Capgemini

CONSULTING.TECHNOLOGY.OUTSOURCING

REFERENCE DOCUMENT

Volodia Popov

2004

ANNUAL REPORT

CONTENTS

01 Financial highlights

02 The Capgemini Group

27 Management report

37 Report of the Chairman of the Board of Directors

48 Group Consolidated Financial Statements

89 Cap Gemini S.A. Summarized Financial Statements

98 Text of the draft resolutions

104 Other information

123 Checklist

The English language version of this annual report is a free translation from the original French version. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinions expressed therin, the original language version of the French document takes precedence over this translation.

BOARD OF DIRECTORS

Serge Kampf
CHAIRMAN

Ernest-Antoine Seillière
VICE-CHAIRMAN

Christian Blanc

Yann Delabrière

Jean-René Fourtou

Paul Hermelin
CHIEF EXECUTIVE OFFICER

Michel Jalabert

Phil Laskawy

Ruud van Ommeren

Terry Ozan

Bruno Roger

NON-VOTING DIRECTORS "CENSEURS"

Pierre Hessler
Geoff Unwin

STATUTORY AUDITORS

PricewaterhouseCoopers AUDIT
represented by Bernard Rascle

KPMG S.A.
represented by Jean-Luc Decornoy
and Frédéric Quélin

FINANCIAL HIGHLIGHTS

in millions of euros	Consolidated financial statements				
	2000	**2001**	**2002**	**2003** (*)	**2004**
OPERATING REVENUE	**6,931**	**8,416**	**7,047**	**5,754**	**6,291**
OPERATING EXPENSES	6,228	7,993	6,933	5,599	6,233
OPERATING INCOME					
Amount	**703**	**423**	**114**	**155**	**58**
%	10.1%	5.0%	1.6%	2.7%	0.9%
NET INCOME/(LOSS)	**431**	**152**	**(514)**	**(197)**	**(359)**
Total dividend (net)	149	50	-	-	-
NET MARGIN	6.2%	1.8%	(7.3%)	(3.4%)	(5.7%)
EARNINGS/(LOSS) PER SHARE					
Adjusted average number of shares	107,920,778	127,514,674	126,727,668	126,344,504	132,967,504
Diluted net income/(loss) per share in euros	3.99	1.20	(4.10)	(1.57)	(2.73)
NET CASH AND CASH EQUIVALENTS as of December 31	**849**	**698**	**465**	**266**	**402**
TOTAL NUMBER OF EMPLOYEES as of December 31	59,549	57,760	52,683	55,576	59,324

(*) Since December 31, 2003 the Group has had a 93.32% interest in Transiciel. As Transiciel was fully consolidated on December 31, 2003, its financial statements only affect the consolidated balance sheets for the year ended December 31, 2003 but do not impact the Group's consolidated income statements as of that date.

THE CAPGEMINI GROUP

I – BACKGROUND

Founded by Serge Kampf in Grenoble in 1967, Capgemini has become one of the worldwide leaders in the IT services and consulting industry, thanks to the internationalisation and the diversification of its business that combined external and internal growth.

The Group progressively expanded in Europe, notably with the acquisition of Data Logic in Scandinavia, of Hoskyns in the United Kingdom (1990) and the one of Volmac in Netherlands (1992). At the same time, Capgemini also developed a management consulting business through the acquisition of US based companies in the early 90's (United Research, Mac Group), followed by Gruber Titze & Partners in Germany (1993) then Bossard in France (1997).

More recently, the acquisition of Ernst & Young Consulting (2000) strengthened the international profile of the Group by increasing significantly its presence in North America and some European countries.

Over the last three years, which proved to be particularly difficult for the IT services market, the Group felt the need to re-balance its portfolio towards two of its businesses : local professional services and outsourcing.

The acquisition of Transiciel at the end of 2003 resulted into doubling the size of the local professional services segment which were grouped together in 2001 within Sogeti. Today Sogeti-Transiciel contributes 15% to the Group's total revenue and is the European leader in this market, while pursuing its development in the United Sates.

In the outsourcing space, the Group's effort to build a significant presence in Europe and North America started to bear fruits in 2004. Following the Aspire contract signed at the end of 2003 with the British tax administration, which started early 2004, Capgemini signed a 10 years 3,5 billion US dollars contracts with the US-based group TXU in May 2004 in the Energy sector. In November 2004, the Group also signed a 10 years contract for a total value of 1.6 billion euros with the French group Schneider Electric

The Group's profile has thus been significantly reshaped in a few years time, showing its ability to face the new challenges if the IT services and consulting industry.

II – BUSINESS

Market environment

In the fragmented and heterogeneous IT services and consulting industry, Capgemini ranks n°5 behind IBM Global Services, which is n°1 with a market share close to 8% worldwide, EDS, Accenture and HP Services *(source : IDC 2003 ranking)*.

Capgemini is thus one of the very few global players in this industry thanks to its global geographic reach as well as its wide range of offerings, with four businesses covering most of customers' needs : consulting, systems integration, outsourcing and local services.

Since a few years, new players have significantly increased their presence in some segments of the IT services market, notably in the software development area. Based in low cost countries – in particular India – they have become active worldwide, leading the traditional players to adapt both their services offerings and delivery methods. Capgemini has developed a "Rightshore" approach with both off-shore capabilities (including 2,000 people in India at the end of 2004) and near-shore resources (such as Poland, Spain).

Capgemini is one of the world's leading consulting, information technology and outsourcing companies.

Operating in over 30 countries, Capgemini helps clients to innovate, transform themselves and become more competitive. To fulfill this mission, Capgemini possesses a vast range of capabilities and the ability to deliver them consistently. It works with clients to craft new directions, turn them into business reality and make the best use of information technology. On their behalf, it also manages their business processes and technology infrastructure. Its most precious expertise is to bring together business, technology and operational skills and so provide truly integrated services.

As a worldwide services only company, Capgemini is a people company – 59,324 people by the end of 2004. Their infinitely varied skills and competencies are grouped, besides management and support roles, into four major professions or disciplines. Each of these is specialized to respond to a specific set of client needs. It recruits, trains and develops the people it needs. It is governed by its specific economic rules, and managed with its own profit and loss responsibility. Yet within the Group's highly flexible, client-focused business approach, with its shared values, principles and management systems, all of these capabilities can be mobilized across the disciplines to deal with even the largest and most complex client situations and requirements.

The **four disciplines** are:

- **Consulting Services:** providing management consulting capabilities designed to improve performance of client companies through in-depth knowledge of their business and processes.
- **Technology Services:** planning, designing, managing, developing and integrating major information technology systems and applications.
- **Outsourcing Services** covers both infrastructure and business process outsourcing (BPO): managing client processes, applications and technology.
- **Local Professional Services:** providing proximity it support and know-how.

Consulting Services and Technology Services are organized according to geography, and networked globally to share best practices and mobilize resources. Outsourcing and Local Professional Services are both global organizations, with strong local presences.

To make sure the capabilities of the disciplines meet market needs, Capgemini develops the best possible intelligence of its clients' activities in their respective sectors. It also tailors skills and competencies to provide the right responses to their sector specific requirements.

Because client satisfaction is an overriding priority for the Group, all the services it provides are measured according to a standard known as OTACE ("On Time and Above Clients' Expectations").

This presentation of Capgemini's activities covers the disciplines and gives an overview of recent market and Group developments for the main industry sectors.

III – CAPGEMINI'S DISCIPLINES

3.1. Consulting Services (CS)

In the stabilized market of 2004, clients continued to expect a high level of content and specialization, delivering tangible benefits. While growth only came back in the fourth quarter, the year saw good progress in operational profitability.

The Consulting Services discipline has benefited from earlier investments in capabilities, notably through specialized training, and in offerings. The different domains within the discipline (transformation consulting, customer relationship management, supply chain, finance and employee transformation) have pushed this specialization further. Supply chain, for example, maintains an end-to-end view, but specializes in procurement, transportation management and demand planning.

While business management consulting remains the mainstay of the discipline, technology management consulting is growing in importance. Clients making large investments in information management want to be sure that their IT strategies are well in tune with their business goals. By placing high level technologists in its consulting operations, Capgemini ensures that its immense practical experience in all forms of information technology is intimately connected to business issues.

In the coming year, many clients will once again focus on revenue growth, while still insisting on clear bottom line improvement. Consulting Services will launch new offerings for top line growth and for improved product lifecycle management. New types of shared services, developed in close cooperation with sister disciplines, will help improve client productivity and pave the way for business process outsourcing.

3.2. Technology Services (TS)

Following several extraordinarily difficult years of weak markets and price pressures, the first half of 2004 brought more of the same. In the second half, however, Technology Services succeeded in stabilizing revenue, returning to operational profit and building morale.

Stabilized prices, a higher utilization rate and lower costs did not happen by accident. Besides many operational improvements, TS concentrated on a few essential fields such as enterprise-wide platforms, notably SAP, and business intelligence applications. It provided industry-specific offerings in four selected industries – a sure way to differentiate and provide more value, which then translates into better prices. To give one example: Extended Retail Services based on radio-frequency identification technologies (RFID) have already been selected by some twenty clients, while a more systematic use of "Rightshore"™ delivery helped reduce delivery costs.

In 2005, with markets improving in most countries, Capgemini expects the lower costs of technology development and an increase in growth-related investment to generate higher demand for technology projects. Technology Services (systems integration, IT applications) will also benefit from ties to other disciplines as, for example, business transformation programs call for an IT systems overhaul; technical transformation is the way to draw maximum advantadge from outsourcing. The trends observed during the second half of 2004 bode well for a continuing turnaround.

3.3. Outsourcing Services (OS)

In 2004, Capgemini grouped most European outsourcing activities into a single international organization with full profit and loss responsibility – and the benefits of this change are already obvious as the Group has become one of the world leaders in this field.

During the year, the unit known as Outsourcing Europe managed large deals more effectively, with a stronger focus on early deal profitability. Capabilities were optimized across borders and computing centers now use common practices, an approach that has reduced the number of software tools in use by 75 percent in one year.
Even more importantly, the single organization brought a sharper focus to the Group's outsourcing strategy. Higher margin services, like Applications Management and Business Process Outsourcing, now make up three quarters of the sales funnel. The various services are grouped in offerings driving innovation and client value, such as mobility or security. Major outsourcing contracts can be the basis for building platforms with deep competencies in specific market segments.

Entering 2005, this outsourcing organization is becoming truly global through the integration of the North American operations. One set of methods and standards will now drive Capgemini's outsourcing centers and service offers worldwide. Large opportunities can be selected based on the Group's – rather than an individual country's – priorities and strengths. The emphasis will be on transformational outsourcing which unites the sector and transformational expertise of Consulting Services and the advanced competencies of Technology Services within the framework of an efficient global outsourcing capability – a real Capgemini trump card.

