

# ATOS ORIGIN – THIRD QUARTER 2009 REVENUE CONFERENCE CALL - TRANSCRIPT

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## PRESENTATION

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**Operator**

Good morning, ladies and gentlemen, and welcome to the Atos Origin Q3 2009 revenue conference call. At this time, all participants are in listen-only mode until we conduct the question and answer session and instructions will be given at that time. (Operator Instructions).

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Just to remind you, this conference call is being recorded.

I would like now to hand over to your Chairperson, Gilles Grapinet, Senior Executive Vice President in charge of Global Functions; and Charles Dehelly, Group Senior Executive Vice President in charge of Global Operations. Please begin your meeting and I'll be standing by.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Okay, thank you operator and thanks everyone for joining us today for our third quarter 2009 conference call.

I am Gilles Grapinet, Senior Executive Vice President, Atos Origin, in charge of the Global Functions, Consulting and High Tech Transactional Services, which include Worldline.

As you know, Thierry Breton chairs the annual and half-year analyst meetings and calls and I have the pleasure to do it together with Charles Dehelly, my fellow colleague, Senior Executive Vice President, in charge of the Operations, for the first and the third quarter.

With us this morning, Michel-Alain Proch, Group CFO and Gilles Arditti, Head of Investor Relations; you already well know them.

Let me quickly outline the agenda of today's call. I will begin presenting you with the highlights of Q3 and the commercial activity and then Michel-Alain will take you through the financials. After the presentation we will, of course, be glad to answer your questions.

Let's start now with the main highlights of the third quarter. During this period, the Group revenue reached EUR 1,229 million, representing an organic decrease of minus 5.6%, compared to Q3 last year.

On a year-to-date basis, total revenue amounted to EUR 3,818 million with a slight organic decrease of minus 3.4%.

We will see later that the performance was quite differentiated by service line and by geography, as it was already the case for the first half of the year.

On the commercial activity side, the total order entries reached EUR 4 billion at the end of September, which represented a growth of plus 5% compared to last year and, therefore, the book-to-bill ratio was 104%, up by 8 points compared to September last year.

Full backlog was EUR 7.3 billion and representing 1.4 years of revenue, which is the level we have usually.

Our full weighted pipeline remained strong at EUR 2.8 billion; this represents a 10% increase compared to September last year.

At the end of the third quarter 2009, the Group net debt reached EUR 293 million. This represents a significant reduction, compared to September '08 net debt, which was at EUR 409 million. During the third quarter, the net debt decreased by EUR 35 million from the EUR 328 million as of June 30, 2009.

As far as the TOP program is concerned, all the Company is mobilized and the 21 projects are well underway. As a result, the cost base has been significantly reduced.

As far as human resources are concerned, total employees reached 48,884 people at the end of September 2009. The bench is now at 1,000 at the end of September. This means that since the beginning of the year, it has been reduced by almost 40%.

The number of subco's was 2,000 at the end of September, down by almost half since the end of last year.

On the slide five, you can see the key contracts won during the third quarter of 2009. We signed two major contracts in Managed Services, one the Netherlands with UVIT, which is a six-year contract for data center outsourcing; and in the UK for the Home Office for a next generation IST transformation program.

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The Group also signed other large outsourcing contracts in the Netherlands with Norfolkline; in the UK with the Network Rail; in Germany with Lekkerland; and in France with Canal Plus.

In Systems Integration, we have renewed contracts in the UK for the Go Ahead Group; in Austria with Zumtobel; and in France with the Ministry of the Interior regarding the Schengen EUR opean area. We have also signed a contract in Belgium for a EUR opean institution.

In High Tech Transactional Services, Atos Worldline renewed the clearing contract with LCH clearnet in financial services and its six-year contract with Comdirect, a subsidiary of Commerce Bank in Germany; and signed e-services contracts with a major retail group and with the National Railway network in Europe.

In Consulting, Spain has signed a large and promising contract in the aeronautics industry.

Let's move to slide six. You can see that the Group total order entries reached EUR 4 billion at the end of September 2009, up by plus 5% compared to last year, and representing a book-to-bill ratio of 104% versus 96% in September '08. This performance was achieved thanks to Managed Operations at 110%, but Consulting is also now at 96%, compared to 99% last year, and System Integration is also at 96%.

During the quarter, the Group order entries reached EUR 1.1 billion with a book-to-bill ratio at 88%, which is exactly the same as for Q3 '08. By service line in Q3, Consulting was 123%; System Integration at 84%; and Managed Operations at 88%.

The full backlog at the end of September was EUR 7.3 billion, representing 1.4 times 2009 revenue and slightly up by EUR 50 million versus September 2008.

The full pipe at the end of September was EUR 2.8 billion, up by plus 10% since September last year.

I will now leave the floor to Michel-Alain, who will present you the Q3 revenue figures in more detail. Michel-Alain.

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

Good morning, ladies and gentlemen. Michel-Alain Proch speaking. Let me present you the Q3 financials. I'll begin with slide number eight.

This slide is presenting the reconciliation between statutory and revenue at constant scope and exchange rates. As we said earlier, the year 2009 third quarter revenue reached EUR 1,229 million, which represents an organic decrease of minus 5.6% at same scope and same exchange rates. The change in scope relates to the disposal we've made last year; AEMS exchanged during the third quarter; Thailand, Mexico and Technical Automation in the Netherlands in the fourth quarter.

