

First Quarter 2005 Revenues

**Analysts meeting
Paris, 4 May 2005**



Paul Hermelin
Chief Executive Officer



Q1 performance: in line with expectations

Strong operational start to the year

“Booster Plan” underway in NA

Progress in assets disposals

New team fully operational

Recap of our 2005 priorities: no surprises

1	Ensure rapid turnaround of North American operations
2	Drive Sustainable, Profitable Growth in Outsourcing
3	Consolidate P&C European Recovery

Recent market trends

1	Accelerate North American Turnaround	On going strong demand Offshore: new standard Smaller orders
2	Drive Sustainable, Profitable Growth in Outsourcing	Active market Strong BPO demand
3	Consolidate P&C European Recovery	Positive market development Order fragmentation Price stabilization

Operational Priorities

1	Accelerate North American Turnaround	Good market Strong demand	<ul style="list-style-type: none">• Strong grip of the NA-OS by P. Spence• Good Sogeti start• Booster Phase 1 completed on March 22• Accelerated implementation under P. Danon's leadership
2	Drive Sustainable, Profitable Growth in Outsourcing	Active Strong BPO demand Long decision cycle	<ul style="list-style-type: none">• Funnel replenished preparing further growth• Rapid cost rationalization
3	Consolidate P&C European Recovery	Soft market Price stabilization	<ul style="list-style-type: none">• Bookings: strong volume but smaller orders• Revenue acceleration, notably in S/T• Basics in place everywhere, including delivery discipline

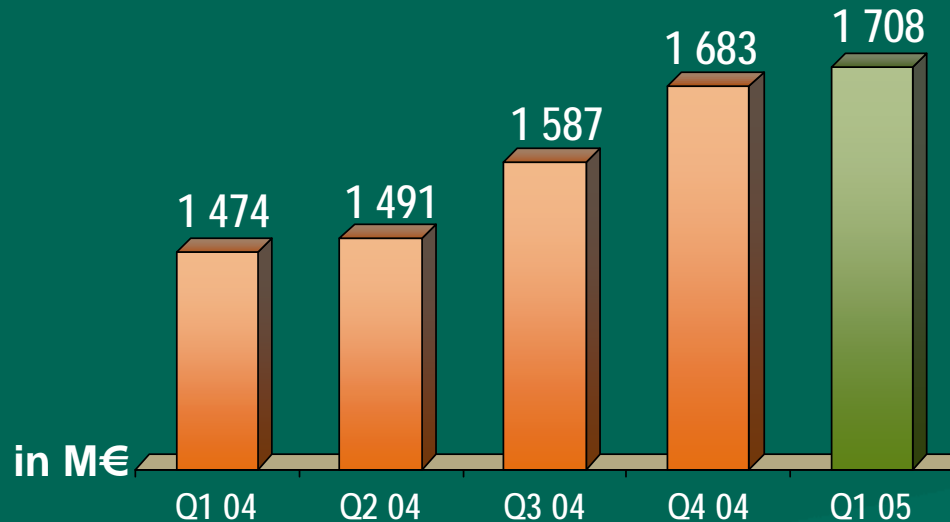
We are on track !

Q1 2005 Financial Highlights

Nicolas Dufourcq
Chief Financial Officer



Revenue Evolution



	Q1 2004	Q2 2004	H1 2004	Q3 2004	Q4 2004	H2 2004	FY 2004	Q1 2005
Amount in M€ (2004 restated for IFRS impact)	1,474	1,491	2,965	1,587	1,683	3,270	6,235	1,708
Sequential Current Growth		1.2%		6.4%	6.0%	10.3%		1.5%
Sequential Organic Growth		0.1%		6.6%	7.6%	10.7%		3.7%
Year-on-Year Current Growth				2004 restated for IFRS impact				15.9%
Year-on-Year Organic Growth				2004 restated for IFRS impact				19.1%

Revenue Evolution by Geography

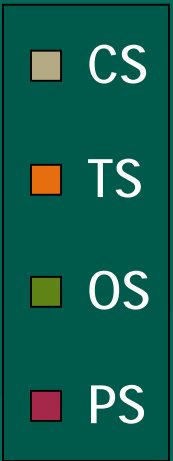
M€	Q1 2004	Q4 2004	Q1 2005	Current		Organic	
				Sequential	Year on Year	Sequential	Year on Year
North America	326	326	340	4.4%	4.3%	5.6%	8.0%
Europe & Asia of which	1 148	1 357	1 368	0.8%	19.1%	3.2%	22.2%
France	378	397	406	2.3%	7.6%	2.3%	7.6%
UK & Ireland	261	376	423	12.5%	61.7%	12.8%	64.8%
Benelux	206	238	231	-3.0%	11.8%	-3.0%	11.8%
Central Europe	108	129	108	-16.0%	0.1%	1.1%	18.4%
Nordic	95	117	101	-14.3%	6.6%	-7.5%	15.0%
Iberia	54	52	56	7.3%	2.2%	7.3%	2.2%
Italy	24	25	24	-4.2%	1.9%	-4.2%	1.9%
Asia Pacific	22	22	19	-14.1%	-12.4%	-14.7%	-9.7%
TOTAL	1 474	1 683	1 708	1.5%	15.9%	3.7%	19.1%

Revenue Evolution – Organic Growth

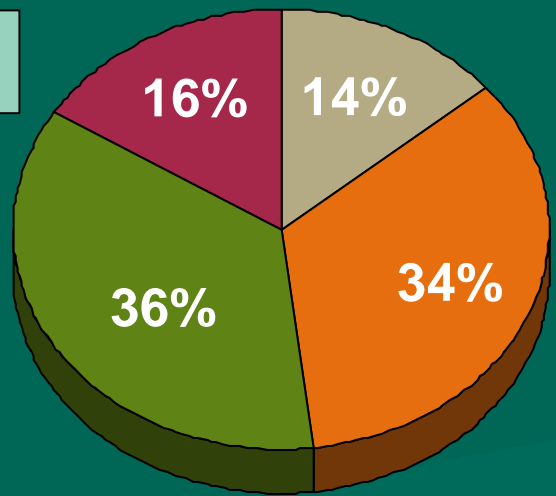
	Q4 04 / Q4 03	Q1 05 / Q1 04	Q1 05 / Q4 04
Consulting Services	- 7.0%	- 5.5%	- 4.9%
Technology Services	- 5.4%	6.1%	5.9%
Professional Services	7.9%	8.9%	1.7%
P&C	- 2.8%	3.9%	2.3%
Outsourcing Services	51.3%	64.8%	7.7%
Total Group	14.0%	19.1%	3.7%

