

# First Half 2006 results


Paris, 7 September 2006



**COLLABORATIVE BUSINESS EXPERIENCE**

**BUSINESS**

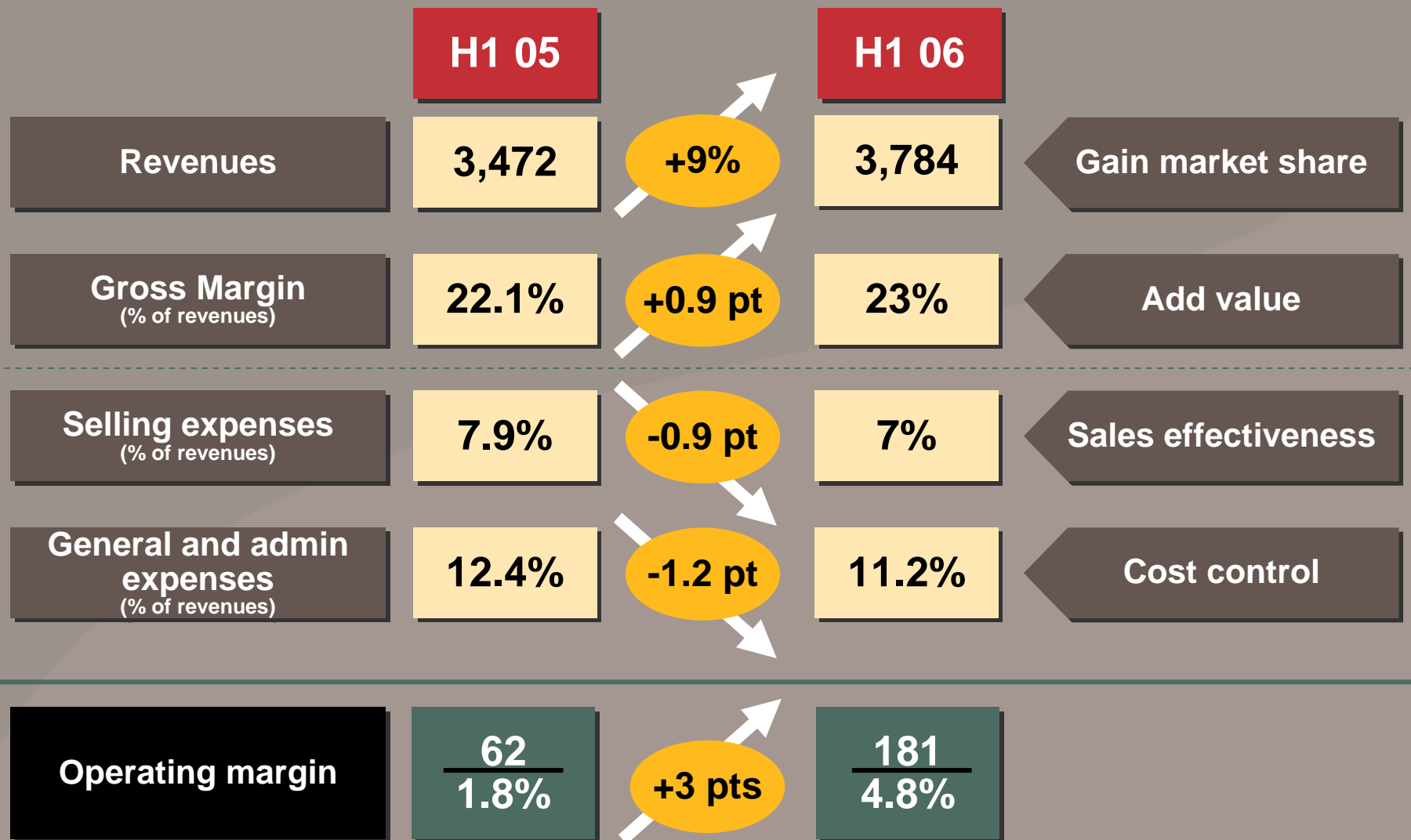
# Paul HERMELIN



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# H1 highlights: Strong growth and tripled operating margin



# How do we perform in a volatile market?

## Bookings performance against '05 achievement by Sector and SBU

MEuro	Bookings H1 '06	Growth '06 vs '05	Perspective
MRD	1,374	+58%	↗↗
GOV	1,414	+203%	↗↗
FS	421	+3%	→
TMN	378	+33%	↗
ECU	316	0%	↗
Others	168	-26%	↗↗
<b>Total*</b>	<b>4,071</b>	<b>+58%</b>	

