

Atos provides update on contemplated sale of Tech Foundations to EPEI group

- **Contemplated transaction offers the most achievable path to execution of separation of Tech Foundations and Eviden and improvement of the risk profile of Atos Group**
- **Social consultation progressing with *Societas Europaea Council* (SEC) and at local level and most regulatory pre-filings or filings have been submitted in relevant jurisdictions**
- **Shareholders' Meeting and completion of overall transaction now anticipated in early Q2 2024 given expected timing of regulatory approvals**
- **Ongoing exclusive negotiations with EPEI to address certain financial parameters of the contemplated transaction**
- **Atos shareholders to be provided with all required information on final transaction, the remaining perimeter (Eviden) and financing, for approval at the Shareholders' Meeting**
- **The final terms of the transaction and the capital increases intended to reinforce Eviden's capital structure, inter-conditional with contemplated sale of Tech Foundations, will be submitted for approval at Shareholders' Meeting**
- **The Group is in active discussions with financing banks to obtain loan waivers required for the contemplated sale of Tech Foundations and secure new financing for Eviden**
- **Pending shareholder approval of the contemplated transaction, Atos continues to monitor market developments and is committed to an ongoing open dialogue with shareholders**
- **Should the transaction with EPEI not go forward, the Group will have to access the debt and equity capital markets and/or consider the sale of additional assets, to ensure adequate liquidity to address upcoming debt maturities in 2025**

Paris, France – October 16, 2023 – It was announced on August 1st, 2023 that Atos ("Atos" or "the Group") has entered in exclusive negotiations with EP Equity Investment ("EPEI") for the sale of Atos' subsidiary which will hold its Tech Foundations business ("TFCo").

As part of its commitment to shareholder communication, today Atos is providing an update on the various workstreams relating to the contemplated transaction, and answering the most frequently asked questions received from investors relating to its background and financial impact.

Process update

Reminder of the background

The Board of Directors considered a number of strategic options for the future of the Group prior to the announcement of a separation plan on June 14th, 2022. These options included keeping the businesses together or selling parts of the businesses.

Taking into considerations the different business dynamics, growth and cash generation profiles¹ and capital requirements of the Tech Foundations and Eviden perimeters, as well as potential dyssynergies, mitigants and estimated separation costs, the Board of Directors determined that the separation was the best way forward in the interest of all Atos stakeholders and would unlock the intrinsic value of Eviden since the business operates in market segments that command higher valuation multiples than the Tech Foundations business.

Following the announcement of this separation plan, Atos was approached by several players interested in a potential acquisition of its Tech Foundations business, as indicated in the press release of October 24th, 2022. The Group with its Board of Directors examined all received expressions of interest in light of the Atos' corporate interest.

When the Board has been presented with the last revised offer from EPEI, it benchmarked it against other available options, and determined that the contemplated transaction would offer the most achievable execution path to the separation of Tech Foundations and Eviden and would improve the risk profile of the Group post-transaction.

Economic and capital market conditions also made it increasingly difficult to monetize part of Eviden on acceptable terms and access financing markets for Tech Foundations' operations. Additionally, given Tech Foundations' current focus on a turnaround which will still take time to be fully realized, a private ownership would facilitate the execution of the plan. Eviden would have the ability, once properly deleveraged, to accelerate its growth and capitalize on market opportunities.

Atos consequently announced on August 1st, 2023 that it had entered into an agreement providing for exclusive negotiations with EPEI, after discussions which remained uncertain until this date.

Reminder of transaction overview as estimated on August 1st, 2023²

<u>Contemplated Tech Foundations sale to EPEI</u>	<u>Strengthen Eviden capital structure</u>
<ul style="list-style-type: none">• €0.1bn net cash proceeds to Eviden• €1.9bn transfer of on balance-sheet liabilities³	<ul style="list-style-type: none">• Capital increase of €900m:<ul style="list-style-type: none">◦ €180m reserved capital from EPEI at 20€ per share, in exchange of a 7.5% stake

¹ Notably the negative cash flows of TFCo and the positive cash generation of Eviden

² Unaudited figures.

³ Unaudited estimate as of December 31st, 2022 of which lease liabilities IFRS 16 for €0.8bn. The estimate as of June 30th, 2023 is €1.8bn.

