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PRESENTATION

Operator

Good morning, ladies and gentlemen. And welcome to the Atos Origin revenue Q1 2009 conference call. (Operator Instructions). Just to remind you that this conference call is being recorded. I would now like to hand over to the Chairperson, Mr. Gilles Grapinet, Senior Executive Vice President in charge of the Global Functions. Please begin your meeting, sir, and I will be standing by. Thank you.

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

Good morning, ladies and gentlemen. I am Gilles Grapinet, Senior Executive Vice President of Atos Origin in charge of the Global Function. Together with me we have Michel-Alain Proch, our Group CFO, and Gilles Arditti, in charge of the Investor Relations.

I would like first to thank you to attend our conference call on the first quarter of 2009. We have changed the date of our release from April 29 to April 16 as part of our program to provide faster the financial information to the investors and analysts. Please remind that we have also anticipated the date of our release of the third quarter from October 29 to October 16.

This change is also motivated by internal management reasons as it allows us to fully share our Q1 achievement at all levels within Atos Origin 15 days in advance. And, as you know, Thierry Breton, our Chairman and CEO, has decided to manage the Company on a six-month basis to be more reactive in the current environment.

Michel-Alain Proch will make an overview of the main items of the first quarter on top of the press release issued this morning, and we will be glad to answer after to your questions. Michel-Alain, the floor is yours.

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

Thank you, Gilles. Good morning everyone. I will start by presenting you the highlights of Q1 year 2009. In terms of revenue, we are closing the first quarter with the revenue of EUR1,294m which represents a slight decrease of minus 0.6%. This is in line with the full year guidance that we communicated on February 18, '09, when we expect the revenue to be in slight decrease compared to year 2008.

This performance is differentiated by service line. The cyclical activities, Consulting and System Integration, decrease by minus 7%, while Managed Operation, namely Managed Service, Worldline, and BPO grew by 5%.

In terms of commercial activities, order entries reached EUR1,347m, which represents a growth of 3% compared to last year. And therefore the book-to-bill ratio was 104% compared to 101% last year. The full backlog also increased in the same magnitude at plus 3.5%, reaching a level of EUR7.5b, which is again our -- which is again 1.4 year of revenue, which was the same in December '08. In term of weighted pipelines, the weighted pipeline reached EUR2.9b, increasing by 35% compared to one year ago.

The net debt decreased during the first quarter of year 2009 and reached EUR296m, thanks to continuing strong efforts in the collection of receivables and also a reduction of the capital expenditure compared to the first quarter of '08.

The Group continues to strongly focus on the reduction of non-personnel costs and pursue its action on its workforce in order to adapt its cost base to the tough economic environment that we are facing.

Finally I want to confirm that all the 20 projects of the TOP program initiated in December last year are underway. We saw very strong momentum, and I will go into the detail later on.

Next slide is presenting you the Group key wins in the first quarter. As you can see the sales activity was satisfying in the beginning of the year. We have renewed many contracts, the major one being in Managed Operations, in large countries such as France in the telco sector, the UK in the public sector, insurance and energy, in the Netherlands in manufacturing, in Asia Pac in the finance sector and in Germany for Atos Worldline in the banking sector.

The Group also signed large projects in System Integration in France in the public sector, in the Netherlands in the banking sector, and in the UK in the public sector. These key wins reflect the evolution of the Group portfolio by sector. Public sector and energy and utilities are clearly the two sectors gaining momentum in the first quarter with some double-digit organic growth.

Let me come back to the order entry and the book-to-bill ratio. Order entries were EUR1.35b. As I told you, the book-to-bill ratio was in total 104%. And it reached a satisfactory level in System Integration and in Managed Operation whereas the activity was difficult in Consulting. This is reflecting the current market condition. The Group expects a tough year for Consulting given there is a delay in customer decisions that should continue in the next few months.

Let me add one word about the pipeline. The pipe is showing the consequences of the economic crisis on the Group business profile. Namely, we see more Managed Services yield in our activity, which explains the important surge of the pipe by 35%. And we signed currently more MS deals than [in size].

On a negative note, companies are delaying decisions to implement new system or to integrate current systems. But on a positive note the crisis forced the companies to reinvent themselves and to streamline their costs. Outsourcing the IT is one of the major leverage they have to reach this objective and we are obviously there to help them.

So let's move to the financial performance. The next slide is presenting you the bridge between statutory revenue and revenue at constant scope and exchange rate. We are presenting you this slide to make sure that you understand well the changes in scope. And you remember the disposal of Italy in January '08, AEMS Exchange in August '08. These represent the change in scope of revenue of EUR68m.

