Atos

Press release

Third quarter of 2018

Stable revenue at € 2,884 million

+0.1% organically
Order entry at € 2,482 million
Book-to-bill ratio at 86%

Closing of Syntel acquisition on October 9th, 2018

Paris, October 23, 2018. Atos, a global leader in digital transformation, today announces its revenue for the third quarter of 2018.

Thierry Breton, Chairman and CEO said: *"The Group globally faced a mixed third quarter resulting in stable revenue. The Divisions Business & Platform Solutions, Big Data & Cybersecurity and Worldline continued to generate sustainable strong growth at the level anticipated at the beginning of the year or even above. Infrastructure & Data Management was disappointing during the quarter in North America and in Germany due to a lack of commercial execution on this segment in these two geographies. Taking this into account, and in the current context of an international economic environment that I anticipate to become more uncertain and challenging, I want to be cautious and therefore we now aim for 2018 revenue organic growth at circa 1% compared to a low end of the bracket at 2% previously.*

During the third quarter of the year we worked extensively to close ahead of schedule the acquisition of the US Nasdaq listed Syntel group, and to welcome and integrate its 23,000 engineers into Atos as early as on October 9th. This strategic move will support the acceleration of the Group towards higher levels of technological and digital excellence."

Q3 2018 revenue by Division

Revenue was **€ 2,884 million**, up +1.8% at constant exchange rates restated for IFRS 15 and **+0.1% organically.** During the third quarter, the Group continued to deliver its offerings for large customers in their digital transformation. This particularly benefitted to Business & Platform Solutions, Big Data & Cybersecurity, and Worldline.

In € million	**Q3 2018**	**Q3 2017***	***Organic evolution***
Infrastructure & Data Management	1,526	1,601	*-4.6%*
Business & Platform Solutions	767	734	*+4.5%*
Big Data & Cybersecurity	191	171	*+11.7%*
Worldline	399	375	*+6.3%*
Total Group	**2,884**	**2,881**	***+0.1%***

** At constant scope and exchange rates, and restated for IFRS 15*

Infrastructure & Data Management (IDM) revenue was **€ 1,526 million**, **-4.6% organically**. Majority of the decrease came from the Manufacturing, Retail & Transportation market, more particularly in North America impacted by the termination of Marriott International contract, and in Germany with the decline of Unified Communication & Collaboration activities. The Division was also impacted by the Telecom, Media & Utilities market with the base effect from the BBC contract in the United Kingdom, by contract issues with a large Telco operator in Germany and with the Standard and Poor's contract ramping-down in North America.

The Division was positively impacted by the ramp-up of the Aviva contract and a strong activity in Public & Health in United Kingdom & Ireland.

The Division continued to roll-out its transformation model with revenue growth in Orchestrated Hybrid Cloud, in Digital Workplace and in Transformation projects. The Division also pursued through automation and robotization the digital transformation of its main clients.

Business & Platform Solutions (B&PS) revenue was **€ 767 million**, up **+4.5% at constant scope and exchange rates**. The Division pursued the solid trend recorded since the beginning of the year thanks to the strong demand for digital projects related to SAP HANA, Codex, and Hybrid Cloud solutions. The growth was primarily led by Manufacturing, Retail & Transportation, particularly in France with the ramp-up of the PSA contract and in Benelux & the Nordics with deliveries to DSM, and by the public sector in Germany.

Revenue in **Big Data & Cybersecurity** (BDS) recorded a **high organic growth of +11.7%**, leading to **€ 191 million** in the third quarter of 2018. This performance was primarily fueled by Manufacturing, Retail & Transportation in North America and by Telecom, Media & Utilities thanks to High Performance Computing activities in South America. In Public & Heath, the activity in cybersecurity was strong through various customers in Benelux & The Nordics, France and Central & Eastern Europe. In this Market, the Division also benefited from the ramp-up of the Swiss National Police contract in Central & Eastern Europe and from strong Big Data activities and Bullion sales in North America, while the activity in France was more challenging.

