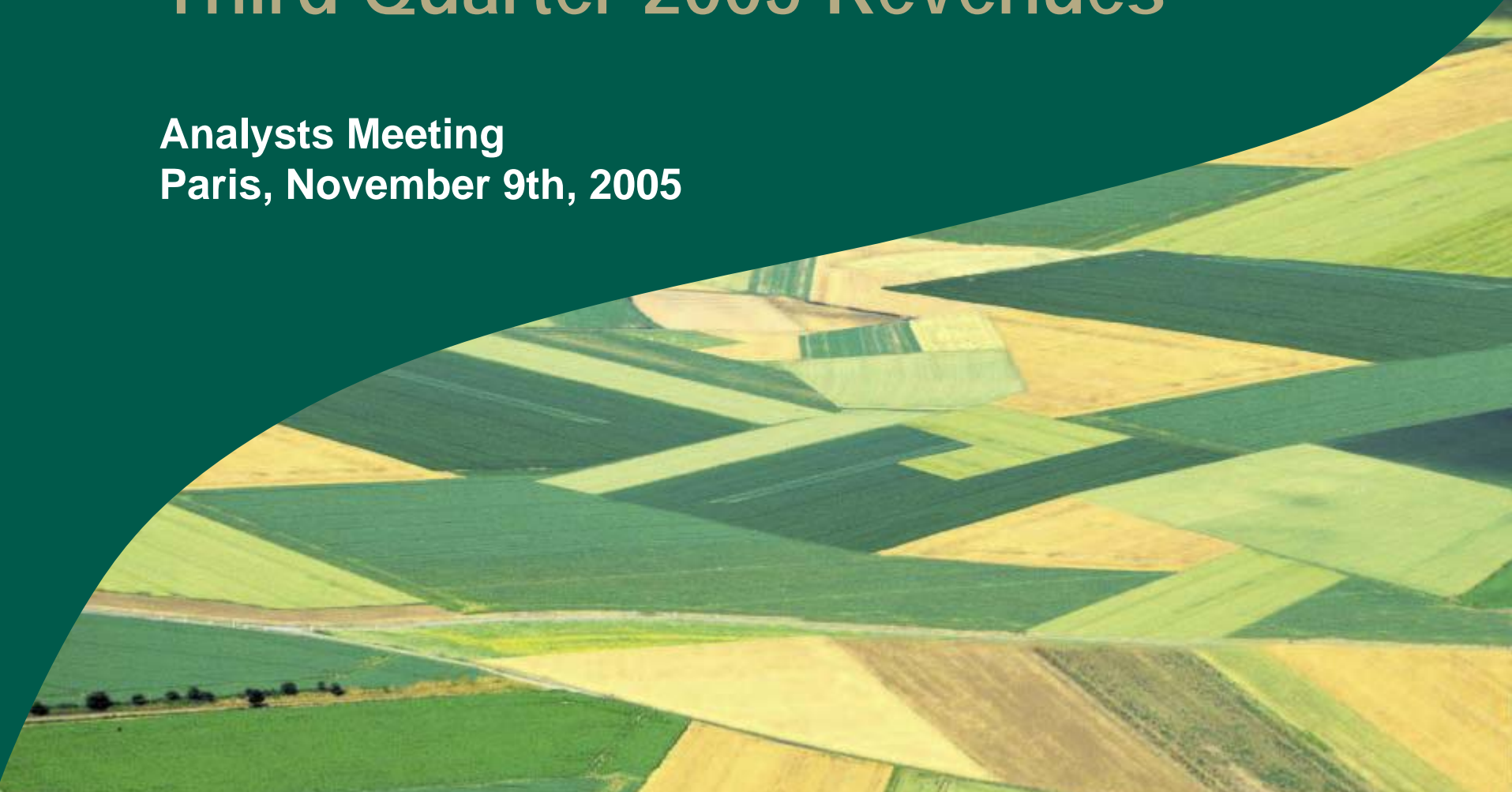


# Third Quarter 2005 Revenues

**Analysts Meeting  
Paris, November 9th, 2005**



# Introduction

**Paul Hermelin**  
**Chief Executive Officer**



# A group in a positive dynamic (1)

**Q3 revenue growth YOY: + 10%**

**Top line growth in all disciplines**

**European growth: + 13.0%**

# A group in a positive dynamic (2)

**NA P&C:** new model in place, topline stabilizing, attrition to be monitored

**OS:** successful start of our mega deals delivery, positive H2 divisional margin

**Offshore:** rapid growth (India: + 80%), awareness and mobilization everywhere

**CS/TS:** growth fuelled by stronger demand and active repositioning toward innovation (SOA)

# OS "MAP" is now our number one priority

**Significant growth: from 14% of Capgemini business mix in 2001 to 39% today**

**OS mix to be improved:  
weight of IM and of mega deals**

## **"MAP"**

### **Ambition**

- Drive divisional margin from – 0.2% in H1 05 to 8%
- Adapt the mix toward BPO and AM
- Align governance and KPIs to the ambition

### **Actions**

- Rebalance the portfolio management
- Address all delivery costs

# Mobilization of the Group management team

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## Office of the CEO

- Strengthen our sales and customer portfolio management
- Support performance and improve operational effectiveness
- Address the people challenge we face with innovation and offshore

## Executive Committee

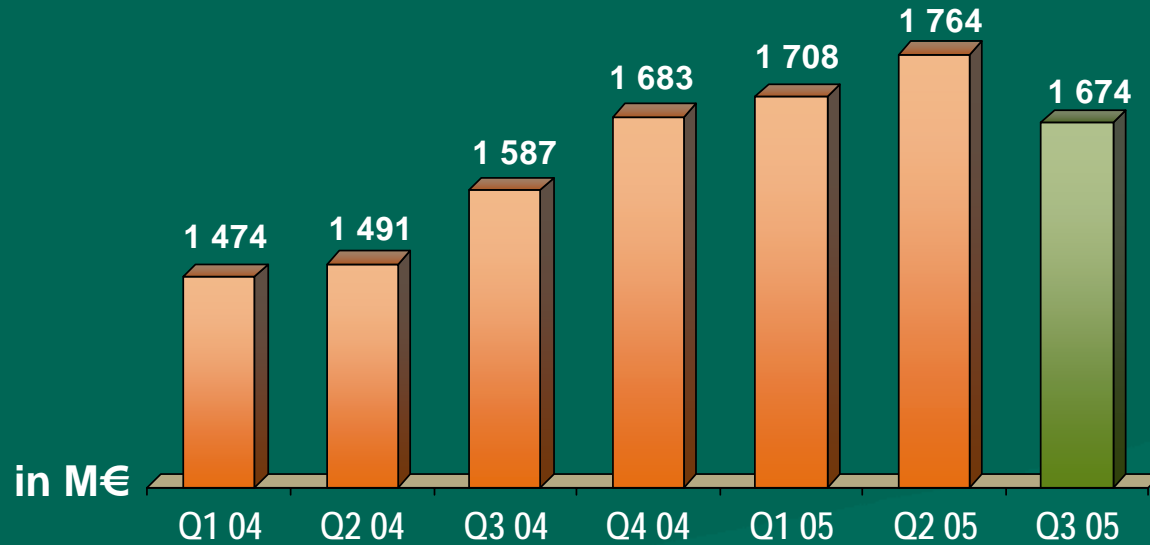
- OS “MAP” preparation and implementation
- NA P&C turnaround monitoring
- Massive rightshore push everywhere
- Deploy innovative CS/TS offers (SOA/SOE/SOI)

