded in '08, due to the recovery of the pension funds assets throughout the year. Net financial expense amount to EUR 24 million, which was stable compared to last year, 2008, and income tax was EUR 9 million, with a restated tax rate at 24.7%. So net income Group share was EUR 32 million, after EUR 4 million of minority interests, obviously, to be compared with the EUR 23 million of last year, of year 2008.

So new headquarters in Bezons; you see a picture of our new building. This is presenting you our new building. This building represents a surface of 55,000 square meters, and it complies with the highest HEQ; so HEQ stands for high environmental quality, because this is green building. So going forward, what I want to mention is that this new rent will actually generate a full-year saving in operating margin of EUR 24 million.

Cash flow statement; so the main items which are explaining our performance in cash generation in year 2009. First, obviously, OMDA or EBITDA, which reached EUR 501 million, which represents now 10% of our revenue. Capital expenditure amount to EUR 198 million; it's a decrease of EUR 36 million. It represents 3.8% of the revenue. We believe, at this level, it is a sustainable level for the Group with its current business needs.

Change in working capital ended positive, at plus EUR 35 million. This is to be compared with minus EUR 86 million last year. As part of the TOP program, the Group channeled strong action towards receivables collections, and it resulted in a decrease of the DSO by six days to 57 days in year 2009.

Cash from operation is EUR 338 million. Tax paid was EUR 40million, which is down by EUR 10 million compared to year 2008. So cost of financial debt is EUR 13 million, which is roughly half of last year. This is due to both a lower average debt and, obviously, the decrease of the Euribor.



Restructuring and rationalization amounted to EUR 135 million of cash out. And as I told you, regarding the convertible bond of EUR 250 million, EUR 48 million is accounted in equity, which is corresponding to the conversion option.

So at the end of the day, EUR 165 million of cash generation this year; EUR 48 coming from the convertible. This is an accounting posting, but most importantly, EUR 117 million coming from our operation, so net cash flow of EUR 117 million. This slide I think is better than my words; EUR 117 million generated this year compared to an operating net cash flow of minus EUR 52 million in 2008.

Balance sheet; so I'm not going to comment all the lines of the balance sheet. It's actually pretty stable compared to last year. As you see, goodwill represents EUR 1.5 billion, equity is EUR 1.6 billion, pension provision is stable around EUR 220 million. And as I told you, the net debt was reduced to EUR 140 million.

I will finish my presentation with the bank covenants. So the Group financing is now structured around three instruments; a credit syndicated loan of EUR 1.2 billion with a term in May 2012, a securitization line of EUR 300 million, and a convertible bond of EUR 250 million. The first two instruments have the same covenants. So our leverage ratio is 0.28, which is far under our covenant of 2.5. The interest cover ratio is 21.5, which is well above our covenant of 4.

Thank you very much for your attention.

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**Thierry Breton - Atos Origin – Chairman & CEO**

Thank you, Michel-Alain. In the next session, after explaining the results and how we kept our commitment in '09, I would like to share with you how we see, with my colleagues from the Executive Committee, the after-the-crisis environment for the IT market.

Yes, we believe that it is our job, our duty even, to go and see our customers, and to start to speak with them how we will help them to create new growth in their own business in the after-the-crisis environment. So of course, we intend to explain you in this session what we see in this new environment and it will last for many years, maybe a decade. We will also explain how we intend to reinvent our Company to be ready to help our customers in this new environment.

Of course, we have to take care of all our stakeholders. Our stakeholders, of course, are shareholders; they are our customers and they are, of course, our employees. So in all of these three areas, which are, I should tell you for me as the CEO of this Company, as important, because I need the three of them to be successful. I want to tell you it is fun to run a company like Atos, because we have all this in our DNA. It's fun also, because we know that our survival and our development depend on our ability constantly to reinvent ourselves.

We have a big challenge now in front of us all together. So for people like us who love this kind of challenge, it is a very interesting period to lead this kind of business. First, because it is a people business; secondly, because it is a high tech business; and third, because it helps to change the life and the way to work for our customer.

So first, for us, what does it mean? It means that we have to adapt ourselves, to change ourselves, to reorganize ourselves. And this is TOP program, and Charles will explain to you how we enhance TOP, and basically TOP is a really management tool. It's a full set of management -- maybe one day, Charles, it may be a tool that we will teach in a business school.

Secondly, we need to reorganize ourselves so that using HTTS, which is again a full scope of services developed over the past decades in order to successfully rebuild, recreate Atos Worldline. And we understand now that the philosophy behind, and the way to work, is probably what will need more and

more our customers in this new after-the-crisis environment. Less cash, less CapEx, pay-per-click, more technology, cloud; we will discuss all this.

But, of course, and all is extremely important: the employees, the engineers, plus innovation. I want Atos Origin to be the most innovative company in its sector. This is my dream. And this is why we have created immediately, because we find this in the DNA of the Company, the scientific community, a fantastic knowledge network of the best scientists in the Company helping us to design and build new high tech offers. And at the end, the key will be also to reinvent the Company where wellbeing at work means something using high tech, using technology just to reinvent how our young engineers will work now and tomorrow in-house, and within the family of our customers.

So, Charles, you start with TOP?

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**Charles Dehelly - Atos Origin – Senior Executive Vice President in Charge of Operations**

So thank you, Thierry, and good morning, ladies and gentlemen. I will, of course, not cover the current 30 programs we have in TOP, but I would like to focus on a few of them, and to show you where the program is evolving.

So on the non-personnel expense and cash, in 2009, we started by capturing the low-hanging fruit coming from a change in our standard of living; also in cash collection that Michel-Alain showed you the result. That's also more structurally in working and consolidating and standardizing our needs.

In 2010, we will reap additional effect of those actions. But also we will capture the full effect of the global purchasing, now that everything has been consolidated and standardized, on the full impact on the global purchasing on all categories.

Other big item of cost, element of cost, are the general and administration, G&A cost, where we launched a specific methodology, which is Activity Value Analysis (AVA) that we started first in Holland. And we have the pleasure to have Rob Pols here, the Head of Benelux with us, who has started very efficiently the process. And at the end of 2009, we covered 2,000 position of indirect within the Company. And we are going to continue to cover all 4,100 indirect positions we have in the Group.

At the same time, this year, we decided to have a tighter organization by function, human resource, finance, communication, and so on, in order to have recurring improvement process. Purpose of the head of each function is now to reach the first quartile benchmark in each function.

On the indirect cost, we had two actions. One, and you saw some figures already on the offshore process which used to be by country and now has been consolidated, and by the end of 2010, our goal is to achieve the benchmark. That means for each one of our activities to have the same rate of offshoring as our competition. This offshoring action is mainly led by Francis Meston, who is here, who is the Head of Group Systems Integration, and which has the full responsibility for Indian and Morocco base.

