



Annual Report 2000



Special Excerpt

Cap Gemini Ernst & Young is one of the largest management consulting and IT services companies in the world. It is dedicated to the development, transformation and evolution of its clients' businesses at every level of their organization and value chain. The Group employs close to 60,000 people throughout Europe, North America and the Asia-Pacific region. For the year 2000, pro forma revenues were about 8.5 billion euros. For further information: www.cgey.com

May 2000: Acquisition of Ernst & Young Consulting

The year 2000 was dominated by Cap Gemini's acquisition of Ernst & Young Consulting Services. The subsequent merger which resulted from this transaction is the most notable single event to date in the history of the Group, certainly the one with the most far-reaching repercussions on its business.

Two major motives guided this decision. First, the need to strengthen the Group's global presence, especially in the vital North American market, which will now account for 35 percent of its total business – i.e., nearly the equivalent of this region's worldwide market share. The second consideration was the desire to gain a stronger foothold in management consulting, a market which has become indivisible from the Group's traditional computer services business. From this perspective, the merger with Ernst & Young Consulting may be seen as the culmination of a management consulting strategy undertaken more than twenty years ago – in 1976 – with an investment in the French Bossard Group.

The new Cap Gemini Ernst & Young Group combines three key components in the service of its international clients, confronted as they are by the challenges of today's connected economy: strategy formulation, business transformation and technological expertise.

By uniting Cap Gemini, Ernst & Young Consulting and Gemini Consulting within one family, this merger has given birth to the only truly multicultural global enterprise benefiting from an ideal balance between top-level technological and management consulting skills.

What the Group Does

Cap Gemini Ernst & Young's range of services extends from management consulting to the implementation of large business information systems.

The Group helps its clients to face, and successfully master, the strategic challenges of our times. This means:

- ❑ assisting clients to target and manage their business;
- ❑ mobilizing resources to improve their organization;
- ❑ advising them on the choice of information systems, building the systems, and then running them;
- ❑ enabling clients to take advantage of the connected economy.

Within this new, continually evolving environment, Cap Gemini Ernst & Young approaches its clients armed with a comprehensive service offering and specific methodologies aimed at increasing their competitiveness and delivering concrete, measurable results quickly.

■ Management consulting

As a result of their professional expertise, their knowledge and experience in IT strategy formulation, operational processes, and implementation of the most advanced technologies, Cap Gemini Ernst & Young consultants play a major role in improving their clients' performance. They help businesses to adapt to rapid developments in their markets by calling upon the vast resources of the Group to formulate strategy, transform organizations and develop skills and products.

■ Systems transformation

Cap Gemini Ernst & Young offers a complete range of services from which it selects – according to the individual needs of its clients – the most advanced architectures based on the latest technologies and proven methods, gathered and standardized within PERFORM, an ISO 9001 certified methodology used throughout the Group.

The goal of most IT projects is to make significant improvement in a client's business and thereby open the door to new opportunities for that client. These projects generally fall into three categories:

- ❑ customized software development, tailored to a specific client;
- ❑ systems integration projects, in which design, architecture, development and implementation result from the involvement of several players (hardware manufacturers, software package vendors, etc.);
- ❑ adaptation of processes and behaviors to meet the demands of a new business environment.

■ Systems management (outsourcing)

Information Systems Management (ISM) responds to clients' expressed wishes to concentrate on their core business and to reduce the costs related to the operation and maintenance of their existing systems. Cap Gemini Ernst & Young has developed a range of services directly tailored to these concerns, assuming management responsibility for all or part of a client's IT resources: Applications Management (AM), Distributed Computing Services (DCS) and Central Computing Services (CCS).



How the Group is Organized

The merger of Cap Gemini and Ernst & Young Consulting, and the commitment of the new Group to adapt to the ever-changing needs of its clients, has resulted in significant changes in its transnational organization.

The new structure is designed to assure always better client satisfaction. Among its building blocks:

- ❑ ***strong sector specialization***, accompanied by in-depth knowledge of the client's business and high value-added service offerings;
- ❑ ***geographic proximity*** to clients' local decision-making centers through a vast network of worldwide subsidiaries;
- ❑ ***a range of services*** combining IT consulting and infrastructure management;
- ❑ ***a broad palette of skills*** grouped around six professions, providing an environment that encourages 60,000 employees around the world to expand their knowledge and improve their competencies.