# Q3 2005 Financial Highlights

**Nicolas Dufourcq**  
**Chief Financial Officer**



# Revenue Evolution



|                          | Q1 2004 | Q2 2004 | H1 2004 | Q3 2004 | YTD Q3 04 | Q4 2004 | H2 2004 | FY 2004 | Q1 2005 | Q2 2005 | H1 2005 | Q3 2005 | YTD Q3 05 |
|--------------------------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Amount in M€ (published) | 1,474   | 1,491   | 2,965   | 1,587   | 4,552     | 1,683   | 3,270   | 6,235   | 1,708   | 1,764   | 3,472   | 1,674   | 5,145     |

|                           |      |      |      |       |      |        |      |        |
|---------------------------|------|------|------|-------|------|--------|------|--------|
| Sequential Current Growth | 1.1% | 6.5% | 6.1% | 10.3% | 1.5% | 3.3%   | 6.2% | - 5.1% |
| Sequential Organic Growth | 0.1% | 7.4% | 7.7% | 3.7%  | 2.4% | - 4.0% |      |        |

|                             |       |       |       |      |       |
|-----------------------------|-------|-------|-------|------|-------|
| Year-on-Year Current Growth | 15.9% | 18.3% | 17.1% | 5.5% | 13.0% |
| Year-on-Year Organic Growth | 19.1% | 23.0% | 10.0% |      |       |

*2004 restated for IFRS impact*



# Growth by Discipline

|                       | Q3 05 / Q2 05 | Q3 05 / Q3 04 |
|-----------------------|---------------|---------------|
| Consulting Services   | -4.8%         | 3.3%          |
| Technology Services   | -6.5%         | 6.8%          |
| Professional Services | -4.3%         | 10.5%         |
| P&C                   | <b>-5.6%</b>  | <b>7.0%</b>   |
| Outsourcing Services  | -1.4%         | 15.0%         |
| <b>Total Group</b>    | <b>-4.0%</b>  | <b>10.0%</b>  |

*Revenue CS/TS related to mega deals recorded in OS*

# Growth by Discipline

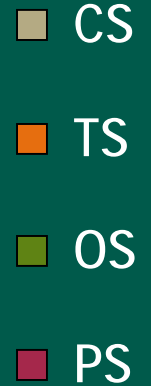
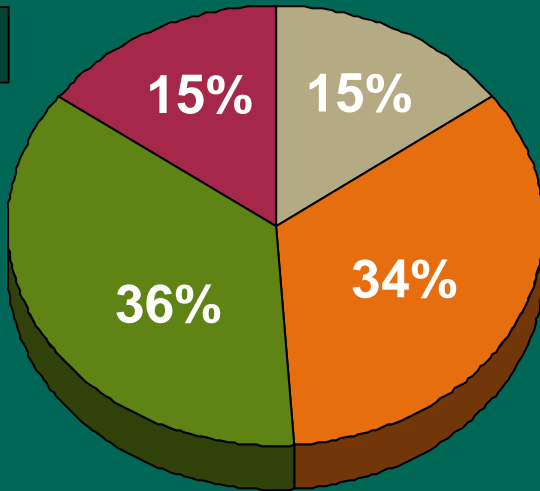
|                       | Q3 05 / Q2 05 | Q3 05 / Q3 04 |
|-----------------------|---------------|---------------|
| Consulting Services   | -4.7%         | 2.2%          |
| Technology Services   | -3.9%         | 18.7%         |
| Professional Services | -4.3%         | 10.5%         |
| P&C                   | <b>-4.1%</b>  | <b>13.2%</b>  |
| Outsourcing Services  | -3.7%         | 3.8%          |
| <b>Total Group</b>    | <b>-4.0%</b>  | <b>10.0%</b>  |

*Revenue CS/TS related to mega deals reclassified in CS/TS*

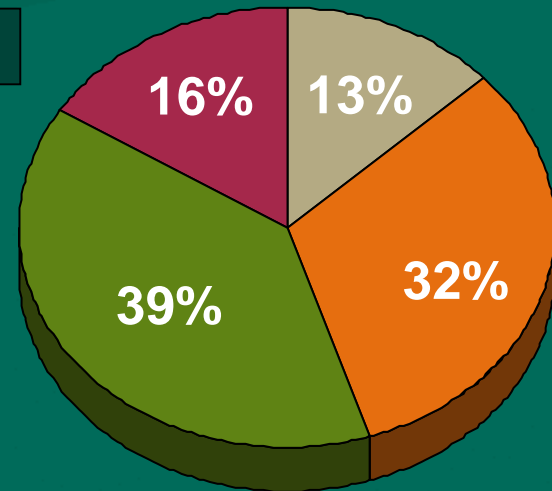
# Revenue by Discipline

At constant rate and perimeter  
2004 restated for IFRS impact

Q3 2004



Q3 2005



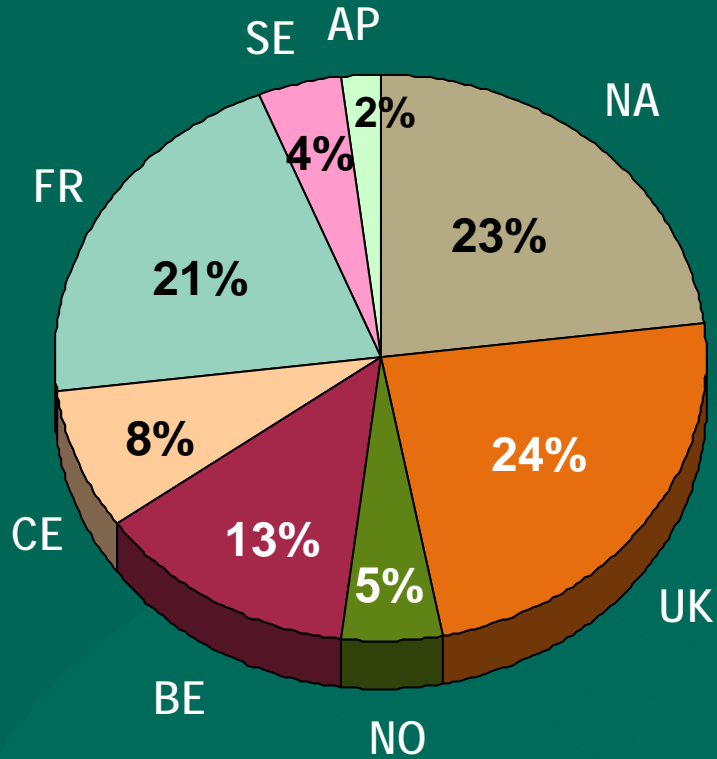
# Revenue Evolution – Current & Organic Growth by Geography

| M€                        |              |              |              | Current      |              | Organic      |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | Q3 2004      | Q2 2005      | Q3 2005      | Sequential   | Year on Year | Sequential   | Year on Year |
| North America             | 367          | 343          | 332          | -3.1%        | -9.5%        | 1.4%         | -1.3%        |
| Europe & Asia<br>of which | 1 220        | 1 421        | 1 342        | -5.6%        | 10.0%        | -5.2%        | 13.0%        |
| UK & Ireland              | 377          | 442          | 432          | -2.1%        | 14.5%        | -1.4%        | 16.4%        |
| France                    | 338          | 422          | 392          | -6.9%        | 16.0%        | -6.9%        | 16.0%        |
| Benelux                   | 205          | 237          | 228          | -3.8%        | 11.3%        | -3.8%        | 11.3%        |
| Central Europe            | 123          | 108          | 113          | 4.6%         | -8.1%        | 4.6%         | 6.4%         |
| Nordic                    | 83           | 115          | 87           | -24.2%       | 5.7%         | -23.7%       | 15.9%        |
| Iberia                    | 44           | 54           | 50           | -7.7%        | 12.6%        | -7.7%        | 12.6%        |
| Italy                     | 21           | 25           | 20           | -18.5%       | -3.9%        | -18.5%       | -3.9%        |
| Asia Pacific              | 28           | 18           | 18           | 0.9%         | -35.4%       | 13.2%        | -29.6%       |
| <b>TOTAL</b>              | <b>1 587</b> | <b>1 764</b> | <b>1 674</b> | <b>-5.1%</b> | <b>5.5%</b>  | <b>-4.0%</b> | <b>10.0%</b> |

