Press release

H1 2022 Results

Full-year objectives confirmed and refined

Financing of transformation plan successfully secured

Commercial momentum improved with book-to-bill at 101% in Q2 and high-profile contracts signed

Free cash flow of € -555 million reflecting seasonal and market factors; Increased operating margin and free cash flow expected in H2

Paris, July 27, 2022 - Atos, a global leader in digital transformation, high-performance computing and information technology infrastructure, today announced its financial results for the first half of 2022.

Atos' new leadership team, Nourdine Bihmane, Diane Galbe and Philippe Oliva, said: *"Commercial momentum improved strongly in Q2, with a sharp rebound in order entry from existing and new customers and several high-profile contracts signed, including an additional high-performance computer as part of the EuroHPC program. On top of usual seasonal movements, operating margin and free cash flow were impacted in H1 by inflation and supply chain-related headwinds. We expect a significant improvement in both metrics in the second half, supported by improvement actions launched earlier in the year, on our cost structure and contract portfolio. In consequence, we are fully confident of achieving our full-year objectives. We have successfully secured our debt financing; our envisioned transformation plan is now fully funded for the interim period before the contemplated split into two listed entities, and our liquidity is significantly strengthened."*

€M	H1 2022	H1 2021	Variation	Variation at constant currency
Revenue	**5,563**	5,424	+2.6%	-0.6%
Operating Margin	**59**	302		
In % of revenue	***1.1%***	*5.6%*	*-450 bps*	*-460 bps*
OMDA	**369**	633		
In % of revenue	***6.6%***	*11.7%*	*-510 bps*	
Normalized Net income (loss)	**-119**	162		
Net income (loss)	**-503**	-129		
Free Cash Flow	**-555**	-369		
Net debt	**1,792**	1,129		

H1 2022 performance highlights

Atos is currently benefitting from a **renewed commercial momentum**, with a sharp rebound in order entry in Q2, at €2.8 billion compared with € 2.0 billion in Q1, and a strong sequential improvement in **book-to-bill**, at 101% in Q2 compared with 72% in Q1. Order entry included several high-profile contracts with existing and new customers, including a supercomputer as part of the EuroHPC program (the 6th awarded to Atos, out of 8 in total in the program). This ramp-up of commercial traction underpins the revenue growth acceleration expected in H2, and indicates strong customer support of Atos' envisioned transformation plan, as more than €0.6 billion of new orders were signed post announcement.

Revenue was € 5,563 million in H1 2022, slightly down -0.6% at constant currency. On an organic basis, revenue decreased -2.1%, with a continued sequential improvement in Q2, at -1.9% compared to -2.4% in Q1. Tech Foundations reported a much more contained decrease than in FY21, at -2.6% at constant currency, thanks to renewed focus under the Group's new governance. The Evidian perimeter grew +2.0% with robust trends in Digital and Cybersecurity and a temporary low level of HPC sales driven by cyclicality and supply chain challenges. Acquisitions contributed +1.6% to the Group's revenue growth. Foreign exchange contributed +3.1%, mainly reflecting the appreciation of the American Dollar and the Pound Sterling against the Euro over the period.

Operating margin was € 59 million, or 1.1% of revenue. On top of usual seasonality, it was impacted by high inflation (salaries, energy costs) and supply chain tensions, whilst the first benefits of the performance improvement actions launched in H1 are expected to unfold in H2. Operating margin was also hampered by the **hiring of more than 16,000 new employees**, mainly in Digital and BDS, and predominantly in offshore and nearshore countries, in anticipation of the growth expected in the second half, and in order to ensure the conditions for future success. H1 operating margin was consistent with the back-end loaded delivery embedded in the Group's full-year objectives.

Free cash flow was €-555 million in H1 2022, driven by operating margin, working capital seasonality and costs related to restructuring and reorganizations planned at the beginning of the year, which are being executed swiftly.

Net debt was **€-1,792 million** at the end of June 2022. The Group's **liquidity** remained strong, with €3.5 billion of gross cash and €2.3 billion of undrawn revolving credit facility.