Revenue linked with mega deals recorded in OS

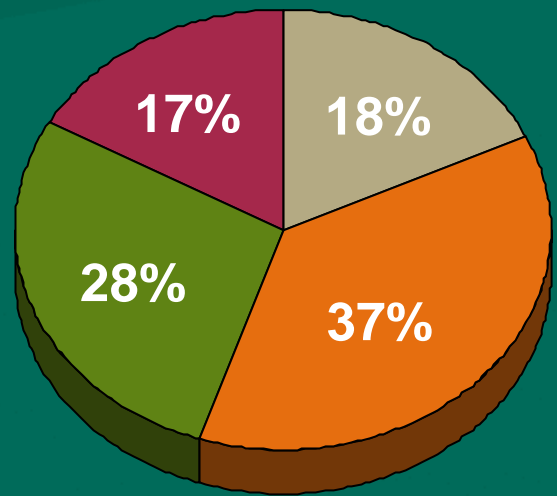
Revenue by Discipline



Q1 2005

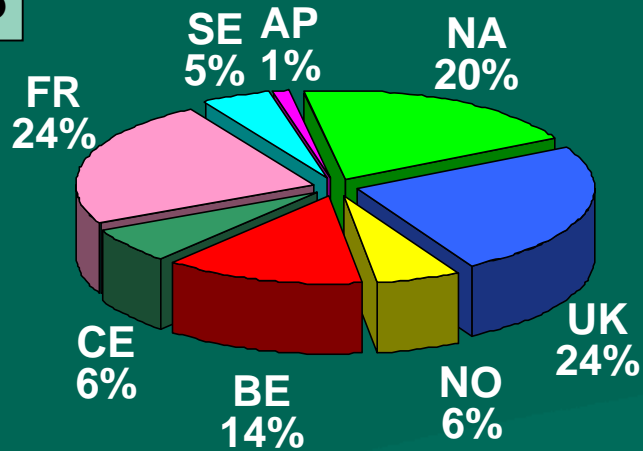


Q1 2004



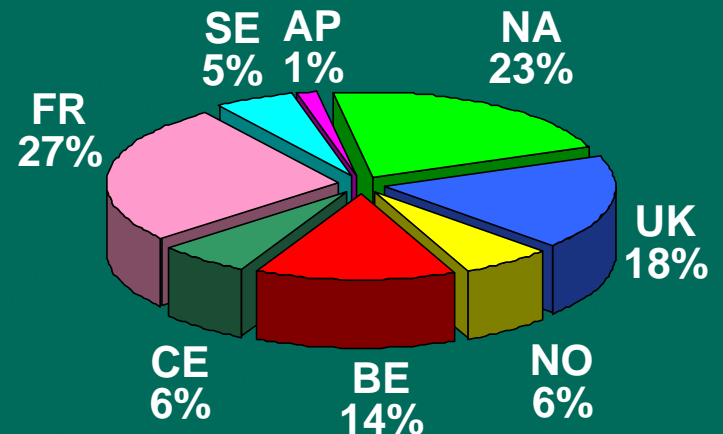
Revenue by Geography

Q1 2005

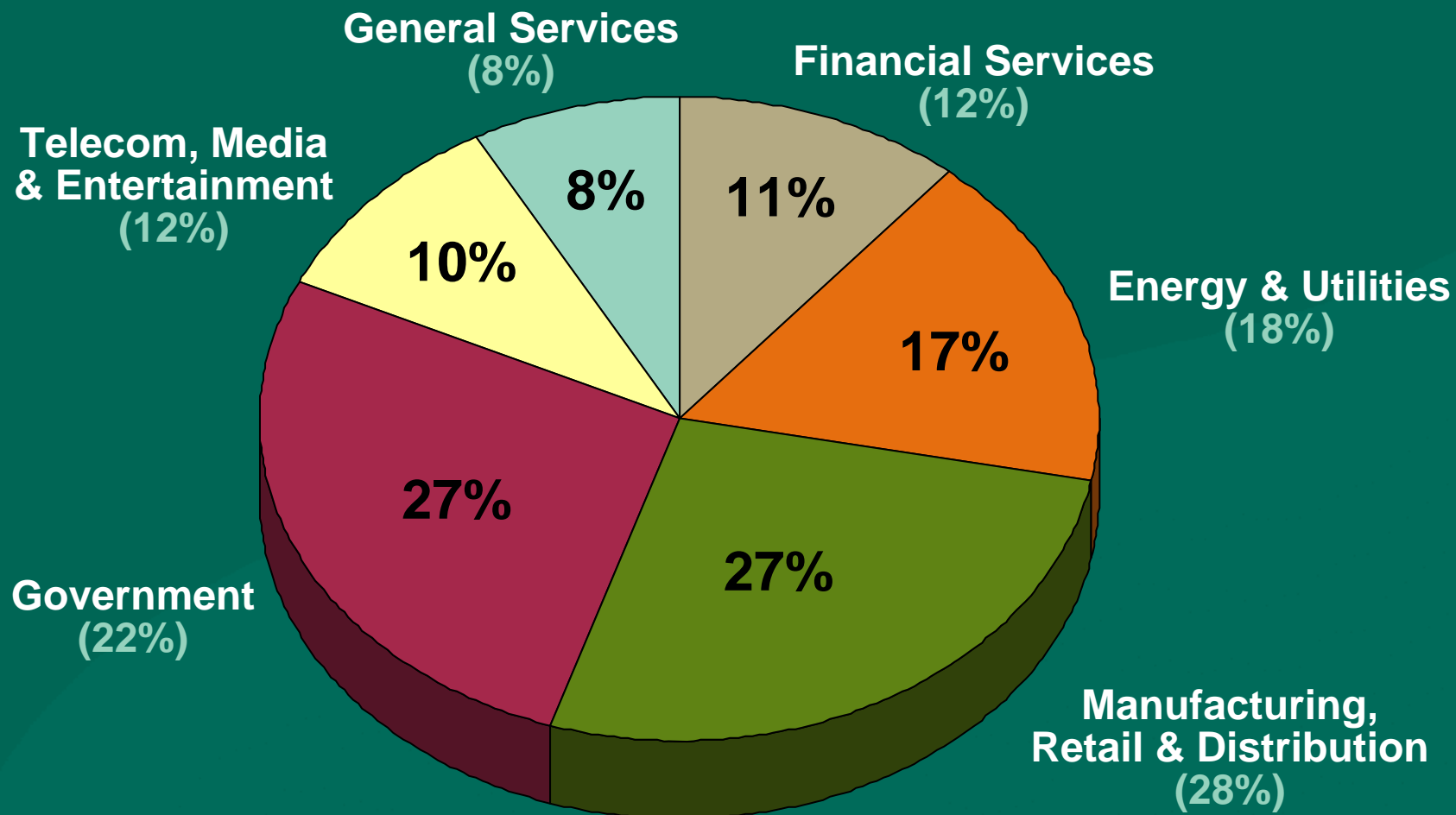


At constant rate and perimeter
2004 restated for IFRS impact

Q1 2004



Q1 2005 Revenue by Global Sector

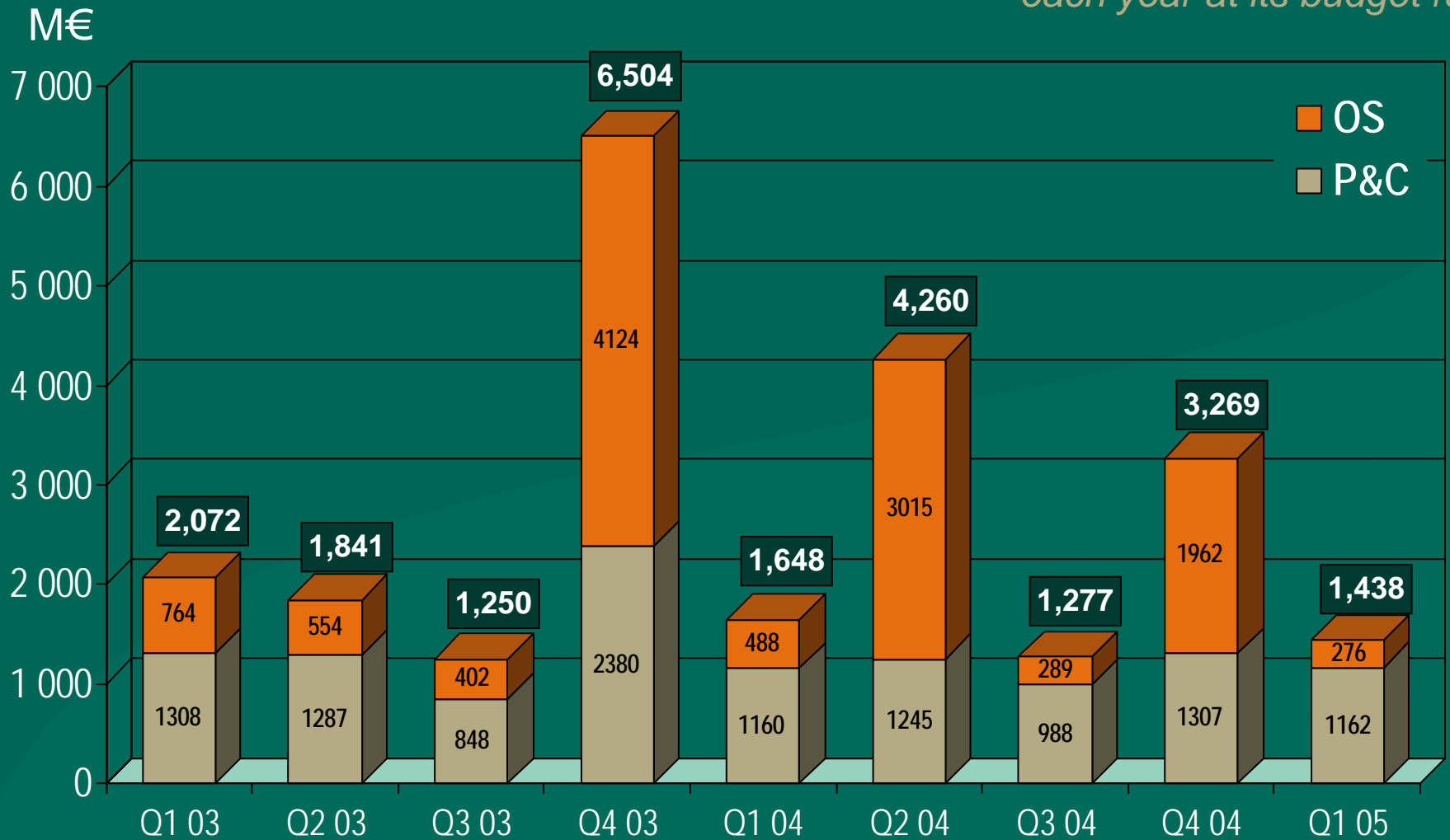


() = % FY 2004

Without Sogeti-Transiciel – Current Perimeters