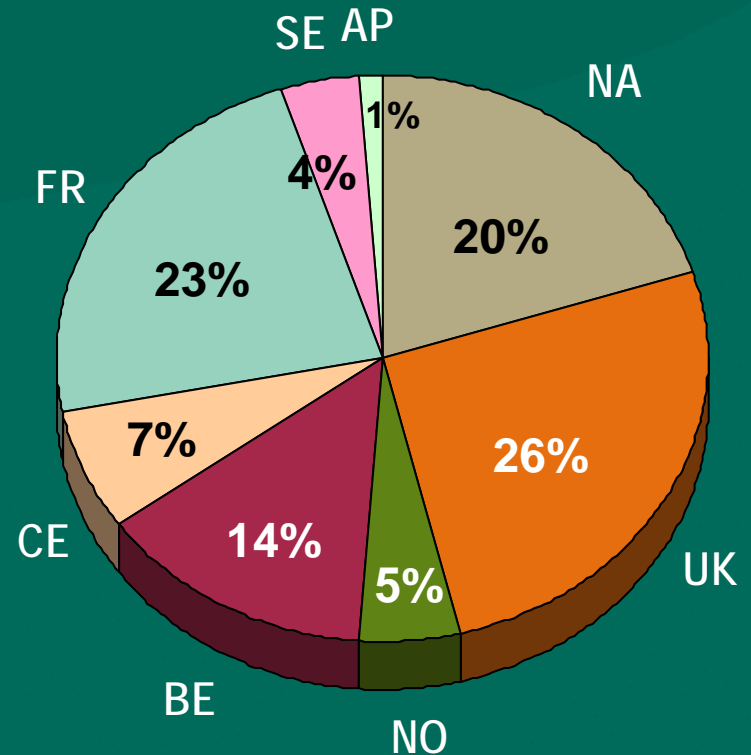
# Revenue by Geography

At constant rate and perimeter  
2004 restated for IFRS impact

**Q3 2004**



**Q3 2005**



# Bookings



# Bookings Evolution by Geography and Discipline

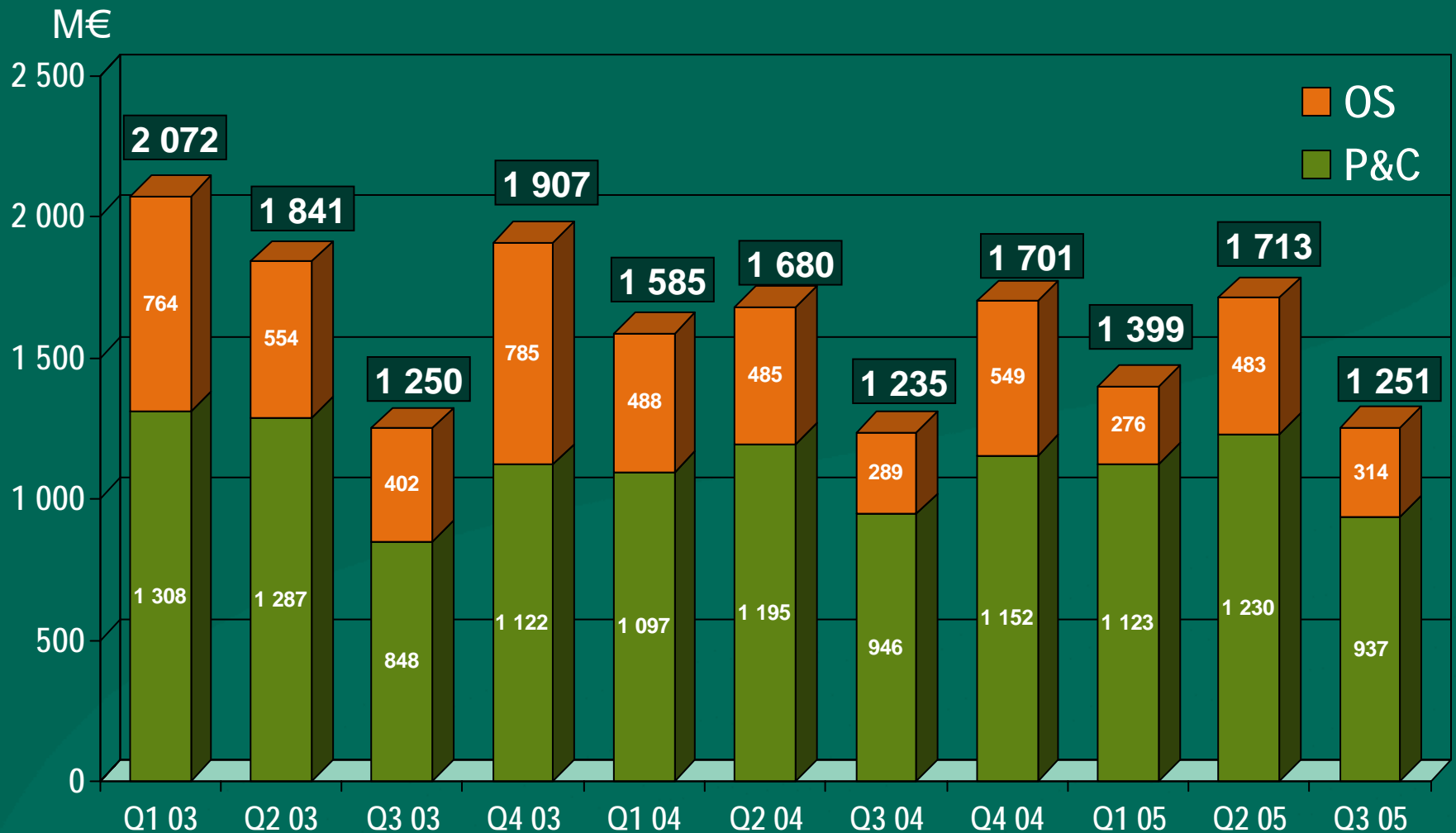
|                        | Year on Year |
|------------------------|--------------|
| North America          | -6.4%        |
| Rest of World          | 3.5%         |
| <b>All Disciplines</b> | <b>1.2%</b>  |

|                   |              |
|-------------------|--------------|
| North America     | -4.6%        |
| Rest of the World | -0.1%        |
| <b>P&amp;C</b>    | <b>-1.0%</b> |

|                   |             |
|-------------------|-------------|
| North America     | -11,0%      |
| Rest of the World | 16,2%       |
| <b>OS</b>         | <b>8,7%</b> |