As you may remember, we disposed several small activities at the end of last year, Thailand, Mexico and Technical Automation in the Netherlands. This represents EUR17m.

And finally the exchange rate impacts are essentially due to the British pound evolution compared to the euro, for EUR38m. So excluding this change of scope and exchange rate impact and, as already mentioned, the revenue decreased organically by 0.6%.

All right, next slide is presenting you the revenue performance by service line. So, as I mentioned, Consulting and System Integration businesses altogether have a decrease of 7.4% with the revenue at EUR533m.

Even if we go into the detail of the services line I begin with Consulting. Consulting revenue reached EUR72m, representing and organic decrease of minus 15.2% compared to 2.4% for the last quarter of '08. In all the countries, large customers delayed decisions on investment. The Group considers that the tough market condition in Consulting, including price pressure, should [go through] this year and therefore we have reinforced our action initiated at the end of '08 on our workforce.

System Integration revenue reach EUR501m in the first quarter of '09, representing an organic decrease of minus 6.2%. Almost all geographies were in organic decrease this quarter, as expected when we set up the budget.

The most affected by the economic conditions are Netherlands and Spain. And this is both in term of volumes and price pressure. And obviously North America, but the latter is not a large operation for Atos. France is reporting a better performance than the Group average, and Germany/Central Europe is stable. The United Kingdom continues to report a satisfactory organic growth at plus 6% and this growth was mainly driven by the public sector.

During the first quarter of '09 the Managed Operation activities through Managed Services, Worldline and BPO reached a revenue of EUR721m, representing an organic growth of 5.5%. This performance was driven mainly by Managed Services with the growth of 5.1% and from Worldline, with the growth at 6.8%. In terms of geographies, this performance was mainly achieved thanks to the contribution from France at 9.8% and United Kingdom at 11.2%.

On the next slide we present you the revenue mix by service lines. You can see the evolution of our recurring revenue part, which is 70% for the first quarter compared to 68% last year. We consider that this recurring part of revenue should continue to increase given the difference of growth rate between the recurring business and the cyclical activities. This will obviously reinforce the resistance of our revenue to the economic slowdown.

Next slide is presenting you the revenue performance by geographical area. In France the revenue reached EUR395m. This is 1.9% up. In Managed Operation activities both Managed Services and Worldline reported revenue growth of 9.8%. This performance was achieved thanks to the ramp up of some contracts in the energy and telecom sector and for Atos Worldline in the financial and public sector.

On the other hand, System Integration has a minus 5.1% decrease, essentially due to less revenue with the automotive sector. And in Consulting revenues decreased EUR3m, mainly in the banking sector.

In the UK the revenue reached EUR211m. It's an organic growth of 8%. This performance was achieved thanks to an increase in System Integration, 6.2% as I mentioned already, essentially in the public sector. And in Managed Operation 11.2%, both in public and private sector with contracts with Brakes and Premier Foods. Consulting slightly decreased by EUR1m due to fewer projects in the finance sector.

The Netherlands revenue amounted to EUR242m, down by 8.5%. Managed Operation revenue remained stable, while Consulting and System Integration had a total decrease of EUR21m coming from both less demand and price pressure, particularly in time and material activities. The Group has accelerated the implementation of action to decrease the cost base both on indirect expenses and on staff cost.

In Germany/Central Europe revenue was EUR155m, stable compared to the first quarter '08. The stronger activity in the telecommunication sector, both in Managed Operation and in System Integration, compensated a slowdown in banking and retail. Atos Worldline continued its development with the double-digit growth in this geography.

In other EMEA, Spain reported a decrease of minus 3.2%, mainly coming from System Integration. And Belgium also had a decrease of its revenue of minus 4.4%. In the other areas, Americas and Asia Pac, they had revenue of respectively EUR42m and EUR40m, which close to the levels they reached in the first quarter '08.

Let's move on to the net debt. This slide is presenting you the evolution of the net debt December '07, March '08, December '08, March '09. As I already mentioned the Group decreased the net debt below the level of EUR300m at the end of March year 2009. So I just want to mention that we have a positive net cash flow for the first quarter of EUR8m. Action to limit capital expenditure was successful and had been initiated during the second half of '08. Strong cash collection also allowed to improve the cash flow of the first quarter.