Financing of Atos' transformation plan successfully secured

Atos announces that it has successfully secured a new debt package, which will provide the Group with the funding it needs during the interim period before a potential split into two listed companies, and significantly reinforces its liquidity.

Atos has already received commitment from banks (subject to documentation) for the conversion of €1.5 billion out of a total of €2.4 billion of revolving credit facility commitment into an unsecured term loan with a maturity of 18 months with two 6-month extensions at the Group's option. A €900 million revolving credit facility is maintained, maturing in 2025. Atos expects to sign the final documentation in the next few days.

As part of this process, the net debt/ OMDA financial covenant is reset at 3.75x and will be tested annually.

The success of this financing demonstrates banking partners' strong support of the Group's strategy and marks an important milestone in its envisioned transformation plan.

The interim period is fully financed ahead of the envisioned split into two listed entities, and the Group's liquidity is significantly strengthened.

On July 13, 2022, S&P Global lowered Atos' credit rating to BB. This new rating, which takes into account the envisioned transformation plan presented on June 14, still provides a favorable framework for the setup of an adequate and sustainable capital structure. It also allows Atos to continue to have access to a wide range of debt financing instruments, thus maintaining the flexibility needed to optimize its capital structure.

As highlighted by S&P Global's statement, Atos' liquidity is strong and its financial policy is supportive. In particular, S&P Global stated that Atos' planned liquidity should provide the Group with the means to deliver its transformation plan, with its now secured €1.5 billion term loan and, €900 million revolving credit facility, reduced commercial paper utilization, and €700 million in non-core assets disposals.

H2 outlook

Revenue growth at constant currency is expected to turn positive in H2, underpinned by the renewed commercial momentum observed in Q2, and the Group's success in securing the right talents in H1.

Operating margin is expected to increase markedly as the benefits of performance improvement actions launched earlier in the year will materialize in H2. Such actions are focused on structure costs (including the unwinding of the Spring organization, a reduction in subcontracting, selective hirings and strengthened cost discipline), underperforming contracts and pricing. Additionally, Atos expects an uptick in operating margin in its hardware-intensive businesses, primarily HPC, driven by volume recovery and secured components supply.

Free cash flow, excluding additional costs of the transformation plan, is expected to improve significantly as a direct consequence of operating margin recovery, supported by positive seasonal working capital effects.

2022 objectives confirmed and refined

Atos reiterates that its FY22 performance will be back-end loaded, and refines its full-year objectives.

Revenue growth objective is unchanged, at -0.5% to +1.5% at constant currency.

Operating margin is expected at the lower end of the 3% to 5% range.

Free cash flow is expected at the lower end of the €-150 million to €200 million range excluding additional impacts of the envisioned transformation plan. Such additional impacts are estimated around €-250 million, including the cost of financing, in line with information communicated at Atos Capital Markets Day in June.

Progress in Atos' value-creating separation project

The in-depth analysis of the separation project announced on June 14, 2022, is progressing to plan.

The launch of the consultation of the Group's employee representative bodies is scheduled for early September, in line with the envisioned timetable.

The interim period before the envisioned separation into two listed entities is now fully financed.

The Company and its Board of Directors are convinced that this project is the most value-creating for all its stakeholders, considering notably the potential synergies between BDS and Digital, and prospects for improving Tech Foundation's operational performance.

As announced on July 13, 2022, Atos appointed a new management to ensure a successful execution of the strategic transformation project under consideration. Nourdine Bihmane is co-CEO and in charge of the Tech Foundations business, Philippe Oliva is co-CEO and in charge of the Evidian Perimeter and Diane Galbe is Senior Executive Vice President in charge of strategic projects and support functions.

In addition, the Group appointed a consultative ad hoc Committee within the Board of Directors, in charge of overseeing the study and implementation of the strategic project by the management team. This committee is composed of a majority of independent directors and is chaired by René Proglio.

Human resources

Total headcount stood at 112,180 at the end of June 2022, up +2.8% compared to 109,135 at the end of December 2021 (+2.1% organically).