Second way to optimize our cost is to make our organization more efficient, and here we built a brand new process of management. The term Lean is well known, but it had to be fully adapted to the type of activity we had. You don't make Lean management the same way in helpdesk, in infrastructure management, in onsite support, or in application management. So it goes through a lot of training and dedication of people through the Company.

By the end of 2009, 2,800 of our direct people have been trained in Lean management, and are operationally working under this new work management. I will come back on that later on.

By the end of 2010, our aim is to cover 5,000 more people, that means to reach 7,500 people under Lean management, and we will continue. So this Lean management doesn't have a start and an end; it is a recurring improvement program in order to improve our effectiveness along the years.

Third element I wanted to cover is the new TOP program that Thierry Breton already mentioned, which is the launch of TOP sales initiative. I will come back on this later on.

So let's have a quick look at the results which have been achieved in 2009. I will not spend too much time here, because it has already been covered by Michel-Alain. Just to mention on personnel direct costs, you see a saving of EUR 46 million, which is minus 2%. But just the line below you have the saving of EUR 190 million, which is minus 28%, which shows clearly the translation of what has been said by Michel-Alain earlier, and by Thierry Breton, is that we focus on our people. And the subcontractor has been used in order to adapt our costs to the evolution of our activity, but also to absorb the productivity generated through the Lean management.

So all in all, it has been a reduction of 8% of the cost. And we compare here our cost of 2009 which includes salary increase, and our cost of 2008, which means the level of productivity, which is significant, and that we will continue in the coming years.

Second element, of course, I would like to point out is personnel indirect. So that's all the G&A salary costs indirect, which a reduction of 7%, and which is the first result coming from the G&A program I mentioned earlier.

Third element are the non-personnel expenses, with a reduction of EUR 93 million, 9% of reduction coming from everything which is not salary related. You have on the chart the values item where the saving is coming from, but I will not go deeper on this chart.

I would like just to cover two specific items. One is on the Lean management, because it's extremely important. It's a structural program for the Company. The core principle of Lean management is to focus on value for the customer, and to eliminate everything which is not interesting for the customer; that means waste, variability and inflexibility.

And this is done through a drastic change on the way we manage our teams, leveraging their very high skill level and creativity. So if you go through our platform, you will see everywhere a box on which the management, or the manager of each project, are checking the key issue proactively, listing what has to be fixed, listing the staffing issues, the technology -- technical issues, and so on and so forth.

This is applicable to all delivery service we have, and we started last quarter to apply it in some area like development area, which is a brand new area, and Atos is an industry leader in this area. The Lean has started in the UK, and the Head of our UK operations, Keith Wilman, is with us today, and has been extremely well accepted by the whole organization. Now it's rolled out in all countries, including India, for instance. It's not a program which is only focused on Western Europe.

So the result of the Lean is, of course, an operating margin increase as we free up capacity and we can reallocate the people on other program, avoiding hiring, or reducing further, or subcontractor. It translates into quality increases. There is a clear focus and transparent focus and measurement of quality and SLA achievement. And it's also a cultural change and employee satisfaction, thanks to better communication and teamwork.

Last element I would like to share with you is a new initiative that we launched in second half of this year. As it's going to be presented to you by Gilles Grapinet later on, two major changes happen in the sales and marketing function. On a GBU-by-GBU basis, there was a full implementation of what we call the GAMA program, as from January 2010, that Gilles is going to explain to you later on. And the marketing function became a global super-function as from October 1, with the mission to support the sales through the management of global offering and global sales campaign.

To support this change, we launched the TOP sales program as part of TOP. The main goal is to boost the implementation of a world-class sales organization, developing strategic and proactive selling on top of the reactive selling to the demand of our clients. So it's a much more aggressive approach of our sales. It covers offering definition, go-to-market market alignment, and build sales execution discipline.

So we have five initiatives; a focus on developing technical and managerial sales skill; strengthening market and account developments, and the disciplined execution of account plan; transforming our sales operation from bid support to sales incentive; transforming the marketing function to industrialize it and leverage the scale of the Group; and organizing our professional service sales model to boost its growth and its profitability.

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**Gilles Grapinet - Atos Origin – Senior Executive Vice President in charge of Global Functions**

Good morning, ladies and gentlemen. I will be covering the two next topics of today's agenda, which is the first one on Group reorganization, and the second one on our HTTS rollout program.

Last year when we met, we indicated there was strict commitment to transform deeply the Atos Origin organization. So I would like, on this first topic, to cover two subjects; the first one, what did we achieve in 2009 concerning this first objective; and what do we intend to improve in 2010.

So for 2009, clearly, the first word to remind is globalization. It was about globalizing our Company to leverage scale and synergies. To reach this objective we made five transformations, which have been fully operational for months and quarters. The first one was concerning the global functions. We have empowered all the global functions of the Company to have a very strong backbone of global support function able to deliver all the common Group policies for purchasing, legal, HR, Finance, purchasing management, and so on. This is fully done.

We have, as Charles has explained, strongly reinforced the authority of the global delivery lines, which are led by Francis Meston and Eric Grall, with us today this morning, and which have now the full and exclusive responsibility for the global factories of the Company, and to ramp up our offshore capabilities. They are also fully in charge of the industrialization of the Company, concerning every subject related to delivery tooling, and delivery processes.

The third transformation was concerning the global sales and market function which is now also reinforced, which is in charge directly of the TOP sales program that Charles has just covered, but which is also in charge of monitoring all the sales activities on a day-to-day basis in the operation and to promote a global marketing approach to our customers.

The fourth transformation is quite significant also. It is linked to sales and market. We have decided to treat differently the key international customers of Atos Origin by transferring them from the countries which were in charge previously to a dedicated global unit, called Strategic International Customers division, which is now fully in charge of treating these customers consistently throughout all the geographies in which they are located, and in which we deliver services for them.

This has been a major change done in H2 2009 to overcome the difficulties of cooperation that sometimes the Company can face when different geographies are involved to deliver services to one customer.

And last, but not least, of course, we have created a new service line, the High Tech Transactional Services service line, which is operated by Atos Worldline, to push Atos Worldline offering through all our geographies.

So this was for 2009 and everything is operational. And to say the least, we have been pretty quick in implementing the changes, and the Company has been fairly reactive.

For 2010, the key word is markets, because now we move the focus at country level. There we were reinventing our Group operational model. Definitely for 2010, we want to harmonize the Group organization at country level.