(\* ) excluding Sogeti

MEuro	Bookings H1 '06	Growth '06 vs '05	Perspective
NA	377	+25%	↗↗
NEA	796	+12%	↗
CSE	363	+7%	↗
France	553	+3%	↗
OS	1,830	+190%	→
<b>Total*</b>	<b>4,071</b>	<b>+58%</b>	

(\* ) excluding Sogeti

# 2006 priorities on track

**1** Confirm North America turnaround



**2** Implement MAP initiative

- Develop BPO and Application Management
- Target divisional margin of 4% in 2006

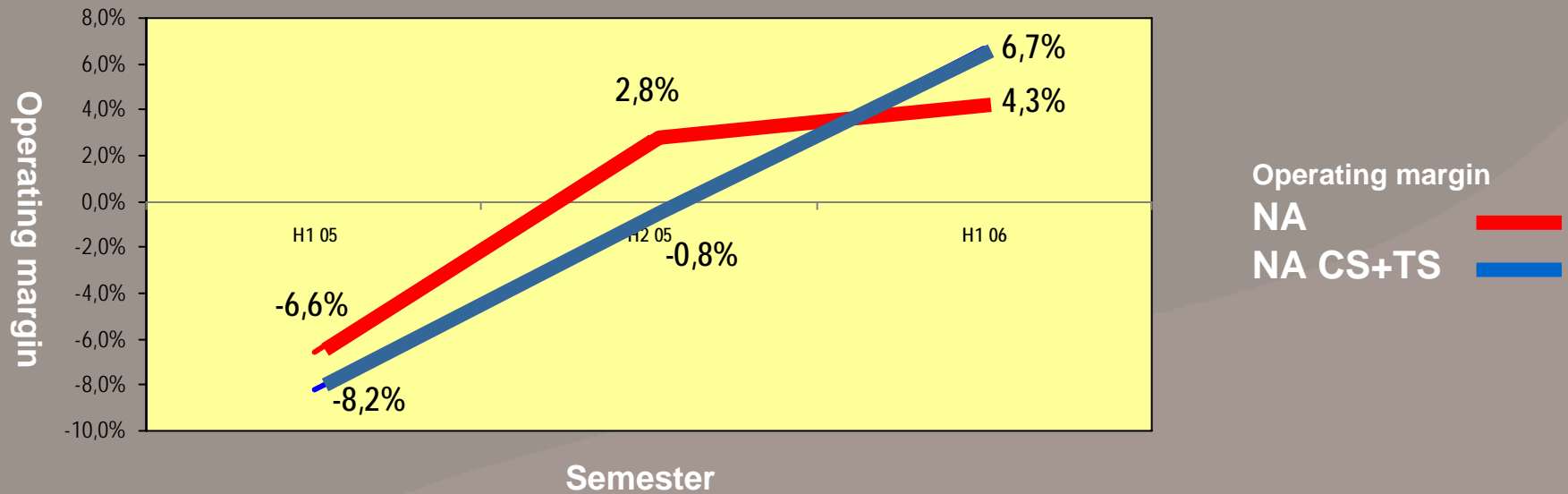


**3** Focus on adding value to clients

- Invest in innovation (SOA, 3rd generation ERP, Business Intelligence) and competencies
- Develop sector approach and improve portfolio management
- Grow Rightshore capability



# North America turnaround confirmed



- Book to bill NA CS+TS : 1,33 and more than 250 active clients
- Gross Margin increase thanks to growth platform and offshore penetration