*Restated for perimeter changes (Healthcare & Japan)*

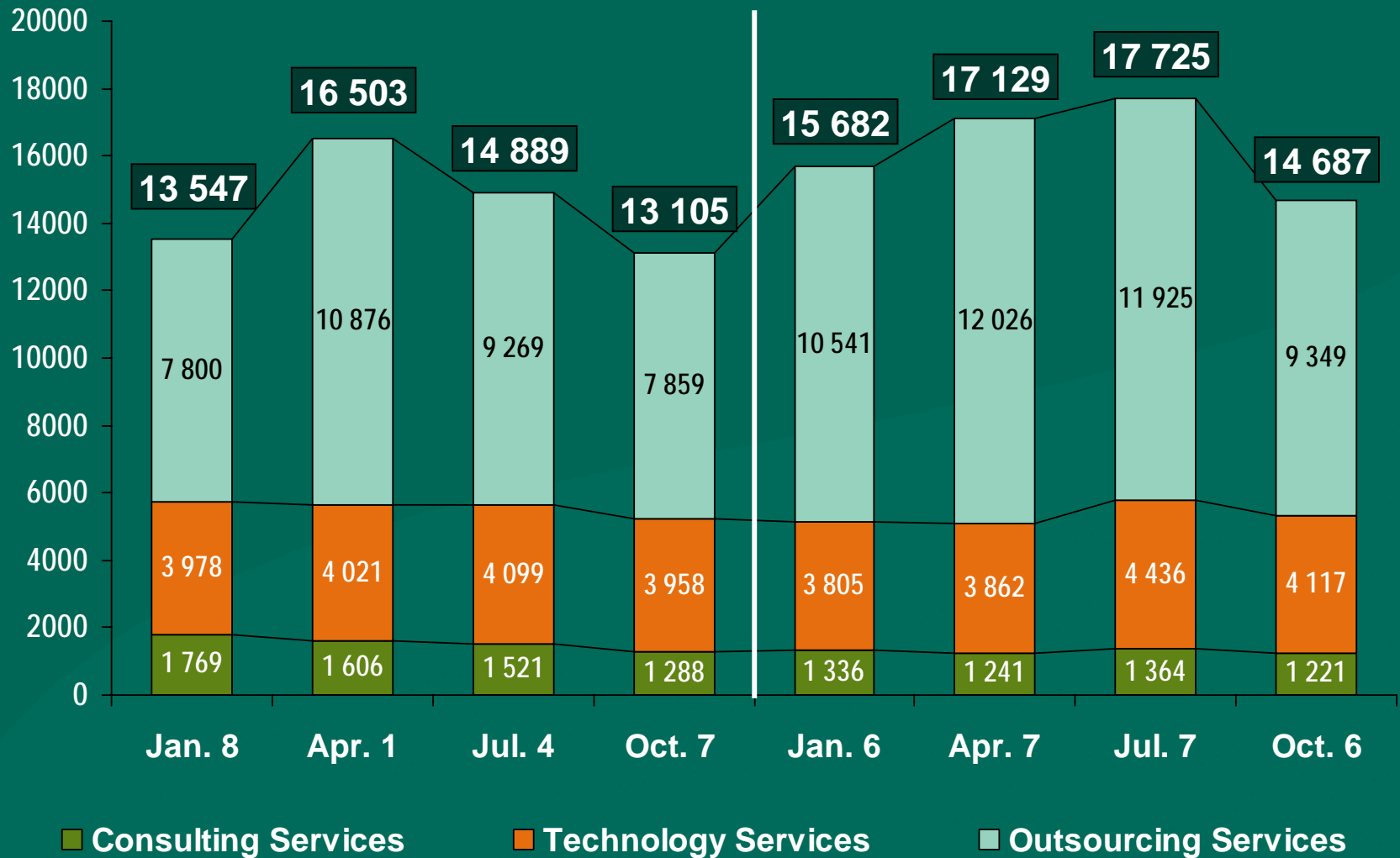
# Bookings Evolution – excluding Megadeals



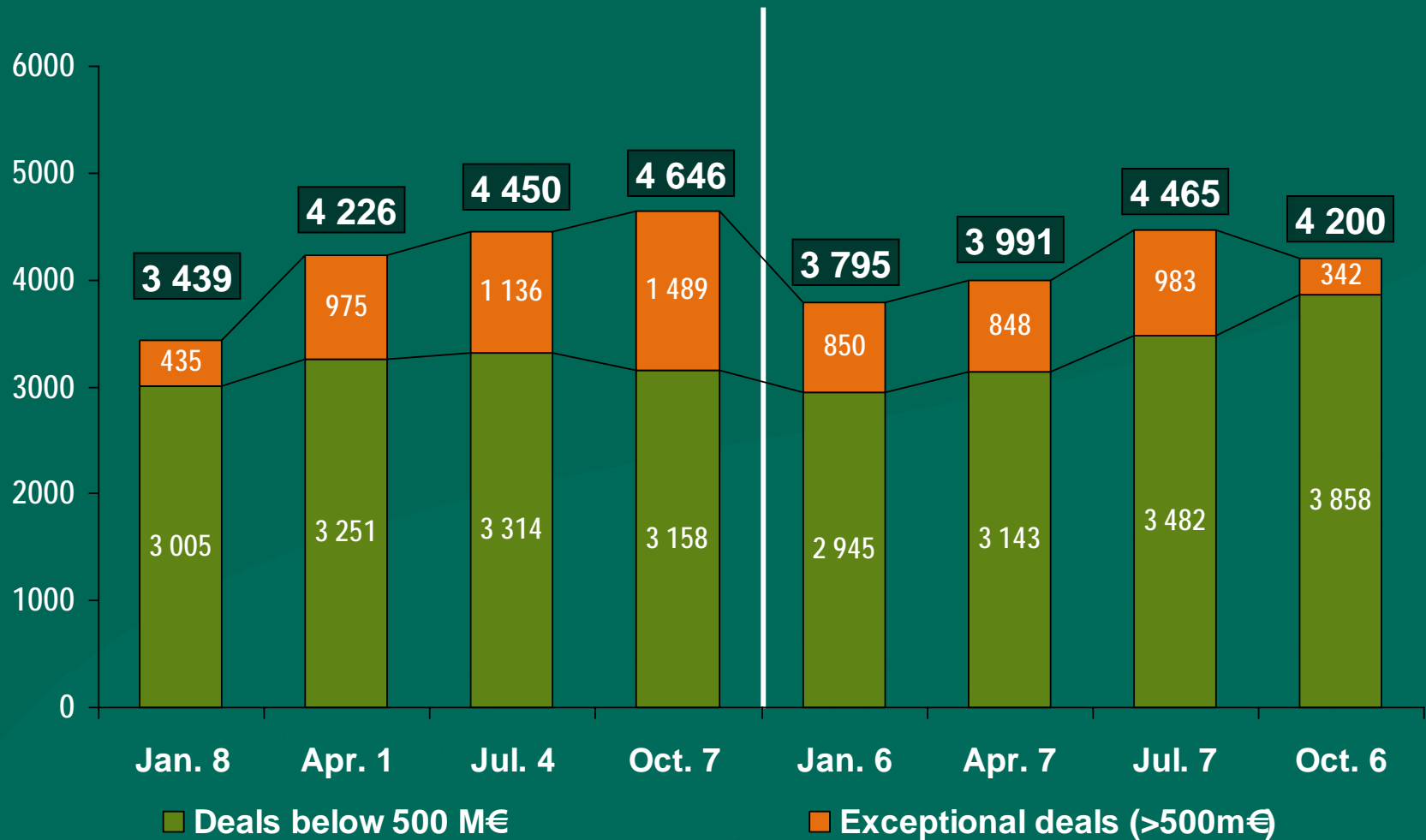
*Healthcare & Japan restated for perimeter changes in 2004*



