Press release

First half 2019 results

A first half in line with full year objectives

Infrastructure & Data Management and North America well on track towards growth in H2

Syntel integration moving as planned

Revenue at € 5,744 million
+0.8% organically, with Q2 at +1.1%

Book-to-bill ratio at 100% with Q2 at 113%

Operating margin at € 529 million, 9.2% of revenue

Free cash flow at € 23 million

Normalized EPS up +12% at €3.21*

All 2019 objectives confirmed

Paris, July 25, 2019 - Atos, a global leader in digital transformation, today announces its financial results for the first half of 2019.

Thierry Breton, Chairman and CEO said: *"During the second quarter, all the actions we have initiated in North America accelerated and led as expected to an improvement of revenue evolution in Infrastructure & Data Management towards growth in H2.*

The integration of Syntel runs as planned and synergies continue to materialize. More order entry synergies were generated, and cost synergies are materializing.

During the first half of the year, the Group performed a positive +0.8% revenue organic growth (+1.1% in Q2), with a book to bill ratio at 100% (113% in Q2). Our commercial dynamism confirms the relevance of our end-to-end strategy, relaying on our key technologies and services, reinforced by our strategic partnerships.

We hired more than 600 experts in Big Data and Cybersecurity in H1 2019 and continued to invest in innovative offerings to be a leading player in the consolidation of this market going forward. Our Division recorded a solid +12.4% revenue organic growth in H1.

We significantly invested in H1 in innovative technologies such as IoT, Machine Learning and Edge Computing as well as in the related skills for our employees. Finally, we pursue our willingness but also our duty to reduce our carbon footprint in a high-energy consumer market.

Further to the first half of the year, we confirm all our objectives for full year 2019 as well as the targets of the three-year plan."

* *Normalized diluted EPS from continuing operations*

H1 2019 performance by Division

Revenue was **€ 5,744 million**, up +0.8% organically, thanks to a strong performance recorded in Big Data & Cybersecurity, and growth in Business & Platform Solutions. The decrease of Infrastructure & Data Management reduced from Q1 at -3.0% to Q2 at -0.6% further to the improvement of the situation in North America.
Operating margin was **€ 529 million**, representing **9.2% of revenue**, an improvement by +20 bps mainly fueled by the good performance in Business & Platform Solutions (+80 bps), while Infrastructure & Data Management achieved stabilization. Operating profitability of Big Data & Cybersecurity reflected specific R&D and offering investments in both Cybersecurity and Big Data solutions.

	Revenue			Operating margin		Operating ma
In € million	H1 2019	H1 2018*	Organic evolution	H1 2019	H1 2018*	H1 2019
Infrastructure & Data Management	3,137	3,193	-1.8%	274	277	8.7%
Business & Platform Solutions	2,135	2,087	+2.3%	247	224	11.6%
Big Data & Cybersecurity	473	421	+12.4%	48	49	10.2%
Corporate costs	-	-	-	-40	-37	-0.7%
Total	**5,744**	**5,701**	**+0.8%**	**529**	**513**	**9.2%**

** At constant scope and exchange rates*

Infrastructure & Data Management revenue was € 3,137 million in H1 2019, down -1.8% at constant scope and exchange rates. After a first quarter at -3.0%, the Division achieved -0.6% organically during the second quarter of 2019 thanks notably to the improvement of the situation in North America. The Division pursued its business model transformation by increasing the share of revenue in Hybrid Cloud Orchestration and in projects in Technology Transformation Services as well as Unified Communications. It continued the digital transformation of its main clients through automation and robotization and managed to sign several new deals in these strategic areas.

Growth materialized in Financial Services, mainly fueled by the ramp-up of the significant contracts in the United States with CNA Financial Corporation overcompensating the Standard & Poor's contract which was not renewed last year, and in the United Kingdom with Aviva, coupled with increased activities with NS&I and Aegon. Telcos, Media & Utilities benefited from additional sales achieved with BBC and the ramp-up of several contracts such as in the United Kingdom and Iberia. The situation in Public sector and in Manufacturing, Retail & Transportation was challenging, notably in the United Kingdom due to Transition & Transformation phases completed last year and lower volume, and in the United States due in particular to the termination of Marriott International contract end of H1 2018.

Operating margin was € 274 million in the first half of 2019, representing 8.7% of revenue, achieving stability compared to last year. Indeed, all geographies pursued strong cost saving actions including the RACE program to adjust their cost base to the revenue evolution.

Business & Platform Solutions revenue during the first half of 2019 reached € 2,135 million, +2.3% at constant scope and exchange rates. Revenue growth reached +1.1% organically in Q2 2019.