# OS 2006 guidance given for end of year is well on track

## Objectives

- 4% Divisional Margin for full year
- 5% Divisional Margin for second half

**Ahead of schedule**

## Restructuring

- €70m
- 15 month payback

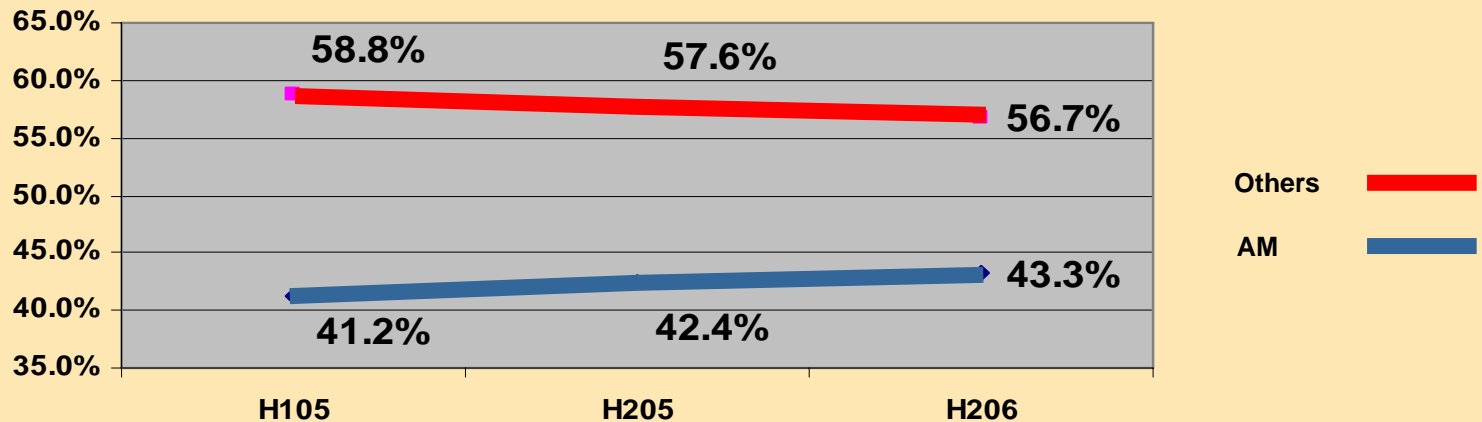
**On track**

## Delivery cost

- Rationalisation
- Rightshore
- Procurement
- Renegotiation
- Support Costs

**€60m benefits in 06**

## Business mix



# Continuing to deliver against balanced size

		2005				2006	
Large	H1	H2		H1			
	HMRC - AM	Met Police - IM		HMRC - IM GM - AM			
Medium	Q1	Q2	Q3	Q4	Q1	Q2	
		Steelcase - ITO	Bombardier - BPO	Swansea - ITO	Astellas - ITO		
Small	Q1	Q2	Q3	Q4	Q1	Q2	
	Capita - ITO Trainline - DCS Int'l Paper - BPO	HMRC - AM Lloyds - DCS PWC - DDS DfES - AM Marsh - AM	HP - AM Matalan - DDS HMRC - AM WS Atkins - AM	Zurich - AM Ofcom - ITO Hochtief - AM Prudential - DCS Danfoss - BPO UWV - AM Smithfield - AM	Eli Lilly - DDS Hochtief - AM Europcar - DCS	MDS - DCS Welsh Water - DDS St Gobain - DCS Met Police - DDS	

***Executing successfully against 1 large deal/semester, 1 medium deal/quarter and 1 small deal/month; emphasis on ITO, BPO and AM***



# Adding value through innovation and Rightshore

H1 05/H1 06	Consulting services	Technology services
Revenue / head	+ 5%	+ 1%
Contribution / head	+ 8%	+ 4%
Training / head	+ 18%	+ 12%