3.4. Local Professional Services (LPS)

From January 2002, Local Professional Services have been provided by one global entity, Sogeti, operating through national subsidiaries. After the acquisition of Transiciel by Capgemini at the end of 2003, the operational merger leading to the creation of Sogeti-Transiciel was completed during the first half of 2004 – creating a 15,000-person powerhouse in nine countries (Belgium, France, Germany, Luxembourg, the Netherlands, Spain, Sweden, Switzerland and the United States).

In the second half of 2004, Sogeti-Transiciel grew at twice the speed of a recovering market in some countries. This momentum is fueling the 2005 ambition to achieve double digit growth, coupled with an increase in operational profitability.

The business is focused on three areas: infrastructure services (management of client infrastructures at the client's location), application services, and engineering services (high technology consulting). These services cover small- and mid-sized projects, provision of expertise and specific forms of outsourcing. **Clients are offered strong individual know-how**, with specific areas of **collective expertise** such as testing, security and systems management.

The organization is simple, clear and stable – branches are operated on an entrepreneurial basis, defining their own formula for business success, while line management ensures proper transfer of know-how and a solid sense of belonging. The whole approach builds on a strong emphasis on client satisfaction, enabling Sogeti-Transiciel to beat its competitors in many published industry rankings.

In 2005, while pursuing its general development in quality proximity services, Sogeti-Transiciel will take such major steps as the international development of its high technology services – providing not only engineering manpower and know-how for the industry, but also the outsourcing of specialized research and development functions.

IV – CAPGEMINI'S MARKETS

The Group's services are normally delivered in an industry context, with offers tailored to clients' exact needs, and often integrating capabilities from different disciplines. An overview of the main industries served by Capgemini helps understand the Group's activities.

In the **public sector**, public administrations are transforming themselves to become efficient, low cost service providers, and Capgemini intends to be their partner of choice. As a result, the public sector's weight in the Group's business has expanded in the last few years and for 2004 reached 15 percent.

In 2005, it is expected that public administrations will keep pushing vigorously for improved services and higher efficiency, but also face new challenges, like a growing focus on public security. Budget constraints in information management will be met through outsourcing in a wider range of countries, the growing use of civilian technologies by defense departments, and increased emphasis on offshore development, previously a taboo subject in many countries.

The **manufacturing, retail and distribution sector** represents about a third of the Group's business. It contributed half of European outsourcing bookings in 2004. Business Process Outsourcing is coming of age in manufacturing and life sciences, while the movement toward enterprise-wide applications and data management has resumed, with more new large projects than in recent years.

Apart from these general trends, each segment addresses specific client issues and opportunities. In retail and consumer products, for example, Capgemini is helping companies unlock the benefits of new enabling technologies, such as global data synchronization, radio frequency identification, mobility and in-store customer interaction. In life sciences, the emphasis is now on product lifecycle management, the fight against counterfeiting, quality management and the continuing transformation of research and development.

In 2005, work with partners in sector specific uses of their applications will contribute to growth in this sector. In China, Capgemini grows by supporting large firms to expand in the country, and by helping Chinese companies internationalize.

2004 was a great year for Capgemini in the **energy, utilities and chemicals sector.** TXU Corp. engaged in a major partnership with the Group which, together with earlier Canadian outsourcing deals, creates a powerful platform of competencies and capabilities for utilities in North America. The outsourcing of the whole "meter to cash" process sets utilities free to concentrate on their core businesses, making it easier for them to compete successfully in a deregulated marketplace.
In Europe, Capgemini has taken advantage of the July 1, 2004, opening of markets to expand its services, thus enabling its clients to comply with new legislation and be successful in this increasingly competitive environment.

For oil companies, the Group has reinforced its position in lubricants and in functions such as client relationship and human resources management.

In 2005, these favorable developments should continue, with an increased flow of know-how across the Atlantic.

In the **financial services sector,** clients have returned to strong and sustainable profitability and are focusing on revenue growth again. They are accelerating the launch of new products and services, investing in customer relationship applications, and pursuing acquisitions. They are also devoting more resources to compliance with new regulations – such as Basel II for banks, Solvency II for insurance companies, Sarbanes/Oxley for anti-money laundering provisions.
In this context, the Group has enriched its offerings in the fields of risk and compliance, and retail insurance, while reinforcing its leading edge position in wealth management, retail banking and transaction services. For 2005, we expect the Group to benefit from its good positioning and capabilities in financial services.

In the **telecom, media & entertainment sector**, major players have regained substantial investment power and growth is again high on their agenda: the again vibrant market opens up significant opportunities for Capgemini.

Convergence of fixed line, mobile communications and media is leading to major reorganizations. Application systems are undergoing massive change, too, for example to provide real time billing with a mix of prepaid and postpaid, digital rights management, and end-to-end service provisioning and assurance. Applications management remains the main area for outsourcing, while business process outsourcing is growing in the United States. All of these developments promise a good level of demand in 2005.

Capgemini's distinctive new positioning

Capgemini's ambition is to be a distinctive, highly competitive major player in the consulting and information services industry. The Group is large enough to be global, yet entrepreneurial enough to remain close to the clients, listening to them more closely and responding more sensitively to their evolving needs.

While delivery in the past was a matter of worldwide methods and local management, the ability to handle some service components remotely is changing the very nature of services delivery. With the "Rightshore"™ concept, work takes place where it makes best sense for quality of service, availability of skills, and costs. The Group's director of global delivery shapes and orchestrates this new world – a fundamental direction.

Successful services delivery goes hand in hand with successful client relationships – both objectives and traditional strengths of Capgemini. When preparing the return to the Capgemini name early last year, the Group had an outstanding opportunity to go back to these roots and build a renewed, more distinctive and compelling platform for future success.

Clients and partners were asked for their views. Their responses provided two vital insights.

First, clients know that they need rapid access to a wide range of knowledge and experience. They believe that collaboration with a partner – as opposed to a simple contract with a supplier – is required for their own success.

Second, clients and partners value the way that Capgemini works with them, the quality of its people and the good relationships between their people and the Group's people. They believe that close and fruitful collaboration is a trademark of the Group.

Based on these insights, Capgemini launched the Collaborative Business Experience, which positions the Group as **the natural leader in developing closer, more effective, trust-based partnerships.** Collaborative Business Experience is much more than a slogan: it is the Group's way of life. It affirms that solid and more intimate working relationships deliver better results and enable clients to move more quickly, respond more flexibly and compete more effectively in a constantly changing business environment.

To bring this experience to a new level, new tools have been developed and new methodologies created. The Collaborative Business Experience is a long-term program for the Group, but it has already borne fruit. The advertising campaign launching it has brought new levels of awareness. Capgemini people find in it the embodiment of their beliefs. The Group's values – **honesty, boldness, trust, freedom, team spirit, modesty and fun** – crafted in the early days, take on a new life, and they are extended to every aspect of the client relationship.

For Capgemini's clients, the Collaborative Business Experience confirms and strengthens what they like in the Group. They know Capgemini people thrive when making their clients' people more successful. Clients embrace this new level of collaboration, which Capgemini intends to strengthen in the years to come.

V – GEOGRAPHIC ORGANIZATION AND MAIN GROUP SUBSIDIARIES

The Group is established in around thirty countries, with a strong presence in France (the Group's historical market, generating 24% of 2004 revenues), North America (22%), the United Kingdom (20%) and Benelux (14%). These areas together account for 80% of overall revenues.

The Group performs its business activities through 129 consolidated subsidiaries as listed in note 27 « List of consolidated companies by country » (pages 86 to 88) to the consolidated financial statements. These subsidiaries are located in 8 geographic areas, whose relative contributions to Group consolidated revenues in 2003 and 2004 are illustrated in the diagram set out below.

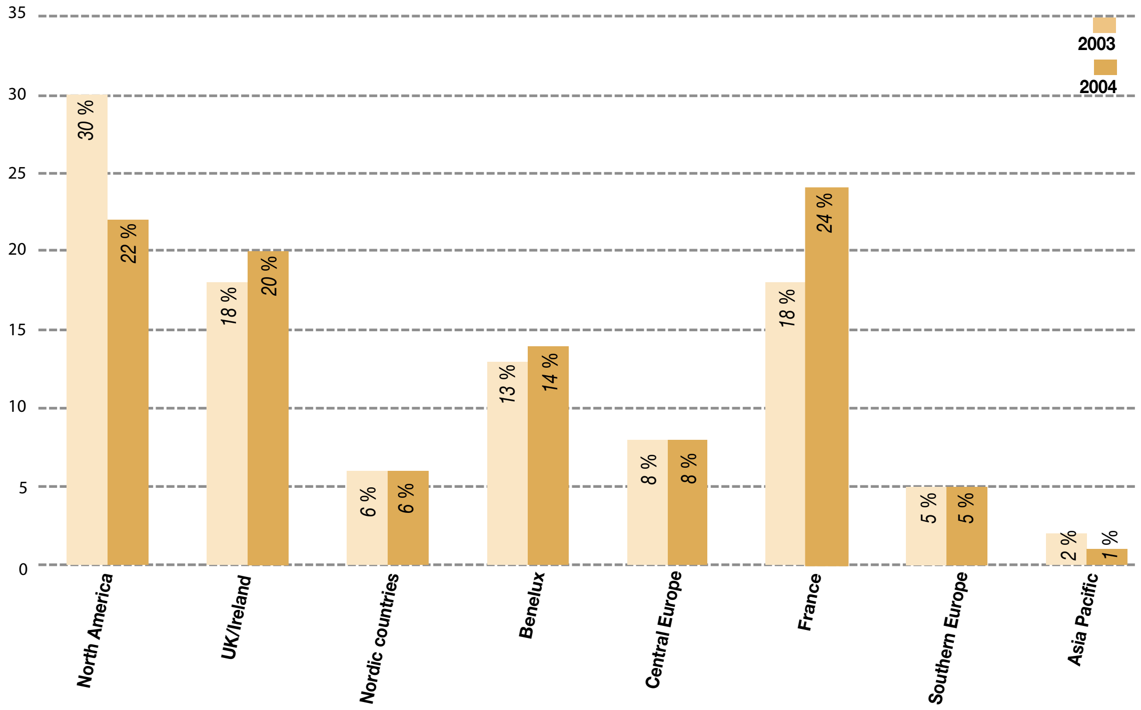
In addition to these operating subsidiaries, Cap Gemini S.A. also holds 100% of the capital of three other entities:

- two non-trading real estate companies, one of which owns the premises of the registered office in the Place de l'Etoile in Paris, and the other houses the facilities of the former Group University building located in Béhoust under a real estate leasing contract which was terminated by mutual agreement in March 2005;

- a limited liability company providing the premises, via a real estate leasing contract, for the Group's new University, an international training center located in Gouvieux, 40 km (25 miles) north of Paris, which opened at the beginning of 2003.