# Unweighted Funnel by Discipline (2004 – 2005)



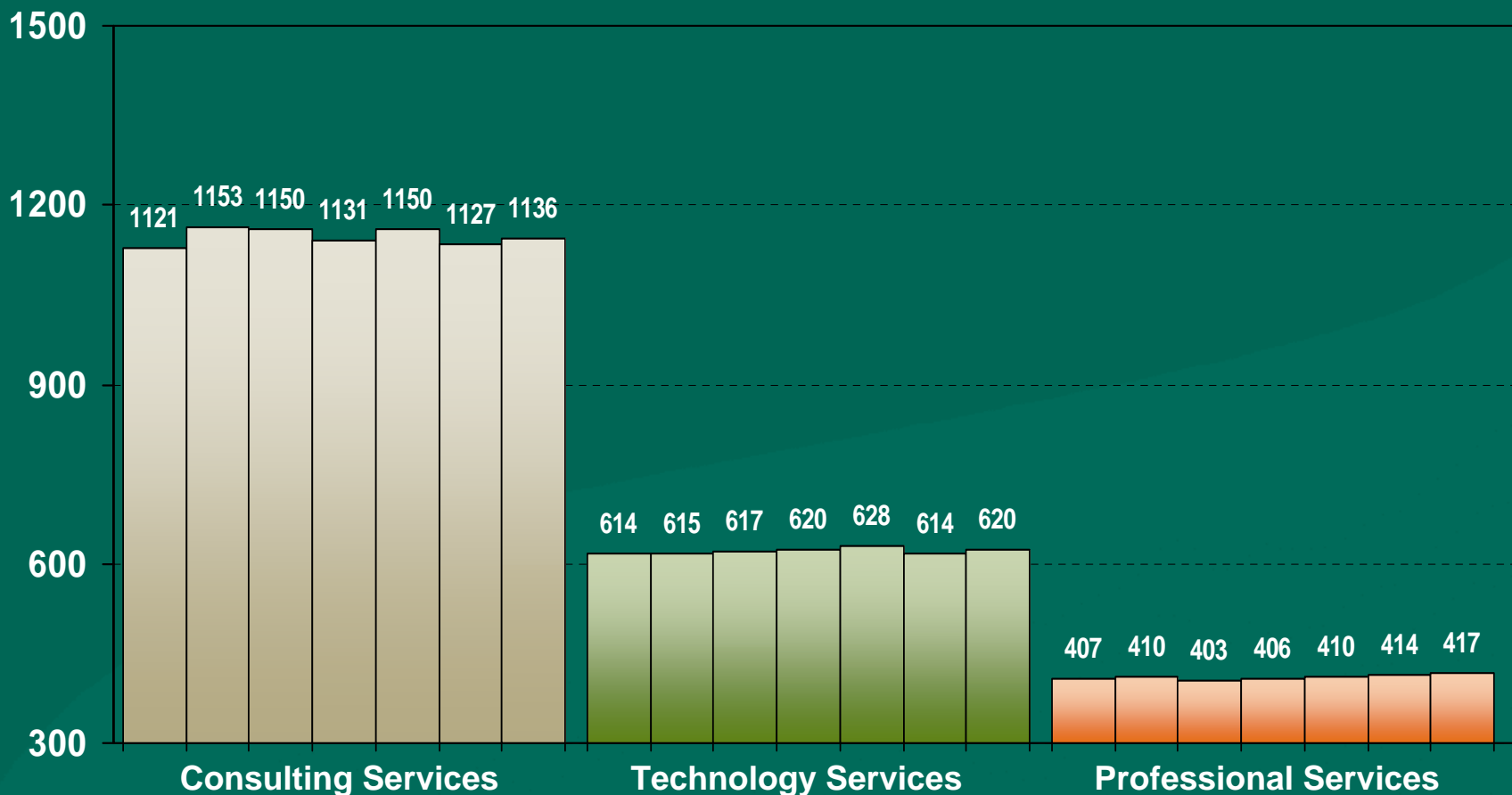
# Weighted Funnel (2004 – 2005)



# KPIs

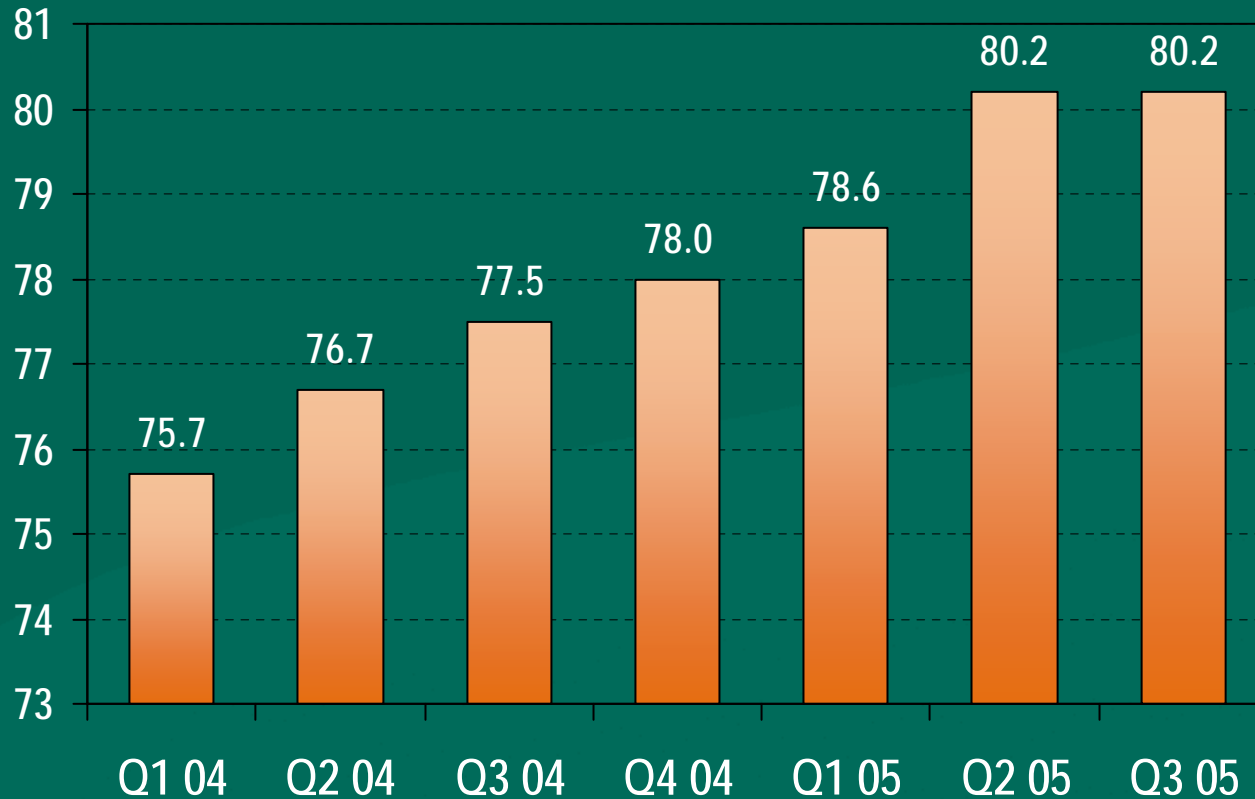


# Quarterly Charge Out Rate by discipline since 2004



*Restated for perimeter changes (Health and Japan)*

# Quarterly Utilization Project & Consulting since 2004



# North America Project and Consulting update

**Salil Parekh**  
**General Manager, North America**



# North America P&C gaining stability

- Q3 results are in-line with our expectations
- The 2 primary risks in the restructuring appear to be under control

H2 revenue at the same level as H1 revenue

Attrition in October below 30%

- On-track to be very close to break-even in H2
- Anticipate to be solidly in the black in 2006

# Recap of "Booster"

NA 2004 Loss  
- \$85M

## Restructuring

- \$120M annualized savings in operating cost structure
- VP headcount from 200 to 130
- Offices down from 34 to 17

In 2005  
"Booster"  
\$106M  
restructuring cost

## New Operating model

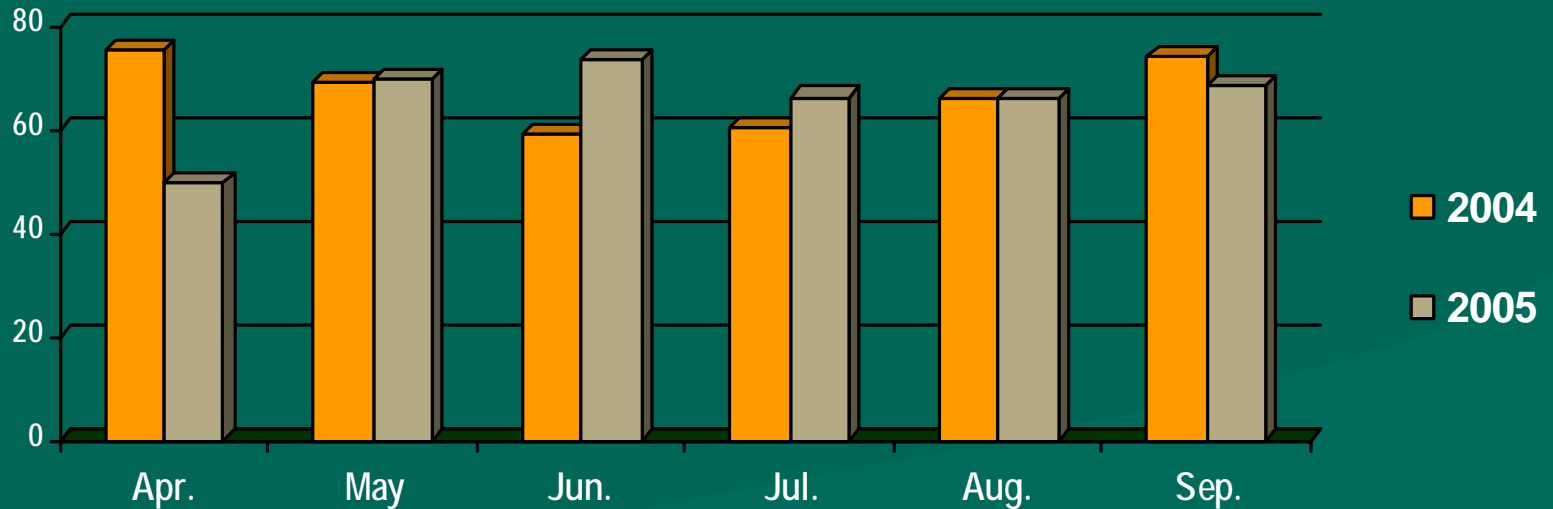
- Organization streamlined around 6 geographical units
- Business focus on growth, via attractive sectors and growth platforms