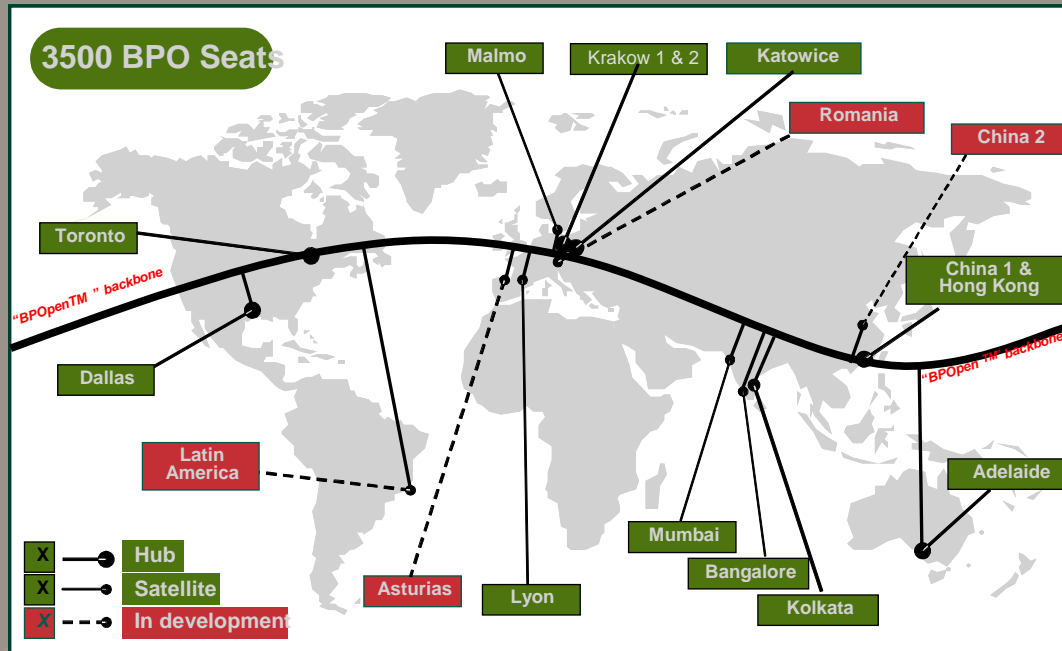
## Innovation

- Architecture and technology expertise on SAP and CSD projects (Rabobank ...)
- Sectorial organisation where critical mass (France/Germany)
- Investment in competencies (with extensive training on SOA)
- New advertising campaign

## Offshore

- 41% of projects greater than €1m booked in June with offshore component
- 5000 employees in India in August
- Finance and administration BPO boost with Unilever's platform acquisition

# BPO platform acquisition in India : INDIGO



- INDIGO will allow us to strengthen our Indian presence and thus make our BPO activity more competitive
  - Employs 600 staff (in the 2 centres of Bangalore and Chennai)
  - 7-year contract with Unilever
  - Development model based on the polish success story.

# Nicolas DUFOURCO



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# Strong growth and a three points operating margin improvement

<i>M€</i>	H1 2005	H2 2005	H1 2006
<b>Revenues</b>	3 472	3 482	<b>3 784</b>
Operating expenses	- 3 410	- 3 319	- 3 603
<b>Operating Margin</b>	<b>62</b>	<b>163</b>	<b>181</b>
<i>(% Revenues)</i>	1,8%	4,7%	4,8%
Other operating income and expense, net	61	- 72	- 42
<b>Operating Profit</b>	<b>123</b>	<b>91</b>	<b>139</b>
<i>(% Revenues)</i>	3,5%	2,6%	3,7%
<i>Finance expense, net</i>	- 9	- 29	- 20
Income Tax expense	- 56	21	- 48
<b>Profit for the period</b>	<b>58</b>	<b>83</b>	<b>71</b>
<i>(% Revenues)</i>	1,7%	2,4%	1,9%
<b>Net cash and cash equivalents</b>	<b>498</b>	<b>904</b>	<b>789</b>

# Strong growth across the board

## Revenue CS/TS related to mega deals recorded in Outsourcing

	H1 06 / H2 05	H1 06 / H1 05
Consulting Services	3.1%	4.4%
Technology Services	11.2%	11.3%
Professional Services	9.2%	10.6%
<b>Project &amp; Consulting</b>	<b>9.0%</b>	<b>9.7%</b>
Outsourcing Services	10.7%	11.6%
<b>TOTAL GROUP</b>	<b>9.7%</b>	<b>10.4%</b>

## Revenue CS/TS related to mega deals recorded in CS/TS

	H1 06 / H2 05	H1 06 / H1 05
Consulting Services	4.4%	5.7%
Technology Services	12.3%	16.3%
Professional Services	9.2%	10.6%
<b>Project &amp; Consulting</b>	<b>10.1%</b>	<b>12.9%</b>
Outsourcing Services	8.7%	5.3%
<b>TOTAL GROUP</b>	<b>9.7%</b>	<b>10.4%</b>

*At constant rates and perimeter*

First half 2006 Results

# Operating margin: Outsourcing on track to full year target

	H1 05	H2 05	H1 06
<b>Consulting Services</b>	1.8%	7.4%	8.9%
<b>Technology Services</b>	3.7%	6.5%	6.4%
<b>Professional Services</b>	8.0%	10.2%	8.4%
<b>Outsourcing Services</b>	- 1.2%	1.5%	2.0%
<b>Total Operations <sup>(1)</sup></b>	2.3%	5.3%	5.4%
<b>Group</b>	1.8%	4.7%	4.8%