The EUR 18 million of impact from the exchange rate is mainly coming from the decrease of the British pound compared to the EUR 0.

Slide number nine is showing you the same analysis on the first nine months. And the revenue for the first nine months reached EUR 3,818 million and after the effect of a change in scope and exchange rate, the revenue organic decrease remained slight at minus 3.4%.

On the next slide, you will find the Q3 revenue performance by service line and I begin with Consulting.

Consulting revenue reached EUR 54 million. When we released Q1 revenue in April this year, we announced already that tough market conditions would persist throughout this year in Consulting. Large customers continued to delay or cancel decisions on consulting projects, so we have reduced the workforce in Consulting in order to protect the operating margin. Consequently, Consulting has reported a large organic decrease of revenue this quarter of minus 34%.

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During the first nine months of year 2009, Consulting revenue reached EUR 188 million (sic - see press release). This is an organic decrease on the nine months of 26%.

Systems Integration revenue was EUR 435 million during the third quarter, which represents an organic decrease of 14% compared to Q3 '08. During this quarter, we had the full effect of the price reductions agreed at the beginning of the year, particularly in time and materials, and the effect of volume decrease. Accordingly, the Group has reduced its number of staff in all GBUs and more significantly in the Netherlands, where the situation remains tough in the time and material practice.

The good news is that Spain is improving in Systems Integration with a slight decrease by minus 2% during the third quarter. For the first nine months of year 2009, total revenue of Systems Integration was EUR 1,409 million, an organic decrease of - 10.7%.

As far as the utilization rate is concerned, strong efforts at operational level allowed maintaining it at 81%.

In Managed Services, revenue of the third quarter was EUR 484 million, representing an organic growth of 4.5%. On a year-to-year basis, the growth is 4.9%. This performance was achieved mainly thanks to the contribution of the UK, France and the GBU rest of the world.

In High Tech Transactional Services, the growth was 0.9%, which is lower than in the first half of the year, and which is due, as expected, to a decrease in financial market business units that we, you may remember, we took over from AEMS.

E-payments and e-services increased by more than 3% during the third quarter. It is important to notice that there is no change in the growing trend of these two units. On a year-to-date basis, HTTS organic growth was 4.6%.

And in Medical BPO, the growth actually accelerated above 8% during the third quarter, thanks to an increasing number of medical assessments. On a year-to-date basis, Medical BPO organic growth reached 4.4%.

Next slide, slide number 11, is showing you the year-to-date revenue performance by service line. I just mentioned the figures, so this slide is there for your reference.

Now moving to the revenue performance by Global Business Unit, slide number 12. During the third quarter of year 2009, the evolution of revenue by GBU is quite differentiated. The UK reached a strong growth at 12.3%, thanks to the contribution of Managed Services, which benefited from increased project scope and additional work for existing customers, and a good example is Ministry of Justice. And it benefited too, from the ramp-up of several new customers, such as UK Home Office and Royal Liver Assurance. In addition, and as I already mentioned, Medical BPO contributed also to the growth in the GBU, UK.

Atos Worldline had a limited growth of 0.7%, with the same explanation I just gave you for HTTS.

France is at minus 6.3%, and was affected by the cyclical activities. Managed Services resisted, thanks to the energy and public sectors. As you know, the priority for France is in Systems Integration on the operating margin improvement, and not on non-profitable growth, as we did during the last two years.

In Benelux, we had a decline of minus 18%, affected by the weight of cyclical activities, such as Consulting and time and materials (in Systems Integration). The Netherlands faced a strong decrease in the market demand, which impacted the time and material businesses, and you know that this represents 60% of Systems Integration revenue, compared to one-third at Group level. However, utilization rate increased, compared to last year, which is coming from our strong workforce management actions.

If Spain has shown encouraging signals during the third quarter, with the revenue decrease limited to minus 5%, thanks particularly to Systems Integration, with minus 1.7%, we consider that this price decrease has reached a plateau, and that the volumes are better, the GBU, Germany, Central Europe and EMA was affected in Systems Integration too, particularly in the retail sector, where we have been affected by both the bankruptcy of Hertie that happened last year, and less SI projects with Arcandor.

On the next slide, you have the detail of the year-to-date September revenue figures by global business unit. You can see that the slight organic decrease of minus 3.4% at Group level is made of differentiated performance from a strong growth in the UK at 8.3% in year-to-date, a satisfying 4% for Atos Worldline, while France is at minus 3.3%, and the rest of the world is at minus 4.9%.

GC/EMA is now at minus 6.8%, mainly due to the decrease of Germany that I just mentioned.

Iberia and South America remained weak, with an organic decrease at minus 7.1%, or EUR 23 million revenue less than last year, but as I said, we've seen the slowing down of this decrease in Iberia in Q3. Finally, Benelux is still severely affected by the situation in the Netherlands, and clearly this is our weakest performance, with minus 13%.

Let's move on to the net debt reduction, slide number 14. So you can see that the Group has pursued its program of net debt reduction, so working capital improved once again, thanks to a stronger cash reduction. As said earlier, we have reduced the DSO to 68 days, end of Q3 this year, which is seven days less compared to the same period last year.

During Q3, the Group has continued to optimize the capital expenditure, by standardizing equipment specification and concentrating this expenditure only on clients' requirements. At the end of September, Group CapEx were lower by around EUR 40 million, compared to last year. So for the first nine months of year 2009, CapEx reached EUR 138 million, which is line with the level that we've shared with you of EUR 200 million that we have committed for the full year.