In addition to these specialists and their skills, available on a global scale, Cap Gemini Ernst & Young also offers its clients access to an ecosystem of technology alliances with most of the major players in the field enabling them to confront the challenges of an economy in constant flux.

■ Worldwide geographic coverage

Cap Gemini Ernst & Young is a global player with critical mass in most of the world's key markets. Balanced geographic coverage is represented by the Group's latest revenue figures: 35 percent earned in the Americas, about 60 percent in Europe. The remainder is generated in the growing Asia-Pacific region which stretches from South Korea to New Zealand. The Group's six European regions take in 20 countries; the Americas includes Canada and Mexico along with the United States. All in all, Cap Gemini Ernst & Young is present in 32 countries.

■ The Professions

At a time when recruitment and employee loyalty have become issues central to the long-term health of most enterprises, Cap Gemini Ernst & Young has implemented several measures to help win "the battle for talent." A key element in this "campaign" revolves around the Professions – the creation of "communities" of employees with related skills and experience. Thus, every Cap Gemini Ernst & Young employee is a member of one of the global Professions which enables them, through local and international networks, to share, exchange and develop knowledge and expertise endemic to their fields.

Introduction of the Professions into Cap Gemini Ernst & Young's organizational structure not only provides a framework for individual career development, but also makes it easier to assign the most qualified personnel to client engagements in any business sector anywhere in the world.



The Sectors

Cap Gemini Ernst & Young now has six global sector units, all of which can operate on an international, industry-focused scale to provide specific management consulting and IT solutions.

■ Telecom Media Networks (TMN)

In this most thoroughly integrated of all global industry sectors, Cap Gemini Ernst & Young now ranks second among the leaders and continues to expand its solutions and service offerings. In 2000, an estimated 70 percent of the world's top telecom businesses called upon the services of the Global Business Unit. At the same time, TMN helped many greenfield service providers to create and launch their new enterprises.

TMN currently employs some 7,000 professionals worldwide and has one of the richest business communities of partners in the marketplace. The key to this worldwide ecosystem is Cisco which, in October 2000, finalized a strategic alliance and became a 4.6 percent shareholder in TMN. As the acknowledged world leader in IP-based networking systems, Cisco is a key player in moving more and more business users to the new, connected economy.

TMN is continuing to develop solution sets dedicated to telecom service providers and media content owners for creating and transforming their business: managing the relationship with customers, billing services, operating communication and content-based services. In addition, TMN integrates all corporate capabilities for delivering, with Cisco, advanced network infrastructure solutions.

■ Consumer Products, Retail and Distribution (CPRD)

Cap Gemini Ernst & Young's CPRD Global Sector Unit has developed innovative approaches to meet the specific challenges faced by CPRD global companies.

For example, the Consumer RelevancySM strategic framework was developed following the completion of studies of more than 10,000 customers conducted by Cap Gemini Ernst & Young. The research found a new customer emphasis on values over product and service value, and a substantial gap between consumers' expectations and the companies in the sector trying to meet them. When the Consumer Relevancy framework was applied to the problems of global companies, they improved their connections with customers and competitive positioning.

CPRD also teamed with SAP and a global consumer products manufacturer to create the first beverage industry specific pre-configured SAP solution.

And Ciberion is our joint venture with a global consumer products manufacturer focused on designing CRM solutions to solve the CRM problems specifically faced by CPRD companies.

The noteworthy projects carried out in 2000 include work with Kimberly-Clark, Danone, Ahold, Carrefour, Deutsche Post, and Geodis.

■ Energy and Utilities

From oil and gas companies seeking critical mass, to publicly-owned utility companies unbundling their value chain to prepare for deregulation, the Energy and Utilities (E&U) sector continues to evolve rapidly. These industries have had to acquire new skills and know-how in order to deal with such a diverse set of new challenges.

Cap Gemini Ernst & Young is playing a major role in bringing about this transition. Now one of the top three global energy specialists, the Group has about 5,000 professionals working regularly on projects related to the E&U industries. The new Group has developed and rolled out cutting-edge, industry-specific service lines such as Trading and Risk Management and advanced e-business solutions. One example: the E&U Global Sector Unit is working with Equiva Services, the Shell-Texaco-Saudi Aramco joint venture, to help establish a powerful position across the full breadth of e-business services.