<ul style="list-style-type: none"> • Transfer of €7.6bn of off-balance sheet liabilities⁴ • Conveyance of €0.8bn⁵ of working capital specifically attributable to Tech Foundations' operations • Deconsolidation of Tech Foundations negative FCF • Upside-sharing mechanism for Eviden • EPEI group to capitalize a Special Purpose Vehicle with €0.8bn at closing to acquire TFCo 	<ul style="list-style-type: none"> ◦ €720m of rights offering, standby underwritten by BNP Paribas and J.P. Morgan subject to usual conditions • €400m divestment plan⁶ • Target Eviden proforma net leverage of about 4x improving to 2x by end of 2025
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Status of the project

Following the announcement by Atos on August 1st, 2023 that it had entered into exclusive negotiations for the contemplated sale of Tech Foundations to EPEI group, the Company can now confirm that preparatory stages of the project are underway.

Atos has started social consultation with the *Societas Europaea Council* (SEC) and at local level, and submitted most regulatory pre-filings or filings across the various concerned jurisdictions.

In this context, the parties are conducting the exclusive negotiations of the legal documentation, including the share purchase agreement for the sale of 100% of TFCo and the investment agreements regarding EPEI group's minority stake in Eviden as a result of its subscription to the contemplated reserved capital increase and subsequent rights issue (representing up to 7.5% of Eviden's share capital). Such negotiations could lead to the change of certain financial parameters of the contemplated transaction.

At the same time, following the completion of the operational separation of Tech Foundations and Eviden, the final legal steps to place the Tech Foundations subsidiaries under TFCo (intended to be sold to the EPEI group) are on track.

The Group is also in constant dialogue with its clients, suppliers and other commercial partners to ensure a smooth continuity of its operations. To the same end, the

⁴ Unaudited estimate as of December 31st, 2022.

⁵ Working capital is the amount of current assets less current liabilities linked to the operations of the business. Current assets include trade receivables, which are amounts due by clients to the Company, and current liabilities include trade payables, which are amounts due by the Company to its suppliers.

Based on estimated historical trends, the working capital level attributable to Tech Foundations' operations was estimated at €0.8 billion. **This €0.8 billion of Tech Foundations' working capital is not cash paid by Eviden to Tech Foundations but represents current assets including receivables and current liabilities including payables of Tech Foundations which are attributable to Tech Foundations balance sheet.**

At the time of the August 1st, 2023 announcement, the forecasted working capital at December 31st, 2023⁵ was estimated at (€0.2) billion due to working capital specific actions described later. The reversal of those actions represents a €1 billion estimated impact as of December 31st, 2023 arising from the difference between these two numbers.

⁶ As announced on July 28th, 2023 as part of H1 2023 results.

contemplated transaction agreements would include subcontracting and other transitional service arrangements between TFCo and Eviden.

Indicative timing

Final binding agreements are targeted to be concluded at the end of the ongoing exclusive negotiations, if successful, by the end of 2023 at the latest, subject to completion of the employee consultation processes and obtaining the necessary bank loan waivers.

Given the anticipated timing of regulatory approval procedures following pre filings, the Shareholders' Meeting necessary to approve both the proposed sale of Tech Foundations and the capital increases of Atos SE totaling €900 million (consisting of a €180m reserved capital increase from EPEI and a €720m rights issue), and consequently the completion of the overall transaction, would now be anticipated in early Q2 of 2024. Eviden will hold an Investor Day prior to the Shareholders' Meeting.

Financial impact of the transaction

The financials mentioned thereafter remain unaudited estimates as of August 1st, 2023 or as of today (as applicable) that will be confirmed and further detailed if and when the transaction documentation is finalized and the carve-out and separation are effective. These estimated figures also depend on financial parameters which would be set out in the final documentation still under discussion with EPEI.

The contemplated transaction would have a net positive cash impact of €0.1 billion for Eviden while transferring €1.9 billion of Tech Foundations-related on-balance sheet liabilities, €7.6 billion of off-balance sheet liabilities and would unwind ca. €1 billion of intra-year working capital needs. As part of such transaction, Atos SE (to be renamed Eviden SE) would benefit from an upside sharing mechanism.

Net cash proceeds

As part of the contemplated transaction, all receivables and payables attributable to Tech Foundations will be conveyed at closing to TFCo.

The share purchase agreement with EPEI allows the Group to monetize for cash €442 million in TFCo receivables through factoring⁷. Based on the targeted transaction parameters, Eviden will be entitled to €104 million from the proceeds of the €442 million in factoring. The remaining balance would stay with TFCo in the form of:

- €250 million of cash on the balance sheet; and
- €88 million in cash for compensation for the transfer of provisions for risks and charges⁸.