September and October were at a small operating profit



# Q3 results In-line with expectations

## Bookings 2005 vs 2004 (M\$)



- Q3 Bookings: 200 M\$ → Stabilization over Q3 of 2004
- Q3 Revenue: 167 M\$ → Small sequential growth over Q2 05
- Book-to-bill: 1.20 → Stability and a possibility of growth
- Orderbook: 240 M\$ → Strong and growing revenue coverage

# Business approach rests on 4 areas

## GROWTH

Stemming from our selection of growth platforms in sectors that are showing strong demand

## OFFSHORE

Continue to leverage more to improve pricing and profitability

## CONSULTING EXPANSION

Leveraging our strength in specific areas to gain from market growth and higher margin work

## OPERATIONAL RIGOR

Day-to-day attention to business basics

# Growth from Sector Focus and Portfolio Re-Balancing

## SECTORS

- Telecom, Media, and Entertainment – wireless, wireline, cable, media
- Retail – continuing need for transformations, especially in store operations
- Financial Services – expanding buyers in wealth management, policy administration, and asset finance areas
- Life Sciences – growing companies requiring consulting and technology services
- Energy – cash-rich businesses
- Utilities – transformation businesses

## OFFERINGS

- SAP and Oracle/Peoplesoft
- Supply chain management
- Customer relationship management
- Transformation consulting

# People: attrition remains our first priority

- Attrition is below 30% in October, for the first time in over 16 months
- Expansion of headcount in August, September, and October
- Recruiting at about 75 new staff members per month
- We have put in place a program to address the underlying causes of the weaknesses:

## Training

Re-instated in Q3 and aligned to growth platforms

## Benchmarking

For compensation and benefits and pro-active actions to address situation where required

## Community

Further leveraged with the geographic model and staff alignment to the new organization

## Communications

Sharing of information at all levels, further de-centralized

## Listening

Hearing and acting on the issues and concerns of our staff

# Operational Rigor

- We have put in place a process to review weekly in-depth the basic elements of our business such as:

|                        |   |
|------------------------|---|
| <b>Pipeline</b>        | Current unweighted pipe at \$900 million                                      |
| <b>Sales</b>           | Weekly focus on the top-20 deals across NA                                    |
| <b>Deal Reviews</b>    | Financials and risk on material deals   |
| <b>COR</b>             | \$168 in Q3: 8.2% growth over Q2 05 and 6.3% growth over Q3 04                |
| <b>Delivery</b>        | Productivity at 97% in Q3, 2.5pts better than Q3 04                           |
| <b>Utilization</b>     | Target CS 75% and TS 85%, currently at 73% and 81% for Q3, up 3pts from Q3 04 |
| <b>Cash collection</b> | Drive DOR to 45 from 60 at Q3 end   |

# Conclusion

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## WE HAVE

- 2 months of operating profit
- First sign of attrition in mid-20s
- Revenue stable in H2 05 with respect to H1 05

## WE EXPECT

- End H2 2005 very close to break-even
- Be solidly in the black in 2006

# Global Outsourcing Update

**Paul Spence**  
**CEO Outsourcing**



# Agenda

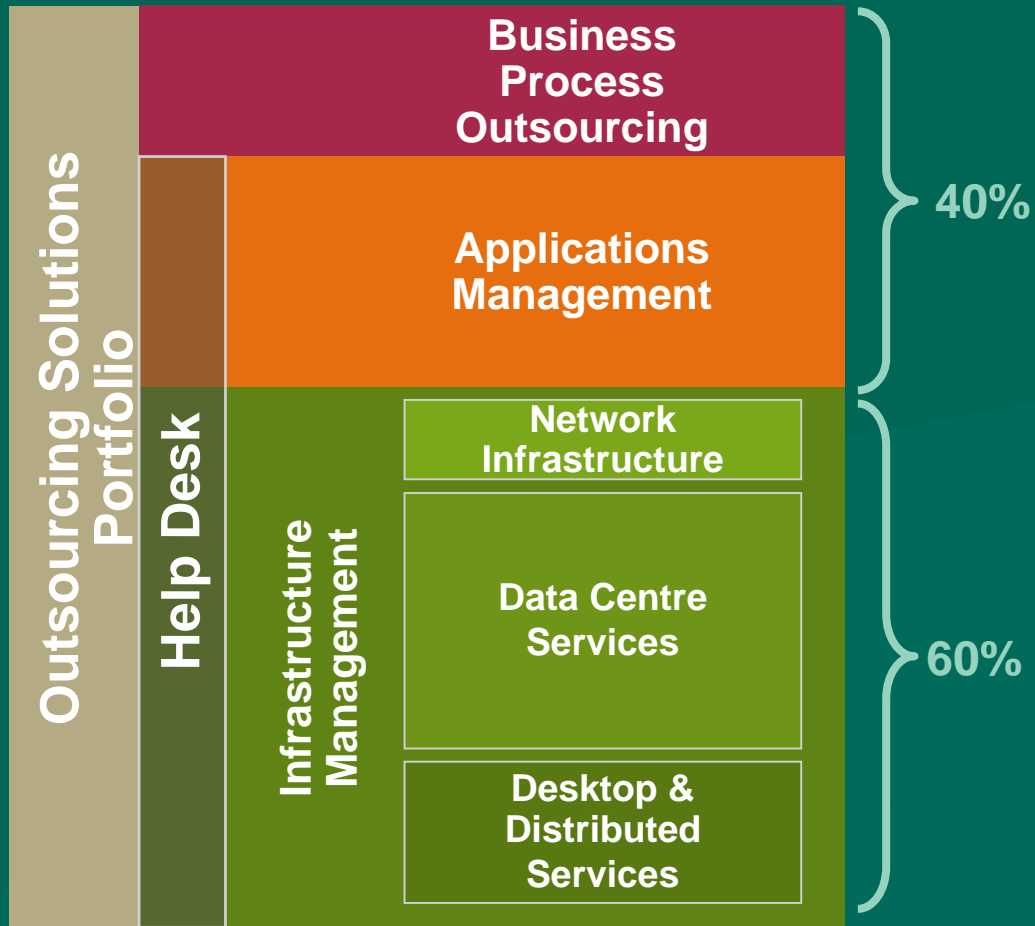
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- **Recap of Capgemini Outsourcing portfolio**
- **Update on progress since February**
- **Project MAP status**
- **Ambitions for Capgemini Outsourcing**