Growth was strong in Manufacturing, Retail & Transportation, which benefitted from good performance in almost all geographies and particularly in Germany, thanks to new application management services with Siemens, new SAP engagement in Austria, the contribution from Syntel activities in North America, and new business recently won in the Benelux & The Nordics. Telcos, Media & Utilities sector showed a growth largely fueled in utilities in continental Europe. The Division posted growth in Financial Services, strongly supported by Syntel activities in this market in North America and materialized synergies on existing accounts in the United Kingdom. In Public & Health, the situation was more challenging mainly due to volume reductions in legacy contracts in North America. Finally, at the occasion of the transfer of legacy contracts to Syntel, the Division managed to reduce the number of low margin contracts in Q1 2019, and further in Q2 2019.

Operating margin was € 247 million, representing 11.6% of revenue. The strong improvement of +80 basis points was mainly led by North America, Germany and the United Kingdom. This was primarily attributable to the cost synergies from Syntel integration combined with the reduction of some low margin contracts as already mentioned. The improvement also came from increasing revenue from digital offerings combined with continued cost saving effects in most geographies, notably through the industrialization of global delivery and a more efficient workforce management.

Revenue in **Big Data & Cybersecurity** was € 473 million, with a continued double-digit growth led by France and Benelux & The Nordics, while North America did not repeat in Q2 the high level of sales performed last year and therefore impacted growth.

In Big Data activity, the strong growth was largely sustained by new business in France, combined with a strong performance posted in Benelux & The Nordics with the CSC contract, as well as in Brazil with a petroleum company. Cybersecurity activities also posted a double-digit growth led by new business opportunities with CNA Financial Corporation in North America, combined with good performance in Benelux & the Nordics and Germany which largely offset revenue from licenses not repeated this year in the United Kingdom. Mission Critical Systems sales posted a solid growth largely coming from the ramp-up of the National Police contract in Central & Eastern Europe.

In Q2 2019, Big Data & Cybersecurity recorded a revenue organic growth at +13.2%.

Operating margin was € 48 million, representing 10.2% of revenue. Operating profitability in H1 2019 reflected an acceleration on specific R&D and offering investments in both Cybersecurity and Artificial Intelligence, and Big Data solutions.

H1 2019 performance by Business Unit

	Revenue			**Operating margin**		**Operating ma**
In € million	**H1 2019**	**H1 2018***	**Organic evolution**	**H1 2019**	**H1 2018***	**H1 2019**
North America	1,345	1,420	-5.3%	148	140	11.0%
Germany	1,074	1,052	+2.2%	68	62	6.3%
France	887	847	+4.6%	59	61	6.7%
United Kingdom & Ireland	842	860	-2.1%	87	93	10.3%
Benelux & The Nordics	524	510	+2.6%	39	37	7.4%
Other Business Units	1,073	1,012	+6.1%	168	160	15.6%
Global structures**	-	-	-	-38	-40	-0.7%
Total	**5,744**	**5,701**	**+0.8%**	**529**	**513**	**9.2%**

** At constant scope and exchange rates*
*** Global structures include the IT Services Divisions global costs not allocated to the Business Units and Corporate costs*

During the first half of 2019, revenue grew in most Business Units:

- In North America, Infrastructure & Data Management accelerated its recovery in Q2 thanks to the ramp-up of new contracts including CNA Financial Corporation, while it was impacted for the last time by the ramp-down of two contracts terminated in H1 last year. North America is now on track towards positive organic growth in H2;
- Germany up +2.2% thanks to a strong activity in Business & Platform Solutions led by both digital projects and the new application management contract with Siemens;
- France grew by +4.6% fueled in particular by the strong performance in Big Data & Cybersecurity and more particularly in Public & Health;
- In the United Kingdom, a strong activity in Business & Platform Solutions more particularly from Syntel did not compensate lower sales of licenses in Cybersecurity and lower volume on contracts renewed last year in Infrastructure & Data Management;
- Benelux & The Nordics recorded a growth at +2.6% driven by its good performance in Big Data & Cybersecurity while stabilizing Infrastructure & Data Management;
- "Other Business Units" performed a solid +6.1% organically thanks to a strong performance in the three Divisions and in all geographies more particularly in Central & Eastern Europe and in South America.

The increase of operating margin in the first half of the year was mainly led by North America and Other Business Units. Indeed, North America benefited from the first materialization of synergies with Syntel and the improved monitoring of costs to align with the level of its activity. Other Business Units operating margin improvement was performed in almost all geographies linked to revenue growth.

