
SERGE GODIN

Founder and Executive Chairman of the Board

MICHAEL E. ROACH

President and Chief Executive Officer

— We are...
talking one on one



Serge Godin, Founder and Executive Chairman, and Michael E. Roach, President and CEO, candidly discuss the successes and challenges of 2006 as well as CGI's future, its business model and its profitable growth strategy.

2006 was a year of preparation for the Company to enter into its next stage of evolution. Thirty years after first dreaming of *"creating an environment in which members enjoy working together and, as owners, contribute to building a company they can be proud of,"* CGI has grown from Founders Serge Godin and André Imbeau in a basement to a global enterprise. That journey took the growing company across Canada, then to the United States, Europe, Australia and India. Today, Serge and André's dream lives on in all 25,000 CGI members.

SERGE GODIN, FOUNDER AND EXECUTIVE CHAIRMAN We're very proud of our people's accomplishments over the past 30 years, and what really gets us excited is what's in store for the next 30 years. We are always building toward a better future, while continuing to ensure the highest quality. It's a journey for everyone involved. And when you're growing, it's stimulating!

Throughout the history of CGI, within every decade, there have been periods where we needed to catch our breath following

times of rapid growth. Fiscal 2006 was the third such period of repositioning CGI for the next wave of profitable growth.

MICHAEL E. ROACH, PRESIDENT AND CEO When you look at our performance over time, you quickly realize that during the past decade, our Company has profitably grown more than 30 times in size, from revenue of about \$100 million in fiscal 1996 to \$3.5 billion in 2006.

In 2006, while strengthening our strategy for the next decade of growth, we faced two headwinds which required swift action. One was the continued strengthening of the Canadian dollar, which impacted our revenue by more than \$100 million. The other was the reduction in BCE spending, which was more than \$115 million below fiscal 2005 levels. In response, we immediately announced a competitive position strengthening program in the second quarter, intended on improving our utilization rates associated with the BCE account, accelerating the rollout of our global delivery model and gradually returning our margins to their historical industry-leading averages. As part of this plan, we also introduced our full offering strategy which is focused on generating profitable growth. In each of these areas, we've achieved significant improvements.

Leadership

S.G. Consistent, strong leadership is a major factor to success in the services business. This year's organizational adjustments were about just that. In addition, over the 30-year history of the Company, as CGI grew, I found that I had less time to develop client relationships. I believe my time is best spent with clients, helping them to transform their business. Today, three-quarters of my time is once again spent doing that — working directly with clients and with our internal teams.

Mike and I have been working together since 1998, so rebalancing our responsibilities was simple to plan and the new structure is working extremely well.

M.E.R. As with any company, the consistency of leadership is vital to CGI's strength and stability. André's move into the Executive Vice-Chairman position is in line with this consistency. He assumed our Corporate Secretary responsibilities as well as the relationships with some very large clients. David Anderson was then appointed Executive Vice-President and CFO. David's

experience and respect inside CGI made him a natural addition to our leadership. Together, as the Executive Committee, Serge, André, David and I are working closely together to continue to build CGI.

S.G. When you engage in a business transaction, people want to know that the person they're shaking hands with is going to be there throughout the life of the contract. I've been here since day one, and I can tell you it's been very consistent — we've had one of the lowest turnover rates in the industry and our members are extremely loyal to clients, to CGI and to our dream. That is a huge differentiator. Decision makers look for substance and for high-quality delivery from a partner they trust and that can help them win and grow. In my experience, it is this combination of substance and trust which leads to success in the services business.

Financials

M.E.R. Our financial position remains strong. In fiscal 2006, we generated \$3.5 billion in revenue and more than \$300 million in cash. Our earnings per share from continuing operations before \$67 million in restructuring costs were 53 cents.

In addition, our operating margins were continuing to expand throughout fiscal 2006, reaching 10.8% in the last quarter of 2006. Even after higher year-over-year interest expense, our net earnings margin before restructuring costs for this period approached historical highs and we continue to pursue other initiatives to further improve our bottom line.

It is this consistent financial strength that facilitated the purchase of 100 million shares in fiscal 2006, as the result of our pursuing the removal of the overhang caused by the BCE ownership position. Today, Bell no longer has an ownership position in CGI but they remain an important client and we are very pleased that our contract with them was extended out to 2016. In addition, as part of our normal course issuer bid, we bought 8.4 million shares during fiscal 2006. In total, we bought and cancelled nearly 25% of our outstanding shares.

S.G. On balance, we've retained the flexibility to continue pursuing our buy and build strategy. Buying back our own stock is just one of the tools in our financial toolbox. For example, our long-term debt was reduced by \$174 million from its peak during the course

of the year. Our main objective is financial flexibility, so as not to miss any strategic outsourcing or acquisition opportunity. More importantly, we're generating solid cash flow, which will continue to serve as the preferred currency for growth.

Globalization and CGI's competitive edge

M.E.R. I firmly believe we have many unique and competitive advantages that matter to clients. First, we stay very close to our clients because, as Serge said, relationships are key. That's why our model is based on client proximity. Two, we've built a reputation for delivering the highest quality services—and quality equals more work. Three, our people are a huge differentiator. The loyalty of our people ensures continuity of knowledge and this Company has been built on people sharing the wealth and value that's been created. Well over 85% of our people are shareholders and we believe that this type of commitment differentiates CGI in the services business.

