



A FULL RANGE OF INTEGRATED SERVICES

Capgemini is one of the world's leading consulting, information technology and outsourcing companies.

Operating in over 30 countries, Capgemini helps clients to innovate, transform themselves and become more competitive. To fulfill this mission, Capgemini possesses a vast range of capabilities and the ability to deliver them consistently. It works with clients to craft new directions, turn them into business reality and make the best use of information technology. On their behalf, it also manages their business processes and technology infrastructure. Its most precious expertise is to bring together business, technology and operational skills and so provide truly integrated services.

As a worldwide services only company, Capgemini is a people company – 59,324 people by the end of 2004. Their infinitely varied skills and competencies are grouped, besides management and support roles, into four major professions or disciplines. Each of these is specialized to respond to a specific set of client needs. It recruits, trains and develops the people it needs. It is governed by its specific economic rules and managed with its own profit and loss responsibility. Yet within the Group's highly flexible, client-focused business approach, with its shared values, principles and management systems, all of these capabilities can be mobilized across the disciplines to deal with even the largest and most complex client situations and requirements.

The **four disciplines** are:

- **Consulting Services:** providing management consulting capabilities designed to improve performance of client companies through in-depth knowledge of their business and processes.
- **Technology Services:** planning, designing, managing, developing and integrating major information technology systems and applications.
- **Outsourcing Services** covers both infrastructure and business process outsourcing (BPO): managing client processes, applications and technology.
- **Local Professional Services:** providing proximity IT support and know-how.

Consulting Services and Technology Services are organized according to geography, and networked globally to share best practices and mobilize resources. Outsourcing and Local Professional Services are both global organizations, with strong local presences.

To make sure the capabilities of the disciplines meet market needs, Capgemini develops the best possible intelligence of its clients' activities in their respective sectors. It also tailors skills and competencies to provide the right responses to their sector specific requirements.

Because client satisfaction is an overriding priority for the Group, all the services it provides are measured according to a standard known as OTACE ("On Time and Above Clients' Expectations").

This presentation of Capgemini's activities covers the disciplines and gives an overview of recent market and Group developments for the main industry sectors.



CAPGEMINI'S DISCIPLINES

Consulting Services (CS)

In the stabilized market of 2004, clients continued to expect a high level of content and specialization, delivering tangible benefits. While growth only came back in the fourth quarter, the year saw good progress in operational profitability.

The Consulting Services discipline has benefited from earlier investments in capabilities, notably through specialized training, and in offerings. The different domains within the discipline (transformation consulting, customer relationship management, supply chain, finance and employee transformation) have pushed this specialization further. Supply chain, for example, maintains an end-to-end view, but specializes in procurement, transportation management and demand planning.

While business management consulting remains the mainstay of the discipline, technology management consulting is growing in importance. Clients making large investments in information management want to be sure that their IT strategies are well in tune with their business goals. By placing high level technologists in its consulting operations, Capgemini ensures that its immense practical experience in all forms of information technology is intimately connected to business issues.

In the coming year, many clients will once again focus on revenue growth, while still insisting on clear bottom line improvement. Consulting Services will launch new offerings for top line growth and for improved product lifecycle management. New types of shared services, developed in close cooperation with sister disciplines, will help improve client productivity and pave the way for business process outsourcing.

Technology Services (TS)

Following several extraordinarily difficult years of weak markets and price pressures, the first half of 2004 brought more of the same. In the second half, however, Technology Services succeeded in stabilizing revenue, returning to operational profit and building morale.

Stabilized prices, a higher utilization rate and lower costs did not happen by accident. Besides many operational improvements, TS concentrated on a few essential fields such as enterprise-wide platforms, notably SAP, and business intelligence applications. It provided industry-specific offerings in four selected industries – a sure way to differentiate and provide more value, which then translates into better prices. To give one example: Extended Retail Services based on radio-frequency identification (RFID) technologies have already been selected by some twenty clients, while a more systematic use of “Rightshore”™ delivery helped reduce delivery costs (see page 26).

In 2005, with markets improving in most countries, Capgemini expects the lower costs of technology development and an increase in growth-related investment to generate higher demand for technology projects. Technology Services (systems integration, IT applications) will also benefit from ties to other disciplines as, for example, business transformation programs call for an IT systems overhaul; technical transformation is the way to draw maximum advantage from outsourcing. The trends observed during the second half of 2004 bode well for a continuing turnaround.

