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Abstract: The 2008 EDS Securities Analysts' Meeting was held on Tuesday, 19 Feb 2008, from 9:00 a.m. ET until 12:30 p.m. ET at the Millennium Broadway Hotel in New York, NY. EDS' executive leadership team provided an update on 2008 financial and operational goals and initiatives, as well as the company's longer-term strategic, operational and financial goals and initiatives. This transcript covers Michael Coomer's regional update on Asia Pacific.


MICHAEL COOMER (EDS – EXECUTIVE VICE PRESIDENT, ASIA PACIFIC REGION AND GLOBAL FINANCIAL SERVICES INDUSTRY): Thanks, Bill, and good morning. Well, it's indeed a pleasure to be here today for my first presentation to the markets. There will be three components to this, this morning. One, I will give you an update on the Asia Pacific business itself, then I will provide a small update on Best Shoring and where we are at with that, and then finally talk about our investments in India with MphasiS and RelQ.

My predecessor, Joe Eazor, basically put together the Asia Pacific Region early in 2007, and this combined three component parts. One was A-N-Zed – still have not got around to calling it A-N-Z yet – India and Asia which includes Japan, and as you all know, this region is a huge IT services market embracing almost \$130 billion of IT services. And the number of employees that we have in that region is totaling 36,000 with almost 25,000 of those in India.

I guess a little bit of background and history to the region. This is one of the most dynamic markets in the world and we are all seeing and reading about that, and for those of you that have spent a considerable amount of time in the region, we know how difficult it is to provide an overview of something that's so vast and complex. First is Japan, which is the second largest IT services market in the world and, as we know, it has its unique characteristics. You also have ANZ or Australia and New Zealand which is a very mature market by Asian standards and mirrors many of the trends that we see here in the US. Then you get China and India which are growing at enormous rates, and every time we go there it looks different to us. And then in between that we have some of the smaller markets in Malaysia, Korea and Singapore.

And we also encounter every kind of opportunity and every kind of challenge that you see in emerging markets, and the competitive landscape is just as dynamic as the markets that we serve in EMEA and in the Americas, however, there are some nuances there that are quite interesting.

Firstly, we see in Japan and Korea where the markets have historically been closed, we see a significant number of local industries serving those markets, and we also see in China a proliferation of very small service companies that are competing for tiny parts of the pie. And interestingly enough, the Indian pure plays have not paid a lot of attention to the Indian domestic market or AP in general until recent times. Asia Pacific is also an extremely interesting place for our industry right now because of the huge developments in offshoring in the offshoring markets. And we have all talked at length about India and the impact the growth of India has on offshoring in general, and I'll talk a little bit more about that later. But I guess of more interest is that we are now seeing many other countries in that region arising as competitive alternatives to India for global delivery locations, and indeed, one industry analyst believes that six of the top ten favorable countries for global delivery are located in Asia Pacific.



Over the last few years, we have been growing at around 14% compound annual growth which is more than double the market growth rate, and we've had a strong embedded base in ANZ for quite some time which underpins the performance of the region, and we have seen very good growth of recent coming through India with our Mphasis investment and also in Japan. We've also had some strategic wins through the year, and Joe touched on one of those which is Commonwealth Bank of Australia where we won a re-compete there recently in applications, and we also won a significant re-compete around end-user computing. We received the award – sorry, a five-year extension. The Australian Tax Office ICT outsourcing contract, coupled with some interesting wins in China, with a Bank of China consulting project and helping a Malaysian bank do a merger with the Southern Bank of Berhad, so all in all, we are seeing some significant movement in the region.

What probably we're most proud of is the progressing of our Best Shore capabilities, as I said, which I'll talk about a little bit later, and a key highlight for the year was increasing our ownership in Mphasis to 61% by merging our existing Indian EDS assets. And as Charlie touched on, we finalized the procurement of RelQ last year, and RelQ will underpin our global testing organization going forward.


CBA is an interesting case study, and it sort of came through the presentations that we heard from Kevin and Bill and Jeff before, but CBA has been a longstanding client of ours in ANZ. And not only have we been able to retain that client through some significant benchmarking and re-competes, but we have also been able to extract some serious praise from their CIO who is a hard marker, but a fair one. And Michael Harte has said that EDS has continued to deliver world-class performance in terms of service delivery, and this point has underpinned, in my view, the ongoing relationship with Commonwealth Bank of Australia. Moreover, it underpins the drive to service excellence and the targets that the team, that I am privileged to lead in Asia Pac, to increase and improve our statistics in the area of service and quality. And it is our intention to continue to focus upon these throughout 2008, and some great results have been reflected particularly in thought leadership and in innovation. Indeed, an even higher percentage for innovation was achieved through our efforts in all parts of the region. And if we take a look at our outage metrics, we have been able to decrease Sev 1 incidents by 65% and Sev 2 by 63%.