With regard to the Sogeti-Transiciel subsidiary, note that as of April 7, 2005, and in agreement with the management of the Capgemini Group, Transiciel's founder, Mr. Georges Cohen, is no longer serving as head of Sogeti-Transiciel. He will be replaced by Mr. Luc-François Salvador. This departure took place following the successful integration period of the two companies. All commitments undertaken at the time of the acquisition, including those related to the second stock-offering option, remain unchanged.

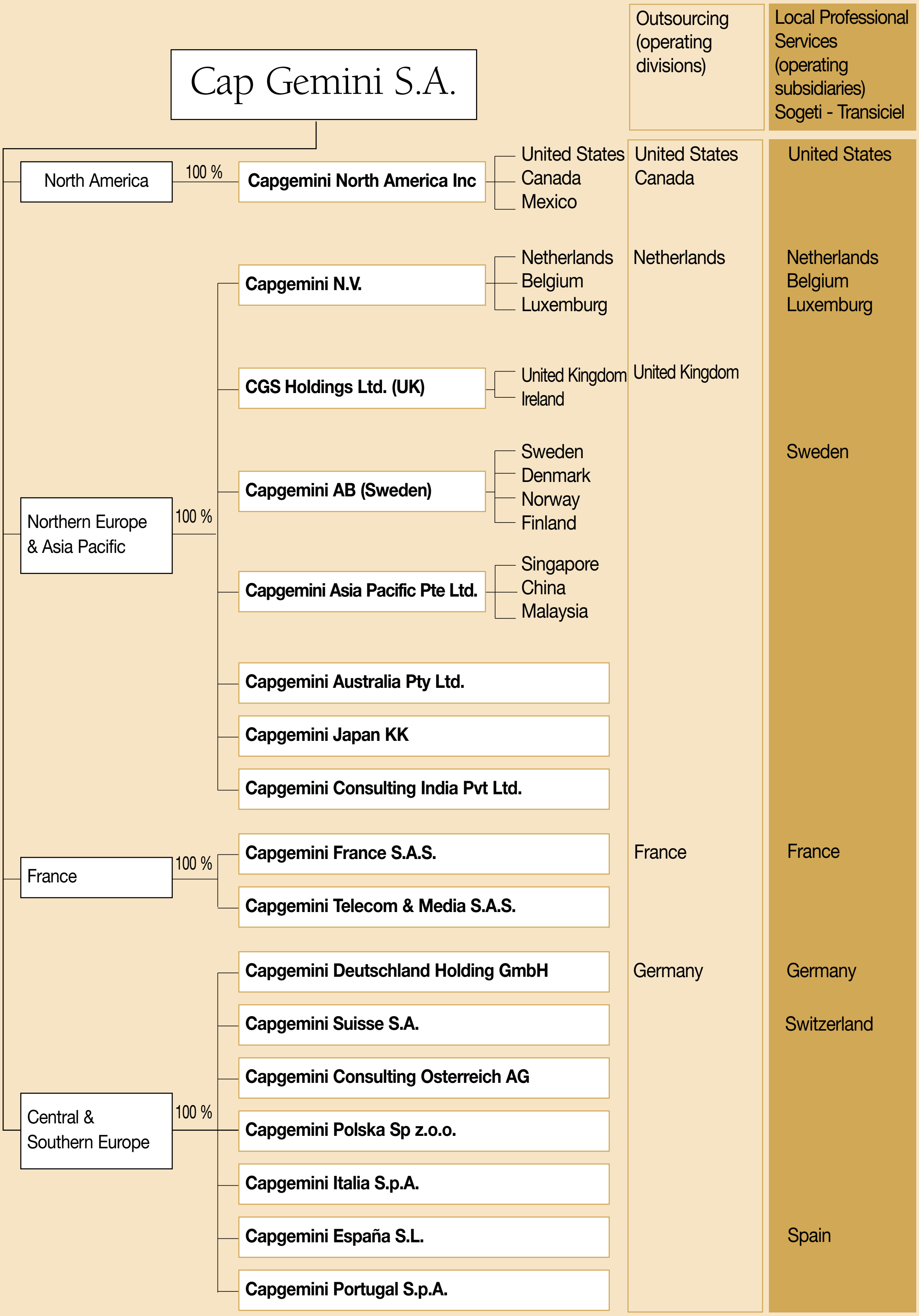
The parent company, Cap Gemini S.A. determines the Group's strategic orientations, via its Board of Directors, and oversees their implementation. In its role as shareholder, it contributes in particular to the financing of its subsidiaries, in the form of equity or loans or by providing security and guarantees. Finally, it allows its subsidiaries to use the trademarks and methodologies that it owns, notably "Deliver", and receives royalties in this respect (these royalties amounted to €126 million in 2004 compared to €125 million in 2003).



Simplified organization chart for the Group

As from January 1, 2005, the Group is composed of six main operating units (Strategic Business Units or «SBUs»):

- 4 geographic units: North America – Northern Europe and Asia Pacific – France – Central and Southern Europe
- 2 units for specific businesses: firstly, the Outsourcing SBU which now performs its business activities on a worldwide basis and secondly, the Local Professional Services unit, consisting of the Sogeti-Transiciel business.



Cap Gemini S.A.

Outsourcing (operating divisions)

Local Professional Services (operating subsidiaries) Sogeti - Transiciel

North America – 100 % – Capgemini North America Inc – United States, Canada, Mexico

Outsourcing: United States, Canada

Local Professional Services: United States

Northern Europe & Asia Pacific – 100 %

Capgemini N.V. – Netherlands, Belgium, Luxemburg

Outsourcing: Netherlands

Local Professional Services: Netherlands, Belgium, Luxemburg

CGS Holdings Ltd. (UK) – United Kingdom, Ireland

Outsourcing: United Kingdom

Capgemini AB (Sweden) – Sweden, Denmark, Norway, Finland

Local Professional Services: Sweden

Capgemini Asia Pacific Pte Ltd. – Singapore, China, Malaysia

Capgemini Australia Pty Ltd.

Capgemini Japan KK

Capgemini Consulting India Pvt Ltd.

France – 100 %

Capgemini France S.A.S.

Capgemini Telecom & Media S.A.S.

Outsourcing: France

Local Professional Services: France

Central & Southern Europe – 100 %

Capgemini Deutschland Holding GmbH

Outsourcing: Germany

Local Professional Services: Germany

Capgemini Suisse S.A.

Local Professional Services: Switzerland

Capgemini Consulting Osterreich AG

Capgemini Polska Sp z.o.o.

Capgemini Italia S.p.A.

Capgemini España S.L.

Local Professional Services: Spain

Capgemini Portugal S.p.A.

VI – SOCIAL RESPONSIBILITY AND STEWARDSHIP

Building on long-standing practices

The Group's fundamental objectives and overarching aim of being a standard-setting service provider for its clients and partners, offering proven expertise across all of its business lines, factor in the requirements of each of its stakeholders. Aimed at continually fine-tuning Capgemini's business model in order to ensure sustainable long-term growth, they are designed to benefit not only shareholders and employees, but also every other participant in the value chain. It is the Group's firm belief that these objectives can only be achieved through mutual respect and cooperation, as well as through a number of core values and clearly defined codes of conduct.

In the services business, success is powered just as much by shared values and by attitude and behavior as by employee skills and know-how. These values and standards have played a major role throughout the Group's history. At the same time, they are continually updated in line with market developments. They can be grouped into three main categories:

- respect for others, which is reflected in:
  - the Group's values and code of ethics,
  - the fundamental principles that govern the Group's relationship with its employees (particularly skills building, equal opportunities, and effective communication);
- professional enhancement, which incorporates:
  - career management,
  - personal development;
- relations with the Group's external stakeholders, notably clients.

These strategic goals tie in with the following challenges that the Group faces on a daily basis:

- meeting client requirements and constantly incorporating the latest technologies into the service offering, while ensuring compliance with changes in legislation and corporate governance codes.
- retaining the appeal of the IT and management consulting industry. This entails continually sharpening the expertise of employees and enhancing their personal development, via a collaborative approach that is in tune with the Group's strategic orientations.
- respecting values and business ethics and promoting best practices throughout Capgemini, while respecting the regulatory requirements of each country in which the Group operates – requirements that can sometimes contradict one another.

An area that is not regarded as a significant challenge is environmental matters, given that our industry is recognized as having only a low impact on the environment. Nevertheless, the Group has set up a think tank on the subject and has undertaken action points mainly at a local level, although some initiatives have also been implemented Group-wide.

The Group's strategy concerning Corporate Social Responsibility (CSR) has been drawn up under the responsibility of General Management and is coordinated by the Group's General Secretary. Capgemini has adopted a proactive and pragmatic approach to CSR, and in 2004 focused on the commitments set out in the 2003 annual report. These were:

- precise and regular measurement of compliance with fundamental rules on human relations, as defined within the Group;
- training and upgrading skill-sets in line with technological developments and market demand;
- better diversity management;
- defining environmental indicators.

Values and human rights

With a view to sharing best CSR practices, in March 2004 the Group decided to join the Global Compact launched in 1999 by the Secretary-General of the United Nations. The member companies of this program undertake to support and respect ten principles relating to human rights, the environment, labor rights and, since July 2004, anti-corruption. The Group has launched a number of action points centered around these principles, with a particular focus on eliminating discrimination.

Regarding values and ethics, the following initiatives were adopted in 2004:

- The creation of a Code of Ethics, which will be put on-line in 2005 on the Group's Intranet and external website. This code, which embraces the principles of the Global Compact, was prepared internally and widely discussed by contributors from all countries in which the Group operates. The members of the International Works Council were also consulted during the preparatory stages of the document, to obtain their comments and viewpoints.
- In order to communicate developments and progress in relation to the Group's membership of the Global Compact, Capgemini has decided that at the end of April 2005 it will publicly disclose the results of the project it has launched on managing diversity, which is particularly focused on promoting gender equality. These results will be posted on-line at www.unglobalcompact.org.