EPEI will pay €1 for the shares of TFCo.

On and off-balance sheet liabilities

⁷ Factoring is a financial arrangement where a bank or financial institution purchases a business's accounts receivable to provide immediate cash, allowing the business to access funds before their customers pay their invoices. Factoring is to be implemented as part of the SPA prior to closing with Atos SE (to be renamed Eviden SE) as seller subsequently retaining the resulting cash on its balance sheet. The corresponding liabilities to repay the receivables that were sold is the sole responsibility of the buyer.

⁸ Related to underperforming and loss-making contracts.

The €1.9 billion of on-balance sheet liabilities which would be transferred as part of the transaction would be broken down as follows:

(Unaudited estimates)	Dec 31st 2022	Jun 30th 2023
Provisions for risks and charges ⁹	€0.6 billion	€0.6 billion
Lease liabilities (IFRS 16) ¹⁰	€0.8 billion	€0.7 billion
Pension provisions	€0.4 billion	€0.4 billion
Other and contingencies ¹¹	€0.2 billion	€0.2 billion
Total¹²	€1.9 billion	€1.8 billion

Based on December 31st, 2022 figures, €7.6 billion parent company guarantees which are off-balance sheet liabilities related to Tech Foundations and are targeted to be transferred to the buyer. Those include €4.8 billion of performance guarantees, €0.4 billion of leasing guarantees, €0.4 billion of financing guarantees and €2.0 billion of other parent company guarantees, representing ca. 75% of the Group's parent company guarantees.

Therefore, the transfer of such on and off-balance sheet liabilities would significantly reduce Eviden's risk profile.

Working capital

Working capital is the amount of current assets less current liabilities linked to the operations of the business. Current assets include trade receivables, which are amounts due by clients to the Company, and current liabilities include trade payables, which are amounts due by the Company to its suppliers.

As part of the Group's liquidity management, Atos carries out specific actions to optimize its working capital, particularly at half-year and annual closings. Those actions include:

- reported non-recourse factoring¹³ (sale) of receivables for cash;
- a reduction in the average payment period for trade receivables, which increases the amount of cash to the Group and reduces the amount of reported receivables on the balance sheet; and
- an extension of supplier payment terms which increases the amount of cash at the Group and increases the amount of trade payables on the balance sheet.

⁹ Mainly composed of provisions for project commitments, for litigations and contingencies and for restructuring costs.

¹⁰ Lease liabilities mostly composed of real estate and IT leases.

¹¹ These potential liabilities may crystallize upon effective separation of TFCo and Eviden and are not reported on balance sheet of the group as of December 2022 and June 2023.

¹² Discrepancies between the break down figures and the totals result from rounding.

¹³ Bank factoring is a financial arrangement where a bank or financial institution purchases a business's accounts receivable (unpaid invoices) to provide immediate cash flow, allowing the business to access funds before their customers pay their invoices.

The above actions result in significant intra-annual variations in working capital compared with the reported year-end and mid-year working capital, as indicated at the announcement of the separation plan on June 14th, 2022¹⁴.

For the Group, it is estimated that the average working capital excluding these actions would have been on average about €1.8 billion higher than the reported figures, of which €0.7 billion stems from non-recourse factoring of receivables.

As part of the contemplated transaction, the Company will deliver the working capital attributable to Tech Foundations including receivables and payables, based on TFCo's balance sheet at closing. Based on estimated historical trends, Tech Foundations' working capital level necessary to run the operations was estimated at €0.8 billion¹⁵ as of August 1st, 2023. At closing, potential shortfall compared with this working capital target would under certain conditions be part of the purchase price adjustments.

On the Tech Foundations perimeter, at the time of the August 1st, 2023 announcement, the forecasted working capital at December 31st, 2023¹⁶ for the Tech Foundations perimeter was estimated at (€0.2) billion. This negative working capital reflected lower receivables and higher payables as a result of anticipated working capital actions described above. The reversal of those working capital actions in order to reach the normalized unaffected receivables and payables of €0.8 billion working capital target represents ca. €1 billion of financial impact on the estimated proforma reported December 31st, 2023 financial net debt position of Eviden.