(1) before headquarters' expenses

# H1 Revenues by geography

M€				Current		Organic	
	Current			Sequential	Year on Year	Sequential	Year on Year
	H1 2005	H2 2005	H1 2006	H1 06 / H2 05	H1 06 / H1 05	H1 06 / H2 05	H1 06 / H1 05
North America	685	668	660	- 1.3%	- 3.6%	0.4%	- 0.1%
Europe & Asia of which	2 787	2 814	3 124	11.0%	12.1%	11.8%	12.9%
U.K. & Ireland	864	874	1 040	19.0%	20.3%	21.8%	22.2%
France	826	840	906	7.9%	9.6%	7.9%	9.6%
Benelux	468	488	514	5.4%	9.8%	5.4%	9.8%
Germany & Central Europe	216	227	243	7.1%	12.5%	6.7%	11.6%
Nordic	215	200	218	9.0%	1.4%	8.5%	2.0%
Iberia	111	107	128	19.0%	15.6%	19.0%	15.6%
Italy	49	43	43	- 0.5%	-12.6%	- 0.5%	- 12.6%
Asia Pacific	38	35	32	- 8.5%	-13.5%	- 2.5%	6.8%
<b>TOTAL</b>	<b>3 472</b>	<b>3 482</b>	<b>3 784</b>	<b>8.7%</b>	<b>9.0%</b>	<b>9.7%</b>	<b>10.4%</b>

# North America, UK and Benelux contribute the most to margin improvement

M€	H1 2005			H2 2005			H1 2006		
	Revenues	Op. Margin	%	Revenues	Op. Margin	%	Revenues	Op. Margin	%
North America	685	-45	-6.6%	668	19	2.8%	660	28	4.3%
UK & Ireland	864	28	3.2%	874	39	4.4%	1 040	61	5.9%
France	826	28	3.5%	840	16	1.9%	906	6	0.7%
Benelux	468	41	8.8%	488	60	12.3%	514	65	12.6%
Germany & Central Europe	216	13	5.9%	227	23	10.1%	243	23	9.3%
Nordic	215	12	5.5%	200	12	6.0%	218	14	6.4%
Iberia	111	4	3.5%	107	4	3.7%	128	5	3.8%
Italy	49	-1	- 1.8%	43	2	4.7%	43	-1	-2.4%
Asia Pacific	38	0	0.9%	35	9	24.3%	32	2	6.1%
Not allocated <sup>(1)</sup>	-	-18	-	-	- 21	-	-	- 22	-
<b>TOTAL</b>	<b>3 472</b>	<b>62</b>	<b>1.8%</b>	<b>3 482</b>	<b>163</b>	<b>4.7%</b>	<b>3 784</b>	<b>181</b>	<b>4.8%</b>

(1) Items non allocated correspond to headquarters' expenses



# North America: CS/TS delivering above expectations

	H1 2005 <i>Operating Margin %</i>	H1 2006 <i>Operating Margin %</i>
Consulting/Technology Svs	- 8.2%	<b>6.7%</b>
Sogeti US	9.0%	<b>11.8%</b>
Outsourcing Services	- 8.2%	<b>0.1%</b>
<b>Total North America</b>	<b>- 6.6%</b>	<b>4.3%</b>

# France: high dilution from Outsourcing

	<b>H1 2005</b> <i>Op. Margin %</i>	<b>H1 2006</b> <i>Op. Margin %</i>
<b>Consulting / Technology Services</b>	7.2%	<b>7.9%</b>
<b>Outsourcing Services</b>	- 12.9%	<b>-33.3%</b>
<b>Local Professional Services</b>	5.1%	<b>4.5%</b>
<b>FRANCE TOTAL</b>	<b>3.5%</b>	<b>0.7%</b>

# Costs structure by destination: improving on gross margin and SG&A

M€	H1 2005	H2 2005	H1 2006
<b>Revenues</b>	3 472	3 482	<b>3 784</b>
<b>Cost of services rendered</b>	- 2 705	- 2 672	<b>- 2 915</b>
<i>% of Revenues</i>	77.9%	76.7%	77.0%
<b>Gross Margin</b>	767	810	<b>869</b>
<i>% of Revenues</i>	22.1%	23.3%	23.0%
<b>Selling Expenses</b>	- 274	- 250	<b>- 265</b>
<i>% of Revenues</i>	7.9%	7.2%	7.0%
<b>General &amp; administrative Expenses</b>	- 431	- 397	<b>- 423</b>
<i>% of Revenues</i>	12.4%	11.4%	11.2%
<b>Operating Margin</b>	62	163	<b>181</b>
<i>% of Revenues</i>	1.8%	4.7%	4.8%