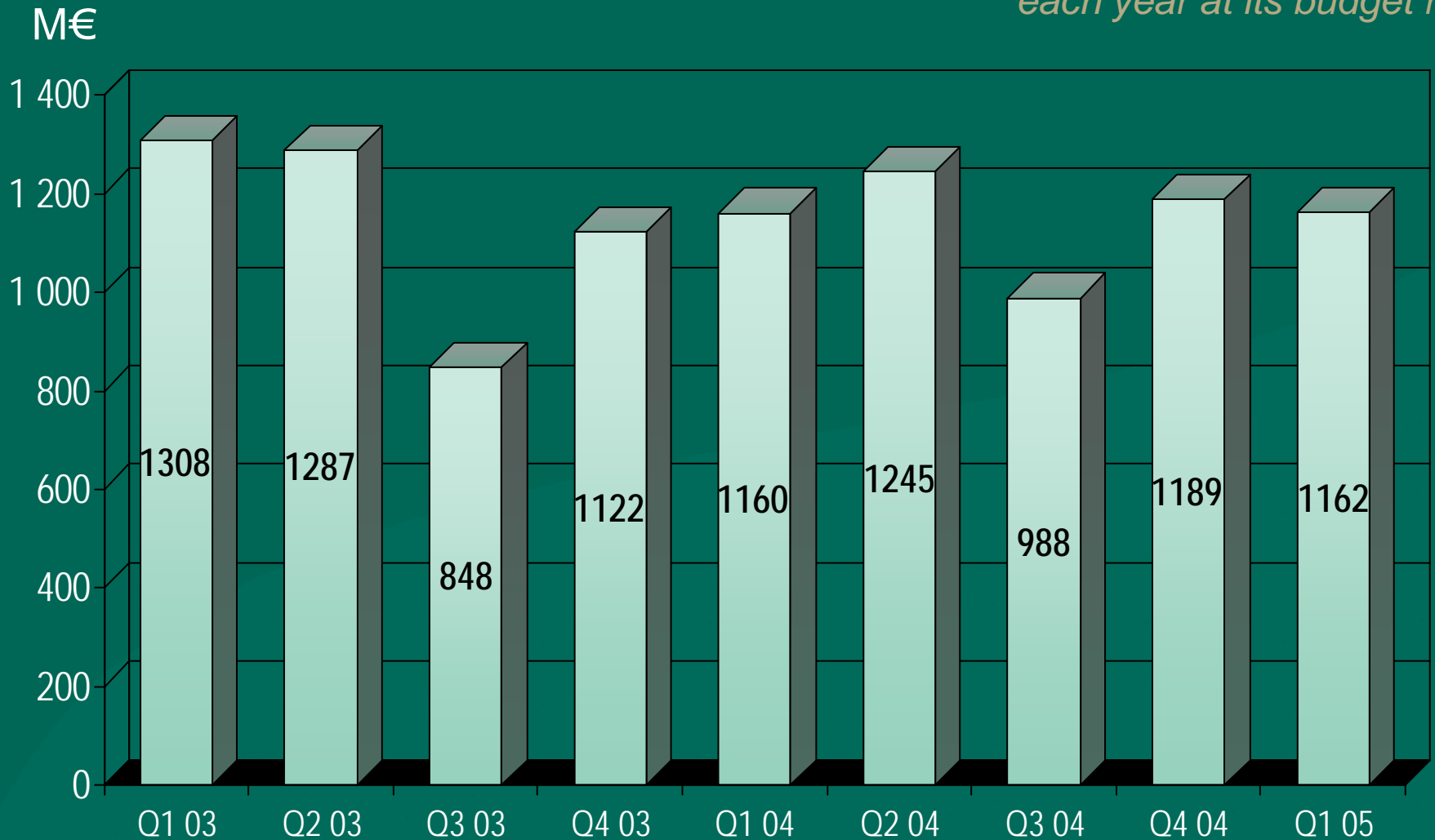
Bookings Evolution including mega deals

each year at its budget rate



P&C Bookings Evolution excluding mega deals

each year at its budget rate



P&C Bookings Evolution by Zone

each year at its budget rate

P&C excluding mega deals

	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Sequential	Year on Year
North America	287	254	238	209	214	2.2%	- 25.4%
Rest of the World	873	991	750	979	948	- 3.2%	8.6%
Total	1 160	1 245	988	1 189	1 162	- 2.3%	0.2%