Worldline revenue was **€ 399 million**, growing by **+6.3% at constant scope and exchange rates**.

Revenue in *Merchant Services* was up by +4.8% organically, led primarily by Commercial Acquiring in continental Europe and a solid double-digit growth in India.

Financial Processing revenue was up +7.7% with higher transaction volumes in Issuing Processing, an increased number of authorizations in France and in Germany in Acquiring Processing, and finally from the growing SEPA transactions in Account Payments.

The +5.9% growth in *Mobility & e-Transactional Services* was mainly led by Contact and Consumer Cloud contracts in France and by Connected Living business in Germany. Growth also benefitted from Trusted Digitization projects with French Government agencies as well as from fare and tax collection services in Latin America.

A detailed presentation of Worldline's performance during the third quarter 2018 is available at worldline.com, in the investors section.

Q3 2018 revenue by Business Unit

In € million	Q3 2018	Q3 2017*	*Organic evolution*
Germany	518	544	*-4.9%*
North America	465	499	*-6.7%*
United Kingdom & Ireland	382	372	*+2.6%*
France	381	380	*+0.3%*
Benelux & The Nordics	242	242	*+0.2%*
Other Business Units	497	469	*+6.0%*
Worldline	399	375	*+6.3%*
Total Group	**2,884**	**2,881**	***+0.1%***

** At constant scope and exchange rates, and restated for IFRS 15*

During the third quarter of 2018, **revenue** was stable year-on-year with contrasted performance by Business Units.

Several Business Units generated a strong performance:

- United Kingdom & Ireland where the sales dynamic both in Public and Private sectors allowed to generate +2.6% organic growth and more than compensated the base effect from the partial re-insourcing of the BBC contract;
- "Other Business Units" grew by +6.0% organically thanks to a strong performance in Central & Eastern Europe with the ramp-up of the Swiss National Police contract in Big Data & Cybersecurity, in South America with High Performance Computing activities, and to a lesser extent in Iberia and in Asia-Pacific;
- Worldline as mentioned above pursed its anticipated trend above 6%.

France grew both in B&PS and IDM while during the third quarter BDS did not compensate the high activity in Q3 last year.

Benelux & The Nordics returned to a slight growth thanks to the ramp-up of projects in BDS for Dutch Government Institutions and the European Union.

North America and Germany were impacted in IDM as described above. In these two geographies, most of the other Divisions pursued a strong dynamic.

Commercial activity

During the third quarter of 2018, the Group **order entry** reached **€ 2,482 million**, representing a **book to bill ratio** of **86%** due to some slippages. The Group aims for a book to bill ratio above 130% in Q4.

Several significant new contracts were signed over the period, mainly in Infrastructure & Data Management, notably with a large car manufacturer in Germany and Aegon in the United Kingdom. Worldline benefitted from a new contract with BNP Paribas, and the activity in Big Data & Cybersecurity remained strong with significant sales achieved in HPC and Cybersecurity activities.

New contracts were also signed in the area of Digital Transformation Factory such as with Orange and a global leader in Aerospace & Defense in Hybrid Cloud Orchestration, with BASF and BNP Paribas on SAP HANA Business Accelerator, with Framatome and International Red Cross on Digital Workplace, and finally with SNCF Reseau and European Union in Atos Codex.

Main renewals of the quarter were sitting in North America within Infrastructure & Data Management mainly in Public & Health, as well as in France in manufacturing and telecom sectors.

In line with the dynamic commercial activity, the **full backlog** at the end of September 2018 amounted to € **22.8 billion** compared to € 22.2 billion at the end of December 2017, representing **1.9 year of revenue**. The **full qualified pipeline** was € **7.9 billion**, compared to € 7.3 billion at the end of December 2017 and representing **8.0 months of revenue**.

Human resources

The total headcount was **96,947** at the end of September 2018, slightly up compared to **96,103** at the end of June 2018, and slightly down at constant scope.