Let's move on to the headcount evolution. So end of March year 2009, staff actually reached 50,020 staff. This is to be compared with 50,975 at the end of last year. So it represents a net decrease of almost 1,000 staff. In this decrease we have lay-offs and dismissals for 744 staff in Q1. And we would like to mention too that the as, I would say, expected during the budget the attrition rate, which was 13% in full year 2008, has decreased to 9% in the first quarter.

Next slide is presenting you the staff mix by geographical area. Since December year 2008 the total [year] staff decreased by 1.9%, which represents a net decrease, I told you already, of 1,000 people. All geographical areas reported lower number of employees compared to the opening. And you can see in particular the materialization of the efforts we are doing in the adjustment of our cost base, particularly in the Netherlands where the total staff decreased by more than 5%, actually 5.3%. You can see a decrease too in France and in the UK.

So I come now to the objectives for year 2009. You remember that the Group has two priorities, which are really two main objectives, for the operating margin and the cash flow. And let me remember you that all the incentives of the management in year 2009 are based on these two objectives, operating margin and cash flow.

Next slide is presenting you the actions that are underway to reach the Group objectives. So in term of workforce, we have four actions right now going on. One is enforcing a very strict hiring freeze. So you've seen that we still have some hiring during the first quarter. It's our intent in the quarter two to reduce this hiring very drastically. This hiring that materialized in the first quarter was actually decided at the end of year 2008 and materialized in the first quarter of Q1. We want to see a very strong decrease of this hiring as soon as Q2 of this year.

The second action is obviously to adapt Consulting organization to the current market conditions. We told you we believe that the market conditions for Consulting are going to stay very tough for the rest of the year so we need to adapt its cost base.

The last point is something on which we have even individually communicated with each of you. It's to replace the subcontractor of all service lines by staff on the bench, and obviously to boost offshoring in current and future contracts.

In term of non-personnel costs, and in the context of the TOP program, we are targeting a further reduction of 15% off our cost base for all non-personnel and non-productive costs. In the beginning of this year we have managed to achieve minus 10% on these costs. We believe we can achieve minus 15% in -- as soon as the second quarter.

We implement indirect cost reduction from the AVA analysis that we have carried out in the Netherlands. And we are going to roll this out to all the other GBUs. This is one of the major levels of the TOP program, to implement a lean organization in the indirect cost, as I have already mentioned, in our major geographies.

We are accelerating the real estate optimization and we are starting with the Paris area. We are not far from an agreement with our new landlord. And we deployed lean processes in all helpdesk practices.

In term of cash, so we, as I told you, we are satisfied with the cash collection at the end of Q1, which was better than expected. And our cash is better than the budget. Nevertheless we still believe we can make a very strong action on the overdues that we have at the end of March and to reduce them by half between now and the end of June. It's one the TOP program initiatives that Charles Dehelly and myself are following on a weekly basis.

And the second action on cash is to accelerate the billing cycle in all projects. Let's say it's a very important project to bill much quickly.

Finally to maximize the WIP ratio, this is to obtain deferred income to cover our trade receivables. And we are satisfied with the beginning of the year in terms of optimization of CapEx, as I was telling you. We have been able to implement standardized equipment specification and to concentrate on client requirements only. So we believe we will be able to carry on this action in the year -- in the next part of the year.

I move on to the next slide, which is the revenue backlog coverage. So two months after the release of our year 2008 results and the issuance of our guidance, we are in a position to confirm the objectives that we have provided at that time. Revenue was in line in Q1. And the backlog coverage at the end of March year 2009 was 73%, as you can see, which is 1 point better than last year.

And I'm now done with our presentation. And we will be happy to take your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). The first questions come from Elizabeth Buckley. Please go ahead, announcing your company name and location.

Elizabeth Buckley ***- Arete Research - Analyst***

Yes, good morning. Elizabeth Buckley, Arete Research. A question on your staff attrition and then another question just on costs very quickly. Where -- could you perhaps provide attrition metrics for both Consulting and SI and give us an indication of where you saw the biggest drop in voluntary staff attrition? Where do you see attrition levels below the 9% level that you has for Q1?

And then the second question is on cost cutting. Clearly you're picking up the pace of cost cutting in the first quarter. Can you quantify the additional cost you plan to take out and the impact on your restructuring cost guidance for the full year '09 I believe which was at EUR150m?

And also what are the implications of this for your margin target range? Do these additional cost measures suggest that you're targeting higher margins or rather offsetting lower than budgeted margin level that you've been seeing from Q1? Thank you.

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

Okay,I think there are three questions in what you are saying. You tell me if I get it right. So I begin with the attrition rates.