Outsourcing Services (OS)

In 2004, Capgemini grouped most European outsourcing activities into a single international organization with full profit and loss responsibility – and the benefits of this change are already obvious as the Group has become one of the world leaders in this field.

During the year, the unit known as Outsourcing Europe managed large deals more effectively, with a stronger focus on early deal profitability. Capabilities were optimized across borders and computing centers now employ common practices, an approach that has reduced the number of software tools in use by 75 percent in one year.

Even more importantly, the single organization brought a sharper focus to the Group's outsourcing strategy. Higher margin services, like Applications Management and Business Process Outsourcing, now make up three



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quarters of the sales funnel. The various services are grouped in offerings driving innovation and client value, such as mobility or security. Major outsourcing contracts can be the basis for building platforms with deep competencies in specific market segments.

Entering 2005, this outsourcing organization is becoming truly global through the integration of the North American operations. One set of methods and standards will now drive Capgemini's outsourcing centers and service offers worldwide. Large opportunities can be selected based on the Group's – rather than an individual country's – priorities and strengths. The emphasis will be on transformational outsourcing which unites the sector and transformational expertise of Consulting Services and the advanced competencies of Technology Services within the framework of an efficient global outsourcing capability – a real Capgemini trump card.

Local Professional Services (LPS)

From January 2002, Local Professional Services have been provided by one global entity, Sogeti, operating through national subsidiaries. After the acquisition of Transiciel by Capgemini at the end of 2003, the operational merger leading to the creation of Sogeti-Transiciel was completed during the first half of 2004 – creating a 15,000-person powerhouse in nine countries (Belgium, France, Germany, Luxembourg, the Netherlands, Spain, Sweden, Switzerland and the United States).

In the second half of 2004, Sogeti-Transiciel grew at twice the speed of a recovering market in some countries. This momentum is fueling the 2005 ambition to achieve double digit growth, coupled with an increase in operational profitability.



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Key Alliance Partnerships

To provide its clients with the best available services, Capgemini has developed technical and commercial alliances with several software companies: technical, to ensure maximum access to the laboratories operated by these software vendors; commercial, when it comes to building a common or joint offering.

Partnerships with specialized companies are targeted at precise client requirements; others have more general aims. In terms of revenue, the Group's most important alliances, in alphabetical order, are: Cisco Systems, Hewlett-Packard, IBM, Intel, Microsoft, Oracle/ Peoplesoft, SAP, Siebel Systems, Sun Microsystems.



The business is focused on three areas: infrastructure services (management of client infrastructures at the client's location), application services, and engineering services (high technology consulting). These services cover small- and mid-sized projects, provision of expertise and specific forms of outsourcing. **Clients are offered strong individual know-how**, with specific areas of **collective expertise** such as testing, security and systems management.

The organization is simple, clear and stable – branches are operated on an entrepreneurial basis, defining their own formula for business success, while line

management ensures proper transfer of know-how and a solid sense of belonging. The whole approach builds on a strong emphasis on client satisfaction, enabling Sogeti-Transiciel to beat its competitors in many published industry rankings.

In 2005, while pursuing its general development in quality proximity services, Sogeti-Transiciel will take such major steps as the international development of its high technology services – providing not only engineering manpower and know-how for the industry, but also the outsourcing of specialized research and development functions.

CAPGEMINI'S MARKETS

The Group's services are normally delivered in an industry context, with offers tailored to clients' exact needs, and often integrating capabilities from different disciplines. An overview of the main industries served by Capgemini helps understand the Group's activities.

In the **public sector**, public administrations are transforming themselves to become efficient, low cost service providers, and Capgemini intends to be their partner of choice. As a result, the public sector's weight in the Group's business has expanded in the last few years and for 2004 reached 15 percent.

In 2005, it is expected that public administrations will keep pushing vigorously for improved services and higher efficiency, but also face new challenges, like a growing focus on public security. Budget constraints in information management will be met through outsourcing in a wider range of countries, the growing use of civilian technologies by defense departments, and increased emphasis on offshore development, previously a taboo subject in many countries.

The **manufacturing, retail and distribution sector** represents about a third of the Group's business. It contributed half of European outsourcing bookings in 2004. Business Process Outsourcing is coming of age in manufacturing and life sciences, while the movement toward enterprise-wide applications and data management has resumed, with more new large projects than in recent years.

Apart from these general trends, each segment addresses specific client issues and opportunities. In retail and consumer products, for example, Capgemini is helping companies unlock the benefits of new enabling technologies, such as global data synchronization, radio frequency identification, mobility and in-store customer interaction. In life sciences, the emphasis is now on product lifecycle management, the fight against counterfeiting, quality management and the continuing transformation of research and development.