Commercial activity

During the first semester of 2019, the **Group order entry** reached **€ 5,742 million**, representing a **book to bill ratio of 100%**, of which 113% in the second quarter.

Book to Bill ratio was particularly high for Big Data & Cybersecurity with 137%. Business & Platform Solutions recorded a healthy 104%, while Infrastructure & Data Management reported 91%, reflecting a high level of new signatures in a year with only a few contracts up for renewal.

New contracts in Q2 benefited to Infrastructure & Data Management thanks to a strong commercial dynamism in particular in Manufacturing, Retail & Transportation with notably a new contract in North America. Still in Infrastructure & Data Management, the Benelux & The Nordics as well as the United Kingdom signed large contracts through the Public & Health sector. Business & Platform Solutions signed new contracts notably in Benelux & The Nordics and in Germany.

Renewals in Q2 included several contracts in Infrastructure & Data Management such as in the United Kingdom within the Public & Health sector as well as with Philips in Benelux & The Nordics and several other deals in North America and France. Big Data & Cybersecurity managed to renew two important deals in Public sector in France.

In line with the commercial activity, the **full backlog** at the end of June 2019 amounted to **€ 21.3 billion**, stable compared to the end of December 2018, representing **1.9 year of revenue**. The **full qualified pipeline** was **€ 7.1 billion**, compared to € 6.8 billion at the end of December 2018 and representing **7.4 months of revenue**.

Operating income and net income

Operating income for the first half of 2019 year was **€ 288 million**, resulting from the following items:

Staff reorganization amounted to **€-63 million** with the acceleration of the adaptation of the Group workforce in several countries, in particular in Germany and to a lesser extent in France.

Rationalization costs were **€-17 million** resulting from the closure of office premises and data center consolidation, mainly in North America and France.

Integration and acquisition costs amounted to **€-24 million** and were mainly related to the integration costs of Syntel to generate synergies as well as migration and standardization of internal IT platforms from previous acquisitions.

€-79 million were recorded as **Purchase Price Allocation amortization**, compared to €-49 million in H1 2018. Syntel customer relationships and technologies amortization was €-33 million in H1 2019.

Equity based compensation plans remained almost stable at **€-34 million** in H1 2019.

In the first half of 2019, **other expenses** also remained stable at **€-24 million**, this amount covers the semi-retirement scheme in Germany.

Net financial expense amounted to **€-79 million** for the period compared to €-23 million for the first half of 2018. The increase mainly came from the €-32 million interest expenses to finance Syntel acquisition and, further to the first application of IFRS 16, the interests on the lease liabilities. Finally, foreign exchange was of €-3 million compared to a gain of €+7 million last year.

The **tax charge** for the first half of 2019 was **€-38 million** corresponding to an annualized Effective Tax Rate (ETR) of 18.3%.

Share of net profit of associates accounted for under equity method amounted to **€ 12 million** in the first half of 2019 coming from the contribution of Worldline since May 1, 2019.

Due to the deconsolidation of Worldline, **non-controlling interests** are not significant for the Group anymore.

As a result, the Group reported a **net income from continuing operations Group share** of **€ 180 million** for the half year ended June 30, 2019, representing 3.1% of Group revenue

The **net income from discontinued operation Group share** amounted to **€ 3,055 million** and was made of the contribution from Worldline net result from January 1, 2019 to April 30, 2019 and of the net gain on distribution of Worldline shares net of costs to distribute (after tax). This net gain was € 2,996 million.

Both **basic EPS Group share from continuing operations** and **diluted EPS Group share from continuing operations** were **€ 1.68**.

The normalized net income excluding unusual, abnormal and infrequent items (net of tax) was **€ 343 million**, representing 6.0% of Group revenue for the period.

Both **normalized basic EPS Group share from continuing operations** and **normalized diluted EPS Group share from continuing operations** were both at **€ 3.21** compared to € 2.87 for both in H1 2018.

Free cash flow

Operating Margin before Depreciation and Amortization (OMDA) was **€ 835 million** representing 14.5% of revenue, compared to 10.3% of revenue in June 2018. In addition to the depreciation of right of use assets under IFRS16, the increase by € 293 million of OMDA is due to the Syntel scope effect as well as organic improvement from operations.

Capital expenditures totaled **€-173 million**, representing 3.0% of revenue, 40 bps less than the same period last year as the Group structure became less capital intensive.

During the first half of the year, **change in working capital** was **€-269 million** (compared to €-152 million in the first half of 2018). The increase in working capital requirement compared to the first half of last year mainly came from a combination of three items:

- a reduction in sales of receivables in H1 2019, although it will remain stable over the full year. The effect was c. €-40 million;
- an unfavorable geographical mix in Q2 of billed revenue evolution as North America and United Kingdom, where collection is faster, decreased, while most of the other geographies increased. The effect can be estimated at c. € -35 million in H1 2019;
- higher supplier payment concentration in H1 versus H2 for c. €-35 million.