- Given the Group's constantly evolving environment – one which saw its headcount increase by a significant 14,000 employees in 2004 – it is vital for Capgemini to continually promote and share its corporate values. That is why it now regularly posts information relating to these values on the Group Intranet. To round out these communication initiatives, it set up a competition over a period of seven months aimed at rewarding and bringing to the fore employees and/or teams recommended by other people in the Group and who fully embrace Capgemini's seven values set out below:

- honesty, particularly the refusal of any unfair business practices aimed at obtaining any particular contract or advantage. In line with this principle, the Group has established clear rules with respect to commissions and gifts of all kinds;
- boldness, in the sense of entrepreneurship and desire to take considered risks and show commitment, combined with the principles of prudence and clear sightedness, without which a bold manager can become reckless;
- trust, which implies a willingness to empower both employees and teams, and to allow managers to experience the effects of their initiatives and decisions. Trust also implies an open mind and genuine transparency in the flow of information;
- freedom, which can also be expressed as creativity, innovation, independence of mind and respect for others in their diverse cultures, habits and customs, which is crucial for a Group that is present in more than 30 countries and includes over 100 nationalities among its 59,000 employees;
- solidarity and the ability to share in both good and bad times;
- modesty in relations with others and in the approach to issues;
- and lastly, fun, without which any corporate vision is extremely difficult, if not impossible, to implement.

The latter value won particular acclaim in 2004, as the Group's Indian entity was awarded a human resources prize for having encouraged fun and enjoyment in the workplace through a host of festive initiatives geared to promoting sociability among workers.

6.1. HUMAN RELATIONS

6.1.1. Renewed momentum for employee headcount

Employee headcount trends over the past ten years reflect the investment cycles for the IT services and management consulting industry. The number of employees rose significantly towards the end of the 1990s, culminating in the acquisition of Ernst & Young's consulting businesses in 2000. This increase in turn reflected growth in the Group's operations, which was spurred by the growing use of the Internet, the Year 2000 changeover and the switch to the euro.

Over the following three years, the IT services and management consulting industries were hit by the fall-out from the bursting of the Internet bubble and a dismal economic environment generated by the effects of major international crises, particularly the terrorist attacks of September 11th and the Iraq war. These market conditions led to a downward adjustment in the number of employees during that period.

The year 2004, however, saw an upturn in the number of employees, fueled particularly by two major outsourcing contracts (TXU and Aspire) which started in the middle of 2004 and which resulted in the transfer of over 5,300 staff members. In addition, hiring began again during the year.

Year	Average headcount		End of year headcount	
	Number	Change	Number	Change
1995	20,477		22,079	
1996	23,934	16.9%	25,950	17.5%
1997	28,059	17.2%	31,094	19.8%
1998	34,606	23.3%	38,341	23.3%
1999	39,210	13.3%	39,626	3.4%
2000	50,249	28.2%	59,549	50.3%
2001	59,906	19.2%	57,760	- 3.0%
2002	54,882	- 8.4%	52,683	- 8.8%
2003	49,805	- 9.3%	55,576*	5.5%
2004	57,387	15.2%	59,324	6.7%

* 48,304 excluding Transiciel

The impact of these staff transfers and the return to hiring led to a significant change in the geographic breakdown of personnel. Changes in headcount are summarized in the table below:

The breakdown of headcount by region is as follows

Year end	Headcount 2004	%	Headcount 2003	%	Headcount 2002	%	Headcount 2001	%
Central Europe	3,390	5.7%	3,055	5.5%	3,124	5.9%	3,555	6.2%
France	18,664	31.5%	18,442	33.2%	13 378	25.4%	14 045	24.3%
Southern Europe	5,151	8.7%	5,404	9.7%	4,636	8.8%	5,546	9.6%
Benelux	8,306	14.0%	8,540	15.4%	8,860	16.8%	9,862	17.1%
North America	8,893	15.0%	7,914	14.2%	9,674	18.4%	9,810	17.0%
U.K./Ireland	8,534	14.4%	6,496	11.7%	7,268	13.8%	7,906	13.7%
Nordic countries	3,485	5.9%	3,672	6.6%	4,250	8.1%	5,149	8.9%
Asia-Pacific	2,901	4.9%	2,053	3.7%	1,493	2.8%	1,887	3.3%
Total	59,324	100%	55,576	100%	52,683	100%	57,760	100%

These movements reflect three main trends over the period:

- the impact of headcount reduction measures taken between 2001 and 2003 in most of the countries in which the Group operates, and particularly in North America, the United Kingdom & Ireland, Benelux, and the Nordic countries;
- the effects of redeploying the Group's service offering, including:
  - development of local professional services, following the end-2003 acquisition of Transiciel, with a particularly strong focus on France, the Benelux countries, Spain.
  - sharp growth in the outsourcing business, marked by two new major contracts in 2004 – TXU in the United States and Aspire in the United Kingdom.
- gradual implementation of the "Rightshore" policy, which combines local resources close to the client with resources which may be located in specialized production centers based on a particular technology or service offering, or in countries with lower labor costs, such as in the Asia-Pacific region (mainly India and in China to a lesser extent), as well as Poland and Spain.

Excluding the significant increase in headcount due to company acquisitions, notably Bexcel, and to major projects (Aspire and TXU), 2004 was also marked by a strong rise in new hires. Altogether, some 9,300 employees were taken on during the year. The hires were primarily experienced people, largely in order to compensate for the effect of voluntary departures. At the same time, however, there was a return to hiring young graduates, especially in France, India and the United Kingdom. All countries and business lines saw an increase in new hires, although levels were particularly high in India (71% increase) and in the Sogeti-Transiciel entity.

At the same time, employee turnover – which measures the percentage of voluntary departures – rose to 14.1% in 2004, representing over 8,000 voluntary departures during the year, following a slight decline in 2003 (10.7%, down from 12.3% in 2002 due to the lackluster market). The 2004 increase reflects the upturn in the IT services market and ensuing employee mobility. This turnover rate is in line with the rest of the industry, although is nonetheless carefully monitored on an ongoing basis. The rate differs depending on the business line and geographic area. For example, in India, which is currently a high growth market for IT services, employee turnover is structurally higher than in Western Europe and – to a lesser extent – the United States.

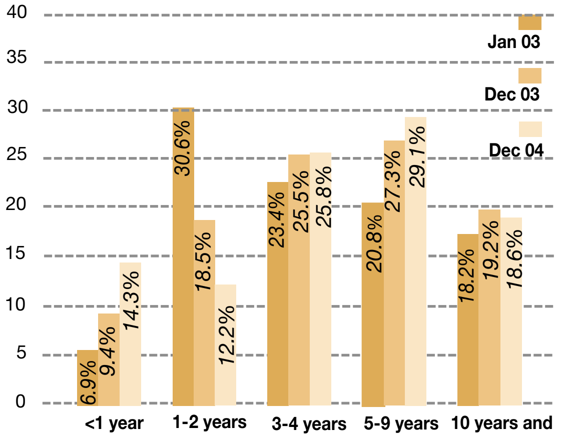
The resource utilization rate – defined as the ratio of time spent on projects to working time (including in particular sick leave and training but excluding vacation) – has improved overall in 2004 in respect of Projects and Consulting (therefore excluding Outsourcing) standing at 77% in the second half as against 75.5% in the first half (respectively 75.3% versus 73.5%

in relation to Technology, 63.1% compared to 64.6% in relation to Consulting and 85.4% as against 83.3% in relation to Local Professional Services).

Lastly, in order to fine-tune its assessment of the composition of its workforce, since 2003 the Group has worked on putting in place a number of indicators for average length of service, average employee age and the male/female ratio.

Breakdown of headcount by age, seniority and gender ratio

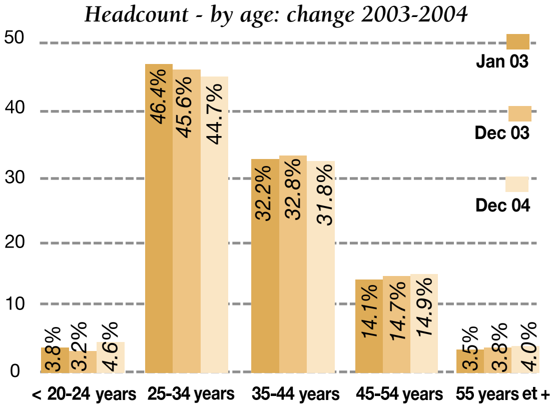
Headcount - Seniority: change 2003-2004



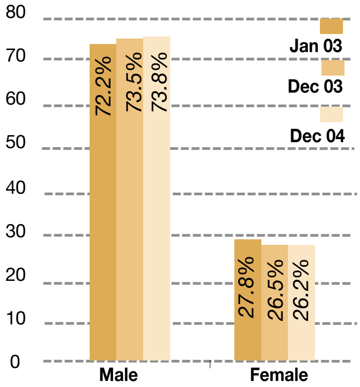
Changes in average seniority reflect the Group's hiring policy over the past few years, characterized by two years of very selective recruiting. As a result of this policy, the proportion of people with between one and two years' seniority declined substantially over the period. On the other hand, as a result of the increase in hiring in 2004, there has been a sharp rise in the number of people with less than one year of seniority. Overall, the hiring freeze of the past few years has led to a growing proportion of people who have been in the Group for over five years. In addition, seniority has been largely impacted by employee transfers following the winning of the TXU and Aspire projects, as the corresponding staff populations had high average seniority in the companies from which they were transferred. Obviously, this seniority was maintained at the time of the transfer concerned.

The average age of Group employees comes out at 36.9 years, down only slightly on 2003 despite the significant movements in headcount during the year. Although part of the Group's development takes place in countries where the age pyramid of the labor market tends to be younger, there has been a rise in the number of older employees. This reflects the higher age of the working population in the majority of countries where the Group has operations. In addition, based on statistics and in accordance with the Group's values, as well as with principle number five of the Global Compact, the Group does not employ anyone under the age of eighteen. However, it does regularly organize short apprenticeship courses for young people with a view to introducing them to company life.

Headcount - by age: change 2003-2004



Headcount - male/female ratio: change 2003-2004



The percentage of women employed edged down in 2004, as a larger proportion of women have left the Group than joined. Another explanatory factor is that the Group has expanded in countries such as India where there are fewer women in the workforce, and has developed in business lines such as local professional services and outsourcing, where the ratio of women to men is also low.

6.1.2. Human capital – the Group's most important asset

As an intellectual service provider, the Group's main production resource is its highly-qualified workforce. Employee motivation and intellectual resource management are thus a key to the Group's success. The Group's Corporate Social Responsibility policy is fundamentally focused on ensuring the development of a diverse range of experience and skills and promoting a culture of collaboration with the Group's various partners. In turn, this policy is firmly anchored in Capgemini's overall human resources strategy.

A. FUNDAMENTAL PRINCIPLES

The fundamental principles that govern the relationship which the Group wishes to build with its employees can be summarized as follows:

- all employees should be given an annual performance appraisal, as well as the opportunity to discuss its content in an individual interview,
- all employees are entitled to a personalized development plan,
- all employees should have the opportunity, if they so wish, of benefiting from the help of a mentor with whom they can discuss their career path,
- all employees should regularly be able to voice their opinion through a survey on overall trends concerning the Group and, more specifically, on professional development,
- all employees should be regularly informed by their managers and should be able to engage in dialogue concerning their assignments and work environment.