The attrition rates, as we were telling you, was 9% for the entire Company in Q1 year 2009, to be compared with 13% on the full year, year 2008 last year. This can be split between 14% in Consulting, 9% in SI and 8.7% in Managed Services. We believe that this level of attrition will decrease in the three quarters to come.

Elizabeth Buckley ***- Arete Research - Analyst***

And what is your budget attrition assumption?

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

It was at this level. We are not surprised by the attrition evolution.

Elizabeth Buckley ***- Arete Research - Analyst***

Okay, so essentially you'd be revising downward then your attrition assumption for the full year?

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

Maybe during the second part of the year. But as I mentioned we are not surprised by the evolution of the attrition.

Elizabeth Buckley ***- Arete Research - Analyst***

Okay. And just by region, where is it lower than 9%?

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

I think in France and in Germany and Central Europe

Elizabeth Buckley ***- Arete Research - Analyst***

Okay. All right. And then just on costs, the cost cutting, the additional cost cutting that you're doing in the first quarter. What are the implications for your restructuring cost guidance and also your margin targets?

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

No, the restructuring and all the cost cutting that we have done during the first quarter and that we are planning to do in the second quarter are already included in the envelope that we have shared with you on restructuring costs for a maximum of EUR150m for the entire year.

Elizabeth Buckley ***- Arete Research - Analyst***

Okay. So no change there then.

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

No.

Elizabeth Buckley ***- Arete Research - Analyst***

Clearly you're insinuating that margins in Q1 were below budget.

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

No, I don't think I have insinuated such a thing.

Elizabeth Buckley ***- Arete Research - Analyst***

Okay, right. And the additional, just quickly, the additional cost measures, how much is -- what additional saving are looking to -- can you quantify this please?

Michel-Alain Proch *- Atos Origin - CFO*

I think all the adjustments that we are doing on our cost base compensates the situation of the market condition. That's the reason why we believe we are in a position to confirm our guidance in term of margin between 50 and 100 basis points.

Elizabeth Buckley *- Arete Research - Analyst*

Okay. Thank you.

Operator

The next questions come from the line of James Crawshaw. Please go ahead, announcing your company name and location.

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

Thanks very much. It's S&P Equity Research in London. I just want clarification and then a question. You mentioned something about AVA analysis in your presentation. I wasn't quite sure what that acronym stood for or what AVA analysis is.

Michel-Alain Proch *- Atos Origin - CFO*

Sure. AVA is a method of analyzing operations. It's an activity value analysis in which you analyze the job of all the persons, one after the other, and quantify what they are doing in terms of added value. And then you determine what are the processes that can be streamlined in order to make the process more efficient and then reduce the cost.

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

Okay. Thank you. And then the question, you previously, or the Company previously gave guidance for the year for revenues to decline slightly, but when pressed said that that meant around a 2% decline organically. In the first quarter it's only 0.6% down. Are you suggesting then that this slight decline may end up being more -- well, closer to the 0.6% for the year rather then 2% that was previously talked about?

Michel-Alain Proch *- Atos Origin - CFO*

No. We were expecting a Q1 in terms of the revenue roughly in this range. And we believe that for the year we will be closer to the minus 2% or something than to stay at the 0.6%. So we believe Q2 and the rest of the year will show a larger organic decrease.

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

Okay. Thanks very much. Very helpful.

Operator

The next questions come from the line of Neil Steer. Please go ahead, announcing your company name and location.

Neil Steer *- Redburn Partners - Analyst*

Morning. It's Neil Steer calling from Redburn Partners in London. Just a couple of quick questions. Could you -- you've obviously highlighted the pricing pressure that crept into the Consulting and Systems Integration within the Dutch business. Can you give us a comment on the pricing environment specifically for Consulting and System Integration in the other key markets around Europe?

Michel-Alain Proch *- Atos Origin - CFO*

Sure. We see really two geographies with a very strong price pressure from our customers. This is Netherlands and, as I mentioned already, mainly concentrated in the finance sector. And the second geography is Iberia and this is across sectors. So that's for the two geographies.

And then in term of sectors, the one with the most important price pressure right now is clearly telco. I think we have been able in the Netherlands to resist to a large extent to this price pressure. Obviously it depends on the business profile. The most exposed is Consulting and Time and Material in System Integration. And we were protected by our multi-year Managed Services.

So we have suffered from price pressure in the Time and Material activities in the Netherlands, and in Spain where the largest part of our external revenue is done with System Integration in Time and Material.