Previously, we had a rather heterogeneous organization at country level. To be fair, every country in Atos Origin was a bit different than the neighboring one. Now we've decided to move to a common blueprint of organization leaving that type of model, which is shown on that slide, which was basically, except in the UK and Spain, a delivery line based organizational model, to what we call the GAMA model for Global Atos market alignment, which is a market-driven organization in every country of Atos Origin.

From January 2010, every key country of Atos Origin is organized along five verticals, public sector, financial services, manufacturing and retail, energy and utilities and telco. This is a very significant change that we're implementing in 2010 to promote, obviously, cross-sell between service line to given customers, but also to be more proactive into our approach of the market, and to push our key differentiating offerings to specific verticals.

As you know, Atos Origin is recognized in the energy utility domain and in the telco sector, for example, beyond HTTS. And definitely, we needed this market-driven organization to be more efficient and to leverage these offerings that were quite strong in some countries, but not developed in some of the world.

So that is for the organization, and you can guess that it is a lot of work and, of course, a lot of change management within the Company. And let's speak now of the second topic that I want to cover briefly, which is our High Tech Transactional Services rollout program for 2010 until 2013.

For those of you who were with us in Brussels in June 2009, you all know that the HTTS initiative in Atos Origin is the name we've been giving to a Group-wide program to better integrate Atos Worldline with the rest of our operations so as to really leverage this key differentiator of Atos Origin.

So I would like to cover briefly this morning two points. What did we do in H2 2009 since the announcement of the HTTS initiative? And what are we going to do in the coming years?

So Michel-Alain has been pretty precise, so I won't be long on this one, it is just a reminder. When we speak about HTTS in Atos Origin today, we speak about a global business bringing to the Company EUR 879 million of revenue in three business lines; Electronic Payments, which is the most known one, but also what we call e-Community Services, which is a very fast growing activity related to customer interaction. We provide messaging services, trust services, e-government solutions and a lot of web services are included within the business line. And a third division, inherited from the former JV with Euronext called Atos Worldline Financial Markets, which brings to our customers solutions for asset management, securities, back and middle office services, and clearing and settlement services.

These are the three business lines that we want to leverage in the rest of Atos Origin, starting from a position in which today Electronic Payments represents roughly two thirds of the business line, 62%, e-CS 27% above one quarter, and Financial Markets, 11%.

What I want really to share with you is beyond the quality of the solutions themselves, and the strong reliability of the business model, it is the fact that we have, within Atos Worldline, invented a further way, and to many extents a very smart way, to deliver IT value to our customers. There are five ingredients that, glued together, explain over the years the real success of Atos Worldline in its direct market.

The first one is that we've developed solutions for which we always keep the intellectual property rights of the solution. We have the full IPR of what is in Atos Worldline. There relies our ability to push this solution as far as we can because we do own the solutions. We never sell the IPR.

The second one is that, as much as we can, we try to process our own software solutions on our own mutualized data centers, to provide the processing services based on our proprietary solutions.

The third one is that, as we own the IPR, we can build one solution, reuse it and sell it many times. And there, of course, we can make a huge profitability rather than making, as in traditional SI business, a made-to-measure solution, different each time, for which we sold the IPR to the customer.

The fourth point is the revenue model, which is fairly interesting because, as much as we can within Atos Worldline and HTTS, we want to be paid on the volume-based type of revenue model, pay-per-transactions, relating to a certain business matrix which is relevant for a given customer's business. And there the volume, in the end, makes the profitability.

And last, we transform the way the Company positions itself towards its customers. Because rather than a business in which I sell a solution and I go away to see another customer, there I process the business of my own customers and I will share their success or, potentially, their failure. And I am deeply committed to the success of my customers on the long term, which explains why, in Atos Worldline, we've had the same customers for more than two decades, which is fairly unusual in the IT business.

So that is what we want to leverage in our Group. With a quick reminder of our ambition that we confirmed, of course, this morning, we had EUR 849 million of revenue in HTTS in 2008, we posted a growth of plus 3.5% at EUR 879 million in 2009, and we are going to rely on two growth engines for the next four years.

The first one is the growth of Atos Worldline itself, that we expect to replicate its previous achievements in the last years. And that should bring us in the range of EUR 1,100 million at the end of 2013, above which we want to add an additional EUR 500 million of revenue coming from the synergies with the rest of our Company.

So what do we do to leverage these synergies and what are these synergies first of all? The first asset that we want to leverage is, of course, the full portfolio of offering of Atos Worldline. You have understood that we do own the IPR, so we can resell them in every country. And definitely, we want to combine this effect with the very strong customer base of the rest of Atos Origin in which Atos Worldline, at this stage, was not operating.

And I have to tell you that, in addition, we are lucky to many extents because we observe in the market a growing momentum for this approach for a transactional-based services model in which we deliver business outcomes to our customers, and we are paid according to the value we directly create for our customers. And it is, of course, closely linked with the strong mobilization of the IT services industry around cloud computing, because this is very close to cloud computing to many extent.

So the first asset we are going to leverage is our own positions in the different countries in which we operate. To be fair with you, it is really exciting, and we would like to do everything at the same time. But we need to set up priorities and so we decided that we had five priority geographies; UK, The Netherlands and Spain first, beyond of course, the historical position of Worldline in France, Belgium and Germany.

We need to expand our current position in the German market by better coordinating Atos Worldline subsidiary in Germany with our German operations. And the fifth priority area is definitely Asia, and with a dedicated focus on China, in which we have already a very strong positioning in payments solutions from our subsidiary in Kuala Lumpur and in Singapore.

Our second asset is the fact that we don't start in many of these countries further blank page. In H2 2009, there has been many work done between Atos Worldline and our key geographies, and we have realized altogether that in many of our geographies of Atos Origin, in these priority geographies for the business development of HTTS, we already had some significant positioning which are very close to what Atos Worldline could have done by itself.

For example, in Electronic Payments, maybe some of you don't know that we are a leading player in Asia, as I said, through our Malaysian and Singapore-based operations, in which we deliver today, for more than 70 banks in Asia, some outstanding payment solutions software called CardLink V2 and Ascend, for mainframe environment.

In many countries, we already operate corporate cards, or fuel cards. It is the in same e-Community Services in which we already have some good starting points with customers, teams working around the type of business that Atos Worldline has been growing very successfully in France, Belgium and Germany, around transport ticketing in the UK, loyalty programs, etc.

So we've got assets, we needed an organization and above all, motivation. So the organization was the easy part, so we have put in place an organization dedicated to grow HTTS.

Of course, I mean it is about the process, it is about assigning teams, recruiting people, training teams. This has been done and, to be honest, with a very strong mobilization of the countries. Here I would like to congratulate them, at least the ones that are with us today this morning, Keith Wilman and Rob Pols. The involvement of the team in the country is really enthusiastic, and this is certainly for Atos Origin the most motivating element of the HTTS issues.