A performance appraisal system has been implemented across the Group in relation to the above criteria, in order to ensure that the principles can be realistically applied and to monitor the progress made. In addition, the main human resources processes were adapted during the year to ensure that they fit with the Group's strategic positioning further to the campaign launched in the first half of 2004 around the «Collaborative Business Experience» theme.

B. PERSONALIZED CAREER MANAGEMENT

The competency model

Employees' career development and professional enhancement is based on a competency model defined at Group level, which forms the basis for performance appraisals and professional development. It is around this model that the Group's human resources strategy has been built up, focused on proactive skills management. The generic model, rooted in shared values, is tailored to take into account the specific needs of each of the Group's businesses (particular competencies and experience required to move ahead, specific knowledge or expertise for each business, etc.)

Personal development and appraisals

One of the key challenges for a services company is to guarantee a consistent and transparent process of individual performance assessment, based on clearly defined and explained criteria. It is only with such a framework that it is possible to ensure the professional development and promotion of all employees, as skills assessment is the best way of respecting equal opportunities.

To allow this, the Group has a performance appraisal system based on regular evaluations generally conducted in relation to client projects and involving personal interviews with the employees.

A mentoring system has been set up in some businesses, to allow employees to benefit throughout their career from an outside view and career management advice, provided by more experienced colleagues.

Mobility

Geographical mobility, whether within a country or internationally, is one of the features of the Group's activities, and often corresponds to Group employee requests. To facilitate mobility within each country, job Intranet sites indicate available positions so that there is every chance that they will be filled by internal staff prior to being advertised externally. Likewise, for staff involved in overseas assignments and who are considering an international career, useful information can be found on company Intranets together with the relevant rules and procedures.

At the same time, in order to ensure the physical safety of its employees, travel to potentially high-risk countries is subject to strict rules and must be approved in advance. In addition, if trouble breaks out in a country where the Group's employees are present, Capgemini has set up a repatriation procedure with specific insurance cover in order to limit as far as possible the risks faced by its employees in such a situation.

C. TRAINING AS AN UTMOST PRIORITY

General training policy

The value of a consulting and IT services company lies in the quality of its intellectual capital. In a rapidly changing world, it is essential to update, adapt and develop the knowledge and expertise of employees to match cutting-edge technology and meet client requirements. New recruits join the Group keen to leverage and build on their knowledge and to gain rewarding professional experience. There is therefore a meeting of interests between the Group and its employees.

This fundamental strategy of competency development draws upon various approaches:

- standard training programs,
- mentoring systems,
- development of e-learning,
- on-project training,
- easily accessible databases for knowledge sharing,
- management of professional interest communities.

This approach is based on a culture of sharing and networks to facilitate the relaying and use of knowledge, as well as innovation and collaboration.

Particular attention is paid to the training of executives, account managers and project leaders, as they play a key role in defining and implementing the Group's strategy. New managerial training programs are regularly rolled out, and as from 2004 they include specific modules on corporate social responsibility. These new modules are intended to raise awareness of the pivotal role played by this issue and its impact on the Group's business model, as well as to foster feedback and knowledge sharing.

Considerable resources devoted to training

Resources are devoted to training both at Group level and locally.

The Group's training policy uses a common global system called "Mylearning", for which Group employees worldwide can register. This includes a catalog of courses available either in the form of e-learning or as classroom teaching. Classroom instruction is provided either at local training centers or within the Group University, which opened in early 2003. The €96 million investment made in this center reflects how important training is to the Group. This Group University is an ideal platform favoring employee integration and networking. The number of participants for the University's training programs totaled 2,910 in 2004, representing 2,470 employees, as some people were able to attend more than one course. The total number of training days provided by the University was 12,568.

In addition, training is provided locally (essentially for language and cost optimization reasons), based on offerings described in training catalogs and servers.

The training courses provided deal with a wide range of subjects and may be attended by all of the Group's employees. They cover technical skills development, in line with the Group's businesses and offerings, as well as more general interpersonal skills such as communication or public speaking.

An average of 12,700 people followed at least one course in each quarter of 2003 (one person may follow several courses in different quarters). In 2004 this figure increased to 14,700 employees trained per quarter, in line with the increase in average staff numbers. This illustrates that the majority of employees once again benefited from training during the year. To this should be added on-project training as well as e-learning. These latter types of training are not measured in hours but in terms of the number of individuals who have completed a cycle. They are particularly focused on technological training in order to promote the tailoring of skill-sets to market changes. In 2004, 14,572 people accessed the "My Learning" system, with particularly high user-numbers in the United States and the Netherlands.

Anticipating needs, or "employability"

In an industry characterized by rapid technological change, we need to keep our employees' knowledge and skills up-to-date and in line with market needs as a first priority in terms of both economic and employee development. This is why personalized development plans are designed at the time of the annual performance interview. Further, a systematic and iterative process is being deployed within operating units to review the portfolio of training offerings and plan for future needs with global and local programs geared to building up new competencies. Various partners and experts from Group businesses and from the Group's in-house certification network take part in this review.

The certification process

This in-house peer review process gets employees to appraise the competencies of colleagues based on precise and clearly identified criteria – experience gained, knowledge sharing, use of in-house tools and methods, mentoring and leadership. This process has three objectives:

- to create a strong and recognized professional-interest community by sharing information, knowledge and skills in specific areas,
- to ensure a blended distribution of competencies and a graduated progression therein, both for in-house needs and in relation to client service,
- to thereby create the win-win situation of ensuring a competitive edge for both the Group and the employee as well as increasing his or her "employability".

Driven by the joint advantages of this process, the Group has decided to promote new certificates. There are now six certificates available in the following subjects: Program Management, Architecture, Program Engineering, Systems Engineering, Transformation Processes and ERP.

At the end of 2004, 3,456 people had received certification at Group level (some 6% of the Group's global headcount), significantly up on the end-2003 figure of 2,285.

The Group has an already long-standing external certification policy. Many sites or operating units have obtained ISO 9001/ISO 9001-2000 certification in France, the United Kingdom, Belgium, Spain, Italy, the United States, Canada, the Nordic countries and India. More recently, sites have been working towards the CMM (Capability Maturity Model) certification that is specific to the applications development business. The Mumbai center in India has obtained the highest CMM certification (Level 5), while several applications development centers are already certified (United States, the Netherlands, France-Grenoble, Spain) or are about to be certified at Level 2 or Level 3 (the United Kingdom, France, the Nordic countries and Belgium).

D. A FIRM COMMITMENT TO INTERNAL COMMUNICATION

Because communication is an essential tool for rolling out knowledge, several initiatives have been put in place to promote it, particularly the following at Group level:

- the Group's intranet site, Talent, updated on a weekly basis, which includes all information, processes and methods concerning the Group and contains links to local sites, training sites and network communities,
- the Group University, which provides a platform for international exchange,
- "Executive Link" – a rapid interactive medium for exchanging information between General Management and the Group's main operational managers,
- cross-functional organizations, set up by business or industry,
- internal communities to debate and discuss technical topics.

Above all, though, communication is a daily management task, drawing on various local initiatives developed through newsletters, Intranet sites, information meetings and formal or informal person-to-person exchanges. These local efforts are an integral part of Capgemini's corporate culture. As previously mentioned, the Group's Indian subsidiary recently won a prize as the company which best promotes fun and enjoyment at work. This was an important accolade, given the highly competitive nature of the IT labor market, in which companies are trying to outmatch one another in finding innovative ways of attracting and retaining employees.

There is also a Group procedure aimed at tracking employee satisfaction, which is managed locally. This tool is based on a set of questions that remain basically identical over time, albeit with some updating such as last year to include the impact of the Collaborative Business Experience and diversity management measures. This stable base of questions makes it possible to monitor changes in satisfaction data and the impact of any corrective action taken. Employees are informed of the results of these satisfaction surveys.

Internal communication also takes the form of a dialogue with employee representatives:

- within the International Works Council (IWC) set up in June 2001, which meets four times a year and is attended by employee representatives from 15 European countries and, since 2004, representatives from non-European countries including the Americas and India;
- at a local level through dialogue with unions or other employee representatives, within the relevant bodies and through the processes provided for in legislation, regulations and agreements.

The Group has signed an agreement with the IWC to set up a dedicated website, to give all Group employees access to this information. Members of the IWC have also been given training in order to help them with the working methods for such a multi-cultural group. In France, an Information Dissemination Agreement was signed in 2002 to define the terms and conditions applicable to the set up and use of the Group's Intranet site provided for employees to access information issued by the unions, Health and Safety Committee and other employee representatives. Similar practices also exist in other countries where the Group operates such as Spain and the United Kingdom.

The quality of dialogue with employee representatives was vital during the Group's transition period and accompanying transfer of over 2,200 employees. For example, certain employees from ASPIRE retained their previous status that provided for the application of salary increases on August 1. Negotiations were entered into on this issue upstream of the transfer in order to ensure that the planned increases could be implemented on a timely basis. The agreement reached was voted on by the employees.

Training, working time, flexible working hours and salaries are the major issues negotiated with the Group's employee representatives. Where required, employee representatives are involved in the negotiations relating to the implementation of headcount reduction measures and redeployment plans. Such plans are always last resort solutions, as the Group always tries to limit or avoid, when possible, redundancy plans. Capgemini looks at numerous different ways of ensuring the alignment between employee numbers and demand. As long as client requirements can still be met, the Group offers its staff the following:

- the opportunity for people who wish to do so to take a leave of absence. At December 31, 2004, 1.6% of Group staff had taken up this option, compared with 1.2% in 2003. This leave can take several different forms, and reasons and durations vary depending on the country concerned.
- the use of part-time work which has been increased. 4.6% of the Group's employees worked part-time at the end of 2004, compared to 3.6% one year earlier.

The Group is also constantly seeking innovative working methods in order to adapt to economic fluctuations as job insecurity is not the way forward and cannot comply with Capgemini's career development goals for its employees. Temporary staff or fixed-term contracts are used in a very limited way within the Group and are subject to strict rules. At the end of 2004, this form of employment represented less than 2% of the Group's total headcount.

E. REMUNERATION POLICY

The Group's remuneration policy is based on common principles, applied in a decentralized way and tailored to local job market conditions and regulations. The aims of this policy are to:

- attract and retain top talent,
- reward performance with a remuneration model that is motivating yet flexible,
- be consistent with the Group's financial and operational targets.

When local rules permit, employees can select the components of their remuneration package from a predefined menu. This allows employees additional flexibility and enables them to reconcile their financial and personal situations in the best possible way.

Profit-sharing is provided to employees where applicable under local regulations in the country concerned.