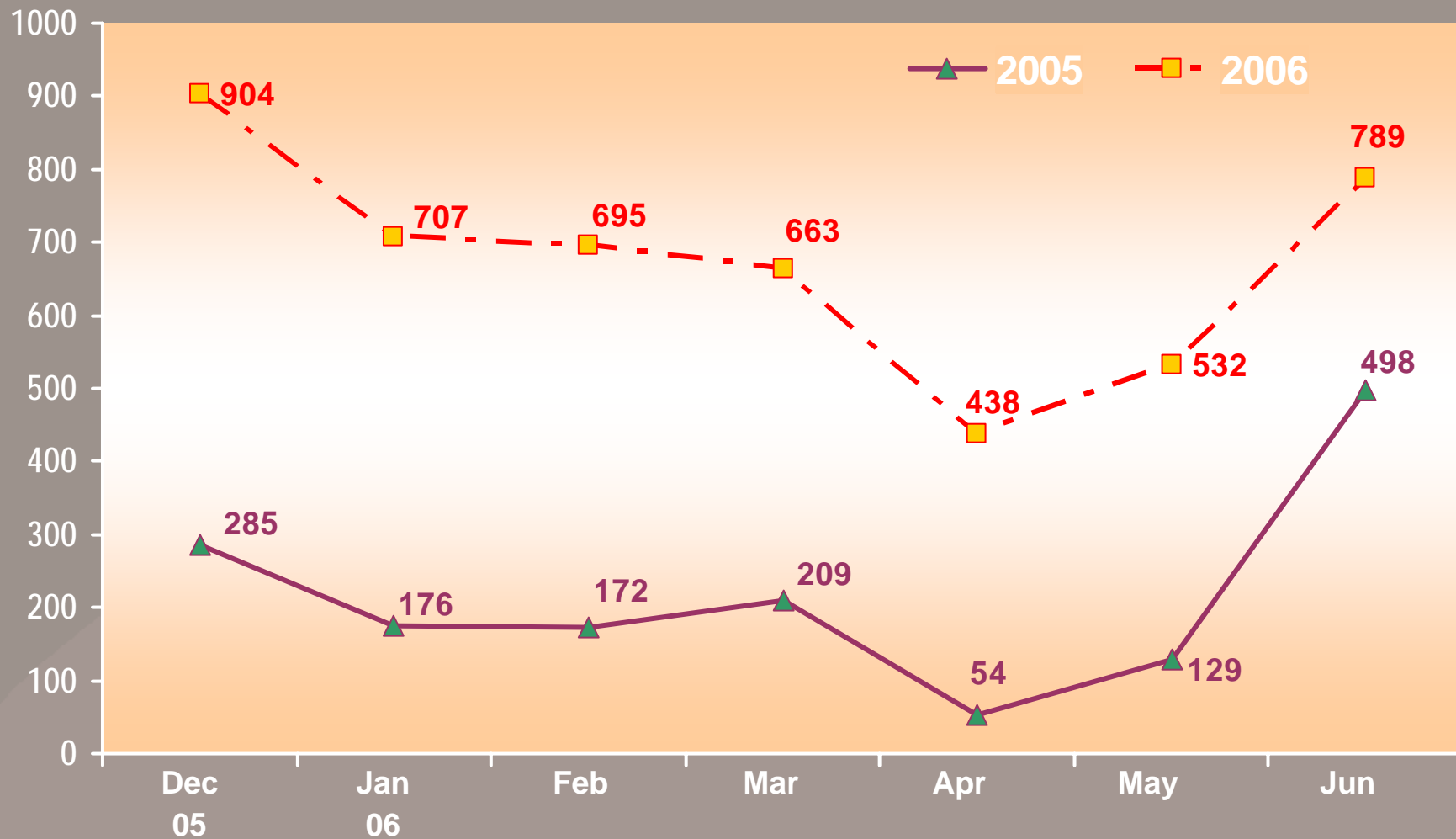
# Operating expenses by nature: stable cost structure