Cap Gemini Ernst & Young's strength in digital marketplaces proved crucial to the successful launch of Enporion. This U.S. marketplace links nine major

electric and gas utilities to over 50 suppliers for online procurement and dynamic commerce.

In Australia, the Group is working with NEMMCO, the authority charged with setting up the open energy technology market, and in Canada, on a massive outsourcing venture with Ontario Power Generation.

■ Financial Services

With the increasing sophistication of capital markets, in the emergence of global investing, continued industry consolidation, the mounting importance of e-business applications, a heightened focus on customer relations and the proliferation of financial institutions entering the market, the Financial Services sector is a very attractive market for Cap Gemini Ernst & Young.

In 2000, the Group achieved a leadership position in Financial Services and now counts among its clients 35 of the world's 50 largest financial institutions.

This privileged position is supported by a comprehensive service line, from strategy through implementation. Moreover, local delivery, backed by readily accessible global expertise, has earned the Group a reputation for superior client service in this sector as in others.

To consolidate its emerging leadership position in the sector, Cap Gemini Ernst & Young has embarked on a multi-dimensional development effort, unifying its capabilities and its going-to-market efforts across the traditional

industry lines of banking, insurance and securities. At the same time, it is elevating its focus on client relationship management and sector-specific service offering development.

Among the noteworthy contracts during 2000 was an Internet portal executed for three major French banks (Crédit Agricole, BNP Paribas and Société Générale). And for this same partnership, Cap Gemini Ernst & Young has just launched a B2B digital marketplace called "answork."

■ High Technology & Automotive

During 2000, the full power of Cap Gemini Ernst & Young within these global sectors resulted in the signing of several important agreements.

In the automotive sector, for example, the Group's second generation e-business services led to "Covisint," the world's largest digital marketplace, created by four of the industry's top manufacturers (GM, Ford, DaimlerChrysler and Renault/Nissan) to link them virtually to their many partners and suppliers. This online collaboration will provide greater speed, more choice, and safeguard innovation and quality, while ensuring the most competitive prices possible. Cap Gemini Ernst & Young was selected to develop this project in close cooperation with Oracle and Commerce One, two of the Group's best established alliance partners.



Turning to High Technology, Cap Gemini Ernst & Young's unique combination of strengths is much in evidence in the aeronautics sector. At Airbus Industrie, the Group has been instrumental in developing the APLS (Airbus On Line System) extranet, making it possible for airline companies to access a broad range of information – flight plans, specifications, service bulletins, spare-parts availability – securely and in real time.

This latest example illustrates how such high technology projects can translate into true competitive advantage both for Cap Gemini Ernst & Young's clients and, in turn, for their clients.

■ Life Sciences and Chemicals

Based on its strong industry know-how and on long-standing partnerships with many of the leading players in the field – Aventis, Basell Baxter and Elemica, to name just a few – the Life Sciences and Chemicals Global Sector Unit brings a very high value-added profile to its clients in this field.

The range of its related service offerings is also very strong: pharmaceutical CRM, Life Sciences R&D, Chemicals B2B marketplaces, process supply chain management, among others.

A Selection from the Service Offering

■ Customer Relationship Management (CRM)

The major goal of Cap Gemini Ernst & Young's CRM business is to help clients implement and optimize their own customer relationships.

These solutions apply to the areas of marketing, sales and customer service, with particular competencies in Real Time Marketing Automation, Contact Center Services, Sales Force Automation/Effectiveness, and Multi Channel Integration. They have brought the Group recognition as one of the world leaders in the field.

The Cap Gemini Ernst & Young approach includes a number of important differentiators: rapid needs diagnosis and solutions development through the Centric Group technology showcase, Advanced Development Centers (ADC) and Accelerated Solution Environments (ASE), and the new CRM IndexSM. This Index provides a comparative overview of several hundred American and European companies and where they stand on the critical issue of CRM.

In addition, the Group has forged outstanding alliance partnerships with leaders in the field, including Siebel, Nortel/Clarify, Oracle, Cisco, SAP, Broadvision, ATG and Exchange. Among the major agreements signed in 2000, particularly noteworthy are those with Alcatel and Walt Disney World.