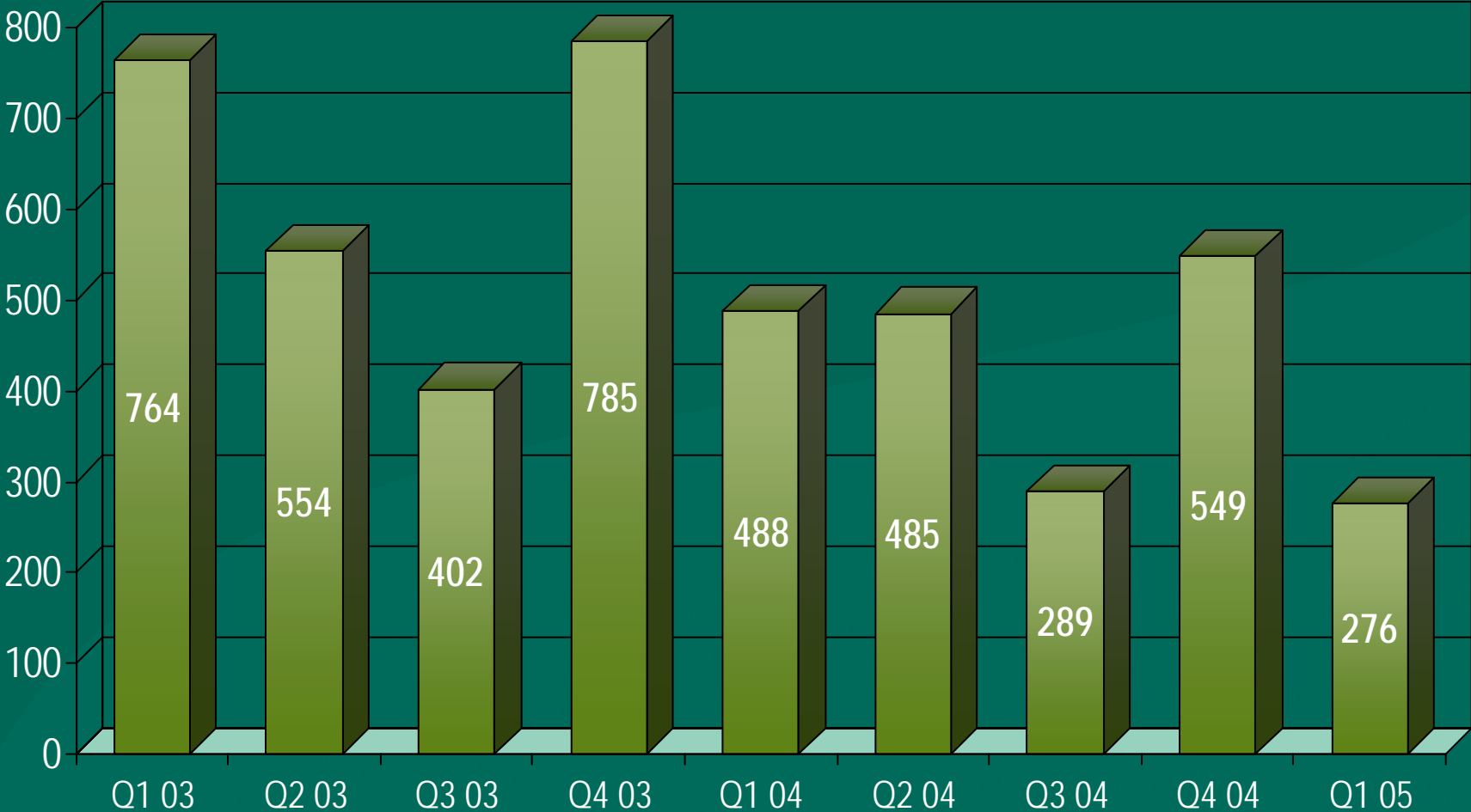
P&C Book to Bill Ratios

	P&C Q1 2005			P&C Q1 2004		
	Bookings	Revenue	BBR	Bookings	Revenue	BBR
North America	214	195	1,10	287	239	1,20
Rest of the World	948	892	1,06	873	832	1,05
Total	1 162	1 087	1,07	1 160	1 071	1,08