	H1 2005	H2 2005	H1 2006
<b>Revenues</b>	3 472	3 482	<b>3 784</b>
<b>Personnel costs</b>	- 2 147	- 2 028	<b>- 2 223</b>
<i>% of Revenues</i>	61.8%	58.2%	58.7%
<b>Purchases and subcontracting expenses</b>	-883	- 925	<b>- 987</b>
<i>% of Revenues</i>	25.4%	26.6%	26.1%
<b>Travel expenses</b>	-160	- 149	<b>- 167</b>
<i>% of Revenues</i>	4.6%	4.3%	4.4%
<b>Rent and local taxes</b>	-124	- 116	<b>- 135</b>
<i>% of Revenues</i>	3.6%	3.3%	3.6%
<b>Depreciation, amortization &amp; provisions</b>	-96	- 101	<b>- 91</b>
<i>% of Revenues</i>	2.8%	2.9%	2.4%
<b>Total Operating expenses</b>	<b>- 3 410</b>	<b>- 3 319</b>	<b>- 3 603</b>
<i>% of Revenues</i>	- 98.2%	- 95.3%	- 95.2%
<b>Operating Margin</b>	<b>62</b>	<b>163</b>	<b>181</b>
<i>% of Revenues</i>	1.8%	4.7%	4.8%

# Other operating income & expense: restructuring costs continue to trend down

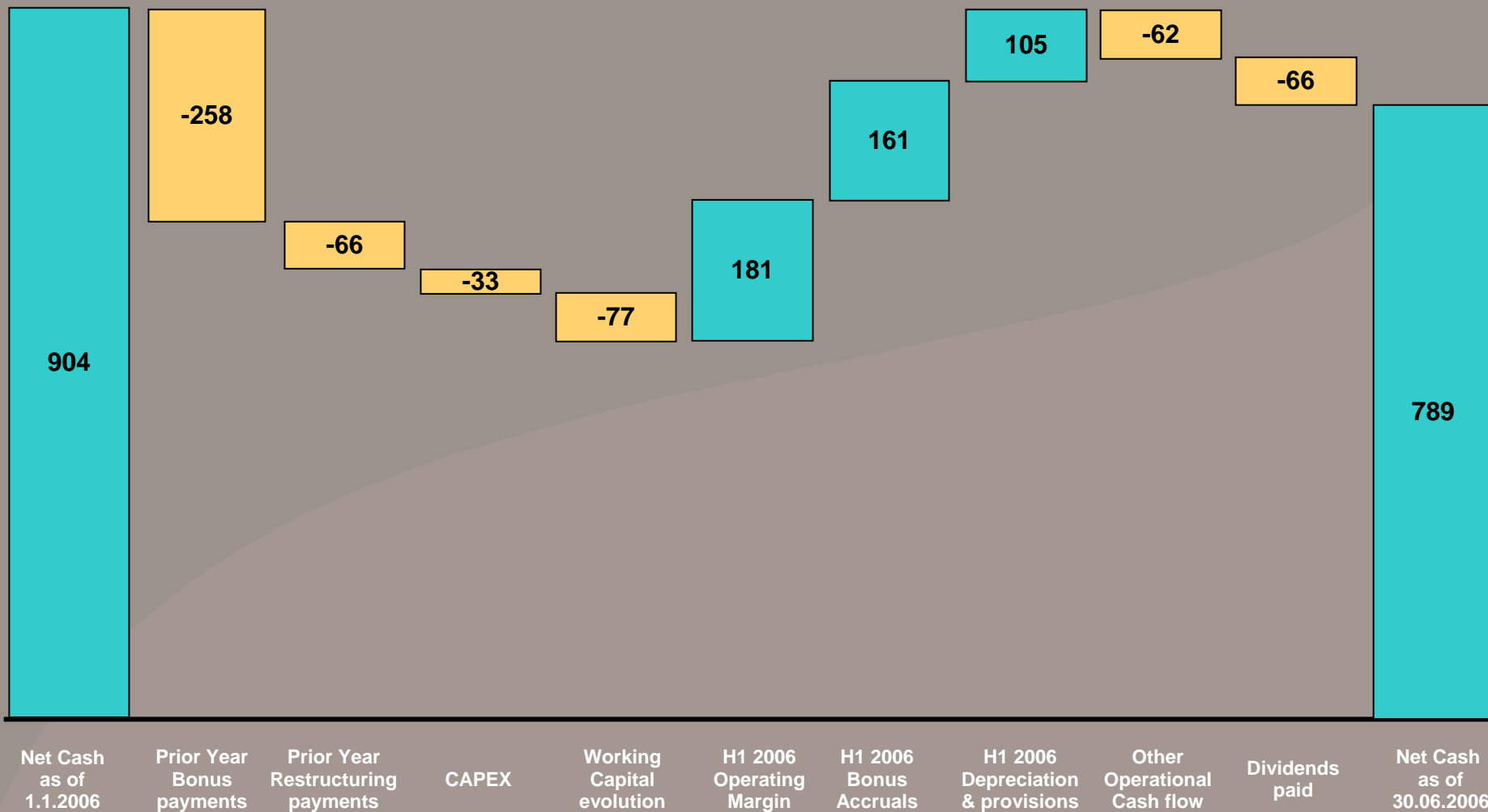
(M€)	H1 2005	H2 2005	FY 2005	H1 2006
<b>Restructuring costs</b>	-77	- 87	- 164	<b>- 33</b>
People	-26	-57	-83	- 30
Buildings & other	-51	-30	- 81	- 3
<b>Impairment of goodwill</b>	-1	-5	- 6	<b>- 1</b>
<b>Expenses related to stock options and share grants</b>	-4	-8	- 12	<b>- 8</b>
<b>Other Operating expense</b>	0	-4	- 4	<b>0</b>
<b>Total other operating expense</b>	<b>- 82</b>	<b>- 104</b>	<b>- 186</b>	<b>- 42</b>
<b>Capital gains on the sale of consolidated companies or businesses</b>	138	28	166	<b>0</b>
<b>Other operating income</b>	5	4	9	<b>0</b>
<b>Total other operating income</b>	<b>143</b>	<b>32</b>	<b>175</b>	<b>0</b>
<b>Total other operating income and expense</b>	<b>61</b>	<b>- 72</b>	<b>- 11</b>	<b>- 42</b>