Year-to-date September cash out for restructuring was EUR 102 million, also in line with this envelope of EUR 150 million that we have estimated for the full year, year 2009.

The action on both working capital and capital expenditure offset the cash outflows made in August and September, according to the variable pay scheme, which is now half-year based, as we have explained you last time. So this was EUR 44 million that were paid in Q3, on the basis of H1 achievement. All in all, Q3 this year generated a positive cash flow of EUR 35 million, where our Q3 last year had a negative cash flow of EUR 35 million, excluding the disposal of the division AEMS Exchange and the payment of dividends.

On the next slide, as far as staff are concerned, the Group employed 48,884 people at the end of September '09, which is a decrease of roughly 2,100 staff since the beginning of the year. We have the same number of leavers and hirings, and the staff decrease came from the restructuring, where we are in line with our plans for the full year. Attrition rates remain low, at 7.3%, and as a reminder, we said on February 18 this year that we will decrease internal staff by 2,000 for the full year, and the subcontractors by 1,000. At the end of September, we already decreased internal staff by 2,100, so we are ahead of our target and the number of subcontractors has been reduced by 1,900. I have a precise slide on subcontractors later on.

On the next slide, slide 16, you can see the staff mix by global business units. All GBUs in onshore countries reported lower number of employees, compared to the beginning of the year, and particularly the countries which are the most affected by the slowdown of their activity, Benelux and Iberia, South America. I already mentioned in July that the increase in corporate staff is the effect of the set-up of a shared service center in finance and in Human Resources at the Group level, that has been set up in Poland for all GBUs.

Next slide is presenting you the evolution of subcontractors. As I said, you remember, that we committed to a decrease of the number of subcontractors to 2,000. We did that in July, so a reduction of 2,000 at the end of this year. So at the end of September we are already very close to this objective and we consider that the level of 2,000 subcontractors, which represents 5% of our total direct staff, is sustainable.

Next slide is presenting you the bench. So one of the most important key success of the workforce management is obviously to control the bench. We continued, during this quarter, our policy to re-skill staff on the bench, and we have actually doubled the efforts of training that we have put into that.

Once an engineer gets the required level of re-skilling, he is reassigned to projects and substituted to subcontractor. A level of 1,000 people on the bench represents 4% of our workforce in Systems Integration, which is acceptable, especially in the current tough environment. Obviously we will continue our policy to re-skill staff in order to carry on minimizing this bench.

Next slide is about the TOP Program. So these three bar charts are summarizing the follow-up of the TOP Program achievement for Q3. So you can see that we had a significant reduction on some categories, such as rent and lease, travel or external expenses. Other categories, such as telecommunications or maintenance apply to annual contracts, and therefore the savings are more expected for next year. The roll-out has started for lean management actions that we have shared with you already. And the Group has continued the AVA, (the added value analysis) process throughout the operations, including global function.

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On the next slide you have the evolution of the Group indirect staff, since December last year until the end of Q3 '09. You see clearly that the number of indirect staff has decreased constantly, month after month, from 5,600 people to 5,138 at the end of Q3 '09. This represents a total decrease of minus 8%, so roughly 500 employees. As far as the personnel costs of indirect staff is concerned, this decrease represents a reduction of 7%.

I would like now to leave the floor to Gilles Grapinet, who is going to take you through the objectives, year 2009.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Thank you Michel-Alain. I come now to the objectives for 2009. And as a summary, after the Q3 and the first nine months, Atos Origin is in line with its operational and financial objectives, and so we are in a position to fully confirm our guidance for 2009.

Revenue, a slight decrease compared to 2008, at same scope and exchange rates.

Operating margin, we confirm an improvement by 50 to 100 basis points from the 4.8% reached last year.

And for net debt we confirm the guidance of a positive cash flow, despite EUR 150 million restructuring. Therefore, we confirm a net debt below EUR 300 million at the end of '09.

Thanks for your attention, and we are ready to answer your questions.

## QUESTIONS AND ANSWERS

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### **Operator**

Thank you. (Operator Instructions). Our first question comes from the line of Mark Bryan. Please go ahead with your question and announce your company and location.

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### **Mark Bryan - Deutsche Bank - Analyst**

Yes, good morning, it's Mark Bryan from Deutsche in London. Thanks for taking my question. I just wondered if you could actually give us a bit more color around what your expectations might be for orders during the fourth quarter; how the deal closure rate's going and what the pipeline's looking like?

I know that Q3 is obviously seasonally quieter for signings, and you obviously had a very good first half on order entry, but I guess in Q3 the book-to-bill's a little bit softer than I perhaps would have imagined.

And secondly, just on 2010, can you characterize customer feedback around budgets for next year? This is obviously the time of year where budget expectations are beginning to be set. Because, given the sales trajectory you've seen in the second half, so far, on the first half, it seems to me to be quite difficult to actually maintain revenues in 2010. Thank you.

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### **Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Thank you Mark. I will let Michel-Alain take the first part of your question, and I will share with you our analysis concerning 2010.

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

Yes, in terms of order entry and pipe, as you have seen, the book to bill ration of the third quarter was 88%, which is roughly the same as the order entry of last year, which was 90%. In terms of seasonality you know that it's always a softer quarter for the third quarter, so EUR 1,085 million of order entry for this quarter, compared to EUR 1,167 million for last year. So we are, I would say, within the same frame.