OS Bookings Evolution excluding mega deals

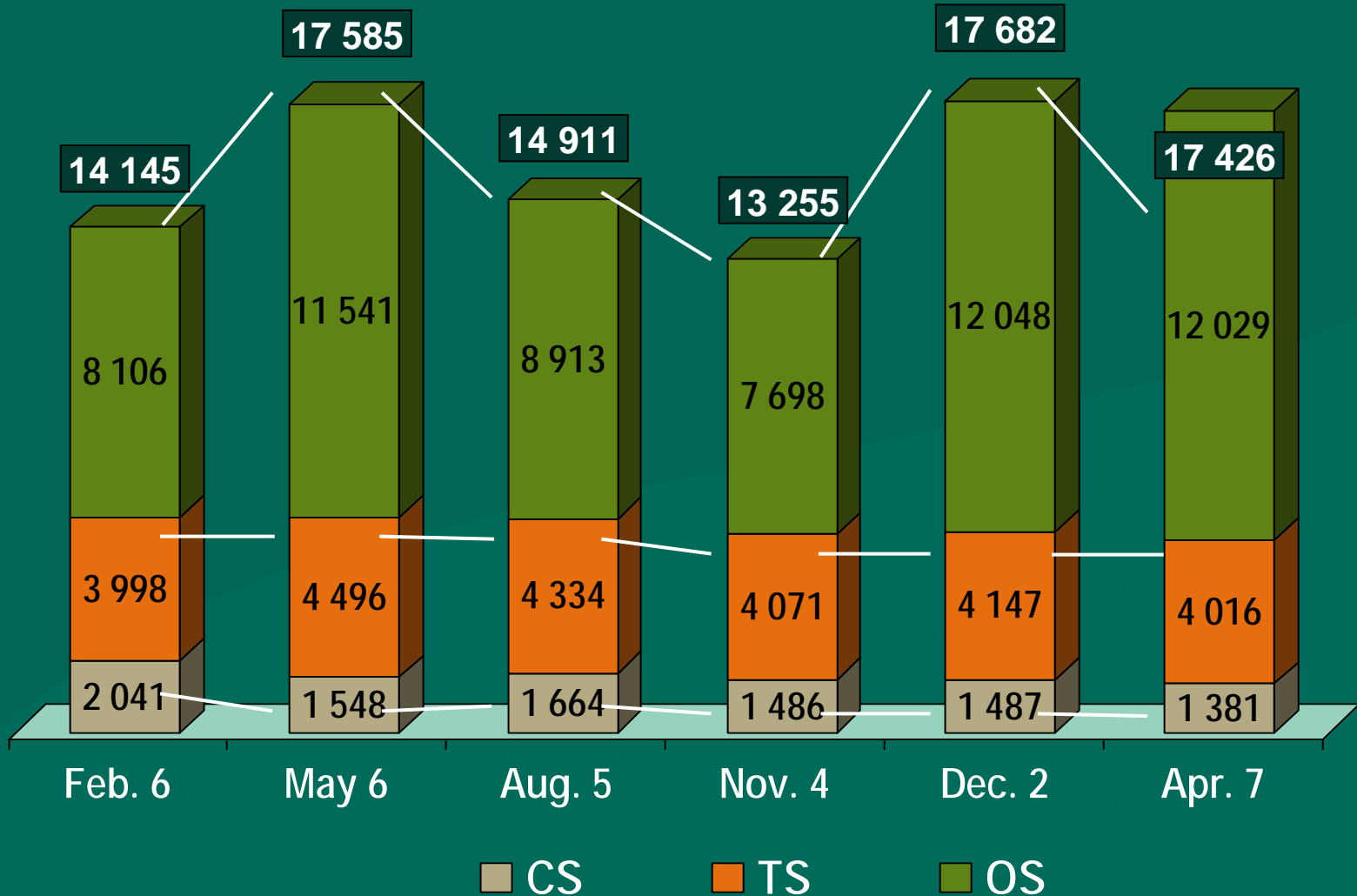
M€

each year at its budget rate



() incl. Draeggerwerk & Georg Fischer for some 200 M€*

Unweighted funnel evolution by discipline



Current rates and perimeter

Q1 2005 Major wins for M€ 157

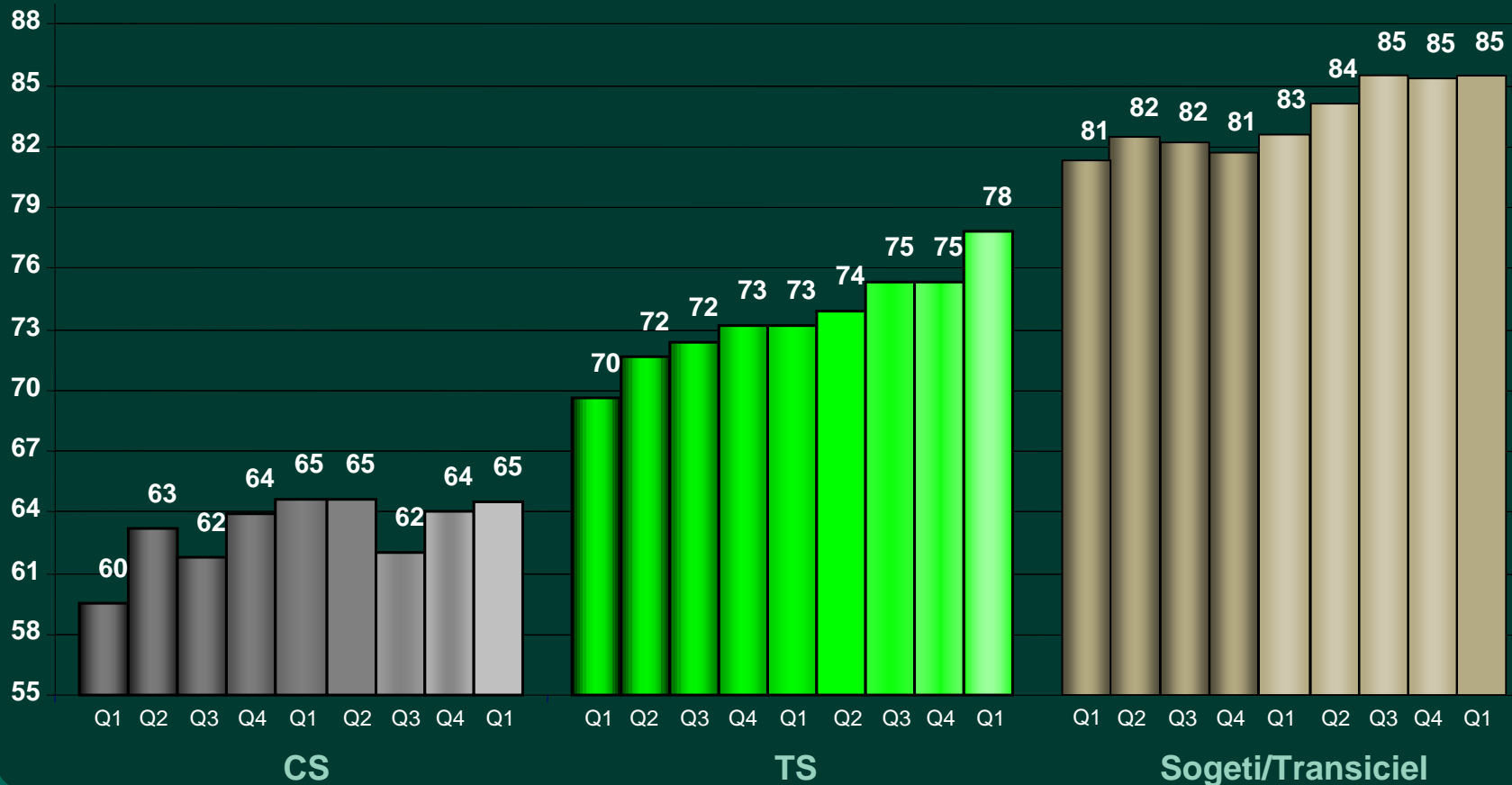
Technology Services

<u>Account</u>	<u>Country</u>	<u>Sector</u>
UWV	NL	Public
Fortis Investment	Belux	FS
TDC Services A/S	Nordic	TMN