It is part of our common blue sky; we're something different. We can go in our geographies and make the difference with the competition. And it was about time to leverage Worldline, and this is really starting right now because behind the organization, we've got people. Atos Worldline has set up a huge support team with more than 20 very seasoned professionals ready to support their countries; we've got people in the countries; we've got good rules of functioning together to be sure that we align our interest, but more important is that the real things have started.

We have initiated go-to-market in all key geographies of Atos Origin. We registered the first initial successes of this corporation and, clearly, the best is yet to come.

This slide is clearly just to share with you the flavor, the type of business that we are hunting through HTTS. Definitely maybe all of these leads are opportunities, which are the real ones on which we are currently working with the HTTS teams, won't become tomorrow a real business. Some of them, we will drop them, but some of them, we make it. And in the end, you've got the flavor on the type of activities we are hunting for here at this precise moment, with real customers, in these geographies, through this initiative. And if is, of course, very satisfying to see that, in a couple of quarters, already all the organization is moving forward to this new, very exciting business development of HTTS.

So a last word on the roadmap that we have set up for ourselves. The most important thing being that, for 2010, our priority is really to invest in business development, to get the first real customers in these untouched geographies, to get the first delivery in place, so for us to get the order entry. The key objective for HTTS in 2010 is definitely order entry, not yet revenues.

You have understood, from the business model, that the revenues they come when you've got sufficient volume of transaction on which you are paid. So the volumes, they will come from 2011 and later on, once we've got the first contracts and the significant volumes on our future platform for HTTS in these new geographies.

Of course, meanwhile, we will be pushing in the new countries, clearly North America, South America, India and even Eastern EUR ope, while we'll be sure that the first base of priority countries will be fully operating. And the story will be developed over the next four years, hopefully in line with our ambition. Thanks for your attention.

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## **Thierry Breton - Atos Origin - Chairman & CEO**

So I want to be pretty quick for the last part of this chart, even if, as the CEO, you should be aware that, and you should know that I spend one third of my time for our shareholders, one third of my time for our employees, one third of my time for our customers. I will spend unfortunately maybe five minutes for the last part since I want to have some room for the Q&A.

So very quickly, innovation. First I want to share with you our vision for the next decade to come. Yes, we believe that our customers, because of the crisis, will have to cope with four key trends, they will have to deal with.

First technology of course, big major change; virtualization, cloud technologies, Smartphones, information management. We have a lot of new technology to offer to our customers to reduce their costs, to minimize their spending, to mutualize our capacity to sell them the added values they need.

And this is, of course, the basis of the cloud, but not only software of the service, integration of the services, everything as a service will be developed more and more. And we are happy to have, within Atos Origin, and you have seen this in Gilles' presentation, we have all the tools already in-house developed year-after-year for the past 20 years which will allow us to be probably a front runner in these major trends, and ready to offer this technology for our customers.

Similarly, of course, our customers will have to cope with major change in the economic environment. First, and you will not be surprised that I will tell you, that for the next probably 10 years, our economies will be impacted by the indebtedness of our governments. And, of course, we, as citizens, our customers will have to deal in this new environment. And believe me, we believe in Atos and I believe personally, that it will be something that we will have to take into account.

It may imply higher interest rate, may imply inflation, may imply tax increase; everything is imaginable today, but also may imply a lot of new things for us. Governments will have to rethink how they operate. They will have to reduce their costs, and it is a fantastic opportunity for us as an IT provider to do what we do, for example in the UK. We're operating for the government already in BPO mode many services, and we believe that we will have to develop these kind of services in many areas. But the economic environment will be, of course, a key change for our customers with a big move and to switch from old western countries to Asia.

This is also important for us in terms of employees, in terms of engineers, but also to help our companies to reduce their costs and, of course, to help them to grow in this growing market, since we believe that in old market and European market, probably growth for the countries will be pretty difficult to achieve.

Third, financial; we believe that because it's constrained, it will be more and more difficult for customers, at least for the year to come, semesters and maybe year to come, to finance their own investment. Yes, it will be difficult. Money will be difficult, money may be more expensive to pay, and we believe that the CapEx will be a key issue. And be imaginative in financing the development and the use of IT system for our customers will be key. And here again, thanks to the technology we have developed and to the major trends in technology, we have many things to offer to them.

Social, the social environment, and you can understand social in two meanings here. First social the way we say in France, "societal". Yes, in this environment, unemployment, especially in our countries, will be probably a key issue to deal with; people management will be a key issue to deal with. But also, we will have a lot of new opportunities with all these social networks, not only in-house, and you have seen that for us, we are in the process to develop one more knowledge communities.



Our customers are willing to develop knowledge communities within their own organization to enhance innovation, to enhance expertise, but also to develop social communities within the cloud of their own customers. How to create business in the environment of the customers of our customers, and here, of course, we have developed platforms already existing. We are starting to develop this, and we believe this is a new area, a new frontier to help our customers to develop new growth in a new environment.

So we have decided that these four trends will be absolutely key and mandatory, and big pleasure for our customers. And we have think how to present new offers to our customers, based on this understanding of this environment.

Again, Atos Origin operates in two domains. The first one is the classical one, and we will need to have classical IT, of course, the way we develop it for the next -- for the last 20 years. And we'll continue to develop this classical services IT. But we will have all this new critical services that we will develop, and which will be the key driver for growth for the Company.

How can we do this and how will we do this? Of course, based on our 43,000 engineers worldwide in 30 countries, we are focusing and rewarding, and putting -- especially I put a lot of personal emphasis on how to develop our engineers. We have already many awards and we will continue, of course. And we'll inform you fully on a monthly basis, to tell you what kind of awards we have for our engineers.

So in order to propose these offers to our customers, we have decided that in 2010, every three months we will present new package offers that we develop in-house, thanks to our scientific community, to propose to our customers package offer, answering the key trends that we'll have to deal with in the new after-the-crisis environment.

The first press conference we made was a month ago, when we presented our cloud initiative and green IT. Of course, green will be more and more important for our customers, not only for tax reasons, but also to be a good citizen. And it will be strong demand, more and more for the customers of our customers, and the stakeholders of our customers.

Then we will have, in March, a new offer announcement on Smart utilities, ECM collaboration. Then we will have, in end of June, new offers in context-aware computing. And then, at the end of September, we'll make a presentation and offer in social computing.

Here, you will see some examples that we have presented in our first press conference, just as a reminder. We believe we are very well positioned with our Atos Sphere initiative; this is here our green IT initiative. And again here, we have a lot of experts. For example behind this initiative, we have now 50 experts, trained in a consultant, to be able to evaluate the carbon footprint of our consumer, to see how we can reduce carbon footprint in the datacenter.