■ Applications Management

It is a known fact that the costs of maintaining heavy, complex legacy systems is high and the skills needed to support them in short supply. Managing existing applications often monopolizes a company's time and resources and deflects it from its core business.

Credited with a 19 percent share of the European market*, Cap Gemini Ernst & Young has made AM one of its key offerings for several years. The Group has developed a framework, skills, resources and tools designed to provide its clients with permanent, high-quality, customized management of their legacy systems.

One of the key elements in this approach is a global network of Applications Management Service Centers. The AMSCs are centralized, multi-customer facilities which combine industrialization of AM-specific processes, mutualization of resources across AM contracts and automation of key processes and activities.

Clients thereby benefit from increased services reliability and flexibility. They can also engage Cap Gemini Ernst & Young in an ongoing partnership which goes beyond applications maintenance to include the development of new applications (e-business applications in particular).

Among several important contracts signed in 2000, the one negotiated with Mercedes Benz in the U.S. is especially noteworthy. Cap Gemini Ernst & Young is taking charge of the applications management for the client's Warranty/Service/Engineering division, replacing out-of-date technologies and implementing new warranty procedures.

■ DareStep – the interactive agency

Originally created to provide interactive services within the Business-to-Consumer (B2C) marketplace, DareStep currently employs more than 700 people ready and able to help clients create and build online user experiences.

DareStep is a distinct unit within Cap Gemini Ernst & Young, collaborating closely on a daily basis with the Strategy and Transformation, CRM and B2B Marketplace teams, while providing essential input to other service line, sector and regional teams wherever a creative approach to the user experience is required.

Key services include branding and interactive marketing strategies, based on a deep understanding of the key attractors to a client's online presence. In addition, DareStep is in the process of developing next-generation e-business services and concepts.

DareStep is becoming an increasingly valuable differentiator for the Group,

both in adding creative depth to its offerings, positioning it at the vanguard of e-business developments, building alliances with new emerging players and in attracting key personnel.

Among DareStep's many prominent clients: Ontario Power Group, Air France, De Bijenkorf, McGraw-Hill Companies, Toshiba, Farmers Insurance and Amplifon.

■ Strategy and Transformation

Among the perpetual changes facing large global companies is the recent challenge of the network economy, which is rapidly destabilizing their traditional markets and bringing new players into the field. These enterprises must be equipped to act quickly, flexibly, creatively and in ways heretofore unimaginable.

To help them achieve these goals, Cap Gemini Ernst & Young has designed six new service offerings devoted to strategic transformation and leading to the deployment of specific, adaptable solutions, in record time:

- ❑ *2nd generation e-business* helps companies select the best opportunities on offer within the net economy (e-commerce and m-commerce in particular);
- ❑ *Growth Works* targets and activates the growth levers available to a company to help it expand faster and better than its competitors;



- ❑ *Adaptive Organization* takes advantage of new types of intra- and extra-company collaboration (e-procurement, knowledge management, digital marketplaces, e-commerce, etc.);
- ❑ *Merger-in-a-Box* or how to achieve a successful merger in six months or less;
- ❑ *Collaborative Innovation* enables a company to organize and provide the tools and processes needed for innovation using Collaborative Design techniques;
- ❑ *Accelerated S&T* consists of procedures, methodologies and specific environments designed to speed up the decision-making process of management teams and help them prototype their chosen solutions within a few weeks.

■ Supply Chain Management

Supply chain strategy is now a boardroom issue since this area is frequently the single largest opportunity for increasing shareholder value. Today, many companies are initiating a comprehensive transformation program to create an "adaptive supply chain" built on a network-based technology foundation.

Cap Gemini Ernst & Young is a recognized global leader in supply chain consulting. The Group offers clients a suite of breakthrough services including Supply Chain Transformation, Sourcing & e-Procurement, Logistics & e-Fulfillment, and Adaptive Manufacturing. These offerings are built on a proprietary supply chain solution framework called Networked Value ChainSM (NVC), which incorporates the latest technologies and approaches.

■ B2B Marketplaces

One of the most dramatic business developments of 2000 – for Cap Gemini Ernst & Young and for virtually everyone else – was the explosion in the development of large-scale digital marketplaces. This phenomenon has implications for the ways in which many, if not most, large enterprises work, as it offers the potential for huge cost savings in the supply chain, more effective relationship building with clients, and a higher level of connectivity within the company's own workforce.