In H1 2022, Atos hired 16,089 new employees (gross), of which 7,855 in Q2, mainly in Digital and BDS, and predominantly in offshore and nearshore countries, in order to support the growth expected in the second half of the year and to ensure the conditions for future success. Atos also welcomed Cloudreach's 742 employees.

Operating Margin to Operating Income

(in € million)	**H1 2022**	**H1 2021**
Operating margin	**59**	**302**
Staff reorganization	-73	-79
Rationalization and associated costs	-33	-42
Integration and acquisition costs	-18	-22
Amortization of intangible assets (PPA from acquisitions)	-67	-79
Equity based compensation	-11	-33
Impairment of goodwill and other non-current assets	-91	
Other items	-64	-164
Operating income (loss)	**-298**	**-118**

Operating income was a loss of **€-298 million** in the first half of 2022, compared to €-118 million in the first half of 2021.

Staff reorganization, rationalization, and integration costs amounted to **€-124 million** in the first half of 2022 decreasing compared to €-143 million in the first half of 2021. In H1 2022, Atos executed swiftly on cost optimization measures and reorganizations planned at the beginning of the year (for a total estimated annual cost of €-150 million).

Impairment of goodwill and other non-current assets for **€-91 million** in the first half of 2022, related to the impairment of assets associated with disposal groups classified as held for sale.

Other items amounted to €-64 million in the first half of 2022, compared to €-164 million in the first half of 2021. They included €-32 million related to the impairment of current assets related to the Russian business classified as held for sale.

Operating income to Net income Group share

Net financial expense amounted to **€-129 million** in the first half of 2022, compared to €-3 million in the first half of 2021. They included mainly €-109 million related to the disposal of Worldline shares in June, for net proceeds of €219 million, and €-13 million of net cost of financial debt.

The **tax charge** was **€-77 million** in the first half of 2022.

As a result of the above, **Net income (Group share)** was a loss of **€-503 million** for the first half of 2022, compared to €-129 million in the first half of 2021.

Basic EPS and diluted EPS amounted to **€-4.55**, compared to €-1.18 in the first half of 2021.

The **normalized net income (Group share)** excluding unusual, abnormal and infrequent items (net of tax) was a loss of **€-119 million**, compared to an income of €162 million in the first half of 2021.

Normalized basic EPS and **normalized diluted EPS** amounted to **€-1.07**, compared to € 1.48 in the first half of 2021.

Free cash flow and net debt

(in € million)	H1 2022	H1 2021
Operating Margin before Depreciation and Amortization (OMDA)	**369**	**633**
Capital expenditures	-123	-154
Lease payments	-207	-183
Change in working capital requirement	-383	-394
Cash from operation (CFO)	**-344**	**-98**
Tax paid	-21	-46
Net cost of financial debt paid	-13	-13
Reorganization, Rationalization & Integration costs	-113	-147
Other changes	-64	-66
Free Cash Flow (FCF)	**-555**	**-369**

In the first half of 2022, **free cash flow** was **€-555 million**. On top of usual seasonality, whereby free cash flow is significantly lower in H1 than in H2, H1 2022 free cash flow primarily reflects the low level of OMDA recorded over the period, at €369 million, compared to €633 million in H1 2021.

The **seasonal working capital** outflow was **€-383 million**, primarily driven by a decrease in customer advanced payments.

Reorganization, rationalization and integration costs amounted to **€-113 million** and were primarily composed of staff reorganization costs.

Other items below free cash flow amounted to **€-11 million** and included mainly acquisitions net of the disposal of Worldline shares for €-92 million and the impact of foreign exchange fluctuation effects for €+98 million.

As a result, the **Group's net debt position** as of the end of June 2022 was **€-1,792 million** compared to €-1,226 million at the end of December 2021.

Backlog

Full backlog at the end of June 2022, amounted to **€22.6 billion**, down €1.6 billion at constant currency compared to the end of December 2021, including €0.9 billion of corrections pertaining to prior periods, and representing **2.0 years of revenue**. The **full qualified pipeline** was **€7.1 billion**, slightly up compared to the end of December 2021 and representing **7.6 months of revenue**.