And by the way, that's a big issue. The IT industry is generating more CO<sub>2</sub> than the whole transport industry -- transportation industry. So we believe that this will be a key challenge for our customers, and also a big area where we can present them some strong savings. And, of course, we will continue to give you more and more of all these new initiatives.

Finally, my ambition for the Group is to be a company where we reinvent the way of working together in this new environment. So, here again, what we want to do is with this initiative, which is again -- this is designed, thanks to seven programs. And here again, this is Charles running in the TOP initiative. So, these are seven new TOP programs, social program, employees' engagement. And our objective is to imagine a way of working together, thanks to the use of technology today and tomorrow.

In order to do this, we have selected, like we did for the scientific community, a new team of 25 international talents. They're all below 30; they're new talents in our Companies. We have Indians, we have Chinese, we have Americans; we have, of course, French; we have British; we have people from the Netherlands; we have from Spain, from everywhere, and they're meeting on a regular basis. And we

ask them, as a knowledge community, to design and think what is the environment they want to work today and tomorrow. And by the way, we use in these seven programs, and their input, their designing, they have the authority to design to the Company, their dream.

And so, we have big programs in working organization, management, working condition, recognizing and rewards, skills and competencies, communication and social links, and corporate and social responsibilities.

Of course, we'll use their work to design our own headquarters. And the headquarters, probably next time we may have the conference in our new headquarters. And you will be able to see the result of their work, these young talents below 30. And we think it's pretty fun and very exciting to do it.

So the strategy, the dynamics of the strategy. So our strategy must be simple; we believe it's simple. It's demanding and must be fun. So first, we need to demonstrate that we put in place everything to transform the Group. It was a top initiative. Three years; we are half of it, hopefully, not too far. Our objective is here again, on a three-year period, to change, thanks to the program we have presented to you, definitely our Company as a global company, with our two sets of strategies that we just presented.

We are on our way. It is our duty and our job to keep our commitment. And we will keep our commitment. If we demonstrate that we keep our commitment, then we are ready to move to the second phase of the strategy. And since I believe that now we are changing the DNA of the Company, we are a company totally focused on keeping its commitment. And we demonstrate it here again today, and will continue to demonstrate semester after semester.

So it's time for us to think to the second phase, another three to four year phase, that we launched last June. And we are now in the deployment of this new second phase of the strategy, with the deployment of HTTS engine; Gilles explained to you. And, of course, finalization of the transformation of the Company.

And third, if we do this properly, at the same time, and I believe it's almost time that we think that yes, I feel comfortable enough to start to see a little bit further ahead. We are now launching a lot of new innovation products and services and approach, with this interesting offering and, of course, ready to think if we see some acquisition.

Because I believe that, month after month, this team is ready not only to deliver what they have to deliver, but also to be ready for acquisition. Yes, we are starting to see if there are things interesting and could make sense. And this will be, of course, for the next three years.

Thank you. So now I want to give you, of course, the guidance for '010. So first in terms of revenue. Due to the Arcandor bankruptcy, the Group expects in 2010 a slight revenue organic decrease. However, at the lesser extent than the one achieved in '09.

In operating margin, you will not be surprised that the Group confirms its ambition to improve the operating margin by 50 basis points to 100 points, compared to '09. And in cash flow, the Group has the objective to confirm the improvement achieved in '09, by generating a net operational cash flow in the same range as the one we have done in '010.

Thank you for your attention, and we are ready now for Q&A.

## QUESTION AND ANSWER

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### **Brice Prunas - Oddo Securities - Analyst**

Good morning. Brice Prunas from Oddo Securities. I have two questions, in fact. My first question is a set of questions on HTTS. I would like to know if you can elaborate a little bit on the HTTS pipeline? As well, if you could give some tangible examples of synergies between HTTS and Atos Origin.

Maybe, also, if you could give what would be for you a rough estimate of the satisfying order entry in '10, as it is the main goal? I know it is not your main goal, but what could be organic growth as well for HTTS in 2010?

And my second question is more for the Group, is regarding your organic growth 2010 guidance. If you could split between H1 and H2, that is implied growth in H2. And second, maybe by business line. Thank you.

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### **Thierry Breton - Atos Origin - Chairman & CEO**

Okay. So I guess I will take the second one. And then, Gilles, you will take the first one together with Michel-Alain.

So regarding the profile in terms of goals. What we anticipate is, for the first half, we anticipate a semester comparable in terms of growth on what we achieved the previous year, '09. And then we have built our budget, because this is what we see in our pipeline, then a progressive increase in activity in second half. So that's the profile, how we built our budget, which is a little bit like the one we had last year, by the way.

Gilles, for HTTS?

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### **Gilles Grapinet - Atos Origin – Senior Executive Vice President in charge of Global Functions**

Yes. There were several questions from Brice. So maybe a few words concerning the type of business we are looking for.

As I explained in the slide, that was mentioning some leads and some opportunities. And at this stage, would like just to remind that we launched initiative in June 2009. We had to recruit the people in the new geographies in H2 2009, to train them, to, of course, create the good relationship network within Atos Worldline, which means that simultaneously, it was creating its own support service line.

So everything is really starting in real terms, from a couple of months. So we are still at this stage of having lead opportunities, commercial discussion with customers and, to a certain extent, commercial propositions that are outstanding at this stage within HTTS in these geographies.

So the pipe at this stage is made of what you've seen and the slide that was mentioning. That was mentioning that, as you have seen, what is specific in Atos Worldline is that we are speaking about what we call business critical IT for customers. We do not sell services for support function, HR, finance, purchasing, logistics, whatsoever. We sell services that help the customers to reach their own direct business objectives. Most of the time, we work with the customers, with their own end customers.

So it's exactly the image we had on the slide.

My key message here is that we are currently in the process of pushing the same type of business that we had in Worldline. It is, of course, essential because we want to leverage the solution that has been developed in Worldline, so as to be the more profitable we can by just reselling existing solutions, with of course, a slight, if necessary, adaptation to specific customers' need.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Gilles, we should say also that we have set up some specific incentive for the team, and just the incentive is based on the backlog. In every geographies, Keith, Rob, we have for you and for your team specific additional incentives to measure the creation of the backlog.

Which is entirely new, because, again, this is a big link between HTTS and the usual way of working.

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**Gilles Grapinet - Atos Origin – Senior Executive Vice President in charge of Global Functions**

So, your second question was about synergies. And the first synergy that you can see on the slide was that these specific needs, we did not address them, most of the time is these geographies. Because we did not have the position, nor the solution in these new geographies of Atos Origin for Atos Worldline, because Atos Worldline was directly operating only in the three historical geographies, France, Belgium and Germany.