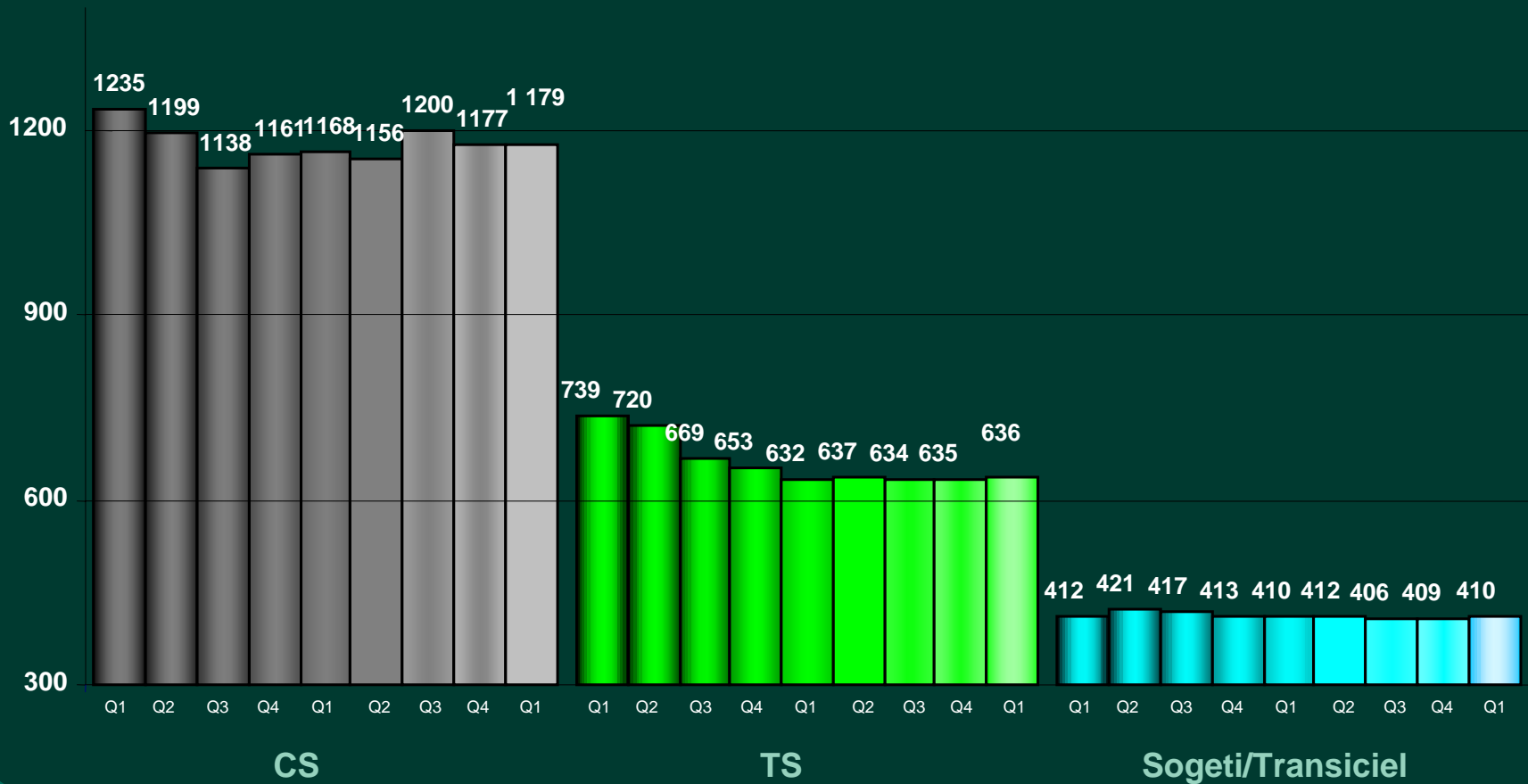
Outsourcing Services

<u>Account</u>	<u>Country</u>	<u>Sector</u>
HOCHTIEF AG	Central Europe	MRD
The Capita Group Plc	UK & Ireland	General Services
The Trainline Ltd	UK & Ireland	General Services
Westminster City Council	UK & Ireland	Public
Maetis ARBO	Benelux	Health

Quarterly Utilization rate by discipline since 2003



Quarterly Charge Out Rate by discipline since 2003



North America Recovery Program

Pierre Danon
Chief Operating Officer



Agenda

- Our Commitment to North America
- Our North America Recovery Program
- Our Guidance for North America
- Our Ambitions for North America

Our Commitment to North America

- Why we must stay in North America?
 - Competitive edge to **serve global clients** with excellent delivery on both sides of the Atlantic
 - We respond faster to **market trends** in Europe which affect the US first
 - Offshore threat in US after Y2K comes to EU in 2005
 - Deliver the **vision and values** of the E&Y merger of 2000
- We have three major assets to transform our NA business:
 - **Strong brand** (E&Y heritage & CBE freshness)
 - Quality of our **people**
 - Strong **customer base**



Limited brands

Time Warner



sanofi~synthelabo



Our North America Recovery Program

- Current state of our three lines of business in NA
 - **Sogeti** is growing and profitable
 - 2005 revenue (budget) of ~ €140M with ~1,300 people
 - Let's keep at it!
 - **Outsourcing NA** is now part of Global OS with similar priorities
 - 2005 revenue (budget) of ~ €600M with ~ 4,000 people
 - The challenge is to lift profitability and carry on with above market growth
 - **P&C** (CS and TS) has been a problem since 2002, has stabilized somewhat in 2004/5, and...
 - 2005 revenue (budget) of ~ €535M with ~ 2,500 people (after HC sale)

**The time has come for the radical restructuring
& transformation of our P&C business**

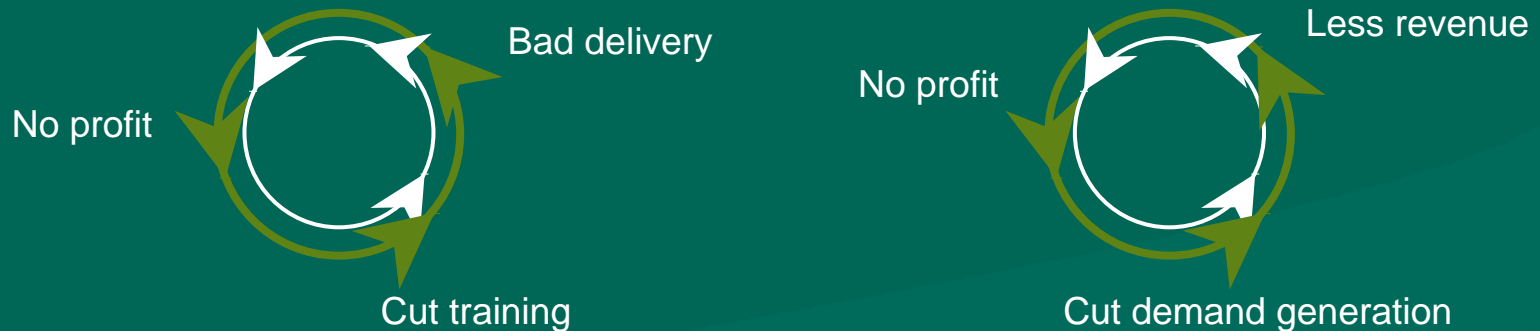
Our North America OS Recovery Program

- Outsourcing NA Highlights & 2005 Focus:
 - We are rapidly **taking costs** out through focused capacity adjustment and center rationalization while improving customer service levels for TXU
 - Our rapid growth in NA is allowing us to take advantage of **offshore** delivery more and more
 - Including TXU, we moved 250 seats to India, Poland & China thus far in 2005
 - BPO (Supply Chain, IT Help Desk and F&A) to Krakow
 - IM to Bangalore
 - Revenue Management to Guangzhou
 - We are reducing our **non-labor costs** via increased procurement efficiency and our support costs as well
 - We have reformulated our NA OS **sales process** under new leadership

By the end of H2, we expect Capgemini Energy to contribute to NA OS profitability

Our North America P&C Recovery Program

- Today's imperative is to return the P&C business to profitability and break the **vicious circle** we have been in for 3+ years



- H2 2004 was dedicated to **successfully stabilizing** the business by improving morale, fixing delivery issues and launching a geographic sales channel
- 1st March to 1st July is dedicated to **treating the patient** in order to start H2 fresh with a new operating model

We must restore the health of the P&L in order to grow!

Our North America P&C Recovery Program

- Five components

1. **Resize**

- Support function cost reduction (23% of revenue today) & pyramid optimisation program in H1

2. **Refocus**

- Choose market segments
- Sale of NA Health Care P&C business

3. Change the business model towards a **geographic orientation**

4. Change the **management culture**

- Affordability
- Accountability
- Addiction to efficiency

5. Change the **management team**

Our North America P&C Recovery Program

■ What will not change

- **Client dedication** of our P&C staff to the premier brands that we are serving
- Dedication to Capgemini and the power of the **Collaborative Business Experience**
 - Winner of 2004 ITSMA Diamond Award for “Enhancing Brand & Reputation” for CBE
 - Winner of 2005 award from CFO Magazine readers in the US for CBE campaign awareness



Our North America P&C Recovery Program

1. Resize

- Reduce support function costs
 - IT infrastructure
 - **Reduce overall IT spending by 30%** through renegotiation of IT & telecom contracts and aggressive use of offshore centers
 - » Will reduce overall IT cost for region by €13M/yr
 - Real estate
 - **Close 19 offices** in 4 months to save €17.5M/yr
 - » 45% of square footage gone and facility costs reduced by 45% by H2
 - Shared services
 - **Generate up to \$25M in savings by 2006** by rationalizing existing NA shared services (120 of the 650 Support Staff exited in H1), implementing a new accounting system and outsourcing some services to Krakow and Mumbai
- Pyramid optimization
 - **> 50 VPs (25%)** & 80 Senior Managers (10%) have been separated YTD
 - » Leverage ratio will go from 1/7 to 1/10 (CS) and 1/12 to 1/17 (TS)
 - » Revenue per VP will go from \$3.3M to \$4.5M
 - **Subcontractors will be reduced by 30%**

75% of restructuring measures already secured in H1!