# Net cash evolution



Dividends paid in May 2006: 66 M€

# Very limited cash consumption in H1



# Finance expense (net)

M€	H1 2005	H1 2006
Interest on convertible bonds	- 9	- 22
Other interest expenses	- 13	- 12
Income from cash and cash equivalents	11	25
<b>Finance costs, net</b>	<b>- 11</b>	<b>- 9</b>
Other financial income & expense, net	2	- 11
<b>Finance expense, net</b>	<b>- 9</b>	<b>- 20</b>



# Income tax expense

M€	H1 2005	H1 2006
France : utilization of tax losses carried forward	- 22	- 21
Other re-assessments of deferred tax assets and liabilities	-16	- 5
Taxes payable on profit	- 12	- 17
Taxes not based on taxable income (in H1 2006 mainly USA, Italy)	- 6	- 5
<b>Total income tax expense</b>	<b>- 56</b>	<b>- 48</b>

# Balance sheet

<b>ASSETS</b>	<b>Dec 31, 2005 <sup>(1)</sup></b>	<b>Jun 30, 2006</b>	<b>LIABILITIES</b>	<b>Dec 31, 2005 <sup>(1)</sup></b>	<b>Jun 30, 2006</b>
Goodwill	1 809	1 787	<b>Total equity</b>	<b>2 750</b>	<b>2 916</b>
Other intangible assets	142	132	Long-term financial debt	1 145	1 158
Property, plant & equipment	399	371	Deferred tax	121	124
Deferred tax	828	786	Provisions for pensions & other post-retirement benefits	707	552
Non-current receivables	175	177	Non-current provisions	14	20
			Other non-current liabilities	138	123
<b>Total non-current assets</b>	<b>3 353</b>	<b>3 253</b>	<b>Total non-current liabilities</b>	<b>2 125</b>	<b>1 977</b>
Accounts and notes receivable	1 868	2 253	Short-term financial debt and bank overdrafts	171	70
Other receivables	180	185	Accounts and notes payable	2 490	2 679
Short-term investments	1 805	1 726	Current provisions	20	14
Cash	416	299	Current income tax liabilities and other payables	66	60
<b>Total Assets</b>	<b>7 622</b>	<b>7 716</b>	<b>Total Liabilities</b>	<b>7 622</b>	<b>7 716</b>

First half 2006 Results

<sup>(1)</sup> The balance sheet at Dec 31, 2005 was restated in connection with the application of the revised IAS 19

# Capital expenditure

M€	H1 05	H2 05	H1 06
• Intangible fixed assets investments	-12	- 6	- 9
• Tangible fixed assets investments	- 41	- 47	- 26
• Proceeds from disposals of tangible and intangible fixed assets	10	4	2
<b>TOTAL</b>	<b>- 43</b>	<b>- 49</b>	<b>- 33</b>

# Shareholder's equity

M€	Amounts
<b>Total equity as of January 1, 2006</b>	<b>2 750</b>
Increase in share capital upon exercise of options	4
Valuation of stock options	6
Dividends paid out for 2005	- 66
Income and expense recognised directly in equity	149
Profit for the period	71
Other changes	2
<b>Total equity as of June 30, 2006</b>	<b>2 916</b>

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