We do expect order entry to come back in Q4, and have an order entry which would be more in the line of what we have experienced in Q1. So that's in terms of order entry based on the quality of our pipe and its weighting percentage. In addition, there are some major deals above around EUR 100 million, to be closed between now and Christmas. We have already closed two, as Gilles just mentioned, one in the Netherlands, UVIT, and one in the UK. And I believe we will be able to close some more by Christmas.

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### **Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Okay, thank you Michel-Alain. Concerning 2010 at this stage, most of our clients are still in the very beginning of their budgetary process. So it would be very hasardous to try to forecast anything for 2010. Only what we can say, that at this stage, nobody is really in a recovery mode. Everything, from what we have experienced in Q3, is still very challenging, and I suppose that we will have a better visibility in the coming weeks. But at this stage, it is far too soon to forecast anything for 2010.

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### **Mark Bryan - Deutsche Bank - Analyst**

Okay, thanks for answering the first question. Thank you.

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**Operator**

Our next question comes from the line of Neil Steer. Please go ahead with your question, and announce your company and location.

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**Neil Steer - Redburn Partners - Analyst**

Morning, it's Neil Steer from Redburn Partners in London. Could you just to reiterate the Q3 book-to-bill figures by division, as you went through. Was it 120% for Consulting, 84% for Systems Integration, and 88% for Managed Operations? Specifically Q3 as opposed to year-to-date?

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

Sure. So in Consulting we had 123%, 84% in SI, MS 87%. HTTS is at 108%.

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**Neil Steer - Redburn Partners - Analyst**

Okay. And clearly the visibility -- given the Managed Operations, you pretty much know there or thereabouts where you're going to be for revenues for Q4. What is the visibility, notwithstanding the book-to-bill ratio you would expect for SI to be lower in the third quarter in any case, but what is the visibility that you have? How much of the revenue projection for Q4 is actually covered by orders at the moment? How much further do you have to go in Q4 to achieve your aspirations for turnover in Systems Integration?

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

The coverage of Q4 this year is roughly the same as Q4 last year. Roughly, 75% of Q4 is covered by our backlog, and the rest is covered by the pipe and the to find.

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**Neil Steer - Redburn Partners - Analyst**

Okay. So as we stand today, you're roughly three-quarters covered for your Q4 revenue aspirations?

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

Yes, you've got 75% of Q4 that is covered, with the backlog.

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**Neil Steer - Redburn Partners - Analyst**

Okay, thank you very much.

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**Operator**

Our next question comes from the line of Michael Briest. Please go ahead with your question, and announce your company and location.

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**Michael Briest - UBS - Analyst**

Morning, it's Michael Briest from UBS in London. I think you gave the utilization rates of Systems Integration. Could you give us the figure for Consulting?

And then maybe talk a little bit about the environment today; what you're actually seeing in terms of demand conditions, whether there's any sign of a pickup, or whether you characterize the environment as stable or improving?

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

Okay, so the utilization for SI is 81% for the nine months and 82% for Q3 up by 1%. For Consulting it's 64% in year-to-date and 65% for Q3.

As far as the business environment is concerned, what we have seen is clearly a stabilization of prices. We do not see any additional price decrease requests from our major customers.

In term of volumes, what we've seen both in the pipe, and into the order entry, is obviously a concentration on the market, on the outsourcing deals that allow the customer to decrease their cost base. And we see some small integration of Systems Integration projects, and some versioning. But we haven't seen yet a large ERP multi-countries deployment contracts. That would be for me, the sign of an embellishment of the environment, as far as SI is concerned.

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**Michael Briest - UBS - Analyst**

Okay, thank you. And could you maybe just give us an idea where staff are likely to end the year, and subcontractors, because you're clearly ahead of plan on those targets? And similarly for subcontractors.

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

I think as far as subcontractors is concerned, I think that with roughly 2,000 we are at the level we are going to carry for Q4. I do not expect a further large decrease because we want to keep the flexibility here and I think with 5% of total direct staff it is sustainable.

As far as the workforce is concerned, we've said to the market that we would decrease our onshore capability by 3,000 and then increase our offshore capability by 1,000, so roughly minus 2,000. I think we are going to be in this frame, meaning that the adjustment of workforce that is in front of us in Q4, ramping up our offshore resources in net it will compensate the decrease of the onshore resources. So I stay in the frame of minus 2,000 at the end of the year.

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**Michael Briest - UBS - Analyst**

Thank you very much. My final question would just be on the Worldline business and the possible acquisition that you've talked of in Italy. Is there any update you can give us? Thank you.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Yes, thank you for your question, Gilles Grapinet speaking. As we have said, you can guess, for confidentiality reasons, we cannot be very explicit, but what I can say is we are still on the race and we have confirmed our interest and strategic interest for this opportunity. It is a long process, due to the very specific situation and banking environment in Italy today, but everything advances and we are still very committed to advance with our partners there.

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**Michael Briest - UBS - Analyst**

Thank you.

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**Operator**

Our next question comes from the line of Laurent Daure. Please go ahead with your question, and announce your company and location.

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**Laurent Daure - Kepler Equities - Analyst**

Yes, good morning, this is Laurent Daure from Kepler in Paris. I have three questions.

The first is on the card processing business, I think you said it was growing at 3%. Going forward, what kind of growth rate do you see as it seems that the growth rate has been divided by two versus a few quarters ago. So if you could give us a bit more color on that point?