Our North America Recovery Program

1. Resize (continued)

- Restructuring Costs in €M (\$1 = €0,7627)

	P&C	OS	SFC	Total
Restructuring costs 2005	17.3	18.0	66.7	102.0
Cash	17.3	14.3	31.1	62.8 *
Non-cash	0	3.6	35.6	39.2
Savings (on Yearly base)	52.6	24.0	48.4	125.0
Payback period	4 months	9 months	17 months	10 months (average)

- The initial restructuring plan will amount to €102M in 2005 (€25.1M non cash in 2006 related to write off of systems)
- This restructuring will be balanced using cash generated by the sale of Health Care practice. This leaves us with a remaining €11.4M to eliminate the SFC. Needed restructuring funds for this are included above.

* €19.1M related to 200 redundancies

Our North America P&C Recovery Program

2. Refocus

- P&C will align its ambition to our capabilities
 - We will only compete in **chosen market segments** beginning in H2
 - TODAY: we are selling more than **300** capabilities across 4 geographies, 8 industry sectors and 15 service lines in the US alone!
 - TOMORROW: by the end of H2, we will focus on around **30** market segments across 5 geographies (4 US and Canada)
 - » Outside of the chosen market segments, we will **only accept profitable transactions**
 - Once we become profitable, we will **grow** our capabilities



Our North America P&C Recovery Program

2. Refocus (continued)

- P&C will focus on markets that meet these two criteria:
 - Sustained **high revenue** markets
 - Critical mass of **capability & productivity**
 - Talent in significant numbers!
 - Depth of pyramid & structure
 - High utilisation

Strong Candidates for our H2 P&C Portfolio

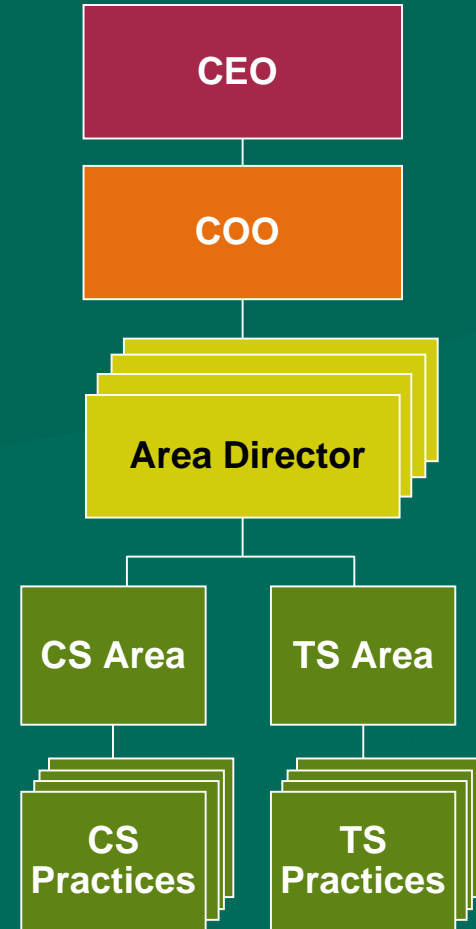
Policy Administration (Insurance)	Midwest
Wealth Management	East, Canada
Telecom & Media	East, South, West
Retail/Store Operations	All NA
Life Sciences CS	East, Midwest
Utilities	South, Canada
CRM	All NA
SC	All NA
SAP, PeopleSoft	All NA
CIO Agenda	All NA

NOTE: this is not an exhaustive list

Our North America P&C Recovery Program

3. Why adopt a geographic model?

- More control – going **back to basics**
- Increased **accountability and affordability**
- Non-billable **travel costs** too high and a drain on our talent
- **No more cross-subsidy between CS & TS** – each business needs to do what it takes to stand on its own feet



Our North America P&C Recovery Program

4. Change the management culture

- **Affordability**

- Invest in profitable areas in chosen market segments
 - Zero based budgets for H2 will be rebuilt for all regional P&Ls grounded in profitability & practicality
- US overheads to be capped at 3% of revenues
- Account executives will only be deployed if the critical mass of the account booking triggers it (currently 10 accounts in excess of \$15M/yr.)

- **Accountability**

- Geo model means more P&L responsibility than the national model
- Constitute meaningful, empowered & accountable market units

- **Addiction to efficiency**

- **Measuring & benchmarking performance**

- Follow up of the main group KPIs (Project Contribution Margin, Utilization, Productivity and Mark-Up)

- **Lifestyle management**

- Single mobile phone plan for NA will save \$3M from 2004, and strict enforcement of non-billable travel & expenses will save more than \$18M

- **Offshore & Sogeti utilisation**

- The geographic model will allow for greater leverage of Sogeti and enable cross staffing of TS/Sogeti resources
- Offshore percentage of P&C headcount will rise from 20% today to 30% by end of H2

Our North America P&C Recovery Program

4. Change the management culture (continued)

- Goal: increase the offshore percentage by **5 points in each quarter**
 - Joint development of **capacity plans** between NA/offshore
 - **5% price drops** in H2 in line with cost reduction
 - Major emphasis placed on offshore delivery early in **deal review**
 - Align individual/area **incentives** to drive profitable offshore growth
 - Sales ambition: sell **at least 50% of all future projects** offshore
- Our offshore strategy is already working (**20%**)
 - **Siebel** practice 180 seats (NA at >50% capacity)
 - **Custom development** (.Net & Java) >150 seats
 - **Major ERP packages** (SAP & Oracle) >120 seats
 - Visteon: 200 seats to build **AM outsourcing**

Our North America P&C Recovery Program

5. Change the management team

- New COO is **Salil Parekh**
 - E&Y insider who launched India & A/P turnaround; global TS leader
- New CFO is **Thierry Delaporte**
 - Led turnaround in A/P (worked with Salil Parekh) & Iberia
- Four US Area Directors are:
 - East: **Lanny Cohen**
 - E&Y insider (25 years) with **account executive**, sales & national experience
 - South: **Bill Campbell**
 - Outsider from GE Information Services (15 years) with strong emphasis on CS/TS **sales**
 - Midwest: **Tim Crichfield**
 - E&Y insider (25 years) with CFO, P&L, international and **sector** experience
 - West: **Kevin Poole**
 - Outsider from GE Information Services (18 years) with strong **content** background in supply chain & verticals

Our Guidance for North America

■ Q1 Highlights

- Q1 bookings: After 4 quarters of decline (20%), we have **stabilized the level of bookings** in Q1 with a book to bill ratio of 1.1
- While revenue declined compared to Q1-04, we believe that we have **stabilized it in Q1-05**
- Between H2-04 and Q1-05, the level of **overruns** on projects has been reduced by half
- **Utilization** rates have increased to a level of 73% in Q1, compared to levels below 70% in H2-04
- Though **COR** has continued to slightly erode, the bottom line will not be impacted as more work is shifted offshore
- Q1 operating losses are less than **half** of H2-04 losses accruing for 80% bonuses being paid

The main risk of NA recovery programme is H2 revenue shortfall for P&C

Our Guidance for North America

To stabilize P&C bookings and revenue for H2, we have established a Revenue Mitigation plan in multiple dimensions:

▪ Bottom Up:

- Potential revenue shortfall related to capacity reduction plan estimated to a maximum of €23M: **handover plan** established per opportunity
- H2 revenue targets per VP being finalized with **incentive plan** aligned to it

▪ Top Down:

- **Sales campaign** aligned to Group one, is being launched to generate additional opportunities in the next 60 days

Our H2 Guidance for North America

Our Commitment Based on New Operating Model for H2

■ OS

- **TXU** should start to generate profits in H2
- NA OS should be overall **breakeven** in H2

■ P&C

- Our objective is to **stabilize bookings** around H1 level and to **mitigate the revenue decline** as much as possible
- Utilization rates and overruns will continue to **improve**
- Our cost base will be at least **10% lower** than in H1
- We intend to get as close as possible to **breakeven** in H2 (pre-restructuring and pre-Health Care transition costs)

We will start to make a profit in NA in the course of H2!