And so, what is new in the Company is our ability to have a very quick go-to-market with existing solutions, because we've got the customers. And now, we can expand the scope of discussion with these customers, with the very strong trust we have and the fact that we've got solutions, we've got track record. And of course, we've got teams that are ready to support our operations in delivering these services to the customers.

There is a second aspect. Just, one word in anticipation to mention that we have identified also some very interesting, and unexpected at the time of the launch of the initiative, some synergies. I mean by that, that for example, our ASEAN payment solutions, we can, of course, consider that they are pretty relevant to be sold in the European territories. We did not do that in the past; they were strictly enclosed in the ASEAN territories.

And they are, by the way, excellent. They cover the mainframe environment; we did not have solution in Worldline for mainframe environment. So now, we have a full range of solution in terms of payment, which cover UNIX environment in Worldline, and mainframe environment. That is a key synergy we are going to bring back these in the EUR opean territories. It is the same with the UK operation, which can bring to some of our Worldline operation significant additional differentiators, thanks to the type of advance that the UK team has in its own territory.

And the pipe is quite sound. It is even better in average than the rest of the pipe of the Company. And we are above the six months that we have in the pipe current in terms of turnover.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Thank you, Gilles. Other questions. Yes please; microphone is coming.

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**Laurent Daure - Kepler Capital Markets - Analyst**

Good morning. It's Laurent Daure from Kepler. I have three questions today. The first is on the cash. If you could help us on the restructuring charge that were booked in the '09 accounts, that will have a cash

impact next year. And also, the restructuring you're planning for next year, in order to help us building our cash flow for 2010.

The second question is on the longer trend strategy on coming back potentially to acquisitions. Do you consider only acquisition in the HTTS field, or you consider growing also in traditional businesses?

And my final point is on Worldline, again. On the margin side, do you consider that today you've reached maximum, or can you go to margin in the low 20s? Thank you.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Well, for the last item, yes, I think we have still room for improvement. And you have seen, by the way, that within Worldline, we have also something that we are cleaning, which is the remaining part of the financial markets. So we believe that yes, we have an improvement. And by the way, our models are built with improvement of the margin.

For the second question, in terms of acquisition, we made very clear last June that we will look at everything related to payment. Because, of course, in payment, we know that we'll have a lot of movement in the year to come in the payment area, especially in Europe, but not only. So we will watch and we see if it matches with our own strategy.

But of course, also we are willing to see if there are things which could bring us some technology. That's really something that we want to look at, since we are focused on growing our technology portfolio.

For the first item, Michel-Alain? I mean the cash and the restructuring.

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**Michel-Alain Proch - Atos Origin - CFO**

Regarding restructuring and cash. First of all, in year 2009, we booked EUR 140 million of restructuring. In terms of cash, that was EUR 116 million. And this year, in year 2009, we booked EUR 86 million of rationalization. So you know two parts for this; EUR 36 million related to Bezons, fully financed, and then EUR 50 million, which are the materialization of the acceleration of our TOP program around rationalization. That is for this year.

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**Thierry Breton - Atos Origin - Chairman & CEO**

EUR 50 million for '010 means 1% of revenue, which is a sustainable ratio.

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**Michel-Alain Proch - Atos Origin - CFO**

So for year 2010, we believe that, in terms of cash, we will cash out the EUR 30 million of restructuring that I mentioned for Arcandor, and then the EUR 50 million that Thierry just talked about. So that's I think around EUR 80 million in terms of cash for next year. And in terms of rationalization, we will have cashed out part of the rationalization that we have booked this year, so roughly EUR 50 million to EUR 60 million. Okay. So overall EUR 120 million, EUR 130 million, Laurent.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Thank you. And by the way, you see that, without Arcandor, you can see what the Company should generate on a yearly basis. I think it's a good indication.

Other questions?

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**Michel-Alain Proch - Atos Origin - CFO**

I just want to add one more thing about the rationalization program, because it's going full speed in '09 and in '010. And we believe, Charles, that at the end of year 2010, we will be finished with the rationalization of all our offices. So we will have reached the standard of 10 square meters, 11 square meters by employee that we gave ourselves as an objective.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Okay. Other questions?

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**Operator**

We have questions from the phone at the moment. We have a question coming from the phone line, from Michael Briest.

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**Michael Briest - UBS**

A quick question on the acquisition, the size of acquisition. Do you consider, will it be in the range of EUR 50 million or EUR 250 million? What kind of size would you be looking at?

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**Thierry Breton - Atos Origin - Chairman & CEO**

Gilles please?

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**Gilles Grapinet - Atos Origin – Senior Executive Vice President in charge of Global Functions**

If I understood the question, on the size of potential acquisition. Okay. Everything which is consistent with our financial capabilities would be considered as a decent answer, I suppose.

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**Thierry Breton - Atos Origin - Chairman & CEO**

So I have a question from the web. Douglas from IDC. If innovation is your differentiator, how long can you keep cutting headcounts and CapEx?

First, we are not cutting headcount and CapEx. We are just managing our CapEx properly. And by the way, you should know, this is one of the programs that we have in TOP 18.

We have decided to rationalize of our purchasing capacity. And believe me, it was how we met the reduction of CapEX. Not because we bought less things, just because we are buying much better. And by the way, the good news that we still have to progress, we will still progress in '010, thanks to this rationalization in any kind of product and services that we buy. So no, we don't reduce CapEx; we buy better.

And in terms of people, of course, our goal is to retrain and re-skill our people. By the way, we offered to our employees last year an average of three-day training on a yearly basis. In '010, we have put in our

budget six days of training, full training. And this doesn't include everything we do in the knowledge network and where we have a lot of other things in-house.

So the answer, and the key answer, of course, is to re-skill our workforce, just to be able to protect our results, while enhancing the employability of our engineers.

Another question in the room, yes?

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**Dov Levy - CM-CIC Securities - Analyst**

Good morning, Dov Levy from CM-CIC Securities, could you just come back on the operating margin in France in the mainstream region where you're stabilizing your margin or improve your margin. What would you believe could be your capacity to improve your margin again in France or in Benelux next year? And would you say that the current level of margin in the UK is a kind of normative or you still have possibility to increase your margin there?

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**Michel-Alain Proch - Atos Origin - CFO**

Yes okay, so first in France it's not the stabilization, it's the doubling of the operating margin that we actually have achieved this year, reaching almost 4%. We do believe that we still have an opportunity to improve this margin.

You may remember that, within the French GBU, I would say that the "sick student", between brackets, was the SI division. We have worked a lot on this division to reorganize it, to structure it, as Gilles said it, in market-facing units. We have de-layered the mid management and we have been able to restore its profitability after several years being either in the red ink or just above the line.

