

■ Market segment dynamics

The French market for IT services has experienced a sustained level of activity over the past few months. IT services represented more than 26% of total IT-related expenditures in 2005, i.e. more than 18 billion euros. Consulting, technology consulting and computer facilities management are the main forces behind this increase. In addition, there is a strong increase in engineering and integration of systems. Finance, the public sector and telecommunications appear as the most important client sectors. Globally, the "software & services" sector (which employs 80% of executives) is among the sectors with the highest rate of job creation in France, particularly for qualified jobs: 50% of staff recruited in 2006 have 5 years of university studies, and 23% of the engineers in France are absorbed by the sector. Some 40,000 recruitments should take place in 2006, with 10,000 net jobs created.

With several companies of French origin among the top 20 IT services companies worldwide, France has, in particular, two top leaders: CapGemini and Atos Origin. Other companies such as Stéria, Unilog, Sopra, etc. have become benchmarks, and their creations do much to enhance the image of France throughout the world. Thanks to the dynamics of generations of founders and teams of top-notch professionals, France is the only European country where domestic companies have maintained a significant market share. According to Pierre Audouin Consultants, French SSII's still control 68% of their domestic market. The large foreign players (IBM Global Services and Microsoft, in particular) also have a very strong presence.

■ France's attractiveness

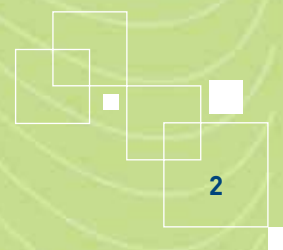
Technological advantages, with the presence in France of international champions in their sector of activity: CapGemini, Atos Origin, Stéria, Unilog (acquired by Logica GMC in 2005), Sopra, etc. have become true benchmarks, and their creations do much to enhance the image of France.

An important market: the structuring presence of large accounts is an important opportunity for companies offering IT services. The solutions adopted by these clients are "internationalizable" and can act as active references, which are useful for recruiting clients, in particular foreign ones ("reference effect"). Many managers now include outsourcing in the management of their companies. In addition, small and mid-sized companies are increasingly interested in this type of service and represent enormous market potential in France.

Scientific (public research centers) and intellectual (engineering schools and universities) advantages: in particular INRIA or CEA-LIST and the schools and laboratories of the GET (Group of Telecommunication Schools).

Excellence clusters with worldwide visibility in computer sciences set up around private and public research centers, leading technological companies, innovative small and mid-sized companies, and training centers. The System@tic cluster in Ile de France, for example, focuses on complex systems, and many centers registered in 2005 are based on strong skills in computer science.

The strategic character of R&D and innovation in the IT sector has led France to strengthen its support policies and implement ambitious programs whose purpose is to encourage cooperation between industrial companies and public research laboratories. In addition to the support of the AII (Agency for Industrial Innovation) or tax measures such as the CIR (Corporate Tax Credit for



Research Expenses), several domestic programs by MINEFI (Ministry of Economy and Finances) and ANR (National Research Agency) are designed to support the development of such collaborations: competitiveness clusters/FCE, strategic R&D, EUREKA ITEA, CAP'TRONIC, National Software Technologies Network (RNTL).

■ International players in France

- French Success Story: Atos Origin is one of the main international players in the field of IT services. Present in 40 countries around the world, Atos Origin generates annual turnover of more than 5.5 billion euros, with a staff of more than 47,000 people. In France, it controls several subsidiaries: Atos Origin Infogérance (sales of 436 million euros in 2005), Atos Worldline (sales of 294 million euros), Atos Origin Intégration (sales of 596 million euros in 2005), Atos Euronext SBF (sales of 230 million euros), and Atos Télépilotage Informatique (sales of 40.5 million euros). Atos Origin manages more than 30 sites in France with a staff of 16,000 employees. More than 2,000 people were recruited in 2006.

- Foreign Success Story: Infosys: "Our activities in Europe have been marked by very strong growth these past few years. Today, they account for 25% of our sales as compared to 9% six years ago", the CEO of the Indian SSII, Nandan Nilekani, recently underlined on a visit to Paris. This increase is based on a combination of "near-shore" and off-shore centers. In France, Infosys has about one hundred employees, plus 250 employees working in India for the French subsidiary. The company serves clients such as Areva, Alstom, Air Liquide, PSA, BNP-Paribas, and AXA.

Sources: Syntec Informatique, DGE, Press, etc.