The second question is regarding the strong performance in the UK and the ramp-up of a number of deals you mentioned. I was wondering, in terms of timing, when did those deals started and when do we -- will we start to have the same base on those deals and hence (inaudible) going forward?

And my final question will be on restructuring. Based on the comments that you've made, can we expect a significant drop of the restructuring charge in 2010? Thank you.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Concerning the card processing business, what we are in a position to confirm is that at this stage we observe in this very troubled 2009 year is that the business is really showing its resilience, underlying the figures we have just published for the Q3 for Atos Worldline. If I take apart some exceptional consideration concerning the financial market part of the business or the exceptional contract we had last year, the underlying trend of the payment processing is still above 3% and we are and we have no reason at this stage to change our medium-term cost cuts but it is a business which will grow around plus 5% in normal economic conditions.

So I think that we will be around plus 4% to plus 5% this year as we forecasted. Michel-Alain?

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

As far as the UK is concerned, this ramp-up of contract happened during the first months of the third quarter and you'll get a full effect on three months during -- for one of them in Q4 and the other one in Q1. So in Q1 '10 you'll get the entire full effect of this contract.

As far as the restructuring is concerned, as you may remember we've said that this EUR 150 million was the absolute maximum that we want to respect in terms of envelope of restructuring. As far as the restructuring is concerned, we should be in -- maybe in the lower part of this bracket but the -- we still have a question mark about the restructuring we may have to do in Germany in addition to the one that we are already doing, depending what is the future of Arcandor, depending if there is a future of the two large divisions which is Karstadt and Quelle.

So for the time being, I keep as a guidance to you gentlemen EUR 150 million in restructuring costs, because I want to make sure that we are able to absorb a second plan in Germany depending on the future of Arcandor.

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**Laurent Daure - Kepler Equities - Analyst**

Michel-Alain, just a clarification. The cost-cutting, the restructuring you are doing in Germany is it all outside Arcandor or are you already provisioning some restructuring on Arcandor as of today?

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

There are two things; there is one plan that has been agreed by the works council and the trade unions and that we are implementing now and which are fully provisioned in our accounts in September '09. The other one, which is not depending to Arcandor, is a plan of adapting the workforce to the situation of Germany. And that's roughly 150 people.

Then we've got another plan that is in actually right now in negotiation with trade unions and works council that is going to be agreed in a very short period of time, that we will deploy depending what -- and the size will be clearly dependent to what we see will be the future of Arcandor with the investors that want to buy one division and the other.

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**Laurent Daure - Kepler Equities - Analyst**

Okay, thank you gentlemen.

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**Operator**

Our next question comes from the line of Adam Wood. Please go ahead with your question, and announce your company and location.

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**Adam Wood - Exane BNP Paribas - Analyst**

Morning everyone, it's Adam Wood from Exane BNP Paribas in London. I have two questions.

The first one, just a follow up on Laurent Daure's question on restructuring. Is there any way you can give us a feel for the restructuring that we might expect actually in 2010 as opposed to 2009?

And then more generally on the cost saving side, which I suppose is linked to the restructuring, could you give us a feel -- you gave very helpful numbers on -- in terms of the savings that have come through on some of the indirect costs. Could you give us a feel for what's been locked in terms of savings in 2009, that you've already locked in for 2010 already? And what else, as part of the TOP program you have to do to add to that in 2010? So to give us a feel for what the total actions are on the cost base for next year. Thank you.

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

Okay Adam, in terms of restructuring I think, as Gilles was mentioning, we are ourselves in the process of building up our budget. We have the first input from the GBUs that we are going to challenge actually in the week to come. So I mean it's too early to tell you an envelope of restructuring for year 2010.

What we know, as I said, is that we may have a restructuring depending the speed in Germany in relation to Arcandor that could be for a part in Q4 and for a part in Q1. But for the time being it's too early to tell you how much we are talking about.

In terms of costs savings, I think, and clearly Charles you can complement my words if you want, clearly in terms of cost savings we have dedicated a very large, very strong effort on our cost base and particularly on our indirect cost base, meaning the cost of restructure of the Company for the entire years, and as you seem, it's clearly showing its result.

Next year, we are going to carry on doing this effort because we want to reach for all the different global functions the best benchmark in the industry. And, on top of that, we are deploying fully our lean processes in all the different GBUs and this will affect not the indirect costs but the gross margin, and we will expect to see something materializing in there in the second part of '10.

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I'm sorry if I'm not more precise in terms of figures, again it's early to say because we have not finished our budget, but in terms of construction of where the savings are going to come from, they will still come from the indirect base. But on top of that, we will have some savings coming from lean, so materializing into the gross margin.

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**Adam Wood - Exane BNP Paribas - Analyst**

Okay. So maybe if I could just clarify that the information that actually came on the slide ten. If we take for example the rent and lease that was EUR 240 million and you're saying that's down 17% year-to-date in 2009; so the 17%, the saving off EUR 240 million, that's delivered in 2009? Or is that an annual delivery that's going to come in, in 2009 and 2010?

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

That's the reduction. This is the 17% are the reduction '09 versus '08.

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**Adam Wood - Exane BNP Paribas - Analyst**

So that's already done in '09 and there could be more to come in 2010?

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

Yes, on the rent and lease maybe Charles you want to elaborate a little bit?