F. STOCK OPTIONS

Stock options are granted on a regular basis in line with corporate governance recommendations. These grants are made selectively, with the aim of retaining those employees who have made exceptional contributions to sales, production, innovation or management, or to reward specific initiatives. They are therefore an exceptional reward for specific contributions and do not form part of the Group's general remuneration policy. At December 31, 2004 a total of 5,842 options had been granted to 3,542 people under the fifth stock option plan, which was launched in May 2000 and expires in May 2005. The number of options granted to Directors represents a very small percentage of the total number of options granted (less than 1.2%).

Detailed information concerning stock option plans as well as stock options granted by Cap Gemini S.A. to the ten non-director employees with the most stock options or options exercised by those employees is provided on page 108 and 120 of this report.

G. DIVERSITY, EQUAL OPPORTUNITY AND WORKING CONDITIONS

In all countries in which it operates, the Group complies with local labor legislation and international labor regulations.

In its relations with employees, the Group endeavors to guarantee equal opportunities to all and to apply its principles and values in such a way as to promote diversity, the physical integrity of its employees and a fair balance between work and private life.

In line with the UN Global Compact and the growing importance of Corporate Social Responsibility, a diversity management project was launched in 2004, highlighting the issue of women's representation within the Group as a key priority. The following are some of the many initiatives that have been rolled out as part of the project:

- A diversity charter describing the Group's commitments in this area was drafted and a diversity management section will be added to our external website in the course of 2005;
- The Group also issued guidelines explaining the reasons for implementing a diversity management policy and identifying what can help or hinder it. Beginning in 2005, specific modules will be added to manager training programs to address these guidelines;
- Specific measurements have been created, in compliance with applicable legislation, to better assess and understand the situation of women within the Group, such as the percentage of women in recruitments, departures, promotions and at the various levels within the reporting structure;

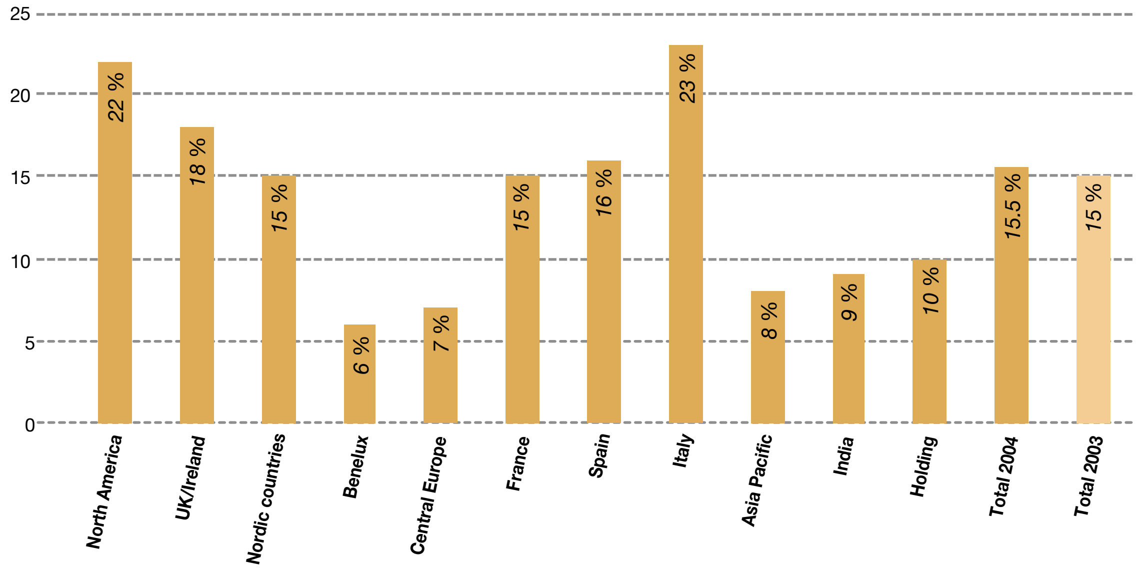
- An internal communications program was launched to raise employee awareness regarding the importance of diversity and of measures to promote it. Two articles on the subject, published on the Group's Intranet, sparked so many positive responses and generated such interest that this type of communication will be continued in 2005;
- Performance indicators were designed, to assess initiatives taken in this area and measure progress;
- Local initiatives are being coordinated to allow the sharing of knowledge and to roll out best practices within the community that has formed up around this issue.

The following represent a sampling of local good practices:

- Sweden has developed a diversity plan, involving tailored recruitment policies, a parental leave program and flexible working conditions for parents with children aged 8 and under, as well as the possibility of working from home;
- In the Netherlands, a protocol in favor of minority rights was signed with the government, with the aim of ensuring that any complaint motivated by discrimination or harassment be reviewed and examined by an independent committee;
- In India, the Group has set up a proactive diversity management policy that is non-discriminatory with regard to religion, caste, disability or geographical origin. Diversity sponsors have been appointed to act as contact persons in the field;
- In 2003 Capgemini's subsidiary in the United Kingdom was named by the "Race for Opportunity" organization as one of the ten companies which made the most progress as regards respect for minorities. There is also an Intranet site dealing specifically with diversity. The site explains why diversity management programs are useful, provides the full list of existing procedures, and reports on steps taken in this field. Many links have also been set up with outside organizations, such as the Employers' Forum on Age, Race for Opportunity, Opportunity Now, the Employers' Forum on Disability and the National AIDS Trust. Lastly, the British subsidiary enables employees to update on-line their personal data with respect to their ethnic origin or disability status. This makes it possible to constantly refine the statistical measurement of the employee population and, in the case of people suffering from disabilities, to work with them to improve their working conditions and enhance their on-the-job satisfaction;
- Women's networks have been created in Belgium, Australia and the Netherlands, among other countries;
- The Group is also part of outside think-tanks and encourages the creation of in-house networks of people working to change the place of women in the corporate world and to lower barriers to women's professional advancement.

In terms of women's representation at the highest levels of responsibility, the situation was as follows as of December 31, 2004:

Proportion of women at the highest levels of responsability within each operating unit



This situation reflects the following changes compared with what had been measured at the end of 2003:

There has been a slight rise in the proportion of female managers, by half a percentage point on average, in all countries except Italy. The countries with the largest proportion of women at high levels of responsibility, namely the United States and United Kingdom, are also those that have the strongest anti-discrimination legislation.

There are no Group-level initiatives as regards disabled employees, because local legislation on the subject is often contradictory from one country to another, which makes it difficult to create a consistent Group policy. There are, however, many local initiatives which the Group supports and encourages:

- In North America, Group companies pursue a policy of non-discrimination both during the recruitment process, and throughout a disabled employee's career, in accordance with the provisions of the Americans with Disabilities Act. This involves providing suitable work environments and ensuring the confidentiality of personal data;
- In France, two regions have seen the test launch of what is to be a national campaign to promote the hiring of persons with disabilities. Part of the apprenticeship tax refunds which French companies are entitled to when they support specialized educational institutions are being directed to vocational training programs for disabled students;
- In the United Kingdom, the diversity management policy also applies to disabled persons and the company was a sponsor of the 2004 Employers' Forum on Disability;
- India, Spain and Italy collect data on their disabled employees in order to provide tailored help.

Work/Life balance is an issue about which employees have become much more aware over the past few years. Even though working in the services industry necessarily implies a fairly high level of adaptability and flexibility, initiatives to promote this balance are being implemented locally:

- an annual quota of hours that employees can keep for their personal use over the course of the year;
- special leave or unpaid leave, above and beyond the legal allowance;
- work from home;
- sabbatical leave of up to one year, paid at 1/3 of an employee's salary.

This policy, based on respect for individuals, is appreciated by employees of clients who join the Group under outsourcing contracts, thus giving the Group a further competitive edge.

Safety in the workplace is also an important feature of human resources management. Fortunately, the Group's businesses do not involve any high-risk activities and there were no fatal workplace accidents in 2004. There were also few non-fatal work-related accidents, and most of these were car accidents in journeys between the office and home.

Other avenues are also being explored to provide greater job flexibility, taking into account each country's circumstances and legislation. Facilities have been set up to help parents that have small children or disabled children; child-care vouchers are given to employees in the United Kingdom and Finland, while in Denmark parents can entrust their children to a dedicated facility that is open outside the hours of child-care centers.

6.2. THE GROUP AND ITS CLIENTS

6.2.1. The OTACE client satisfaction policy

The Group has developed a client relationship management process for its own use. The key indicator for success in client relations is known as OTACE reporting (for On Time Above Client Expectations). Clients are asked to indicate their main expectations regarding the Group's services, based on a set of relevant indicators related not only to the type of service provided, but also to the nature of the working relationship, to knowledge sharing and to qualitative factors. These indicators are documented and reviewed with the client, then used to produce a rating on an agreed schedule (at least annual). The teams in charge of this program report to the Group Director "Global Delivery", and the results of these evaluations are published.

6.2.2. The CSR (Corporate Social Responsibility) offering

The Group helps some of its clients deal with this complex issue, that involves a large number of different stakeholders – companies, international organizations, government agencies, media, employee representatives and investors, to name a few

- by providing assistance with
- designing a sustainable development strategy,
- designing and deploying sustainable products,
- identifying technological developments that may affect the Group's competitiveness, positioning or investment policy in the medium term,
- assessing necessary changes based on existing regulations or forecast changes,
- building reporting tools to better grasp what is at stake and monitor progress,
- tailoring risk-management policies,
- raising awareness through diagnostics and training.

In providing these services, the Group leverages:

- a strong local and international industry knowledge, providing in-depth understanding of the issues at play and of developments in value-creation models,
- a holistic approach to sustainable development issues, that includes an economic and financial dimension,
- a network of experts, thanks to its global presence,
- active involvement in independent institutions, such as France's Collège des Hautes Etudes de l'Environnement et du Développement Durable since 2002,
- its experience in organizing events such as seminars and conferences.

6.3. THE GROUP AND ITS ENVIRONMENT

6.3.1. Supplier relations

The Group provides intellectual services, which means that personnel costs account for almost two thirds of its expenses, while its external purchases are mostly made up of rent, IT and telecommunications costs, as well as purchases of outside services (training, legal and auditing fees, recruitment or IT services).

Following the deployment of a new purchasing management software package, the Group's new procurement procedures contain guidelines on the ethics of purchasing and the selection of suppliers. The Group's suppliers must comply at least with the following principles:

- no use of forced labor or child labor, and no discriminatory practices,
- freedom of association, and more generally compliance with applicable laws, including those relating to working conditions, health and safety, etc.

6.3.2. Relations with society as a whole

Exemplary programs

The British subsidiary was recognized by Business In The Community (BITC) with a "Big Tick" award in the Education and Lifelong Learning category, for two programs designed to boost education:
"Partners in Leadership"
"Time to Read".