In 2005, work with partners in sector specific uses of their applications will contribute to growth in this sector. In China, Capgemini grows by supporting large firms to expand in the country, and by helping Chinese companies internationalize.

2004 was a great year for Capgemini in the **energy, utilities and chemicals sector**. TXU Corp. engaged in a major partnership with the Group (*see page 32*) which, together with earlier Canadian outsourcing deals, creates a powerful platform of competencies and capabilities for utilities in North America. The outsourcing of the whole "meter to cash" process sets utilities free to concentrate on their core businesses, making it easier for them to compete successfully in a deregulated marketplace.

In Europe, Capgemini has taken advantage of the July 1, 2004 opening of markets to expand its services, thus enabling its clients to comply with new legislation and be successful in this increasingly competitive environment.

For oil companies, the Group has reinforced its position in lubricants and in functions such as client relationship and human resources management.

In 2005, these favorable developments should continue, with an increased flow of know-how across the Atlantic.

In the **financial services sector**, clients have returned to strong and sustainable profitability and are focusing on revenue growth again. They are accelerating the launch of new products and services, investing in customer relationship applications, and pursuing acquisitions. They are also devoting more resources to compliance with new regulations – such as Basel II for banks, Solvency II for insurance companies, Sarbanes/Oxley for anti-money laundering provisions.

In this context, the Group has enriched its offerings in the fields of risk and compliance, and retail insurance, while reinforcing its leading edge position in wealth management, retail banking and transaction services.



For 2005, we expect the Group to benefit from its good positioning and capabilities in financial services.

In the **telecom, media & entertainment sector**, major players have regained substantial investment power and growth is again high on their agenda: this newly vibrant market opens up significant opportunities for Capgemini.

Convergence of fixed line, mobile communications and media is leading to major reorganizations. Application systems are undergoing massive change, too, for example to provide real time billing with a mix of pre-paid and postpaid, digital rights management, and end-to-end service provisioning and assurance. Applications management remains the main area for outsourcing, while business process outsourcing is growing in the United States. All of these developments promise a good level of demand in 2005.



CAPGEMINI'S DISTINCTIVE NEW POSITIONING

Capgemini's ambition is to be a distinctive, highly competitive major player in the consulting and information services industry. The Group is large enough to be global, yet entrepreneurial enough to remain close to the clients, listening to them more closely and responding more sensitively to their evolving needs.

While delivery in the past was a matter of worldwide methods and local management, the ability to handle some service components remotely is changing the very nature of services delivery. With the "Rightshore"™ concept, work takes place where it makes best sense for quality of service, availability of skills, and costs. The Group's director of global delivery shapes and orchestrates this new world – which represents a fundamental change of direction.

Successful services delivery goes hand in hand with successful client relationships – both objectives and traditional strengths of Capgemini. When preparing the return to the Capgemini name early last year, the Group had an outstanding opportunity to go back to these

roots and build a renewed, more distinctive and compelling platform for future success. Clients and partners were asked for their views. Their responses provided two vital insights.

First, clients know that they need rapid access to a wide range of knowledge and experience. They believe that collaboration with a partner – as opposed to a simple contract with a supplier – is required for their own success.

Second, clients and partners value the way that Capgemini works with them, the quality of its people and the good relationships between their people and the Group's people. They believe that close and fruitful collaboration is a trademark of the Group.

Based on these insights, Capgemini launched the *Collaborative Business Experience*, which positions the Group as **the natural leader in developing closer, more effective, trust-based partnerships**. Collaborative Business Experience is much more than a slogan: it is the Group's way of life. It affirms that solid and more intimate working relationships deliver better results and enable clients to move more quickly, respond more flexibly and compete more effectively in a constantly changing business environment.

To bring this experience to a new level, new tools have been developed and new methodologies created. The Collaborative Business Experience is a long-term program for the Group, but it has already borne fruit. The advertising campaign launching it has brought new levels of awareness. Capgemini people find in it the embodiment of their beliefs. The Group's values – **honesty, boldness, trust, freedom, team spirit, modesty and fun** – crafted in the early days, take on a new life, and they are extended to every aspect of the client relationship.

For Capgemini's clients, the Collaborative Business Experience confirms and strengthens what they like in the Group. They know Capgemini people thrive when making their clients' people more successful. Clients embrace this new level of collaboration, which Capgemini intends to strengthen in the years to come.



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