Neil Steer *- Redburn Partners - Analyst*

Okay, but in the UK and France and other key markets do see similar pricing pressure or do you anticipate seeing similar pricing pressure?

Michel-Alain Proch *- Atos Origin - CFO*

In France we see there is a price pressure, but it's not as intensive than the one we've seen in the Netherlands. In the UK you are absolutely right, that in the UK we are benefiting from the fact that 75% of our business is done with the public sector. Obviously price is one part of the negotiation. But the most important one is to be able to deliver very complex systems.

So I would say that in the UK you are right, clearly on the sector, but Atos Origin is a bit different because we've got 75% of our business with the public sector.

Neil Steer *- Redburn Partners - Analyst*

Okay. Just two very, very quick questions. First of all can you give us the CapEx figures for Q1 or, if you like, the change, the reduction in CapEx for Q1 '09 on Q1 '08?

And then a point of clarification, on slide 16 where you talk about the non-personnel costs, you say a further reduction of minus 15%. Do you mean going down from minus 10% to minus 15% or do you mean having made your reduction of minus 10% already in Q1 you anticipate a further 15% on that new base?

Michel-Alain Proch *- Atos Origin - CFO*

Okay, I'm going to answer the first one, the CapEx. On the CapEx I think we have seen a strong decrease in terms of CapEx Q1 '08 to Q1 '09. '09 we had roughly EUR50m of CapEx for this quarter, and it's EUR20m less than last year.

In terms of non-personnel costs, because I think it was your question, in the first -- so just to be a little bit more precise about what non-personnel cost is in Atos Origin, we are talking about the rents. We are talking about the company cars. We are talking about the travel expense. We are talking about the IT costs of the Company. This -- and obviously the sub-co.

These costs have been reduced in the first three months with a rate roughly of 10% compared to last year. We believe we can push it to 15% through an even more speedy implementation of the top projects because for each and any of these costs we have in front of it a top program in place with a top leader to address it.

Neil Steer ***- Redburn Partners - Analyst***

Okay. That's very clear. Thank you very much indeed.

Operator

The next questions come from the line of Patrick Standaert. Please go ahead, announcing your company name and location.

Patrick Standaert ***- Morgan Stanley - Analyst***

Good morning, it's Patrick from Morgan Stanley in London. Two very quick questions, the first one on the pricing. Can you clarify if the pricing pressure you're seeing in the Netherlands mainly is coming because of the increase of growing acceptance or is that because of extra capacity freeing up in the market?

And the second one is on the cost reduction that you already mentioned. How much has already hit the P&L in Q1? If you can quantify that would be very useful. Thank you.

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

Patrick, I'm not sure I got your first question about the price pressure. I'm sorry. Can you just repeat that one?

Patrick Standaert ***- Morgan Stanley - Analyst***

On the pricing, clearly you have the pricing going down in the Netherlands as you mentioned. But is this coming from more offshoring in the mix that you offered your clients in delivery process, or is that because you got more available resources that are offering bringing lower prices to [these staff]?

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

Now I understand. Gilles, do you want to answer this one?

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

Just Patrick, maybe just to share with you that in the Netherlands Atos Origin has a specificity in comparison with the rest of our traditional way of operating, which is that in the Netherlands we have a huge part of time and material activities, which means that this is really not easily offshorable. So it does not link with an offshore pressure from our clients or in the way we deliver.

This is just mainly bargaining power considering the economic situation in the Netherlands, and the fact that the clients globally ask for all the IT suppliers to accommodate their own situation. So it is mainly bargaining round the Time and Material types of activities we have.

Does that answer your question?

Patrick Standaert ***- Morgan Stanley - Analyst***

Yes. And if it is really bargaining power, is that usually linked to more volume and therefore the volume --?

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

Yes, from case to case you are absolutely right. We can sometimes extend indeed more volume, and so it will be, in a way, at the expense of some other small subcontractors of our clients. And we exchange more volume or more stability of our people in exchange to a price reduction.

Patrick Standaert *- Morgan Stanley - Analyst*

If you therefore try to quantify the 8.5% revenue decline in Q1 in the Netherlands, how much of that was volume decline?

Michel-Alain Proch *- Atos Origin - CFO*

Patrick, it's Michel. I think we are not going to quantify it now. I think we will do it obviously for the first semester on our major geographies affected by price pressure, Spain and Netherlands. But keep in mind that really our management has put in place a very strong action to resist this price pressure in the Netherlands. It doesn't work each time, but clearly we try to avoid such a power game in which a customer is promising some more volumes, because we are not sure that these volumes will materialize this year with the environment we know.