It has been our intention to focus on just a small number of things in the region, and going forward that's not going to change. So principally in applications, as Charlie has spoken before, we believe that taking an industry-based approach to the marketplace will succeed and, as such, we are in the process of redeploying our organization to focus more on an aligning to an industry-based, go-to-market model. And we also have a very healthy base of applications maintenance business as a legacy, and we want to leverage this to move up the stack into application consulting and into the development space. And we also want to leverage our IP and our capabilities across the globe and bring those to Asia Pacific and strengthen our industry-based offerings across the region. In ITO we already have a very strong base of ITO business in ANZ, and we continue to leverage that and bring those capabilities into our partner countries. And finally, we will need to continue to focus on Best Shore, whether it be in India, China or any other location. Best Shore for us is not just labor arbitrage; it is about capability and location. And the great part of this strategy is not only can we help our clients build a better base for their businesses, but we can also help do it to ourselves.

So driving for growth and moving into higher margin applications business by creating greater operational efficiencies, as my peers have mentioned this morning, leveraging to a much greater degree our Best Shoring capabilities are going to lead to a greater improvement in our margin performance over the next three years. I will change gears now and start to talk a little bit about our Best Shoring initiatives.

In 2007, which was a great year in terms of milestones achieved throughout the year, Mphasis and EDS combined into one legal entity in the US and as such we integrated many of the functions and systems that underpin those businesses. We also saw significant growth and capability from increasing our headcount from 32,000 to 41,000 at the end of the year in high-quality, cost-competitive locations, and we saw the highest number of migrations throughout the year as well. We deployed into Wuhan and Cordoba. We launched our EDS Learning & Leadership Academy in Mangalore, India, which is now developed and producing a number of new recruits for our organization. And we also continue to leverage our college relationships right across India and China. And as Bill and Jeff touched on in AP, we have also integrated our supply chain from sales to delivery by merging EDS and Mphasis sales teams. And we have married domain expertise and process excellence to work movement and as a result in both cases, we have reengineered and acquired multiple clients to common processes as part of the migration to business movement functions in both China and India.

The EDS Best Shore strategy is designed to enable EDS to provide high-quality, cost-competitive solutions which can help our clients move from onshore, near-shore and offshore locations. And India remains at the forefront of our Best



Shore strategy with the largest number of EDS employees outside of the US. And we continue to invest in our global delivery systems and use the Best Shore strategy to complement that, and both Kevin and Charlie spoke about that at length.

Now, I would like to provide you a little bit more detail around MphasiS. MphasiS has become a critical component of not only our Best Shore strategy but EDS' strategy in and of itself. MphasiS has met or exceeded all of our expectations that we had when we made the acquisition. Revenues have increased significantly from \$333 million in 2006 to \$554 million in 2007. And at the same time, operating margin has improved from 11.6% to 12.4% through that period. And amazingly through that we have also increased headcount from 17,000 people to almost 26,000 people by the end of last year. Through the year we saw revenue increase by 110%, SG&A down by 190 basis points, and we have almost doubled headcount, as I pointed out before.

From an HR perspective, this business is scaling up very quickly, and it's absolutely vital that we continue to improve the bench strength of management in that organization, so there has been a constant re-rating and elevation of the capabilities of management through our HR processes. And then just after Christmas we were able to announce the appointment of our new chief executive officer of MphasiS, Mr. Jeya Kumar, who comes from the industry and is rightly deserved as a world-class IT services executive.

We have spoken a little bit about the go-to-market plans on a generic basis, however, it's important to touch a little bit on how we are going with the merging of our sales force, and we see this as a major, as a unique and differentiating factor for EDS. With the MphasiS sales and solutioning teams embedded into our sales forces in the US, EMEA and AP, we are seeing a rapid evolving capability called rapid sell/solution to Delivery. And EDS has always been at the forefront of innovation, and as such we follow a two-prong sales approach. The large RFP-driven, multi-stack deals will leverage existing EDS' selling strength complemented by our Best Shoring capabilities. And at the other end where we have for rapid sell cycle services we leverage the MphasiS sales force and complement them with our EDS capabilities that you have heard about this morning. And we firmly do believe that this uniquely positions EDS to compete and win in this marketplace, and we are seeing some of those results today.

So I do want to thank you for your time today, and I would like now to pass over to Ron Vargo.

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