Our Ambition for North America

2006

- **P&C** revenues will grow at least in line with the market
- **OS NA** should grow revenue in high single-digits owing to the full impact of TXU contract in 2005
- **Sogeti** will continue revenue growth around double digit

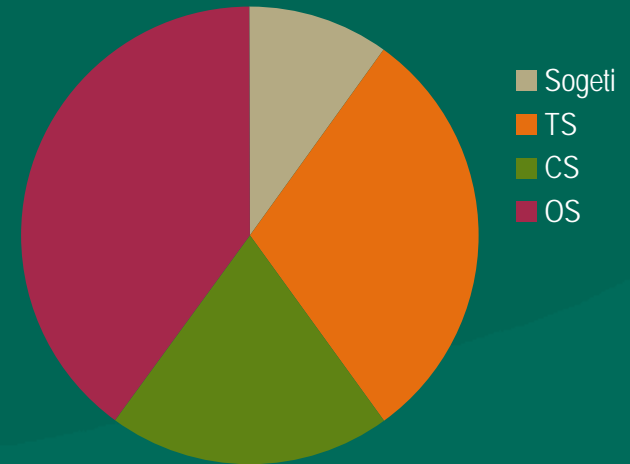
NA profitability will be established!

2007

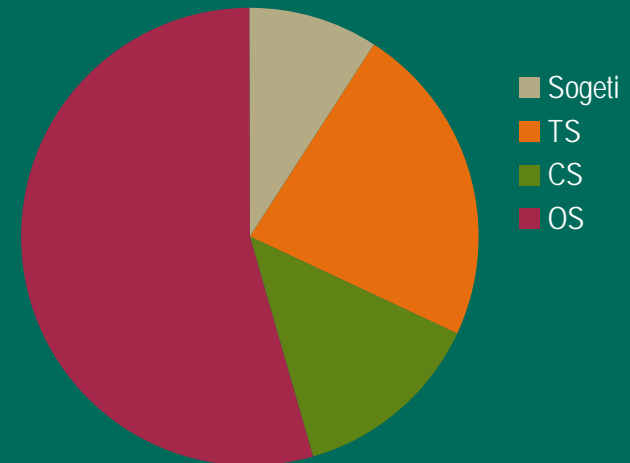
- **P&C** revenue will grow materially faster than the market
- **OS NA** should grow in double digits owing to the full impact of revitalization of sales process
- **Sogeti** will continue revenue growth around double digits

NA profits will be inline with peer level profitability!

2004



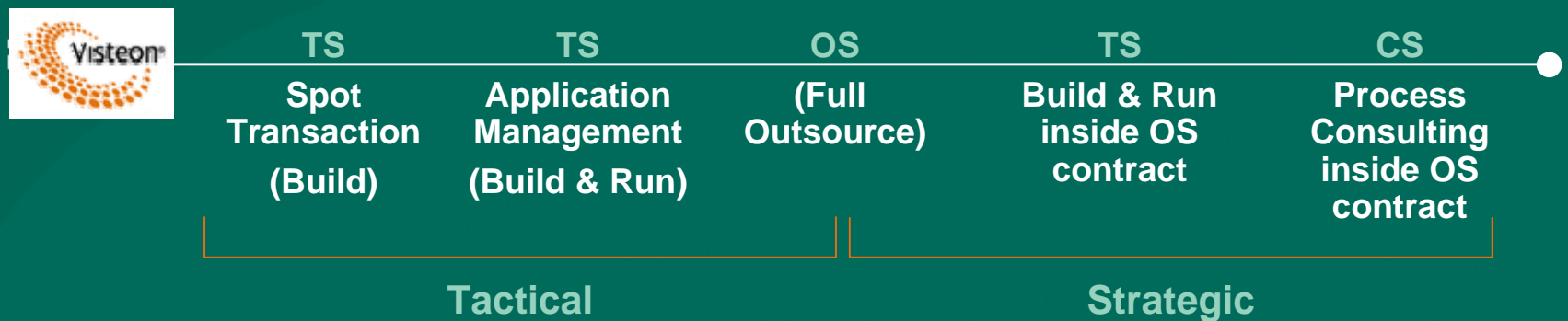
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Our Ambition for North America

5 PILLARS OF PROFITABLE GROWTH FOR NORTH AMERICA:

- **Customer orientation** & Collaborative Business Experience
- Leadership & reputation for **chosen market segments**
- **Shareholder** orientation
- Exploit synergies between **disciplines**
- Leverage our **growth model**

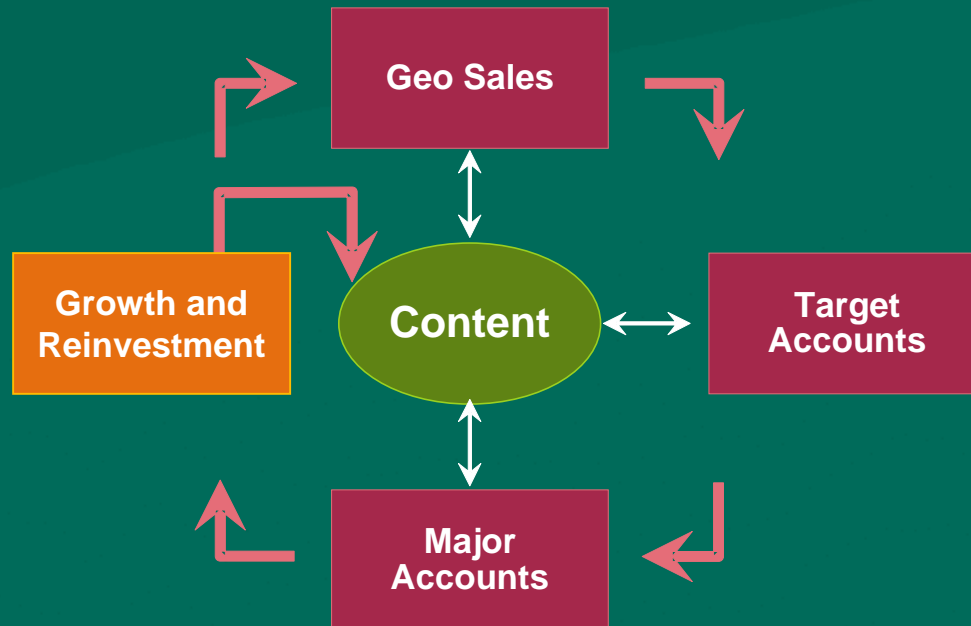


Our Ambition for North America

OUR ENGINE FOR GROWTH

- **Discipline** in choosing market segments through established process for Area Directors
- **Virtuous loop** on developing accounts

The Accounts Growth Engine



Paul Hermelin
Chief Executive Officer



Conclusion: Capgemini is really “on the move”

- **Increasing internal confidence with a renewed fighting spirit**
- **“Back to basics” is making all the difference**
- **Focus on key swing challenges**
 - ✓ Booster success
 - ✓ OS profitability
 - ✓ Rightshore acceleration
- **Selected new initiatives**
 - ✓ Sales mobilization plan
 - ✓ Consulting Services revitalization

We are comfortable with the guidance



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