Patrick Standaert *- Morgan Stanley - Analyst*

Okay, and on the cost reduction?

Michel-Alain Proch *- Atos Origin - CFO*

And on the cost reduction, so roughly just to give you an idea of the extent, we have done roughly EUR12m savings on the first three months on these non-personnel costs.

Patrick Standaert *- Morgan Stanley - Analyst*

But all of those EUR12m will hit the P&L. Is that an annual --?

Michel-Alain Proch *- Atos Origin - CFO*

No, no. It's already in the P&L.

Patrick Standaert *- Morgan Stanley - Analyst*

Okay.

Michel-Alain Proch *- Atos Origin - CFO*

It's behind us.

Patrick Standaert *- Morgan Stanley - Analyst*

And the run rate of those savings on an annual basis is --?

Michel-Alain Proch *- Atos Origin - CFO*

I think it's a bit too early in the year to quantify it. Again I will give you basically what are the results of these actions for each one.

Patrick Standaert *- Morgan Stanley - Analyst*

Okay. And a very quick one to close it up is the bookings that you've announced, there's a lot of renewals in there. Can you try and give us how much the bookings -- the new deals from new customers are in that backlog of bookings number that you're giving us?

Michel-Alain Proch *- Atos Origin - CFO*

I don't have the split, new purchase/renewal, at hand. But what I can tell you is that yes, I confirm your perception. During the first quarter of the year we had mainly renewal of contracts or fertilization of our current cost base.

Just to give you a rough idea, in a normal quarter we are in a split 85%/15%, or 85% renewal and 15% new contract. I think what is important to notice here, in our pipe and in the order entry is, as I was mentioning, the fact that Managed Operation and particularly Managed Services and Worldline is very strong in our pipeline. And we see lots of RFP on Managed Services from very large companies which are trying to adjust their cost base.

Patrick Standaert *- Morgan Stanley - Analyst*

Any idea of the timing to close those deals?

Michel-Alain Proch *- Atos Origin - CFO*

I think we will have a large MS deal being signed in Q2. And obviously [not good], but there are several which are not far from their signatory dates in which we are short-listed.

Patrick Standaert *- Morgan Stanley - Analyst*

Thank you very much. Very useful.

Operator

The next questions come from the line of Gerardus Vos. Please go ahead announcing your company name and location.

Gerardus Vos *- Citigroup - Analyst*

Hi, thanks for taking my questions. It's Gerardus Vos from Citigroup in London. Just a question on the SI business. If you strip out AM, which you guys include in SI, it looks that the cyclical part of SI is also coming down by 10%, 15%, which seems to be a little bit ahead of what you were anticipating in Q4. Given that the market continues to deteriorate, what is the risk there that you have to take out additional headcount?

And then secondly, on the margin, I believe that last year Q1 you did around -- margin around 5%. I was wondering if Q1 run rate was in line with the guidance of 50 to 100 basis points' improvement.

And then finally on the hiring, it looks that you've hired basically everybody back who left via natural attrition. I think you hired something like 1,200 people and you had 1,200 leavers as well. You indicated during the call already that that should change into Q2. But what should I think about? Are we thinking about halving that 1,200 headcount number or even lower? Thank you.

Michel-Alain Proch *- Atos Origin - CFO*

Okay, Gerardus. I think I got your three questions. Okay, so first on Application Management, so Application Management is, in terms of organic decrease, so you have the full SI which is in -- which is decreasing by 6.2%. So this is roughly in line with the construction of the budget that I have mentioned during the road show.

And within this 6.2% you have the SI project and Time and Materials altogether decreasing by 7.3%, sorry, and you have Application Management which, as I was telling you, is more resilient to the crisis, which is decreasing by 4.2%. So roughly in terms of construction we believe we are in the frame of what we expected at budget time.

Gerardus Vos *- Citigroup - Analyst*

Okay. Perfect.

Michel-Alain Proch *- Atos Origin - CFO*

On the second question which is the margin, we are not at the end of Q1 disclosing the margin of the activities. I will need to pass on this one.

And I will finish with the hiring. You are right. Just let's be clear, let's -- we are not satisfied with the level of hiring we had during the first quarter. We have still had 1,200 I think hirings, and we believe it's too high. We are -- we have seen this situation at the end of the second month of February and actually into the quarter we have seen a decrease already in our hirings. We believe that in Q2 we will have, I think, less than half of these 1,200 hirings.