Hiring during the quarter have been mostly operated in low cost countries such as India, Poland, Romania, and Philippines, as well as in the United Kingdom, the United States and France to attract key competencies. The Group continued to decrease the number of staff in order to accompany and anticipate the effect from automation and robotization both in Infrastructure & Data Management and in Business & Platform Solutions.

2018 objectives update

The following updated figures include Syntel for the last 2 months of 2018:

- **Revenue organic growth**: c. +1% (vs. +2% to +3% previously).
- **Operating margin**: low end of the bracket 10.5% to 11% of revenue.
- **Free cash flow**: circa 60% of operating margin.
  (Excluding acquisition costs of Syntel and SIX Payment Services and one-time financing costs of Syntel).

2019 targets update

The following updated figures include Syntel:

- **Revenue organic growth**: low end of the bracket +2% to +3% CAGR (2017-2019).
- **Operating margin**: 11.5% to 12% of revenue (11.5% before).
- **Free cash flow**: circa 60% of operating margin (c. 65% before). The variance comes from interest expense on the financing of Syntel acquisition.

Syntel acquisition

The acquisition of Syntel was completed on October 9th, 2018. The Atos Syntel leadership team was announced and fully operational as well as the Atos Syntel brand launched. Top customers were visited by Atos Top Management and represented c. 70% of total Syntel revenue. All the activities related to the integration preparation were accomplished and a dedicated integration team is focused on account transformation, cross-selling, processes and tools, support functions, real estate and purchasing. The reverse integration of Business & Platform Solutions activities in India and in North America already started.

As a reminder, the Group expects to generate compelling and significant synergies both at revenue and cost levels. Strong portfolio and complementary customer bases between the two companies will generate multiple cross-selling opportunities, leading to expected run rate revenue synergies of above $ 250 million by the end of 2021, with c. 20% operating margin, half of them planned by the end of 2020. Atos will also benefit in particular from tangible operational improvement by taking advantage of Syntel's current offshore, automation, and robotization capabilities. Cost synergies are planned to be generated in particular by applying Syntel's best practices on the existing Atos Business & Platform Solutions operating model. The total cost benefits are estimated at above $ 120 million per year on a run rate basis by the end of 2021 with a linear phasing.

The one-off implementation cost to generate synergies is estimated at circa $ 100 million over the next three years.

Syntel will be consolidated as of November 1st, 2018 and is expected to contribute between 10 to 20 basis points on the operating margin of the Group this year.

Regarding the financing, the Group intends to partly refinance the current euro/dollar bank financing package through a bond issuance, subject to market conditions. In this context, Atos has been assigned BBB+ by the rating agency Standard & Poor's with stable Outlook. In total, and after such an issuance, the average cost of euro/dollar debt is expected under current market conditions at c. 2%.

The acquisition and one-time financing costs are estimated at c. € 45 million of which c. € 30 million as one-time financing costs on € 3.3 billion loans.

Atos Investor Day in 2019

The Group will organize an Investor Day beginning of next year with a new three year plan covering the years 2019, 2020 and 2021.
For 2019, the plan will include the targets updated today and for 2020 and 2021 will reflect the improvement expected from all the Business Units and from the two transforming acquisitions Syntel and SIX Payment Services.

Appendix

Revenue at constant scope and exchange rates reconciliation

In € million	Q3 2018	Q3 2017 Restated for IFRS 15	*% change*	Q3 2017 Reported
Statutory revenue	2,884	2,840	*+1.5%*	3,002
Exchange rates effect		-6		-8
Revenue at constant exchange rates	2,884	2,834	*+1.8%*	2,994
Scope effect		47		47
Exchange rates effect on acquired/disposed perimeters		1		1
Revenue at constant scope and exchange rates	**2,884**	**2,881**	***+0.1%***	**3,042**

IFRS 15 adjustment represented a restatement of Q3 2017 accounts of €-162 million for revenue.

Scope effects amounted to €+47 million for revenue. This was mostly related to the acquisitions of CVC, Healthcare Consulting firms in North America, Imakumo, and payment companies by Worldline.