Condensed consolidated financial statement

Atos' Board of Directors in its meeting held on July 26, 2022, has reviewed the Group half-year consolidated financial statements closed at June 30, 2022. The Statutory Auditors have completed their usual limited review of the half-year condensed consolidated financial statements and an unqualified Auditors' report is in process to be issued.

Conference call

Atos' Management invites you to an international conference call on Group first half 2022 results, on **Wednesday, July 27, 2022 at 08:00 am (CET – Paris)**.

You can join the **webcast** of the conference:

- via the following link: https://edge.media-server.com/mmc/p/iiti2i5q

- by telephone with the dial-in, 10 minutes prior the starting time. Please note that if you want to join the webcast by telephone, **you must register in advance of the conference** using the following link:

  https://register.vevent.com/register/BIaf7b1d0609fe43269237c0b40f06802b
  Upon registration, you will be provided with Participant Dial In Numbers, a Direct Event Passcode and a unique Registrant ID. Call reminders will also be sent via email the day prior to the event.
  During the 10 minutes prior to the beginning of the call, you will need to use the conference access information provided in the email received upon registration.

After the conference, a replay of the webcast will be available on atos.net, in the Investors section.

Forthcoming events

October 26, 2022	(Before Market Opening)	Third quarter 2022 revenue
February 28, 2023	(After Market Closing)	Full year 2022 results
April 27, 2023	(Before Market Opening)	First quarter 2023 revenue
July 26, 2023	(Before Market Opening)	First half 2023 results
October 26, 2023	(Before Market Opening)	Third quarter 2023 revenue

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APPENDIX

H1 2022 performance by Business

In € million	Revenue			Operating margin	Operating margin %
	H1 2022	H1 2021*	Evolution at constant currency	H1 2022	H1 2022
Evidian Perimeter	2,539	2,490	+2.0%	89	3.5%
Tech Foundations Perimeter	3,024	3,104	-2.6%	-30	-1.0%
Total	**5,563**	**5,594**	**-0.6%**	**59**	**1.1%**

** At constant currency*

Note: operating margins were allocated to businesses based on customer projects and by profit/costs centers. Small variances may arise once fully integrated into the Group's reporting systems.

The revenue of the **Tech Foundations** business, including UCC, decreased by -2.6% in H1 2022 at constant currency (-2.0% excluding UCC). This is a strong sequential improvement compared to 2021, where revenue declined -11.4% over the full year (including UCC), evidencing the momentum that started to build up quickly within the newly formed Tech Foundations business line. The infrastructure business reported a much more contained revenue decline than last year, reaping the first benefits from renewed focus under the Group's new organization. Professional services delivered robust growth, benefitting from high structural demand. Digital workplace services and BPO were stable due to refocusing actions and UCC contracted due to persisting supply chain tensions. The deliberate gradual wind down of the value-added resale business continued into H1 2022. Revenue in top 30 accounts increased by 2,2% reflecting the success of the playbook deployed across these accounts. Operating margin was -1.0%, in line with that of FY21.

Earlier in the month, Atos was positioned by Gartner for the second time as a global leader in the 2022 Magic Quadrant for data center outsourcing and hybrid infrastructure managed services, and recognized for its completeness of vision and ability to execute.

The **Evidian** perimeter (Digital and Big Data & Cybersecurity) grew +2.0% in H1 2022 at constant currency. Growth in Digital was driven by the contribution of recent acquisitions that enriched the Group's offerings, particularly in multi-cloud services, as well as robust organic trends in the applications and cloud businesses, notably in Americas, although mitigated by volume reductions with a large customer, and a decrease in value-added resale. Cybersecurity continued on its above-market growth trajectory. As anticipated, Advanced Computing contracted due to a reduction in HPC sales, reflecting the deal flow cyclicality in this business, compounded by supply chain tensions.