S.G. Globalization brings tremendous growth opportunities. Our opportunity is to bring efficiencies and increased services to our clients, helping them win and grow in this new environment, while continuing to profitably grow this fantastic company. How do we do that? By using technology and business process services to help our clients transform their companies into world-class leaders and, at the same time, by realizing significant synergies. At CGI, we have developed a very broad pool of talented people, including subject matter experts (SME) specialized in business transformation.

M.E.R. I agree that globalization presents CGI with new markets and services our clients can leverage. What true global contenders need to compete is a strong local presence combined with a *blended shore* delivery offering. Globalization isn't only about labor arbitrage. It is very important to remember that more value is being lost due to poor project management than will ever be gained by labor arbitrage. Globalization is about managing the best technology and brightest talent from around the world and delivering it to anywhere in the client's world. That's true global delivery.

In addition to expanding our strong local presence in more than 100 communities throughout 16 countries, we continued to build out our global delivery centers. For example, we populated new delivery centers in Prince Edward Island, Canada, and southwest Virginia, U.S., to complement the addition of new members in India, where we plan to move into a new facility during fiscal 2007 that will have capacity for up to 5,000 members.

S.G. Globalization drives business and government to transform themselves and to reduce cost while investing in IT to increase productivity and competitiveness. More and more, they will opt for a shared services concept to realize important synergies. The form of commercial shared services with the most value creation is outsourcing or managed services. For CGI, outsourcing is simply a form of shared services for the benefit of our clients. Regardless of market fluctuations, the fundamental demand for IT services remains strong, and we are well positioned to continue to profitably grow our business, community by community. You just can't run a government or a company without investing heavily in information technology. This bodes well for our members, our clients and our shareholders.

M.E.R. Our number one focus is on stimulating profitable revenue growth and that's why, in 2006, we began implementing our full offering strategy.

Across the Company, we've identified new and existing clients where the strategy is to ensure that they're aware of our full offering. Our goal is to see them take advantage of our business transformation capabilities and benefit from our rich portfolio of state-of-the-art technologies, practices and solutions.

We are managing this program with the same discipline and dedication we've demonstrated in managing our other successful initiatives. Over time, we expect tangible results, which drive profitable growth. We're already seeing early successes, as witnessed by the number of recent renewals, many of which were signed ahead of schedule.

Growth: profitably doubling the size of CGI over 3-5 years

S.G. Demand and spending continues to increase for all types of IT and BPS services across all of our geographic markets. In this context, our leaders from all around the world have together embraced the goal of profitably doubling our size within 3 to 5 years.

Systems integration and consulting work is expected to continue growing at mid-to-high single digit rates over the next few years. And according to a 2006 study we commissioned the research firm IDC to conduct, 13% of all Fortune 2000 companies plan to outsource their IT functions within 3 years. That is a huge opportunity for CGI when we look at our potential market as being defined in trillions of dollars.

Since critical mass is a key success factor in qualifying for large systems integration or outsourcing contracts, we actively review potential acquisition targets in all of our selected metro markets in a way that will match our clients' expansion plans, both locally and around the world.

M.E.R. CGI will continue to successfully pursue its growth using all four of our pillars—two pillars focused on driving organic growth, and two that drive growth through acquisition. This very consistent strategy has served us well. Over the course of the last decade, our growth has been a balanced 50-50 blend of organic growth and acquisition.

The main organic growth driver remains large outsourcing contracts, both in IT and business process services. Our full offering strategy is meant primarily to continue increasing revenues from outsourcing contracts already in place, and from new systems integration and consulting contracts.

We want to continue earning new clients and new business with existing clients. That's why we go to work every day. In 2006, we scored an average of 8.8 out of 10 client satisfaction rating based on 2,000 client interviews. Our highest scoring area was customer loyalty—in other words, clients say they will continue to use and recommend CGI's services to others—an essential ingredient in the services business.

Our members

M.E.R. Over the long haul, success won't be solely defined by the demand for services, but also by our ability to deliver the required talent. So we focus on that side of the equation as we continue to profitably grow.

Although we come from all over the world, we're united by one corporate culture. From a practical standpoint, CGI is really a consulting company that covers everything from A to Z. Which means we've not only mastered the technologies, but we also have expertise in business transformation strategies. By the time we sit down with a decision maker, we've already crafted a white paper that addresses that company's challenges in its industry.

There really are very few global players offering the full end-to-end spectrum of services—maybe six in total. From a quality standpoint, we're the only company with an offering this wide that's fully ISO 9001 certified. I'm talking about every process, every operation and every relationship. We're certified for the management of our relationships with clients, with our people and with our shareholders. We're certified on every aspect of delivery and execution. This is clearly a differentiator in the global marketplace.

S.G. CGI was founded on the principle of seeking fair balance among the interests of our clients, our members and our shareholders. The way we do business is as vital as achieving our business objectives. They're of equal importance. At CGI, we have always understood—and *valued*—the link between sound, ethical business practices and the creation of shareholder value for the long-term. In the information technology business, one needs to be very aware of the short-term pressures but never lose sight of the long-term growth opportunities.

[signed]

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[signed]

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