From Q3 2017 statutory, the contribution to revenue of currency exchange rates was not material and amounted to €-6 million.

Q3 2018 revenue performance by Market

In € million	Q3 2018	Q3 2017*	*Organic evolution*
Manufacturing, Retail & Transportation	1,059	1,069	*-1.0%*
Public & Health	818	811	*+0.8%*
Telcos, Media & Utilities	459	465	*-1.2%*
Financial Services	548	536	*+2.3%*
Total Group	**2,884**	**2,881**	***+0.1%***

** At constant scope and exchange rates, and restated for IFRS 15*

9M YTD 2018 revenue performance by Division, Business Unit, and Market

In € million	9M 2018	9M 2017*	*Organic evolution*
Infrastructure & Data Management	4,689	4,817	*-2.7%*
Business & Platform Solutions	2,384	2,289	*+4.1%*
Big Data & Cybersecurity	620	550	*+12.7%*
Worldline	1,196	1,128	*+6.0%*
Total Group	**8,889**	**8,784**	***+1.2%***

** At constant scope and exchange rates, and restated for IFRS 15*

In € million	9M 2018	9M 2017*	*Organic evolution*
North America	1,432	1,500	*-4.5%*
Germany	1,574	1,578	*-0.2%*
United Kingdom & Ireland	1,207	1,190	*+1.5%*
France	1,222	1,196	*+2.2%*
Benelux & The Nordics	752	757	*-0.6%*
Other Business Units	1,505	1,436	*+4.8%*
Worldline	1,196	1,128	*+6.0%*
Total Group	**8,889**	**8,784**	***+1.2%***

** At constant scope and exchange rates, and restated for IFRS 15*

In € million	**9M 2018**	**9M 2017***	***Organic evolution***
Manufacturing, Retail & Transportation	3,235	3,277	*-1.3%*
Public & Health	2,513	2,456	*+2.3%*
Telcos, Media & Utilities	1,406	1,424	*-1.3%*
Financial Services	1,735	1,628	*+6.6%*
Total Group	**8,889**	**8,784**	***+1.2%***

** At constant scope and exchange rates, and restated for IFRS 15*

Conference call

Today, Tuesday October 23, 2018, Thierry Breton and his management team will comment on Atos' third quarter of 2018 revenue and answer questions from the financial community during a **conference call** in English starting at 08:00 am (CET - Paris).

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 77 22 57 code 3377022
  - UK +44 330 336 9411 code 3377022
  - US +1 929 477 0448 code 3377022
  - India +91 80 6127 5372 code 3377022

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

Forthcoming events

February 21, 2019	Full Year 2018 results
April 25, 2019	First quarter 2019 revenue

Contacts

Media:	Terence Zakka	+33 1 73 26 40 76 terence.zakka@atos.net
Investor Relations:	Gilles Arditti	+33 1 73 26 00 66 gilles.arditti@atos.net

About Atos

Atos is a global leader in digital transformation with 120,000 employees in 73 countries and annual revenue of € 13 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 through its Digital Transformation Factory, as well as transactional services through Worldline, the European leader in the payment industry. With its cutting-edge technologies and industry knowledge, Atos supports the digital transformation of its clients across all business sectors. The Group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Syntel, Unify and Worldline. Atos is listed on the CAC40 Paris stock index.

For more information, visit: atos.net.

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 2017 Registration Document filed with the Autorité des Marchés Financiers (AMF) on February 26, 2018 under the registration number D.18-0074 and the update to the 2017 Registration Document filed with the AMF on July 27, 2018 under number D.18-0074-A01. 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 and restated for the impact of IFRS 15. Operating margin is presented excluding the amortization of equity based compensation plans and free cash flow is presented excluding proceeds from equity based compensation. Starting January 1, 2018, dividends paid to non-controlling interests are not anymore a Free Cash Flow item but reported in line 'Dividends paid'.

Business Units include **Germany**, **North America** (USA, Canada, and Mexico), **France**, **United Kingdom & Ireland**, **Worldline**, **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.