Operating margin was 3.5% in H1 2022, impacted by the shortfall in HPC revenue, as well as an increase in staff cost. FY22 operating margin is expected to be back-end loaded, and will benefit in H2 from the aforementioned performance improvement actions.

Order entry in HPC was strong in H1, indicating a recovery as soon as in H2. With the award of the MareNostrum5 supercomputer contract by EuroHPC JU for the Barcelona Supercomputing Center, Atos' BullSequana X HPC range will be used in six out of the eight EuroHPC supercomputing centers.

In July 2022, Atos was positioned as a Visionary in the Gartner Magic Quadrant for Public Cloud IT Transformation Services, 2022, Worldwide, based on its completeness of vision and ability to execute.

H1 2022 performance by Regional Business Unit

In € million	Revenue H1 2022	Revenue H1 2021*	Evolution at constant currency	Operating margin H1 2022	Operating margin H1 2021*	Operating margin % H1 2022	Operating margin % H1 2021*
Americas	1,353	1,348	+0.4%	73	159	5.4%	11.8%
Northern Europe & APAC	1,625	1,625	+0.0%	28	113	1.7%	7.0%
Central Europe	1,258	1,280	-1.7%	-30	24	-2.4%	1.9%
Southern Europe	1,198	1,231	-2.7%	40	46	3.4%	3.7%
Others & Global structures	129	111	+15.9%	-52	-24	NA	NA
Total	**5,563**	**5,594**	**-0.6%**	**59**	**317**	**1.1%**	**5.7%**

** At constant currency*

Americas revenue was up +0.4% at constant currency, driven by the contribution of recent acquisitions in multi-cloud services and product lifecycle management. Trends were robust in digital, in particular with the ramp up of a new contract with a major hospital chain. This was offset by a revenue decrease in Tech Foundations, driven by infrastructure and UCC services, as well as fluctuations in the advanced computing business. Operating margin was significantly lower than in H1 2021, primarily due to high personal costs inflation and a less favorable contract mix.

Northern Europe & APAC's revenue was stable at constant currency compared to H1 2021. Revenue growth turned positive in Q2, driven by a good momentum in Digital, particularly with public sector and defense customers, as well as in BDS. Tech Foundations activities were slightly down in H1 but improved sequentially between Q1 and Q2. Robust growth in digital workplace was offset by a decline in the BPO business, following the reassessment of a large contract in the UK in Q4 2021. Operating margin was lower than in H1 2021, impacted by the aforementioned BPO contract reassessment and underperforming contracts in the process of being right-sized.

Central Europe's revenue decreased by -1.7% at constant currency, impacted by the termination of an underperforming contract with a telecom operator, as part of the Group's performance improvement actions, and low activity levels in HPC and UCC. Excluding these items, revenue was stable with a marked improvement between Q1 and Q2, driven by robust growth in Digital. The decline in Tech Foundations' activities (excluding UCC) was much more contained than last year. Operating margin was negative, as anticipated, due to salary inflation and challenging delivery of some projects.

Southern Europe's revenue decreased by -2.7% at constant currency, due to fluctuations in the HPC business, and to the continued deliberate wind down of value-added resale. Excluding these two activities, which are minor revenue contributors, the RBU turned in a modest revenue growth in H1. Momentum in Digital was robust. Tech Foundations improved, with a more decline than last year, as contract renewals and new wins provided some resilience. Operating margin remained broadly in line with H1 2021, as operational improvements compensated for the impacts of salary inflation and of two underperforming contracts.

Others, which encompass Middle East, Africa, Major Events as well as two cost centers: the Group's global delivery centers and global structures. Revenue grew +15.9% at constant currency supported by business related to the Beijing Olympics. Operating margin, structurally negative, decreased year-on-year due to under-absorption of global delivery centers' fixed costs.