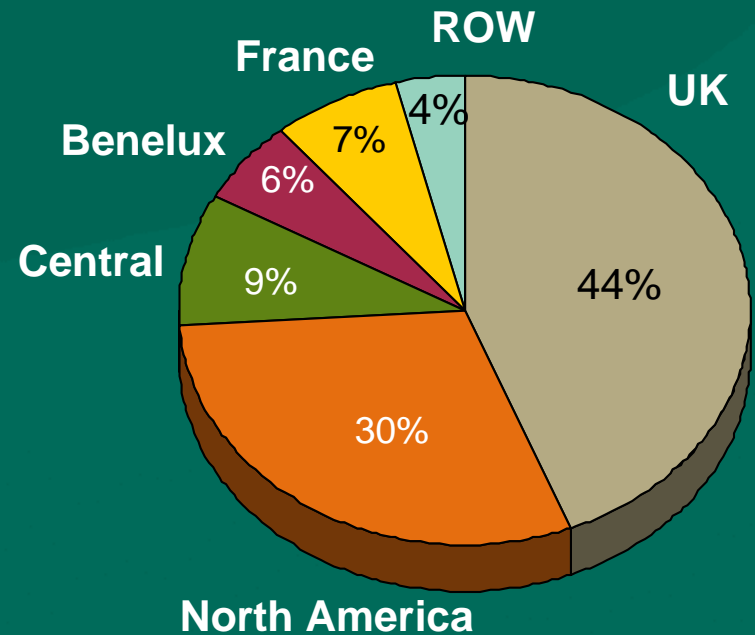


# Capgemini Outsourcing Portfolio

## SERVICE LINES



## GEOGRAPHICAL MIX 2004



# Capgemini Outsourcing: 2005 in perspective

- **H1 Divisional Margin published at -0.2%**

- **H1 focused on absorbing Megadeals**

- Inland Revenue      Tracking to plan
- TXU                      Tracking to plan
- Schneider

- Run** {
  - 31 countries and >600 employees transitioned successfully
  - Service delivered as planned
- Build** {
  - Detailed design completed
  - Current priority on the release strategy and deployment plan

- **Confirm growth will be comfortably > 15% y/y**

# What we have done on sales

|              | H105                |                    | H205                |  | H106                            |  | H206          |   |
|--------------|---------------------|--------------------|---------------------|--|---------------------------------|--|---------------|---|
|              | Big Deals           | None               |                     | Metropolitan Police - TS/AM/IM                           |                                 | General Motors - TS/AM/IM<br>HMRC Merger - CS/TS/AM/IM |               | France MRD - AM<br>CGE #3 - BPO/CS/TS/AM/IM |
| Medium Deals | Q105                | Q205               | Q305                | Q405   | Q106                            | Q206   | Q306          | Q406  |
|              | None                | France MRD - AM/IM | Bombardier - BPO    | Swansea TS/AM/IM<br>UK EUC - IM<br>CGE #2 - BPO/TS/AM/IM | Central FS - BPO<br>UK MFG - IM | US MFG - AM<br>Dutch FS - AM/IM                        | TBD           | TBD   |
| Small Deals  | Jan - Mar '05       | Apr - Jun '05      | Jul - Sep '05       | Oct - Dec '05  | Jan - Mar '06                   | Apr - Jun '06  | Jul - Sep '06 | Oct - Dec '06                               |
|              | Central MRD - TS/AM | UK Services - IM   | US MRD - BPO        | Canada MFG - AM  | France MRD - IM                 | TBD  | TBD           | TBD   |
|              | Central MRD - IM    | UK FS - TS/AM      | UK FS - IM          | US MRD - IM  | UK MFG - AM                     |  |               |   |
|              | US MRD - AM         | Nordic MRD - BPO   | UK Services - AM/IM | France MRD - BPO   | UK EUC - AM/IM                  |  |               |   |

- Increased focus on small and mid size deals starting to pay off
- Deals won in '05 provide a minimum of 6% growth in '06 and '07
- Order book currently at 4.3 years annual revenue

# What we have done

---

## ■ Rationalization

- Sole source negotiations for margin dilutive offerings
- Piloted virtualisation/automation tools in Amsterdam DC w/ 30% cost savings as a result