Upside sharing

As part of the contemplated transaction, Atos SE (to be renamed Eviden SE) as seller of TFCo would be entitled to receive up to 10% of TFCo's share capital in 2027 depending on the achievement of certain operational targets by TFCo. In case of total or partial monetization of TFCo by EPEI before December 31st, 2026, Eviden would receive 40% of net proceeds of such transaction. From January 1st, 2027 to December 31st, 2028, that amount would be 20% of net proceeds of such transaction.

Post-transaction capital structure and financing of Eviden

As part of the contemplated transaction, the Group announced on August 1st, 2023, that it would intend to sustainably strengthen the capital structure of the Group post-transaction (Eviden) with planned capital increases for a total of €900m and from the proceeds of the €400m divestment plan that was announced on July 28th, 2023. These transactions combined with the impact of the sale of Tech Foundations would lead to an estimated

¹⁴ See Atos' press release and Capital Market Day presentation of June 14th, 2022.

¹⁵ **This €0.8 billion of Tech Foundations' working capital is not cash paid by Eviden to Tech Foundations but represents current assets including receivables and current liabilities including payables of Tech Foundations which are attributable to Tech Foundations balance sheet.**

¹⁶ Pending finalization of Tech Foundations' full carve-out, the working capital had been estimated as of December 31st, 2023, as the transaction was expected to close between Q4 2023 and Q1 2024.

proforma initial leverage of ca. 4x as of December 2023, and with a target of ca. 3x by 2024 year-end, and ca. 2x by 2025 year-end¹⁷.

Debt financing in the context of the contemplated transaction

As a reminder, in the context of the separation plan announced in June 2022, the Company has agreed with its financing banks an interim debt package of €2.7 billion consisting of a term loan A of €1.5 billion, a term loan B of €300 million and a revolving credit facility of €900 million, aimed at maintaining liquidity in the Group and cover financing needs during the transition period preceding the separation. The Company has already repaid ca. €270 million of its term loan B and expects the remaining balance of such term loan B to be repaid by year-end. The €1.5 billion term loan A has a maturity of January 2024 with two 6-month extensions until January 2025 available to the Company.

Consequently, the Group is in active discussions with its financing banks to obtain loan waivers required for the contemplated sale of Tech Foundations and secure new financing for Eviden. The Company is negotiating a new term loan with a reduced principal amount, maturing in December 2026, to replace the €1.5 billion term loan A post-transaction. To date, the Company has received positive feedback on the waivers.

The revolving credit facility maturing in November 2025 is expected to remain in place post-transaction. As part of the ongoing discussions with its financing banks, the Company aims to put in place an additional revolving credit facility at closing that will start in November 2025 and expire in November 2026.

Equity financing in the context of the contemplated transaction

As indicated in the press release of August 1st, 2023, the proposed capital increase of Atos SE (to be renamed Eviden SE) would amount to a total of €900m, consisting of a €180m reserved capital increase at an agreed price of €20 per share pursuant to which EPEI would hold 7.5% of the share capital and a €720m rights issue for all shareholders and to which EPEI is also committed to subscribe for €37.5m. As a result of the rights issue, the stake of the EPEI group in Eviden will in no event be higher than 7.5% and will be subject to a standstill.

BNP Paribas and J.P. Morgan have provided a standby underwriting for the rights issue amount (less the amount of EPEI's subscription commitment), subject to usual conditions.

Post-transaction deleveraging profile

The Group net debt on June 30th, 2023 was €2.3 billion¹⁸. On August 1st, 2023, the reported net debt at December 31st, 2023 was expected to be approximately €2.1 billion¹⁹ after €250 to 300 million of proceeds of assets' sales for which binding agreements have already been signed²⁰. In order to estimate the impact of the contemplated transaction on this expected net debt, the following adjustments would need to be made:

¹⁷ Estimates as of August 1st, 2023.

¹⁸ Net debt pre IFRS 16.

¹⁹ Net debt pre IFRS 16.

²⁰ As part of the initial €700 million asset divestment program already executed.

December 31 st , 2023 expected net debt pre- transaction (pre-IFRS 16)	€2.1bn
Net transaction proceeds	€(0.1)bn
Reversal of TF working capital actions ²¹	€1.0bn
Future disposal of assets ²²	€(0.4)bn
Equity raise (€180 million reserved capital increase and €720 million rights issue)	€(0.9)bn
Others and contingencies	€0.2bn
December 31st, 2023 expected proforma net debt post-transaction (pre-IFRS 16)	€1.9bn

The net effect of these proforma adjustments is a net debt of ca. €1.9 billion for Eviden at 2023 year-end implying a ca. 4x reported net leverage. The fast-deleveraging profile of Eviden would lead to ca. 3x and ca. 2x reported net leverage respectively as of 2024 and 2025 year-ends.