So in Q1 we were hit by two things, the hirings which were contracted in Q4. So each time we had a probation part period, we took it, but when the probation period was done, so it was hiring, and we had some hirings which were actually coming from outsourcing deals. To sum up, I believe in Q2 we target to cut it by half.

Gerardus Vos *- Citigroup - Analyst*

Okay. Perfect. Thank you very much.

Operator

(Operator Instructions).

Gilles Arditti *- Atos Origin - Head of IR*

So, on the web we have the first question coming from Mark Bryan from Deutsche Bank. So the question is there is a market decline in the Netherlands. Do you expect it to get worse in Q2 and in Q3 or can you stabilize the region? What is the pipeline order entry in the Netherlands?

Michel-Alain Proch *- Atos Origin - CFO*

So, in terms of market decline, we believe that we are not in the Netherlands at the bottom of the evolution. We expect -- but you know this is just a forecast, to see this bottom roughly by mid year, I would say, at the end of Q2 and then to stabilize in terms of business conditions in the second part of the year.

Clearly the sector which was the most exposed in the Netherlands which actually reacted the most brutally, was insurance, finance and telco. And we see manufacturing and energy reacting too in this period of time during the second quarter. So we believe that overall we will be at the bottom of the evolution at the end of Q2.

In terms of order entry and book to bill, because there are several threats to the business in the Netherlands, we are very conscious of these threats and we are addressing them. Nevertheless we have some good, positive business signs too. And one of them is the book to bill. And we had book to bill in Q1 '09 for the Netherlands of 102%, which represents an order entry of EUR246m. On top of that, we see that the pipe is quite good at EUR465m. And we see no rationale to have this pipe deteriorating in the close future.

So to sum up I think we still have a Q2 in front of us in terms of market conditions, which is going to be very challenging in the Netherlands. But we have an order entry in Q1 of 102%. We believe in terms of performance -- of commercial performance we have been extremely reactive at the level of the management in the Netherlands.

Operator

The next questions come from the line of Brice Prunas. Please go ahead, announcing your company name and location.

Brice Prunas *- Oddo Securities - Analyst*

Yes. Good morning gentlemen. Brice Prunas from Oddo Securities. I have a question by business line regarding the trend seen in Q1. I would like to know if you can update us about the kind of indication you gave during February meeting, minus 10% in Consulting, minus 5% in SI, zero in MS and so on. Have you got new targets now regarding this growth?

Michel-Alain Proch *- Atos Origin - CFO*

Hi Brice it's Michel. Roughly we gave you a frame on which we have built our budget for this year. It was roughly minus 10% for Consulting, minus 5% for SI, MS being flat zero to 1%, Worldline being around 5%, so average between 4% and 5%. We see at the end of Q1, we see that in terms of construction of the budget we were right.

Conventionally speaking all the tendency -- all the evolution we have forecasted we are in there. But we see that it's clearly the negatives are maybe a bit more negative and the positives are a bit more positive. You see that Consulting is at minus 15% instead of minus 10%. SI is at minus 6%. I told you gentlemen minus 5%. And obviously MS with the quality and the strength of our backlog actually produced more than the zero to 1%. We are at 5% and Worldline is overachieving. We are seeing Worldline between 4% and 5%. And Worldline is almost at 7% of organic growth.

So clearly we have Managed Services and Worldline compensating Consulting and Systems Integration, which hit is larger than expected. Have in mind though that Consulting is a smaller, between brackets, delivery line in Atos, roughly 6% to 7% of our total external revenue.

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

So I think that brings us to elaborate a little bit more on your question and to give some additional analysis to what just Michel-Alain just said, is to share with you clearly Q1 shows what is really distinctive in Atos Origin revenue models, which is this strong part of recurring activities which shows to be quite dynamic, even in this very difficult environment in Managed Services and in Worldline types of activities.

So that really compensates for the cyclical activities which are, as you know, fairly under the average of our IT competitors in the industry. And so at this stage Q1 I think is really in line with our global expectations for the budget.

Brice Prunas *- Oddo Securities - Analyst*

And specifically on Worldline, I think you have pretty nice pilot projects like smart metering or electronic bracelet. I would like to know what is the kind of volatility that could trigger on your sales for Worldline in '09 or it is more '10 issue?

Michel-Alain Proch *- Atos Origin - CFO*

Here we don't really see volatility for the two projects you are mentioning, which are very important projects for the Group. As far as the smart metering is concerned, we have already signed a contract for the pilot. So we are right now delivering this pilot to our customer, yes. And on the bracelet, Gilles Grapinet reviewed the offer one week ago.