Revenue and operating margin at constant scope and exchange rates reconciliation

In € million	H1 2022	H1 2021	% change
Statutory revenue	5,563	5,424	+2.6%
Exchange rates effect		170	
Revenue at constant exchange rates	**5,563**	**5,594**	**-0.6%**
Scope effect		84	
Exchange rates effect on acquired/disposed perimeters		5	
Revenue at constant scope and exchange rates	**5,563**	**5,683**	**-2.1%**
Statutory operating margin	59	302	-80.4%
Exchange rates effect		16	
Operating margin at constant exchange rates	**59**	**317**	**-81.3%**
Scope effect		-5	
Exchange rates effect on acquired/disposed perimeters		0	
Operating margin at constant scope and exchange rates	**59**	**313**	**-81.1%**
as % of revenue	*1.1%*	*5.5%*	

Scope effects amounted to € 89 million for revenue and € -5 million for operating margin. They are related to the acquisitions closed in 2021 and Cloudreach.

Currency exchange rates effects positively contributed to revenue for €+170 million and Operating margin for €+16 million. They mostly came from the appreciation of the American Dollar and the Pound Sterling against the Euro over the period.

Q2 2022 revenue performance by Regional Business Unit

In € million	Q2 2022	Q2 2021*	Evolution at constant currency
Americas	707	711	-0.6%
Northern Europe & APAC	804	784	+2.5%
Central Europe	641	651	-1.6%
Southern Europe	596	624	-4.4%
Others & Global structures	68	60	+13.9%
Total	**2,816**	**2,830**	**-0.5%**

** At constant currency*

About Atos

Atos is a global leader in digital transformation with 112,000 employees and annual revenue of c. € 11 billion. European number one in cybersecurity, cloud and high-performance computing, the Group provides tailored end-to-end solutions for all industries in 71 countries. A pioneer in decarbonization services and products, Atos is committed to a secure and decarbonized digital for its clients. Atos is a SE (Societas Europaea), listed on Euronext Paris and included in the CAC 40 ESG and Next 20 indexes.

The purpose of Atos is to help design the future of the information space. Its expertise and services support the development of knowledge, education and research in a multicultural approach and contribute to the development of scientific and technological excellence. Across the world, the Group enables its customers and employees, and members of societies at large to live, work and develop sustainably, in a safe and secure information space.

Disclaimer

This document contains forward-looking statements that involve risks and uncertainties, including references, concerning the Group's expected growth and profitability in the future which may significantly impact the expected performance indicated in the forward-looking statements. These risks and uncertainties are linked to factors out of the control of the Company and not precisely estimated, such as market conditions or competitor's behaviors. Any forward-looking statements made in this document are statements about Atos's beliefs and expectations and should be evaluated as such. Forward-looking statements include statements that may relate to Atos's plans, objectives, strategies, goals, future events, future revenues or synergies, or performance, and other information that is not historical information. Actual events or results may differ from those described in this document due to a number of risks and uncertainties that are described within the 2021 Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) on April 6, 2022 under the registration number D.22-0247. Atos does not undertake, and specifically disclaims, any obligation or responsibility to update or amend any of the information above except as otherwise required by law. This document does not contain or constitute an offer of Atos's shares for sale or an invitation or inducement to invest in Atos's shares in France, the United States of America or any other jurisdiction.

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

Regional Business Units include **Americas** including North America (USA, Canada, Guatemala and Mexico) and South America (Argentina, Brazil, Chile, Colombia, Uruguay, and Peru), **Northern Europe and APAC** including Northern Europe (United Kingdom & Ireland, Belgium, Denmark, Estonia, Belarus, Finland, Lithuania, Luxembourg, The Netherlands and Sweden) and Asia-Pacific (Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand), **Central Europe** (Germany, Austria, Bulgaria, Bosnia, Croatia, Czech Republic, Greece, Hungary, Israel, Poland, Romania, Russia, Serbia, Slovenia, Slovakia, and Switzerland), **Southern Europe** (France, Andorra, Spain, Portugal, and Italy) and **Rest of the World** including Middle East & Africa (Algeria, Benin, Burkina Faso, Egypt, Gabon, Ivory Coast, Kenya, Kingdom of Saudi Arabia, Madagascar, Mali, Mauritius, Morocco, Qatar, Senegal, South Africa, Tunisia, Turkey and UAE), Major Events and Global Delivery Centers.