We believe that this division still has the potential to grow. We have a good operating margin in France in Managed Services. We have a strong pipe in the public sector in Managed Services. And we believe that, in France, we will have a combination of revenue growth and an extra organic increase of the margin.

As far as Benelux is concerned, I'm actually proud that we have been able to maintain and actually increase the operating margin in year 2009 in Benelux by 20 bps with a reduction of revenue being with three digits.

This being said, I do believe that, while the economic situation will improve, the engine of Benelux will re-function again, particularly into the Professional Services, which is something that is picking up extremely quickly when the condition of the market is peaking back.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Thank you Michel-Alain. Before we have one question from London, someone is being on the call, could we take it?

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**Operator**

Yes sure. We have a question coming from the line of Michael Briest from UBS in London, please go ahead with your question.

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**Michael Briest - UBS - Analyst**

Good morning, thank you. When you talk about the slight decline in sales for the year, can you give more detail on that, and also the impact of Arcandor?

And are you expecting Managed Operations to grow and the cyclical areas to decline? Thank you.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Thank you for your question. Michel-Alain?

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**Michel-Alain Proch - Atos Origin - CFO**

Okay, as we said, we believe that we will have a slight decrease, but less than the minus 3.7% that we have posted this year. We believe that the first semester will be around the same organic decrease than the one we have achieved in the full year 2009, so around minus 3.7% or something like this, with a slow Q1.

We believe organic growth will pick up in the Q3 and in Q4, so that's overall our prediction of margin.

As far as Arcandor is concerned, one important number that I want to give you today, we have built our budget with the ramp down of the Arcandor revenue in year 2010, compared to year 2009, by EUR 90 million.

This is a conservative approach. We know Primondo Quelle is liquidated. You know that the due diligence for Karstadt is underway; closing should be some time during spring. We have taken a conservative approach, in order to have only good news on the top line regarding Arcandor.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Thank you, another question on the call?

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**Operator**

You have a question coming from the line of Neil Steer from Redburn in London. Please go ahead.

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**Neil Steer - Redburn - Analyst**

Morning, yes, this is just a question on your guidance. You're guiding for the margin to be up 75 -- sorry 50 basis points to 100 basis points. But if we look at the impact you mentioned during the presentation, the lower property costs this year and, obviously, the fully annualized impact of some of the cost savings that have been put through in 2009, that more than accounts for the 50 basis points to 100 basis points improvement in profitability.

And I'm just wondering what kind of headwinds you think you face in the market this year, in terms of pricing, that caused the margin improvement not to be as great as one would otherwise have expect.



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**Michel-Alain Proch - Atos Origin - CFO**

Okay, just I think 50 bps to 100 bps is, first of all, a good increase of margin to my point of view.

This being said, I understand your calculation; I think one point that you need to integrate into your calculation mechanism is that this year in year 2010, we still have price pressure. There is still a price pressure, so it's not comparable to the price pressure we had experienced in year 2009, which was absolutely exceptional. But it's not a normal, between bracket, price pressure; we still have a price pressure in time and material. And also in the renewal of our Managed Services contract. When I say we, it's us and the rest of the industry.

So obviously, a part of all the improvement that we are doing through productivity and the TOP program is to compensate this price pressure.

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**Neil Steer - Redburn - Analyst**

Could you give us a feel for the magnitude of that pricing pressure in 2010?

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**Thierry Breton - Atos Origin - Chairman & CEO**

In our guidance, the improvement by 50 basis points to 100 basis points is we believe in this difficult environment, an ambition but we are committed to do it.

Maybe a last question from London, and then we will go back to price. Last question in London, do we still have one?

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**Operator**

Yes, we have questions coming from the line of James Crawshaw from S&P in London. Please go ahead.

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**James Crawshaw - S&P Equity Research - Analyst**

Hi, yes it's S&P Equity Research. Thanks for taking my question. It was really to get an idea of the restructuring and rationalization charges you expect to take through the income statement next year. They were significantly more than I had anticipated in 2009. And although you call them non-recurring, they do seem to come back year after year.

So what sort of charges should we expect below the operating margin line, the so called non-recurring charges in 2010?

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**Thierry Breton - Atos Origin - Chairman & CEO**

So I think that we already gave some guidance here in Paris, and I think it's important maybe to repeat it, that we have a EUR 50 million rationalization, which is 1% of the revenue. And in addition to that, we will have another, Michel-Alain, EUR 32 million for planned rationalization that we will have to take, Michel-Alain, from Arcandor.

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**Michel-Alain Proch - Atos Origin - CFO**

I already told you in terms of cash which we expect for year 2010, roughly EUR 80 million of restructuring, including the EUR 30 million that Thierry just mentioned, and roughly EUR 50 million related to rationalization. And this will be the end of our rationalization program.

In terms of P&L, we believe we will have EUR 70 million of restructuring, and roughly EUR 40 million of rationalization. So I think, overall, this is the situation we have in year 2010. It is the combined effect of the bankruptcy of Arcandor and the full acceleration and completion of our rationalization program.

This being said, and to answer the latest part of your question, we believe that, as a normalized amount we need in restructuring/rationalization on a normal year, which is definitely not '010, but '011, roughly a EUR 50 million amount.

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**James Crawshaw - S&P Equity Research - Analyst**

Okay, so EUR 50 million is a normal year, but for 2010 EUR 110 million, is that right?

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**Unidentified Speaker**

Could you come back on Q4 booking which was low, and just have a comment by segments, just to understand the trend?

And my second question is related with the wages and [variable competition] increase you've put in project for '010 naturally. And the recruitment policy for this year, what can we expect? Thank you.

The recruitment policy for this year compared to the 4,500 recruitment last year.

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**Thierry Breton - Atos Origin - Chairman & CEO**

In between, I will take -- the wages. On the wages, we consider the last year in almost everywhere we operated we had very low inflation, if not inflation at all. So we have decided, this year, to propose a 0.45% salary increase for our employees. And this is what is discussed now.

As you know, we are managing the Company on a six month basis, so for example in France, we are careful to maintain the activity at the level it is now at the beginning of the year. So since our priority is to keep the jobs within the Company. So if we see that we are going to achieve our budget in first half for France, which is not a decrease in revenue and which means, by the way, maintaining activity and this is in our budget, then we will have a rendezvous meeting in July. And we will see if we can double the effort regarding our result.

So that's what we have in salary wages, 0.45%, [Michel-Alain], could you take also the hiring?

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**Michel-Alain Proch - Atos Origin - CFO**

In term of booking first, so in Q4, we posted a book to bill at 89%, which compared to what was our own objective and ambition is a bit disappointing.

It is a bit disappointing because with had large MS project, that I have discussed with some of you, that we think we're going to be concluded in the end of year 2009, that actually have been delayed to year 2010. This is more delay of projects than projects being lost.