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**Charles Dehelly - Atos Origin - Group Senior EVP Global Operations**

Yes I can. Charles Dehelly speaking. I think in our TOP program we address, as you know, all the aspects of the cost expense across people costs, but also cash and sales. What we have done at the beginning of the year is we've focused on the expense size to consumption, standard of living, things that we can master on a very short period of time.

At the same time, we launched consolidation of our purchasing which took some time because we have to define standards, consolidate our needs and so on. And now we are going to get the results, the benefits of these consolidations. So that means this is what will bring additional savings of category.

On the people side, we focused first on what was the short-term, which was basically the workforce management by reducing our subcos and putting our people we used to have in bench at the place of the subco. And you saw that in the figures [it delivered last] as we promised to reduce our subco's and at the same time, we replaced them by using our bench people.

So in parallel to that, we have committed to increase our offshore by 1,000 people. To do that, we have to standardize our process between our variance offshore base, so [relating] to time. But now it's working extremely well and we are well on track to add those 1,000 people offshore more, but of course we will have much more in 2010.

And the third level of the people costs is a much more recurring improvement process which is the lean management that we have launched, and we expect to have more than 4,000 people under lean management at the end of the year and which will generate going furthermore productivity.

I will keep the cash aspect and the sale aspect that we have also decided. We had one program was [interpolated] to the growth which were more -- all to better organize our [first order] deal, management and also to cross better the knowledge to better (inaudible). And that we simply decide to launch additional (inaudible) program and perhaps Gilles Grapinet will talk about it later.

So that's basically the end. And all in one, as we mentioned at the beginning of the TOP program, the goal of the TOP program is to close our gap with our competition and I believe we are on track to achieve it.

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**Adam Wood - Exane BNP Paribas - Analyst**

That's great. Thank you all very much for the clarifications.

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**Operator**

Our next question comes from the line of Brice Prunas. Please go ahead with your question, and announce your company and location.

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**Brice Prunas - Oddo Securities - Analyst**

Yes, good morning gentlemen. Brice Prunas, Oddo Securities. I have three questions.

The first one is to come back on Worldline disappointing organic in Q3. I would like to know if you could quantify the decline in the financial markets part, and also talk about the momentum in e-services?

My second question is regarding also Worldline but more to have an update on when you are in the process of rescaling your sales force to sell Worldline beyond your three initial countries?

And my last question is regarding the Netherlands. Since you are rebuilding your pipeline in that country, or at least starting to rebuild, could you give us a little bit more color on that and on maybe the top line trend we could have in the coming quarters? Thank you.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Okay, thank you Brice. I will take the first two questions concerning Atos Worldline Q3 and where we stand concerning our HTTS High Tech Transactional Services integration program, and Michel-Alain will take the third one.

First, I would like you not to be misled by the Q3 results for Worldline which have a very obvious explanation for the plus 4.7% that we published today. The first one is really linked with AWF, Atos Worldline Financial Markets. The decrease as we explained on June 12 for Atos Worldline, we have taken back this entity within Atos Worldline. We have to rebuild the practice, it is going on, but we have forecasted and been very transparent concerning the fact that it would affect the overall revenue performance of the Company for '09 and part of '10.

So it is exactly what is happening, there is no surprise there. It has impacted the result as -- it has experienced a minus 16% decline in the revenue in AWF. So it is just the normal at this stage, rollup of the turnaround which is going on. But it impacts overall the figure of Worldline as a whole.

Concerning also the results we published for Q3, you have to take in mind that we compare them to an exceptionally high Q3 in '08 which was plus 12% linked with exceptional sales of our terminal activity from the former banking units.

So this taken in mind, the underlying trend for electronic payment and e-service is perfectly in line with the usual trend of the business and so there is no reason at this stage to worry about the potential growth of Atos Worldline. These are really exceptional artifacts that led to the plus 4.7%.

Concerning HTTS, and thanks by the way for the question, because as we explained on June 12, this is really a strategic development priority for our Group. And as we have explained, HTTS is a specific service delivery model based on the very successful business model and asset base of Atos Worldline that we want to leverage throughout the Group. And we want especially to leverage the excellent commercial portfolio and commercial relationships we have in many countries in which Atos Worldline does not operate today.

Where do we stand? Since the end of June we have been very active in preparing the rollout of HTTS to all of our geographies. First, of course, we have set up within Atos Worldline a structure and a management that will feed these HTTS development plans throughout the world. We have nominated and appointed the HTTS country leaders and of course their team within the various

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countries and we have been establishing in the country -- within the country management all the ground rules and objective structures that will make this development a joint priority between our GBUs and Atos Worldline.

We are currently in the process of building of course the 2010 budget for HTTS and to set up the development ambition for the key markets we want to address by priority in 2010. And obviously, but I will just share you this very internal information, I am very happy with what I observed since June because since the summer, all our countries have really demonstrated their willingness to push the development of HTTS. And I can simply measure that by the number of fresh opportunities where they are [seeking out] the direct involvement and support of Atos Worldline which is really a brand new phenomenon in the Company and which shows that the integration program is really a shared project within the Company.

Of course, we are still at this stage at the very beginning of the process. You understand that we are bringing Worldline in contact with more than 30 countries within the Group, so it is a huge program. And of course, we will keep you updated regularly about our progress. But we are really very positive of the way it's going on and it is clearly part of the blue sky we are going to look for in 2010.

Michel-Alain, if you want to take the third one?