The Big Tick is awarded to companies that are able to demonstrate exemplary business practices, and can show a positive impact on society as well as on the business itself.

The Partners in Leadership program matches company managers with head teachers from local schools for support with a broad range of management issues. In the period between 1999 and 2004, Capgemini was the largest participant in the scheme, with more than 235 of its managers being involved in partnerships. Furthermore, each year about 80% of participants decided to stay on in the program when their year-long commitment elapsed.

"Time to Read" involves Capgemini staff at all levels supporting children in local primary schools with literacy and numeracy challenges. In 2003, 250 staff were regularly working with 14 different schools across the UK.

Some of the benefits of this approach for Capgemini include:

- enhancing the Group's image with its employees and with university graduates;
- gaining a better understanding of society as a whole and of the educational issues it faces;
- broadening participants' knowledge, particularly in terms of interpersonal skills that can prove very useful in client projects.

Within society, improving education is an ever-present issue and all initiatives that help reach this target can only be beneficial.
Among the other examples deserving a mention, in the United States the Group supports employee involvement in many charities or community organizations, among them Shampoos for Shelters, the Chicago Abused Women's Coalition, the Special Olympics, Habitat for Humanity and Adopt-a-Family. The annual National United Way campaign gathers funds to support fire departments or families of disaster victims, collecting contributions directly from the paycheck of employees wishing to take part.
Programs have also been developed in Chicago and Los Angeles to train and partner minority-owned companies, the aim being to help them obtain state-of-the-art technology.
The Group also made direct donations to various charitable and community organizations, for a total amount of almost $250,000 in 2004.

In India, activities such as trips for homeless children on their birthday are organized in partnership with non-governmental organizations (NGOs). A conference on the living conditions of homeless children, followed by a fundraising drive, was prepared in partnership with the Childline India Foundation. Another fundraising effort to improve the lot of children in India was put together with the NGO Child Relief & You.

In the United Kingdom, the Group also encourages its employees to make contributions to charitable organizations by offering them the possibility of having donations deducted from their paychecks.

In France, Capgemini supports the work of "Solidarités Nouvelles face au Chômage" (SNC, new solidarity against unemployment), an organization created 20 years ago by Jean-Baptiste de Foucauld, which has around a 1,000 volunteers throughout France that try to help the unemployed recover or find their place within society. The volunteers try to guide unemployed people towards reestablishing or creating social links and building a positive momentum, redefining professional objectives and finding a new job.
As SNC was brainstorming its medium-term outlook, Capgemini's entire Accelerated Solutions Environment team decided to devote a full day, free of charge, to helping the managers of the 80 solidarity groups take stock of their mission, their working methods and their aims. The 80 group managers came away from this day-long session with a clearer picture of their mission and a genuine roadmap that carried everyone's commitment.

Lastly, like so many companies and private individuals, the Group was moved by the deaths or injuries of employees or of their families or friends as a result of the Asian earthquake and tsunami disasters. The Group undertook to help the affected population, through the following measures:
- a donation to the International Red Cross,
- encouraging individual donations,
- encouraging and supporting local action plans launched by Group entities
- setting up a specific plan for India that was managed by the Group's Indian subsidiary.

6.3.3. Environmental policy

Even though its impact on the environment is limited due to the very nature of its operations, the Group does take direct action to improve the environment, in relation to its real estate and technology assets and to its employees' business travel. The Group has consolidated for the first time in 2004 a set of data that should help it better understand its subsidiaries' environmental situation, as well as the environmental impact caused by:
- its power consumption
- its office space and the type of equipment it uses.

This tally and these two indicators represent a first step in building an environmental policy, which was mentioned for the first time in the in-house procedures guidebook as one of the items that have to be managed on a daily basis. The key features of this environmental policy are as follows:
- compliance with local and international environmental legislation,
- taking environmental impacts into account in CSR training programs and raising employee awareness of these issues,
- using, in our sphere of influence, the best practices available in this area,
- setting up indicators to monitor progress.

The 2004 baseline survey of our offices and centers, which are mostly rented, yielded the following data: we have just under 400 sites, representing more than 830,000 square meters (or 10,010,000 square feet). Our facilities are currently being streamlined and their number should fall in the coming years, based on constant employee headcount numbers. These buildings are generally recent or have been renovated regularly, and 86% of them are air-conditioned.
A comprehensive survey was carried out on facilities, but the same level of thoroughness could not be achieved as regards power consumption, because for many sites this information is included in overall maintenance charges and is not provided separately by the owner.

Based on 52% of the total surface area of Group facilities, power consumption in 2004 totaled 119.7 million kWh. This comes to 223.5 kWh per square meter.

These steps taken at Group level supplement local initiatives:
- when the Group opens new office buildings, as it recently has in the Netherlands, it makes a point of installing the most advanced energy-saving systems, such as automated shutting off of lighting in unoccupied rooms or recycling of hot air generated in the summer to supply winter heating;
- in the United Kingdom, facilities managers have been trained in environmental compliance. They report on a monthly basis on Health and Safety issues, and the company has been ISO14001 certified since 1996;
- in most countries recycling systems are in place for paper, aluminum and electronic equipment. In the United States as an example, the company has set up processes for recycling IT equipment through approved vendors, who commit to disposing of equipment in accordance with EPA standards;
- in 2004 the French organization purchased a system to measure power consumption, with a view to identifying areas for optimization;

- to reduce pollution from car exhausts, the Indian company decided to set up a bus commuting system, with a fleet of 60 buses that can carry 30 passengers at a time. Every day, employees that wish to use this service are driven along specified routes based on predefined schedules. The system is managed by a Transport Committee that includes various employee representatives as well as management.

The Group also makes a major contribution to improving the environmental impact of its clients' businesses, notably by optimizing production cycle management and distribution networks, thus limiting the use of resources – especially natural ones – by means of constantly updated technological processes. In 2004 the Sogeti-Transiciel business unit took part in designing, in partnership with the Villefranche-sur-Mer Oceanographic Center, an autonomous buoy that will measure on a continuous basis, the impact of human activity on the marine ecosystem. This project will provide a reliable analytical basis for developing policies and initiatives to preserve the marine environment.

VII – THE GROUP'S INVESTMENT POLICY

The Group has sufficient critical mass to operate efficiently in its businesses, geographic areas and market segments. Acquiring new business partners is nevertheless envisaged, with or without accompanying financial links, with a view to reinforcing the Group's geographic presence on certain markets or to picking up the pace of its growth strategy in the most promising market segments.

In the first half of 2004, the Group therefore finalized the acquisition of Transiciel after a public exchange offer followed by compulsory buyout procedure.

Regarding Outsourcing, the Group intends to develop outsourcing services that are not strictly IT- based ("Business Process Outsourcing"). To achieve this, in relation to new contracts, it will leverage the administrative and finance capabilities provided by the two centers integrated into the business in 2003 in Poland and China respectively.

In relation to systems integration, the growing industrialization of production will lead the Group to produce an ever-increasing proportion of services in its applications development centers. These will be specialized, in terms of service offering or technologies, and the Group will choose their locations based on factors such as the level of qualification and the cost of IT professionals and technicians employed. In this respect, the Group may need to increase its production capacity in Asia or Eastern Europe in the coming years.

Lastly, in the fall of 2004 the Group prepared a targeted program of asset disposals, in relation to assets that were non-strategic or not sufficiently profitable, part of which has already been completed (the sale of an interest in Vertex, the disposal of infrastructure management businesses in Singapore, Sweden and Norway).

The major investments carried out in 2002, 2003 and 2004 are described in notes 2 a) b) and 9, 10, 11 to the consolidated financial statements.

VIII – RISKS

8.1. MARKET RISKS

8.1.1. Credit risks

Short and medium-term assets, which could potentially give rise to a concentrated credit risk for the Group due to their nature, consist of short-term financial investments and accounts receivable. Short-term financial investments mainly comprise money market securities which take the form of marketable securities managed by leading financial institutions as well as negotiable debt instruments issued by companies or financial institutions with a high rating from reputed rating agencies. These short-term financial investments therefore do not entail a material risk. The Group's clients also owe it certain debts; these clients are not concentrated in any one geographic area or any one particular business sector (the Group's biggest client only represents 6% of total revenues and the 10 biggest clients account for approximately 20% of revenues).
The businesses of the Group's clients may be affected by their economic environment and the corresponding receivables may be affected as a consequence thereof; however, the Group considers that none of its clients, none of its business segments nor any geographic area in which it operates, represent any material risk in relation to their recoverability.

8.1.2. Financial instruments

Financial instruments are used to hedge certain risks arising as a result of the Group's business activities. These hedges are always based on existing assets or liabilities and/or financial or operational transactions.

The Group carries out these operations by entering into hedging agreements with leading financial institutions and the counterparty risk is therefore deemed to be negligible. All exchange rate and interest rate positions are taken using financial instruments listed on organized or OTC markets which entail minimal counterparty risks. These financial instruments are principally exchange rate or interest rate swap contracts. The results for these financial instruments used in hedging operations are recognized in a symmetrical manner to the results for the hedged items.

The fair value of the financial instruments is assessed on the basis of listed market prices or the values specified by banks. The figures in this respect are set out in note 19 to the Group's consolidated financial statements.

8.1.3. Financing policy

In relation to its financing, the Group has various bank facilities, including primarily a multi-currency syndicated line of credit for €600 million signed on July 31, 2001, for a term of 5 years, together with a Commercial Paper program for some €550 million.

These lines of credit were not used as at December 31, 2004. Only local lines of credit and overdraft facilities were in use to cover short and medium-term operating requirements.

76% of Group debt is financed at a floating interest rate and 24% at a fixed rate.

The Group finances some of its real property under real estate leasing contracts.

8.1.4. Share risk

The Group has no material exposure in relation to shares.

8.2. LEGAL RISKS AND RISKS RELATING TO THE BUSINESS

The Group's business is not a regulated activity and therefore does not require any particular administrative or regulatory authorization for its performance. However, one of its US subsidiaries, Capgemini Government Solutions LLC ("Government Solutions") which performs services for the US Federal government and for the individual States is bound to comply with certain specific regulations (in particular, in relation to security).

Moreover, certain services, for example in respect of outsourcing, that are provided to clients that are themselves subject to specific regulations, may require the Group to comply with such regulations.