Cap Gemini Ernst & Young achieved an extraordinary breakthrough in this field during the year, developing more than 40 of the largest, most prestigious digital marketplace projects. Key factors in this success story include an extraordinarily broad range of capability, backed by a rich alliance ecosystem with the top players in the field (Oracle, Commerce One, Hewlett Packard, Vodafone, etc.), original and proven methodologies (e.g., Accelerated Solutions Environment or ASE, which enables clients involved in complex operations to speed up their decision-making cycle), and dedicated resources and solutions.

Projects carried out during 2000 include Covisint, the world's largest digital marketplace; Coface (integration of the @rating solution), and Elemica, the chemical industry's digital marketplace leader.

■ EEA / ERP

The ERP market has experienced exponential growth over the past decade, and industry analysts still consider this a market with great potential. According to their estimates, 70 percent of companies have yet to implement all of their management software applications.

In addition, organizations are looking for solutions to help them evolve into “collaborative” enterprises in the new economy – linked to their management, partners, suppliers and customers, online and in real-time. Cap Gemini Ernst & Young’s new EEA (Extended Enterprise Applications) solutions are the answer to these revised market conditions. EEA combines both a technical architecture and business process approach to using ERP as the backbone infrastructure.

In this way, EEA solutions extend clients’ existing or planned ERP systems, either by integrating with best-of-breed solutions (SAP with Siebel for CRM, for example; Oracle with i2 for Supply Chain Management), or by extending an ERP solution to include a full suite of applications (e.g., mySAP.com, Oracle’s e-business set; PeopleSoft 8; or J.D. Edwards OneWorld XE).

The cornerstone of the Cap Gemini Ernst & Young EEA solutions offering is E³ (Extended Enterprise Effectiveness), a diagnostic tool which provides a roadmap on how to get from ERP to e-business.

The EEA/ERP service line also offers traditional ERP services such as package evaluation and selection, program management, global or regional ERP implementation, change management, migrations and upgrades.

For all of these services, Cap Gemini Ernst & Young is the partner of choice among the world’s leading software vendors: SAP, Oracle, PeopleSoft and J.D. Edwards.

As a result of their professional expertise, their knowledge and experience in IT strategy formulation, operational processes, and implementation of the most advanced technologies, Cap Gemini Ernst & Young consultants play a major role in improving their clients’ performance. They help businesses to adapt to rapid developments in their markets by calling upon the vast resources of the Group to formulate strategy, transform organizations and develop skills and products.

*For further information:
www.cgey.com*

Consolidated Financial Statements

The summarized financial information presented below is extracted from the "2000 Financial Report"

Summarized consolidated statement of income for years ended December 31, 1998, 1999 and 2000

(in millions of euros)	1998	1999	2000
Operating Revenue	3 995	4 310	6 931
Operating Income	406	469	703
Net income before amortization of goodwill	218	294	453
Net Income	188	266	431
including dividends paid	58	78	149
Net Margin	4.8%	6.2%	6.2%
Earnings per share			
*Adjusted average number of shares	71 082 273	77 261 741	107 920 778
*Diluted earnings per share (in euros)	2.65	3.44	3.99

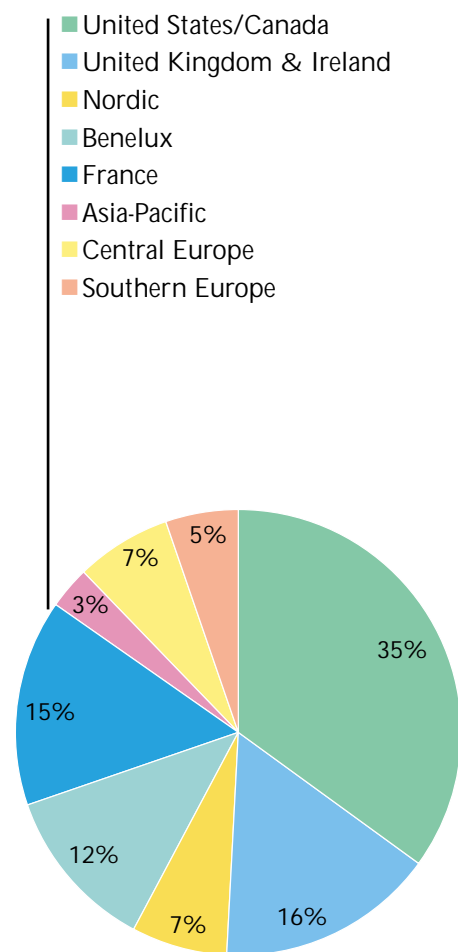
	1998	1999	2000
Number of employees			
Total number of employees as of December 31	38 341	39 626	59 549
Average number of employees	34 606	39 210	50 249