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

About Netherlands, Brice, I actually agree with your statement. I think we are rebuilding our pipes in the Netherlands. As you've seen, we have the materialization with the signature of UVIT this quarter. Next quarter, quarter four, we have one other large deal I cannot disclose the name, but a very large deal of the same magnitude that I hope we will close before the end of this year. And we have three other deals, which represent roughly EUR 50 million of TCV each, both in Managed Operations for three of them and then one of them in SI. But I hope we will close some of them before the end of Q4. So yes, we are in a process of rebuilding the pipe in the Netherlands.

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**Operator**

Our next question comes from the line of Gerardus Vos. Please go ahead with your question, and announce your company and location.

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**Gerardus Vos - Citigroup - Analyst**

Hi, it's Gerardus Vos from Citigroup. Thanks for taking my question. Just a question on the cyclical business. If you look at the book-to-bill for Consulting, which is pretty good during the third quarter, does that mainly relate to outsourcing, or is that really a kind of initial sign of stabilization in that division? And similarly for SI, which looked very weak. What is the main driver behind that?

Then secondly on the restructuring, it seems that you guys are a bit ahead of schedule there. Given the fact that you want to do 250 basis points to 300 basis points by 2011, how should we forecast the trajectory of that kind of improvement in 2010? Thank you.

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

On Consulting, clearly in Q3 we had a very good book-to-bill. This is coming from one major deal of EUR 9 million TCV that we have entered in our book in Q3. I don't think that this is showing that the market is going better; I think this is a result of a very strong work that we have done with this client in the last six months to get into this contract. So for me, the 123% of book-to-bill in Consulting is not the sign that Consulting is back yet.

In Systems Integration, yes book-to-bill at 84% is obviously disappointing, but it's as usual very soft months during the months of summer, particularly in July and in August. Actually the month of September was quite good and the month of August was only at 60%, so it was really a low month of August in terms of order entry in SI.

I think we are there still suffering from the business model, which is time and material, and on which we are working to move some more people from this type of business model to more fixed price. I think that's where lies the explanation about SI in Q3.

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In terms of restructuring, yes we are, I would say, in line or a bit ahead of our target in terms of restructuring. After nine months, as I said to Laurent, I still want to keep this flexibility compared to the EUR 150 million based on what's going on, what's going to happen with Arcandor.

We've shared with the market that in terms of trajectory we want to increase by 250 bp to 300 bp in three years, so it's obviously too early to deliver what's going to be our objective in year 2010. But clearly, we are in a culture, as the President was sharing it with us yesterday, we are in a culture of progress, so obviously we'll want to have the same progresses that we have to show to the market next year. So we are clearly in a culture of progress, both in term of operating margin and an external review.

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**Gerardus Vos - Citigroup - Analyst**

Okay, thank you.

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**Operator**

Our next question comes from the line of Chandramouli Sriraman. Please go ahead with your question, and announce your company and location.

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**Chandramouli Sriraman - Credit Suisse - Analyst**

Hi, this is Chandra from Credit Suisse, London. Just a couple of questions, one on Germany and Arcandor bankruptcy. You were saying that you have some plans and provisions already in place. I was just wondering, do you have in your pipeline any Managed Services' deals that could actually compensate for the drop in scope in 2010?

And just one more question on that; are there 400 people to 500 people working on the Arcandor project now? I just wanted to confirm on that number.

And the second question is that I gather that 75% of your revenues in Q4 are already in the backlog, but you still have maintained your margin guidance at 50 basis points to 100 basis points of margin expansion. Any reason why you have such a broad margin guidance?

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

Okay, so I begin with Germany. So just to confirm first your figure, yes you're right, it's 450 people that are working within Atos Origin on the different division of Arcandor, mainly Karstadt and Quelle.

Actually we are rebuilding the pipe in Germany in Managed Services, and we are deploying very strong commercial efforts in order to securize some deals that we can use in order to compensate lower utilization of personnel in the quarter to come in Arcandor. So we are working on that. There is one deal, which is quite advanced, which we say in the banking industry on which I cannot share the name, but it's going well and I hope we will be able to close it. So that's in terms of the situation of Germany.

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

And for the last question, I take your question as being related to the bracket that we confirm related to operating margin. What I would like to share with you at this stage is that we, of course, fully comprehend this bracket saying that we are working every month is important, especially during the Q4. So we work extremely hard to reach the best result we can for '09.

We have been, as Charles has said, really very happy to observe the excellent responsiveness of the whole Company to all the initiatives took during '09. Not only to cope with the difficult economic environment, but also to go through all the transformational plans that we have launched at the same time.

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And so, at this stage, it's clearly the fact that we want just to give you the full visibility of what we fight for, it is the bracket. But of course, as we have already shared that with all of your colleagues during the preceding calls of our meeting, all the incentive plans of the Company and the bonuses of all our top managers are based on the upper part of the bracket and of course, we all fight for them.

But at this stage, I do just confirm the bracket we are fighting for because every month is important. The economic environment is still very tough and so I think that it is professional and reasonable to give you this bracket as being our target.

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**Chandramouli Sriraman - Credit Suisse - Analyst**

All right, thanks.

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**Operator**

Our next question comes from the line of Mark Bryan. Please go ahead with your question, and announce your company and location.

