



5400 Legacy Drive
Plano, Texas 75024

To Our Shareholders,

By all accounts, 2005 was a successful year for EDS. Your company broke into stride, establishing a strong and competitive position in the marketplace. We reignited our sales engine, met key financial targets and continued deployment of our Agile Enterprise Platform with clients.

Last year's results marked a culmination of our "stabilize, fix and invest-to-grow" strategy. During the last few years, we moved EDS from a confederation of accounts to a more globally integrated company centered on its core business.

While EDS today is a force to contend with, we've only begun to demonstrate the power behind our technology vision and delivery capabilities – all underpinned by the steadfast commitment of EDS people to our clients' success. We will build on 2005's momentum, strengthening our ability to achieve market leadership.

Business Highlights

Our investment strategy has begun to pay off. In 2005, we:

- **Reignited our sales engine.** Total contract value of new business signings of \$20.1 billion reflected almost a doubling of our win rate over the prior year. We added nine \$100-million-plus, new-logo accounts, all contributing new revenue to the company. Existing and new clients clearly saw the value EDS delivers.
- **Strengthened our core operations.** We reduced operational complexity by increasing our use of standardized processes and building a consistent operating environment. Our standards-driven approach enabled us to develop and deliver high-quality services more consistently and efficiently.
- **Developed an advanced technology platform.** Our secure global service network, service delivery automation and legacy modernization help make our clients more competitive in a shifting world economy. EDS' Agility Alliance partners played a key role in driving innovative technology into our core offerings. Last year, we opened two Agility Alliance Development Centers in the United States to further that effort.
- **Further aligned our employees' skills to the marketplace.** EDS has embarked on a bold training and development initiative. More than 50,000 EDS employees upgraded their skills in 2005, completing nearly 2 million training hours. This action gives us a well-skilled, competitive work force to keep pace with changing market demands.
- **Solidified our relationship with General Motors (GM).** We transformed this important, 21-year client relationship by meeting challenging service targets and bringing compelling innovation to the table. These efforts paved the way to a \$3.8 billion contract win in 2006 that will further incorporate components of our Agile Enterprise foundation.

- **Continued momentum with the Navy.** The historic Navy Marine Corps Intranet (NMCI) account demonstrated improved operational and financial performance. The NMCI account has moved from a user of cash to a source of cash.
- **Extended our leadership in Medicaid.** EDS won new or add-on Medicaid business for a combined contract value of nearly \$800 million, including wins in six out of eight states. These wins brought our total state Medicaid contracts to 19.

We accomplished a lot last year – and in the previous two years – since we began transforming EDS. Our employees believe in EDS and what we can achieve. We gained renewed respect from clients, industry analysts and our competitors. Even with all this progress, we know we must move from being a good, respectable company to a great market leader.

Return to Growth

Our goal is to lead the industry we invented, delivering technology services that make our clients more competitive.

Our objectives are threefold: 1) Grow our infrastructure outsourcing business faster than the market rate; 2) Accelerate growth in our higher-margin business process outsourcing (BPO) and applications businesses; 3) Get back to the streamlined, disciplined approach that made EDS a powerhouse from the beginning.

EDS created the outsourcing services industry. It's what we're known for. While we've been successful at it, we can be more profitable. We're investing in technology to make our infrastructure outsourcing business less capital intensive and to give our clients real-time control over every aspect of their businesses.

The applications market is growing and is projected to accelerate in the next two years. EDS will build on its significant delivery capabilities in this area and move toward higher-end modernization and transformation projects. To this end, we are engaging a new global delivery model that aligns the best of our industry and functional expertise and more aggressively leverages offshore capabilities. Our objective is to develop globally linked centers of expertise and transform our clients' legacy systems so they can respond quickly and efficiently to changing market conditions.

We continue to expand our BPO capabilities since forming ExcellerateHRO early last year. We plan to grow the BPO portion of our portfolio to become a greater percentage of our business mix and focus our energies on turning a strong pipeline into a market-leading position.

We are consolidating our applications, vertical industry and business process expertise into one central resource. This move will accelerate our growth in the higher-end business performance services market. We will use this combined expertise to help our clients improve their overall performance and serve their customers better.

We also realigned our management structure to drive change throughout our business operations. The Office of the Chief Operating Officer links our Sales and Delivery teams to provide the best client solutions through a more streamlined, disciplined organization. Our goal is to harness the collective capabilities of a fully unified EDS.

Signs of Greatness

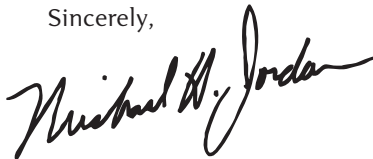
Last year signaled EDS was back in the game. In 2006, we will step up our efforts to grow the business.

Already, we've kicked off 2006 with some very important strategic wins. Most notable among them – and a telling symbol of the new EDS – was our multibillion-dollar contract with GM. We garnered approximately 70 percent of the GM business we pursued, with a total contract value of about \$3.8 billion over five years. When added to the business that was not part of this recompetes, we can expect \$1.2 billion to \$1.4 billion in annualized revenue from GM over the next five years.

The GM win is a strong endorsement of our technology strategy and our commitment to the highest levels of quality service. Based on EDS' Agile Enterprise foundation, we designed an innovative approach to support GM's vision for a new IT sourcing model. Our work with GM to establish global standardized processes will help reduce costs and continue to improve GM's world-class capabilities. What's more, these investments can be leveraged across EDS, positioning us well with other large global clients.

Our technology vision is gaining real traction. EDS is truly reinventing itself and – we believe – the industry we created. The new EDS will be a more dynamic company capable of delivering sustained value to its clients and 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