All the above effects are by nature H1 / H2 timing effects and as such will not impact the full year free cash flow generation.

Total cash-out for **reorganization, rationalization, and integration** was **€-95 million**. A larger portion of reorganization costs was pulled forward into H1 to optimize the impact on the full year operating margin. The Group objective for the full year is confirmed at 1% of revenue plus Syntel integration costs and German transformation plan.

Cash out related to **taxes paid** amounted to **€-48 million.** The increased by € 17 million was mainly due to Syntel scope effect.

Cost of net debt increased from €-8 million in the first half of 2018 to **€-36 million** in the first half of 2019 of which €-32 million from interest expenses to finance Syntel acquisition.

Finally, **other items** totaled **€-26 million**, stable compared to last year same period.

As a result, the Group **free cash flow** generated during the first half of 2019 totaled **€ 23 million**, compared to € 78 million in H1 2018.

Net cash evolution

Net acquisitions/disposals in H1 2019 amounted to **€-11 million** mainly relating to the costs to distribute the Worldline shares and other costs related to the distribution.

Capital increase totaled **€ 15 million** in the first half of 2019 compared to € 7 million in the first semester of 2018, mainly explained by the Group shareholding program SHARE 2018 for employees which occurred only in the first half of 2019.

In H1 2019, **€-76 million** were cashed-out for **share buy-back** notably to deliver performance shares with no dilution for shareholders.

The cash-out resulting from the **dividend** paid on 2018 results was **€-58 million**, compared to € 70 million in the first half of 2018.

Finally, **foreign exchange rate fluctuation effect on debt or cash in foreign currencies** totaled **€5 million** in H1 2019.

As a result, **Group net debt position** as of June 30, 2019 was **€ 2,939 million**, compared to € 2,872 million on December 31, 2018.

Human resources

The total headcount of the Group was 108,851 at the end of June 2019 compared to 122,110 at the end of December 2018. This evolution is strongly impacted by a -11,678 headcounts scope impact mostly related to the deconsolidation of Worldline as of April 30, 2019.

Excluding this scope effect, the staff decreased by -1.5% accompanying and anticipating the effect of automation and robotization.

During the first semester of 2019, the Group hired 9,165 staff (of which 94% direct employees), compared to 4,955 in H1 2018. Hiring have been mainly achieved in "Other Business Units" (of which 63% direct employees), notably in offshore/nearshore countries such as India and Poland.

Attrition rate was 15.4% at Group level, of which 21.4% in offshore/nearshore countries.

2019 objectives

The Group confirms all its objectives for 2019:

- **Revenue organic growth:** +1% to +2%.
- **Operating margin:** c. 10.5% of revenue.
- **Free cash flow:** between € 0.6 and € 0.7 billion.

Appendix

Revenue and operating margin at constant scope and exchange rates reconciliation

In € million	H1 2019	H1 2018	% change
Statutory revenue	5,744	6,005	-4.3%
Exchange rates effect		68	
Revenue at constant exchange rates	**5,744**	**6,074**	**-5.4%**
Scope effect		-395	
Exchange rates effect on acquired/disposed perimeters		23	
Revenue at constant scope and exchange rates	**5,744**	**5,701**	**+0.8%**
Statutory operating margin	529	545	-2.9%
Scope effect		-41	
Exchange rates effect		9	
Operating margin at constant scope and exchange rates	**529**	**513**	**+3.1%**
as % of revenue	*9.2%*	*9.0%*	

Scope effects amounted to €-395 million for revenue, of which:

- €-797 million related to the restatement of the contribution of Worldline to the Group revenue in H1 2018;
- €+33 million related to the revenue realized by Atos' entities with Worldline in H1 2018 which is no more neutralized in the Group consolidation since January 1st, 2019, but recognized as Group revenue;
- The remaining net positive amount of €+369 million was mostly related to Syntel acquisition (6 months for €+410 million), the disposal of some specific Unified Communication & Collaboration activities, and the disposal and decommissioning of non-strategic activities within CVC.

Scope effects amounted to €-41 million for operating margin. Most of the impact came from the restatement of the contribution of Worldline to the Group operating margin in H1 2018 (€-129 million) and the acquisition of Syntel (6 months for €+101 million). As the operating margin realized by Atos' entities with Worldline in H1 2018 was not eliminated from a contributive standpoint, no restatement was necessary.