The equity increase sizing is consistent with the objective to target a corporate rating of Eviden in the BB range, which will facilitate Eviden's access to debt capital markets. Subsequent to the August 1st, 2023 announcement, S&P assigned an indicative credit rating of BB- to Eviden post-transaction.

Key conditions and termination rights

Under the agreement entered into between Atos SE and EPEI on August 1st, 2023, Atos undertook to pay a break fee up to €3 million in case it did not sign the final agreements while the employee consultation process is completed and the bank loan waivers are obtained.

In addition to antitrust and other regulatory conditions, the share purchase agreement would provide for financial conditions precedent to the closing of the contemplated transaction, which are generally pertaining to the transfer of the Tech Foundations perimeter (including certain contracts, pensions schemes and parent-company guarantees) and the viability of its operations (including through factoring arrangements and relevant expert opinions).

The share purchase agreement would include potential adjustments and compensation mechanisms (unilateral or bilateral) which may benefit either party. Among such mechanisms, the amount of cash undertaken to be provided to TFCo at closing may be adjusted, including in certain cases of working capital shortfall against the target. Both parties would benefit from termination rights based on financial criteria designed to

²¹ Estimates as of August 1st, 2023; referred as "unwinding of intra-year working capital" in the August 1st, 2023 press release.

²² As announced on July 28th, 2023.

preserve the economics of the transaction in case of significant adjustments. Certain of the termination cases could trigger a break fee in the amount of €3 million.

As last indicated on September 22nd, 2023, the information on the final terms and conditions of the contemplated transaction will be supplemented if and when the final agreements are signed and prior to a Shareholders' Meeting.

Accounting matters

The proforma financial statements of Tech Foundations and Eviden are currently being drawn up in the context of the contemplated transaction. The relevant information in this respect would be provided to the market when finalized and in any case before the contemplated Shareholders' Meeting.

The annual impairment test that the Group carries out at year-end could lead this year to a significant impairment charge arising, among other factors, from the current contemplated transaction regarding Tech Foundations, as well as Atos' share price, should it remain at current levels.

Liquidity situation of the Group

The Group's policy is to fully cover its estimated liquidity needs with long-term borrowings, cash and other appropriate financial instruments, in order to have sufficient flexibility to finance its operations and future developments.

Should the contemplated transaction with EPEI be submitted to and approved by shareholders and carried out, Eviden is expected to have the liquidity necessary to run its business while maintaining access to the debt market, based on the latest business forecasts and assuming the capital increases and a secured new term loan from the bank syndicate.

Should the contemplated transaction with EPEI not go forward, the Group would remain fully committed to progressing on the separation plan. As part of its ongoing monitoring the Group expects to meet its liquidity requirements for 2024, based on the latest business forecasts, assuming continued access to the factoring program and the completion of the €400 million asset divestment program that was announced on July 28th, 2023. The Group would have to access the debt and equity capital markets, and/or consider the sale of additional assets, to refinance the €1.5 billion term loan A maturing in January 2025 (after the two 6-month extensions available to the Company) and the €750 million bonds maturing in May 2025.

Next steps

The Company will continue to pursue discussions with all relevant parties and stakeholders to progress on the exclusive negotiations for the sale of Tech Foundations, in parallel to the ongoing work on employee consultations, antitrust and other regulatory filings and other related matters.

Pending the approval of the contemplated transaction by the shareholders, the Group continues to monitor market developments and is committed to a strong dialogue with its shareholders throughout the separation process.

Analyst and investor conference call

Atos' Management invites you to an international conference call, on **Monday, October 16, 2023 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/8ahwavbf>
- 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/BI15cfc3a534674ffd800e01ffb29e2430>
Upon registration, you will be provided with Participant Dial In Numbers, a Direct Event Passcode and a unique Registrant ID.
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.

About Atos

Atos is a global leader in digital transformation with 107,000 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 69 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), and listed on Euronext Paris.

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.

Contacts

Media contact: globalprteam@atos.net

Investor contact: investors@atos.net | 0805 65 00 75