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

We were still in the bid process and so everything is progressing as we want.

Michel-Alain Proch *- Atos Origin - CFO*

And we are short-listed with two other competitors. And we see no delay in such project so we should be on line. So to answer your question, it will be basically year 2009 revenue.

Brice Prunas *- Oddo Securities - Analyst*

Thank you very much.

Operator

The next questions come from the line of [Jonathan Sing]. Please go ahead announcing your company name and location.

Jonathan Tseng *- Merrill Lynch - Analyst*

Hi. It's Jonny Tseng from Merrill Lynch here. Just two questions. One can you tell us what subcontractors were as a proportion of headcount? I think it was 7% at the end of the year.

Secondly, just on the UK side, I know it's held by the high public sector exposure, but 8% sounds as good as it gets in terms of growth. Does UK growth get softer from here going Q2, H2? Thank you.

Michel-Alain Proch *- Atos Origin - CFO*

Well in terms of subcontractors, at the end of December, year 2008, we had 3,800 subcontractors. As we were telling you, we were planning a decrease of our subcontractors by 1,000 subcontractors for the year. We have achieved already a decrease of 300 during the first quarter. So we are in line with our objective for the year. So that's for the part of your question about subcontractors.

About the UK, we obviously -- we were, I think, with the rest of the sector, very concerned by the situation in the UK. We have done a very strong and very deep review of our backlog and pipeline. And clearly what we have in the backlog and in the pipe are deals which are going to even more reinforce our presence in the public sector.

So during the first quarter we have been able to fertilize our current public sector customer base. We believe that in Q2 or Q3, we will be able to sign important deals with the UK government in the area of the environment. I cannot be more specific.

Jonathan Tseng *- Merrill Lynch - Analyst*

Thanks very much.

Operator

The next questions come from the line of Jonathan Crozier. Please go ahead announcing your company name and location.

Jonathan Crozier ***- WestLB - Analyst***

Hi. It's Jonathan from WestLB in London. Just a question about the pricing environment in the Managed Operations. Are you seeing pricing pressure there, in particular around renewals? And can you give us some comfort that the deals you're signing are not riskier than the ones you signed before?

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

Yes. Gilles Grapinet speaking. I can confirm you that, at this stage, we don't see any specific price pressure on the Managed Services deal that we have signed. Mainly what we observe, as Michel-Alain already told you, is that we see more interest for big clients for outsourcing operations, even bigger ones. So these are more important operations by themselves.

But it is not that much a pricing pressure that we'll see there. It is much more as these deals are on a wider scale than previously. Sometimes for the clients it is a bit more long for them -- it is longer for them to finalize internally the scope on which they want to go. But the price pressure is not really significant in Managed Services.

Jonathan Crozier ***- WestLB - Analyst***

Okay. Thank you very much.

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

We have a question through the web of Antonin Baudry with HSBC. Antonin is asking us can you quantify the operating margin by semester.

So in terms of guidance, we have really a year here in two steps. The first step is to be achieved at the end of H1. And we believe that at the end of H1 year 2009 we will be at the level of H1 2008, at the level of 4.5%, and that the margin improvement that we are mentioning in our guidance, from 50 to 150, will actually materialize in the second semester.

So it means, depending if it's 50bp or 100bp, roughly a margin which will be between 6% and 7% for the second part of the year mainly thanks to two major points. One is the action that I have mentioned during my presentation on our costs, in particular with the workforce, we have put in place even if we were not satisfied in Q1 on the hirings.

And I just want to mention that all hirings, I'm saying all hirings of the Company, are now approved by one single person who is the Group HR Director. So that's all the action on the workforce. And the second reason obviously of this second source of margin improvement is clearly the TOP program. I have detailed the advancement of this action.

Gilles Arditti ***- Atos Origin - Head of IR***

Okay. We have no other questions, so I suggest that Gilles Grapinet makes the conclusion of our call.

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

Okay. Thank you everyone for having participated to our call this morning. I would like just to share with you as a conclusion the fact that obviously we face, like all our competitors, tough market conditions. And we don't forecast on the year to come any significant improvements in our activities.

But nonetheless I think that Atos Origin has correctly anticipated the situation we faced during this Q1. And we have very quickly taken all the actions that we needed to adapt our Group. And so in the end the Q1 results are in line with our expectations. And so we are, at this stage, 100% focused to deliver Q2 according to our guidance.

Thanks to everyone, and have a nice day.

Operator

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