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**Mark Bryan - Deutsche Bank - Analyst**

Yes, thanks. Morning. Just a follow-up question if I may. Obviously, the cash generation was very strong in the third quarter and you cite the reduced CapEx bill as one of the drivers behind that. Could you just give us a bit more detail about how you've exactly reduced CapEx?

And could I just also check, more importantly, are you utilizing any more operating leases than you have been before? Are you just simply taking CapEx off the balance sheet? I wonder if you could give a bit of color there please? Thank you.

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

I think the reduction of CapEx that you are seeing now in the last three quarters is a result of the effort that we have put into our data center operation in the last years. It did not come overnight in the quarter.

As you may remember, we have rationalized a number of data centers in our European footprint, and now we are able to push more to customers mutualized equipment, which is obviously costing less in CapEx. And on top of that depending on the environment, we have obviously concentrated all our efforts in terms of CapEx on the client requirement. So we have reduced to the bare minimum the CapEx, which is for the own functioning of the Company; we are serving our customers first.

Do you want to say something Charles?

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**Charles Dehelly - Atos Origin - Group Senior EVP Global Operations**

Yes, on this cash we have some very well structured program; one on this CapEx side where, as you know, since January 1, we have what you call a global factory where we have under a single manager all the data centers, which allow us to rationalize our supply base, and to get the benefits in global purchasing. So it means the CapEx is reduced because we buy cheaper. And also we change some of our vendor [bills] to our much cheaper vendor bills, while before there were local opinions preventing us to do that. So it's the first point.

The second element, we are very satisfied with is a strong action on cash collection and overdue reduction where the performance of the Company is -- I am very happy with and we are all very happy with and generates a big chunk -- a large chunk of this cash improvement.



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**Mark Bryan - Deutsche Bank - Analyst**

Okay, thank you. Very clear, thanks.

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**Operator**

Our last question comes from the line of Neil Steer. Please go ahead with your question, and announce your company and location.

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**Neil Steer - Redburn Partners - Analyst**

Thanks very much. It's Neil Steer again from Redburn in London. Obviously a fair few questions have been asked about restructuring already, but would you -- clearly some further restructuring is likely in 2010. I think management may have suggested that before. Would you care to give us a bracket or a range as to what today you think the restructuring charges could be for 2010?

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

I'm sorry to disappoint you once again. What I can say is that there is a question mark on restructuring in between Q4 and Q1, depending on the future of Arcandor, but I think it's very early into the year to tell you what would be our restructuring cost in cash for next year.

Even through a bracket, we have budget process which is based in three steps. We have only completed the first step, we have the second step, which is maybe the most important, in which we are challenge in depth the hypothesis of the different GBUs and the hypothesis of the different service lines, at the end of this month. So until I have completed this process with the rest of general management, I unfortunately cannot give you some more precise figures on '10. My apologies for that.

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**Neil Steer - Redburn Partners - Analyst**

Okay, not to worry. Just one final question. You've obviously spoken about the substantial opportunity that exists in the out -- in new markets at HTTS, and you spoke about how you may address that. Will that require a P&L investment? In other words, can that be done and can you accelerate the growth of that business without it impacting the profitability? Or is there likely to be an investment in marketing in order to achieve that top line growth?

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

Well at this stage, the key orientation as we explained on June 12, is really to leverage the commercial network of the Company, which is already existing. The commercial relationships already established with key customers and the deep knowledge of the local markets that Atos Worldline was not addressing until now.

So it is clearly much more an issue of reallocating internal resources, which are today focused on some less interesting businesses to put them on the new trends and new businesses that we can grow through the Worldline asset base.

So at this stage, I have no reason to consider that we will invest additional means above what we have. It is much more about reallocating the existing force we have, and to better leverage our different assets.

So as I was saying, I mean even beyond our initial expectations, we are really very happy with the commitment we also have in the countries, which have really understood that we have really something special with Worldline and that now, not only it is allowed, but we really want them to do business with that fantastic base of assets.

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**Neil Steer - Redburn Partners - Analyst**

Okay. So you don't need to make an investment in local infrastructure either in order to access these few markets?

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**Gilles Grapinet - Atos Origin - Senior EVP Global Functions**

No, not at this stage really we don't forecast any significant investment for growing this business. If we are really facing an enormous success maybe it will be another story, but you know it is always easier to share successes than to --. So at this stage it's still really the very beginning of the story and I have no reason to forecast any significant investment towards that business within the coming quarters.

Okay, so I would like just first of all to thank you for being with us this morning and just to share with you the fact that the Q3 is in line with our expectation and of course, in line with our full-year commitments. And so we have also, because we have not got the opportunity to tell that to you, but we will have our annual rendezvous to go deeper in that.

We are also taking advantage of the excellent TOP program framework we have built within the Company to pilot our transformations. And as Charles already mentioned just earlier, I wanted just you to know that we are launching five new TOP initiatives to reinforce and to deeply transform all our sales organization to be sure that Atos Origin will get the best in terms of revenue for the growth when it will come back.

And so these five new initiatives will address in depth all the aspects of the commercial efficiency of the Company concerning the skills of our people, our strategy to grow [accountant] market development, the way we handle the big deals and the way we do our marketing and we build our frames. So it is an in-depth world that we launch under Herve Payan's leadership and we will be in a position to update you on that during our annual results conference.

So thanks again for being with us this morning and I wish you a nice day.

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**Operator**

Ladies and gentlemen, thank you for your participation today. This concludes today's conference and you may now disconnect your lines. Thank you.