Second point, we have a coverage of our revenue for year 2010, which is 53% with the backlog. And we believe that we will have an order entry above 100% of book to bill for the full year 2010. Clearly, order entry in HTTS, because Gilles already elaborated on that, but on the rest of the service line too, order entry is our main focus apart from cash generation and operating margins that we have already shared with you. And that order entry is our main focus in H1 now.

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**Thierry Breton - Atos Origin - Chairman & CEO**

And employment, employment policy?

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**Michel-Alain Proch - Atos Origin - CFO**

In terms of employment policy, we believe that the beginning of year 2010 is going to carry on being difficult in terms of market conditions. So as you know, we have put in place a very strong control of hirings. We are trying to hire first, onshore, young graduates, that's really young engineers graduating from university; it's really our policy.

And second, to carry on the rebalancing between our onshore workforce and our offshore workforce.

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**Thierry Breton - Atos Origin - Chairman & CEO**

And of course, we anticipate to have a similar level of attrition that we have at the end of this year which is 7%, which will help us just to adjust what we have to adjust, if needed.

Maybe one last question in London?

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**Operator**

We have a question coming from the line of Gerardus Vos from Citigroup in London. Please go ahead.

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**Gerardus Vos - Citigroup - Analyst**

Hi, thanks for taking my question. There's a couple if I may?

First of all, on the fourth quarter, the cyclical revenue's improved quite a bit from the level of the second and third quarter. Is this exceptional or do you actually start to see an improvement towards the end of the year?

Secondly, on the utilization rate, do you give any kind of SI and Consulting rate there?

On SI it gets very close to peak levels, how much upside is there, or is there actually a bit downside in 2010 when you need to start hiring?

And finally, just coming back on the cash flow, the cash flow guidance for 2010 is for a similar amount as in 2009, so around a EUR 170 million figure, which is still a very weak cash conversion. Is it fair to assume that in '11 that will normalize and you'll go to close to 100% cash conversion? Thanks.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Michel-Alain.

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**Michel-Alain Proch - Atos Origin - CFO**

So first I just want to correct on figure; coverage of our revenue for next year is not 53% but 56%, five six.

So first of all on the cyclical activities, I think it's true to say that we believe the cyclical activities will be the service line, so System Integration mainly, that are going to be fueled by the comeback of the market condition.

I think it's too early to say, at the beginning of year 2009, that we see this service line steaming up. Nevertheless, in terms of pipe, you've seen that we have a pipe overall at plus 14%. And we see the parts of System Integration in this pipe, which actually goes down during year 2009, actually coming back at the end of year 2010, and there are deals in the pipe in System Integration again.

So that's a part of the question you had.

Second part was the cash, so as Thierry said, we believe we are going to have a cash flow, overall, net operational cash flow in the range of the one we have achieved this year at EUR 117 million.

I understand your frustration in terms of cash. We have not yet done, entirely, our restructuring and rationalization. This will be done in year 2010, clearly. And we believe that you can take these two amounts that I just mentioned in terms of cash for rationalization and restructuring, and add it up to our cash flow to have what could be a normalized cash flow with what is today our business mix. Obviously, it can change if we buy some very cash flow recurrent activity.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Maybe a last question here Paris? Okay, let's take two last questions and then --

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**Richard Nguyen - Societe Generale - Analyst**

Good morning, Richard Nguyen from Society Generale, just to clarify something regarding the margin improvement directed for 2010, between 50 basis points and 100 basis points. Did you include the positive aspect due to a recent change in French corporate tax laws in that -- the tax provisional in that? I just want to make sure.

The second thing is that could you please give us some detail regarding the drivers for System Integration and Financial Services for 2010. What kind of (organic growth are you targeting for -- ?

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**Thierry Breton - Atos Origin - Chairman & CEO**

For the first question, of course, we included the impact of the tax provisional. But by the way, for our industry, it's not a decrease, it's an increase. Because the reform of the tax provisional here in France means that for companies like us, we will have an increase by -- I think we could even give you the figure -- it will be EUR 2 million or EUR 3 million, I think something like that, if I remember well.

So in fact the reform for a Company like us, hiring a lot of people, skilled people, is to increase the tax, so it is.

The other question, yes of course it's included, so EUR 2 million to EUR 3 million.

Have we got another question?

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**Michel-Alain Proch - Atos Origin - CFO**

Yes the other question was the organic growth or decrease by the service line for the entire year. I think here, I'm not going to be too precise, because it's obviously a bit difficult to be that precise on February 17. We believe that System Integration and Consulting will be in the dark, so meaning both above zero.

We believe that our Managed Services operation, it all depends of our capacity to close these deals that I just mentioned, which then can ramp up in the second part of the year.

So we see there a slight decrease. We believe, and I think Gilles has been extremely clear on this, that HTTS will be in a growth, which is roughly the one that we have known this year. As I was telling you, the core activities are around 5%. We still have [AWFM] being a bit negative, so around 4% or something like this.

It is clearly one of our engines for next year, with the leverage of this activity in the Group, not only in the GBU Worldline but in the Group. And if we work well, we should see HTTS organic growth, in the Group in total, being above the one of Worldline as a GBU.

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**Thierry Breton - Atos Origin - Chairman & CEO**

I think it's really time for the last question. It's already 10 past 12. Thank you, yes here.

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**Michael Beucher - Cheuvreux**

Yes, good afternoon, a very, very short and simple question. I'd like to understand what metrics, what key metrics you've chosen this year to design the bonus packages of the first half, or the full year, for the top managers of Atos?

And could you make a distinction between the members of the executive committee on the one hand and the heads of the GBUs on the other hand? And tell us whether these metrics differ from the one you chose last year. Thank you.

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**Thierry Breton - Atos Origin - Chairman & CEO**

So we have the same metrics for everyone. So we are 450 key managers' incentives the same way. Part of their bonuses is when you turn to their GBU realization and objectives. Part is personnel, and then we have a Group multiplier. The Group multiplier means that we, as a Group, will measure us, for example the first half, in our ability to continue to maintain our program, which is again, generating the level of cash that we have announced and generating -- so improvement of margin that we have announced.

So that will be the main indicators. Gilles, do you want to add something?

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**Gilles Grapinet - Atos Origin – Senior Executive Vice President in charge of Global Functions**

Just to add that the main change, your question was about what has changed, is that we have included an additional bonus for the HTTS success for development, according to our target in 2010 for all of our GBUs.

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**Thierry Breton - Atos Origin - Chairman & CEO**

Okay, so that will end the meeting. Thank you again very much for being with you this morning, and hope to see you soon for the next one either this year or next year. Thank you all.