



5400 Legacy Drive
Plano, Texas 75024

To Our Shareholders,

EDS emerged from 2004 a new company: stable, financially sound and positioned for growth.

Today, we are investing for growth and market leadership. Our company has a compelling technology vision built on a distinctive view of the marketplace. We have launched a differentiating technology plan that not only addresses current market dynamics, but is designed to help EDS and our clients stay ahead of the curve. Moreover, EDS is building this vision on a foundation of proven operational excellence that drives business impact now.

Business highlights

Last year was about fixing our business, and we made dramatic progress on many fronts.

We stabilized and improved our core business. We enhanced the profitability of our portfolio and improved overall competitiveness through a \$1 billion reduction of our cost structure.

We evolved a broader business footprint. Our acquisition of The Feld Group strengthens our information technology outsourcing (ITO) strategy with a full range of transformational services. Additionally, the recent formation of a jointly owned company with Towers Perrin, combining EDS' human resources (HR) outsourcing business with Towers Perrin's benefits administration services business, establishes us as a leader in HR outsourcing.

We strengthened our balance sheet. We ended the year with \$4.4 billion in liquidity. We bolstered our cash position, reduced our debt by nearly \$2 billion and further divested ourselves of non-core businesses.

We brought increased stability and productivity to the Navy Marine Corps Intranet (NMCI) account. We improved on overall execution, while advancing our prospects for better economics on the contract.

We entered 2005 with a strong operational base, supported by our best-in-class delivery capabilities, a solid management team, and financial resources to fund new business and invest for the future.

Engaging the strategic use of technology

Market forces are placing new demands on businesses and governments. Clients need more business value from their technology investments. We get it, and we're investing to help clients and EDS meet those demands and leapfrog the competition.

Among the many market forces in play, we believe:

Global commerce is here to stay. The ability to do business globally is imperative – whether a company operates in more than one region or country – or its supply chain passes through Taiwan, Germany and Mexico.

The explosion of technology is pushing demands on business to the "edge." The growing number of "always-on" devices – such as personal digital assistants (PDAs), mobile phones, toll tags and radio frequency identification (RFID) chips – is increasing the need for scale, speed and flexibility.

There is a shift in how work is done. As more usage begins to come in at the edge, it changes how products and services are bought and delivered – whether it's using a debit card to pay for a drink at a vending machine or a global positioning system that locates your car for emergency roadside assistance.

Business ecosystems will dominate. Most companies don't need to own everything – their supply chain is made up of many different companies that span the globe. Companies are removing inventories, warehouses and administrative support as they participate more in an overall business ecosystem.

Forty years of legacy systems can't participate. More and more enterprises will need help to unravel the hard-wired, rigid infrastructures resulting from 40 years of information technology sprawl. And they will need help from those who are experts in both the old and new technologies, and who know how to apply them to solve industry issues.

Businesses and governments, for their part, are asking technology service providers for:

- Ongoing cost-competitiveness, high-quality service delivery and the ability to drive real business value.
- Global consistency across all geographies because their businesses run in multiple regions or countries.
- Network reliability and embedded security to accommodate employees and customers on both sides of the firewall.
- Always-on resiliency so that their multipartner supply chains continue to deliver the products and services they need when they need them.
- Scalability and surge capacity to cover unexpected business peaks and provide access to an unprecedented number of users and edge devices.
- Deep business domain and industry knowledge to develop relevant business solutions.

Our strategic response: investing and partnering to win

In 2005 alone, EDS is investing \$1 billion in technology, infrastructure, new capabilities and competitiveness to meet client needs and emerging market demands.

The backbone of our technology strategy is the EDS Agile Enterprise Platform. It comprises a network-centric utility infrastructure that has at its core all of our data centers and people connected to a globally secure services grid.

Built on global standards, this advanced technology architecture will ensure our clients consistently receive the same high-quality service wherever they do business. New cost-competitive offerings based on this platform are being developed to help clients manage the proliferation of technology and increased demands on their systems.

We are joined in building this new platform by market-leading technology companies Cisco Systems, Dell, EMC, Microsoft, Oracle, SAP, Siebel, Sun Microsystems and Xerox. Named the EDS Agility Alliance, this federation combines the collective brainpower, research and development, and market reach of some of the world's top businesses in our industry.

Leveraging this standard delivery platform, we can provide clients a new level of business process outsourcing (BPO) services and further extend our business footprint. The new company we formed with Towers Perrin, ExcellerateHRO, also gives us new capabilities in HR outsourcing, the fastest growing segment of BPO. ExcellerateHRO begins with 400 clients and \$600 million in annual revenue.

Additionally, we will use our highly flexible technology foundation and global best practices to deliver innovative, industry-based solutions. These solutions maximize our infrastructure, applications and BPO offerings with an industry-specific focus. They meet our clients' issues head-on, enabling them to bring more value to their customers while reducing costs and improving business performance.

Beyond these moves, we are aligning our work force to address clients' business needs and ensure service delivery excellence. We are reskilling up to 20,000 of our technical professionals in 2005 as part of our plan to provide more than a million hours of training to employees across the globe.

Judging by the initial response, our new technology strategy has struck a resonant chord with our employees, industry analysts and clients.

Positioned for long-term growth and market leadership

EDS is ready to compete and win in the marketplace. The investments we are making this year are designed to position us for long-term growth and market leadership.

EDS got off to a strong start in 2005 with some important contract wins. Chief among them was a 10-year contract with the UK Ministry of Defence, which has a total budget in the region of £2.3 billion (about \$4 billion). This contract marks our single largest win since 2002 and strengthens our leading position in the UK government and defense markets. It also demonstrates our ability to leverage our in-depth experience and lessons learned on the NMCI account to win new business.

As one of only two truly global technology services companies, we believe EDS is better positioned than ever to provide businesses and governments the leverage and speed they need to move their operations into the 21st century.

At our very core, EDS is a services company. Our people are committed to operational excellence and delivering client results. We've proved that for the last four decades.

You can take confidence in the fact the past two years have been spent laying the foundation for future growth and profitability. We believe these investments will pay off in 2005 and beyond for our shareholders.

Sincerely,

A handwritten signature in black ink that reads "Michael H. Jordan". The signature is written in a cursive, flowing style.

Michael H. Jordan
Chairman and Chief Executive Officer