Summarized consolidated balance sheet as of December 31, 1998, 1999 and 2000

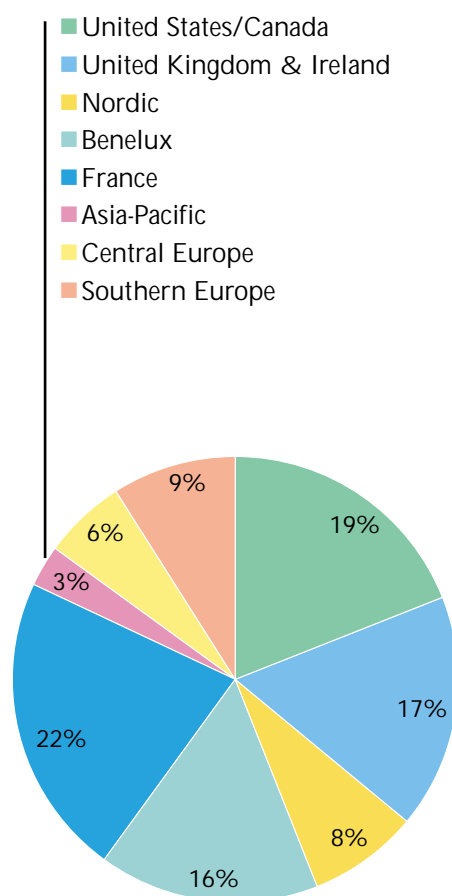
(in millions of euros)	1998	1999	2000
Assets			
Intangible assets	1 281	1 589	1 646
Other assets	342	361	545
Total non-current assets	1 623	1 950	2 191
Long-term deferred tax assets	53	86	786
Accounts and notes receivable (net)	941	1 063	2 312
Other current assets	1 131	932	1 456
Total assets	3 748	4 031	6 745
Liabilities and shareholders' equity			
Shareholders' equity, including minority interests	2 248	2 638	4 223
Long-term liabilities	332	322	302
Short-term liabilities	1 168	1 071	2 220
Total liabilities and shareholders' equity	3 748	4 031	6 745
Net debt	(577)	(508)	(849)

Activity Analysis

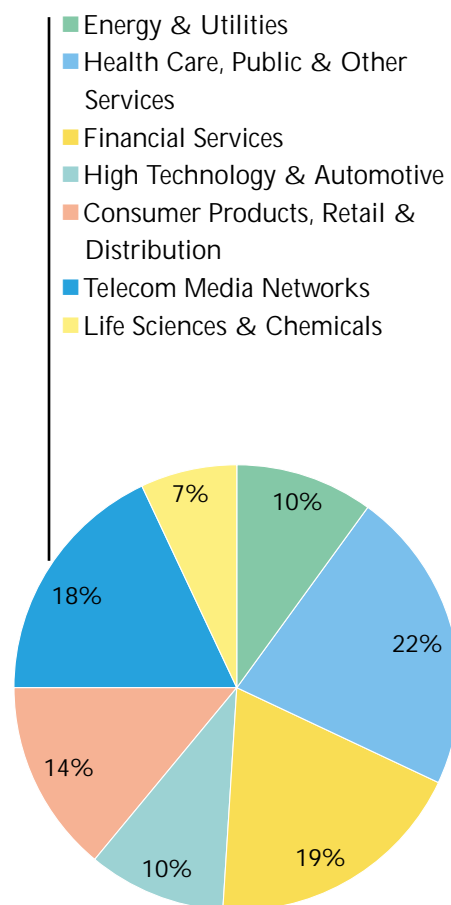
2000 pro forma revenue breakdown by region (all service lines combined)



Employee breakdown by region at December 31, 2000 (based on work-force of 59,549)



2000 pro forma revenue breakdown by sector





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