## ■ Rightshore

- Offshore headcount to double in 2005

## ■ Procurement

- Identified and implemented €10M of annualized savings

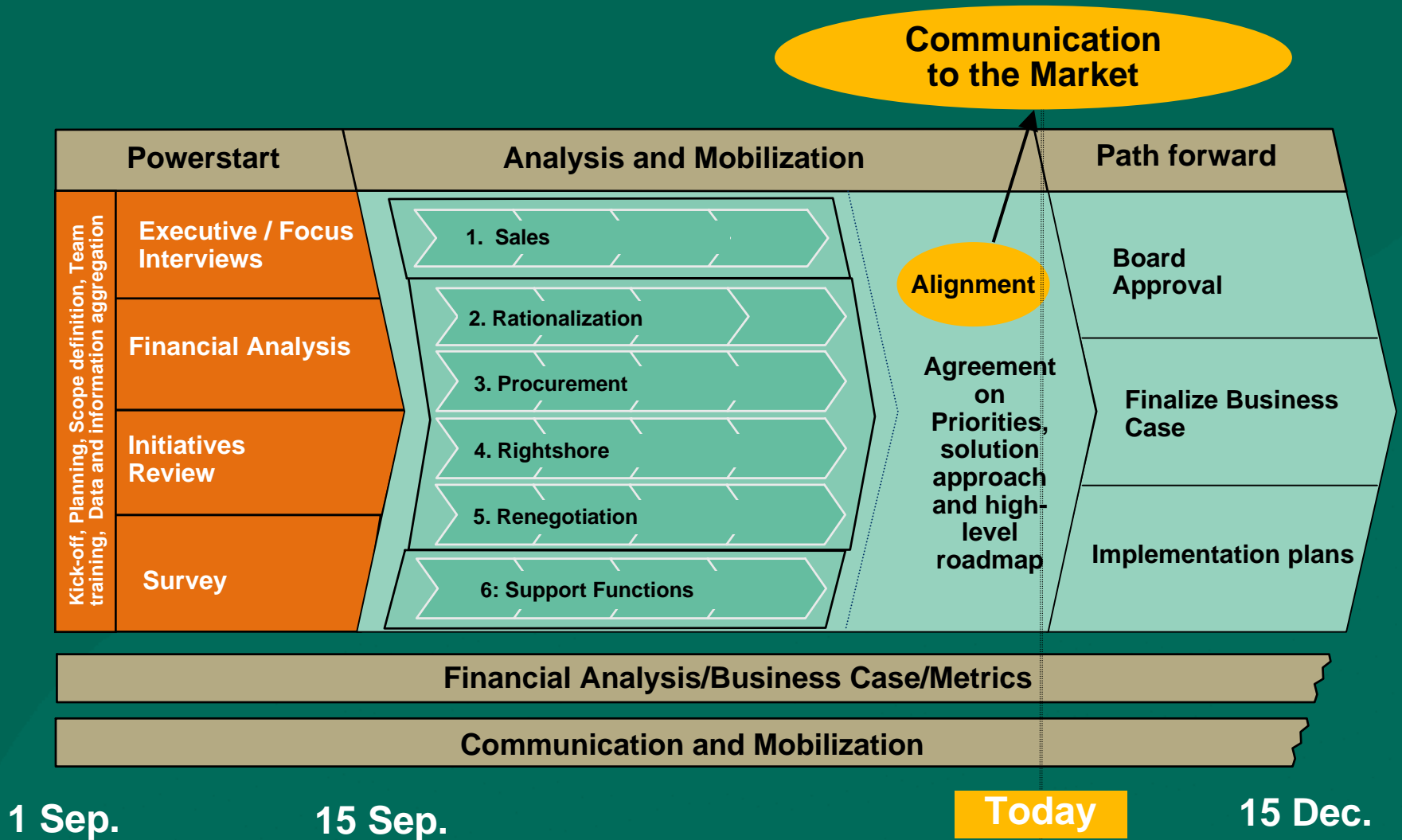
## ■ Renegotiation

- Renegotiated 3 money losing deals leading to €25M life of deal benefits

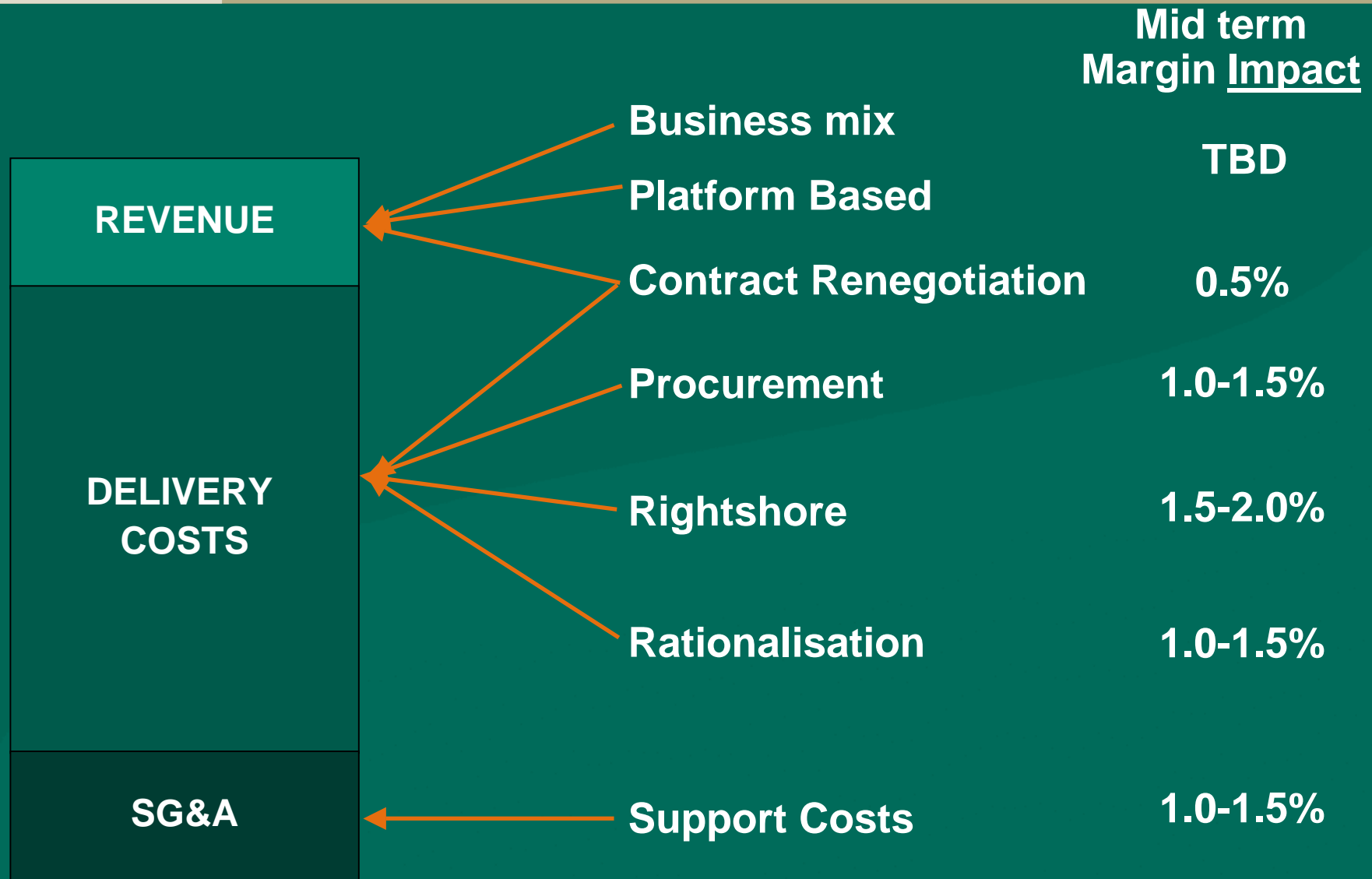
## ■ Support Costs

- Reduced by €6M in 2005 in spite of revenue increase

# Project MAP launched in September



# Action Plan



# Rationalization

## ■ Facts

- Over 70 sites globally
- 11% of resources in 48% of sites
- Space utilization estimated at 66%
- In some centers processing and storage capacity running at 50%
- Currently using over 350 tools from 90 vendors

## ■ Implications

- Implement Command centers: By using center virtualization and automation to de-link people from physical assets
- Concentrate resources in strategic sites
- Further streamline tools, methodologies and processes

## ■ Result

- Increase efficiency and reduce people and machine overcapacity

**Target 1.0 – 1.5% Divisional Margin Improvement**

# Rightshore

## ■ Facts

- 2400 people in our centres in India, Poland and China by year end
- In addition over 500 with partners
- Current offshore penetration at 15% of own resources
- North America ahead at 25%, other countries still lagging

## ■ Implications

- Speed up the Rightshore push outside North America with a primary focus on India
- Continue leveraging partners where appropriate (e.g. call centres)
- New contracts with higher offshore content except Public Service
- Moving existing contracts where possible

## ■ Result

- Reduce average cost per headcount

**Target 1.5 – 2.0% Divisional Margin Improvement**



# Procurement

## ■ Facts

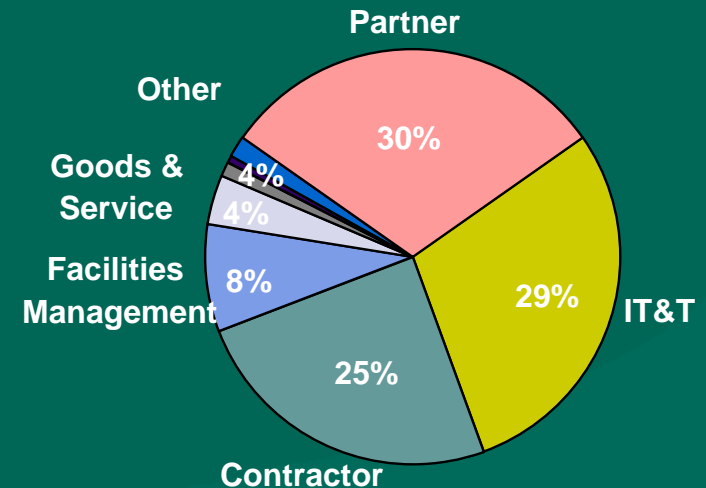
- Over €1bn of spend
- Fragmented supplier base >3000 suppliers
- Too many contractors >1600 FTEs

## ■ Implications

- Renegotiate agreements with Partners
- Rationalize supplier base with a focus on IT and Telco (target 30% reduction)
- Replace contractors where possible with own resources and offshore (target 25% reduction)

## ■ Result

- Reduction in purchasing spend and use of contractors



**Target 1.0 – 1.5% Divisional Margin Improvement**

# Renegotiation

## ■ Facts

- 29 contracts (out of 515) still losing money
- Corresponds to 8% of revenues

## ■ Implications

- Bill or Cut
- Solution redesign
- Rightshore
- Target 3 renegotiation per quarter
- Strengthen deal review on smaller contracts

## ■ Result

- Increase revenue or reduce costs of delivery

**Target 0.5% Divisional Margin Improvement**

# Support Costs

## ■ Facts

- Fragmented support across multiple countries
- Duplication of investments
- Global OS concept not fully leveraged
- Small countries have high support functions costs

## ■ Implications

- Reduce duplication in support by leveraging Regional synergies
- Reduce complexity
- Streamline tools and processes

## ■ Result

- Overall reduction in absolute cost of support functions

**Target 1.0-1.5% Divisional Margin Improvement**

# Business Mix

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## ■ Facts

- Portfolio still majority of IM
- AM & BPO margins tend to be higher
- Growth fuelled by mega deals with not enough medium size deals
- Not enough focus on exploiting existing Capgemini client base

## ■ Implications

- Increase Application Management and BPO in business mix
- Opportunistic and cautious on Mega deals
- Continue push on Medium size deals
- Increase focus on leveraging existing client base with CS/TS
- Align commissions and incentives with business mix focus

## ■ Result

- Better business mix but a slow down of growth to half past 3 years rate

# OS Restructuring guidance for 2006

**€70m**

**90/95% cash**

**15 month payback**

**Divisional Margin positive in H2 2005**

**First step 4% Divisional margin in 2006,  
with 5% in H2**

# Conclusion



**Growth:**  
**close to 14 %**

**Margin:**  
**in line with September guidance**





[investor.capgemini.com](http://investor.capgemini.com)