Currency exchange rates effects mostly came from the American dollar and positively contributed to revenue for €+91 million and to operating margin for €+9 million.

H1 2019 revenue performance by Market

In € million	H1 2019	H1 2018*	Organic evolution
Manufacturing, Retail & Transportation	2,063	2,058	+0.2%
Public & Health	1,697	1,717	-1.2%
Financial Services	1,041	989	+5.2%
Telcos, Media & Utilities	943	937	+0.7%
Total	**5,744**	**5,701**	**+0.8%**

** At constant scope and exchange rates*

Q2 2019 revenue performance by Division

In € million	Q2 2019	Q2 2018*	Organic evolution
Infrastructure & Data Management	1,599	1,608	-0.6%
Business & Platform Solutions	1,070	1,058	+1.1%
Big Data & Cybersecurity	258	228	+13.2%
Total	**2,927**	**2,894**	**+1.1%**

** At constant scope and exchange rates*

Q2 2019 revenue performance by Business Unit

In € million	Q2 2019	Q2 2018*	Organic evolution
North America	683	722	-5.5%
Germany	563	548	+2.7%
France	449	425	+5.6%
United Kingdom & Ireland	420	430	-2.4%
Benelux & The Nordics	260	248	+4.9%
Other Business Units	553	520	+6.2%
Total	**2,927**	**2,894**	**+1.1%**

** At constant scope and exchange rates*

Q2 2019 revenue performance by Market

In € million	Q2 2019	Q2 2018*	Organic evolution
Manufacturing, Retail & Transportation	1,071	1,058	+1.2%
Public & Health	846	865	-2.2%
Financial Services	538	493	+9.3%
Telcos, Media & Utilities	472	478	-1.3%
Total	**2,927**	**2,894**	**+1.1%**

** At constant scope and exchange rates*

Conference call

Today, Thursday July 25, 2019, the Group will hold a **conference call** in English at 08:00 am (CET - Paris), chaired by Thierry Breton, Chairman and CEO, in order to comment on Atos' first half 2019 results and answer questions from the financial community.

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

- on atos.net, in the Investors section
- by smartphones or tablets through the scan of:
- by telephone with the dial-in, 5-10 minutes prior the starting time:
  - France +33 1 76 70 07 94 code 2661743
  - Germany +49 69 2443 7351 code 2661743
  - UK +44 844 571 8892 code 2661743
  - US +1 631 510 7495 code 2661743
  - Other countries +44 2071 928000 code 2661743

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

Forthcoming events

October 24, 2019 Third quarter 2019 revenue
February 19, 2020 Full Year 2019 results
April 22, 2020 First quarter 2020 revenue

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About Atos

Atos is a global leader in digital transformation with c. 110,000 employees in 73 countries and annual revenue of over € 11 billion. European number one in Cloud, Cybersecurity and High-Performance Computing, the Group provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions. The group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Syntel, and Unify. Atos is a SE (Societas Europaea), listed on the CAC40 Paris stock index.
The purpose of Atos is to help design the future of the information technology space. Its expertise and services support the development of knowledge, education as well as multicultural and pluralistic approaches to research that contribute to scientific and technological excellence. Across the world, the group enables its customers, employees and collaborators, and members of societies at large to live, work and develop sustainably and confidently in the information technology space.

Disclaimers

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 competitors behaviors. Any forward-looking statements made in this document are statements about Atos' beliefs and expectations and should be evaluated as such. Forward-looking statements include statements that may relate to Atos' 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 2018 Registration Document filed with the Autorité des Marchés Financiers (AMF) on February 22, 2019 under the registration number: D.19-0072. 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' shares for sale or an invitation or inducement to invest in Atos' shares in France, the United States of America or any other jurisdiction.

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

Business Units include **North America** (USA, Canada, and Mexico), **Germany**, **France**, **United Kingdom & Ireland**, **Benelux & The Nordics** (Belgium, Denmark, Estonia, Finland, Lithuania, Luxembourg, The Netherlands, Poland, Russia, and Sweden), and **Other Business Units** including Central & Eastern Europe (Austria, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Israel, Italy, Romania, Serbia, Slovakia and Switzerland), Iberia (Spain and Portugal), Asia-Pacific (Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand), South America (Argentina, Brazil, Colombia, and Uruguay), Middle East & Africa (Algeria, Benin, Burkina Faso, Egypt, Gabon, Ivory Coast, Kingdom of Saudi Arabia, Lebanon, Madagascar, Mali, Mauritius, Morocco, Qatar, Senegal, South Africa, Tunisia, Turkey and UAE), Major Events, Global Cloud hub, and Global Delivery Centers.