The main areas of risk that relate to the Group's business are as follows:

- **Carrying out client projects**
  The main risk concerns the inability (i) to provide the services which the Group has undertaken to provide or (ii) to provide them within the time periods that have been contractually agreed. To this extent, projects of certain size and/or complexity are subject to specific control procedures described below in the Chairman's Report to the Board of Directors, page 44. The Group has developed a set of formalized methods grouped together in its methodology entitled "Deliver", which is ISO 9001 certified and which it applies to its projects. Those in charge of a project are given specific training which enables them to improve their competencies and acquire different levels of certification.
- **The level of employee attrition**
  The proper completion of client projects depends, for a large part, on the competencies and experience of employees. In order to avoid high levels of employee attrition, the Group has set up human resources departments who have the specific task of putting in place a performance evaluation policy and an employee loyalty policy.
- **Suppliers, co-contractors and sub-contractors**
  There are numerous client projects that require the Group to work with business partners in relation to which the Group may find itself in a position of dependence. It is for this reason that the Group chooses its own suppliers with great care and ensures that the best possible terms and conditions are negotiated to govern its relationships with co-contractors and sub-contractors, in the context of its projects.
- **IT systems**
  The IT systems must be sufficient both for the internal needs of the Group and for its clients' needs in relation to the services provided. In order to ensure that the risks of an IT system breakdown are properly managed, the Group has implemented a certain number of security rules.

These risks are managed by a policy of prevention at the level of the operating entities, together with insurance cover at Group level.

8.3. INSURANCE

8.3.1. General civil and professional liability

Cap Gemini S.A,. together with all its subsidiaries and all companies that are more than 50% controlled directly or indirectly, are insured in relation to the pecuniary consequences of general civil and professional liability which may arise as a result of their business activities under an integrated global program, through several policies with several different insurance companies. The terms and conditions of this program, including the limitations on cover, are reviewed and adjusted from time to time in order to take account of changes in revenues, the business activities that are carried out and the level of risk incurred.

A part of this program, in relation to €20 million, is reinsured through a consolidated captive insurance company.

8.3.2. Direct damage and business interruption

The premises in which the Group carries on its business activities are located in many different countries and, in most countries, there are several sites. A substantial part of the services provided take place on the clients' premises. This geographical spread limits the risks, in particular in relation to business interruption, which may arise out of an incident that may affect the production site. The main outsourcing center for the Group, which of course has a contingency plan to ensure business continuity, represents less than 2% of the Group's total revenues.

Due to the wide geographic spread of the business, the insurance policies that are put in place to cover property damage and business interruption are managed at a local level. The limitations on the insurance cover are set for each country in relation to the value of property, the nature of the work carried out at each site and the level of risk incurred.

8.3.3. Other risks

Other risks of a general nature are covered in accordance with local practices and regulations. The corresponding insurance policies, in particular those concerning employees and vehicles, are taken out, on a country-by-country basis, in light of the size of the risk incurred.

Certain risks are subject to general exclusions imposed by the market practices of the insurance industry, in particular, the risks in relation to terrorism. At this time, the Group has not considered it necessary to specifically insure this risk, save where such cover is compulsory and available.

IX – CAP GEMINI AND THE STOCK MARKET

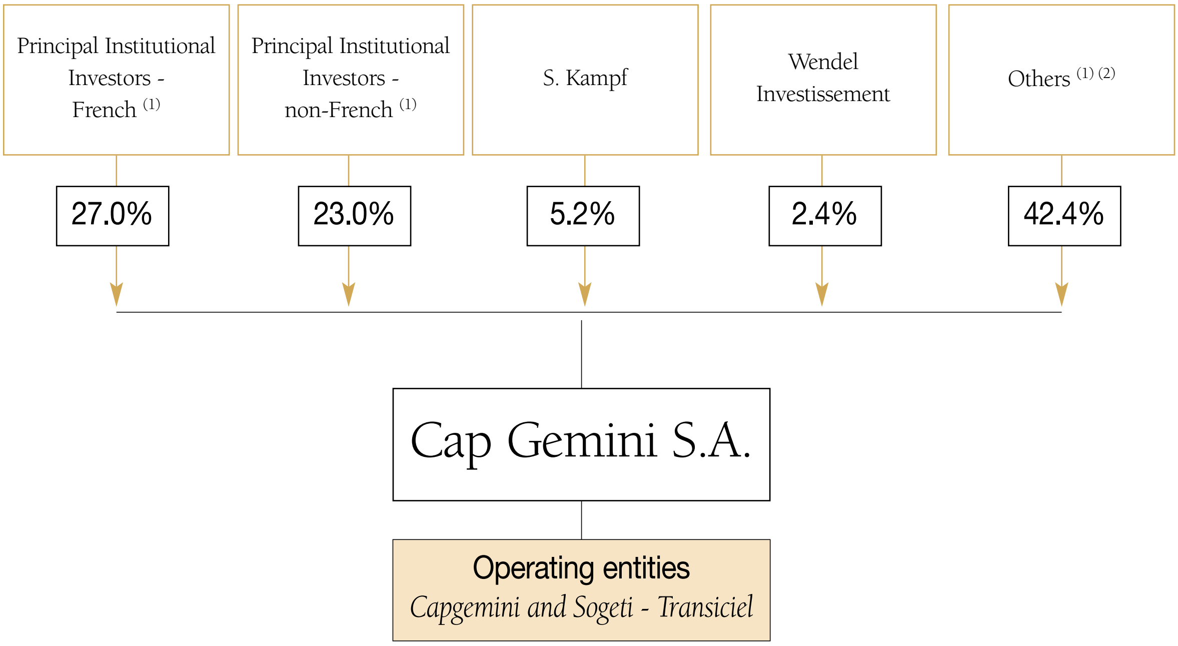
At December 31, 2004, the capital of Cap Gemini S.A. was made up of 131,383,178 shares (ISIN code: FR0000125338) listed on the Paris stock exchange first market (Premier Marché de la Bourse de Paris) with a year-on-year increase of 217,829 shares as a result of the issue of 211,129 new shares, following the extension of the Company's public exchange offer in relation to Transiciel and the issue of 6,700 shares as a result of the exercise of stock options by Group employees.

Cap Gemini shares are listed on the CAC40 index, on the Euronext 100 index and on the European Dow Jones STOXX and Dow Jones Euro STOXX Indexes. Between January 1 and December 31, 2004, the share price on the Paris stock exchange first market fell from €36.28 to €23.56.

In 2004, the average daily trading volumes in relation to Cap Gemini shares was around 1.32% of the total volume of shares traded on the Paris market.

Most recent data available on allocation of the capital

at December 31, 2004

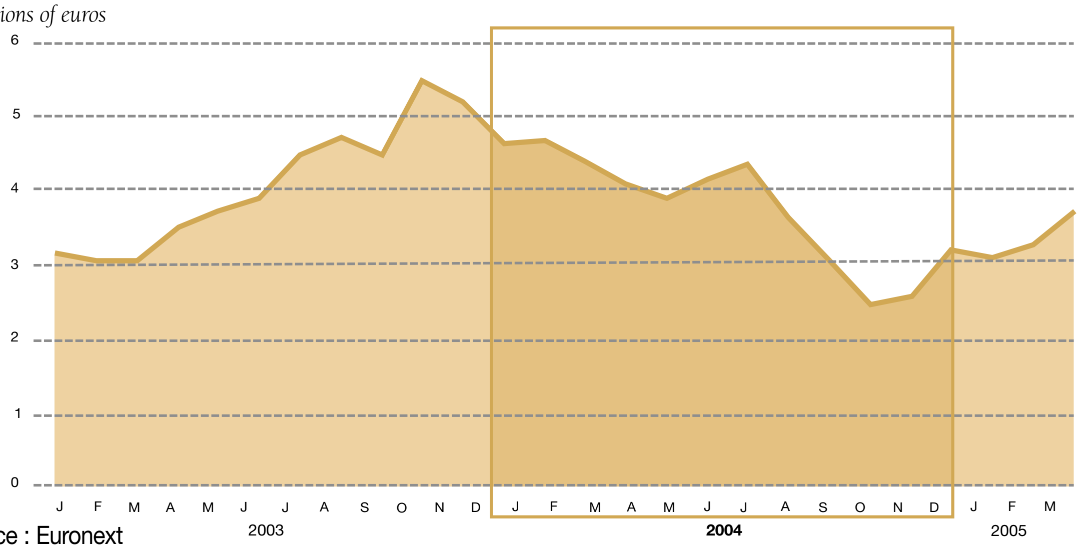

Principal Institutional Investors - French (1)
27.0%
Principal Institutional Investors - non-French (1)
23.0%
S. Kampf
5.2%
Wendel Investissement
2.4%
Others (1) (2)
42.4%
Cap Gemini S.A.
Operating entities
Capgemini and Sogeti - Transiciel

(1) on the basis of a shareholder survey at August 31, 2004
(2) including:
- the proportion of shares held by Group managers, in particular those holding shares as a result of the exercise of stock options together with former partners of Ernst & Young Consulting having received shares in May 2000 following this acquisition and having since become Group employees.
- shares returned by former partners of Ernst & Young Consulting who became Group employees as a result of the merger and have since left the Group.

STOCK MARKET CAPITALIZATION

From January 1, 2003 to March 31, 2005

in billions of euros

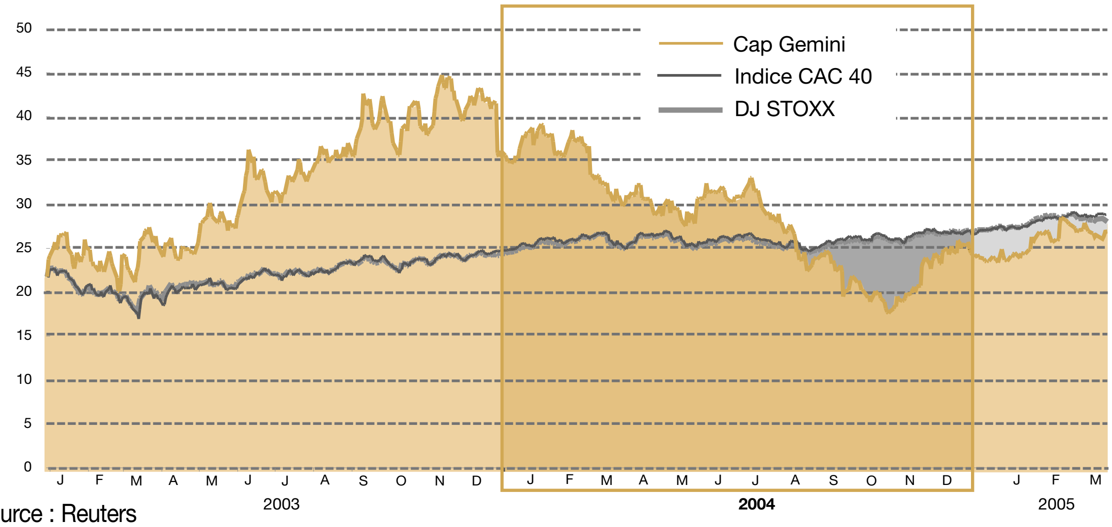


source : Euronext

SHARE PRICE

From January 1, 2003 to March 31, 2005

in euros

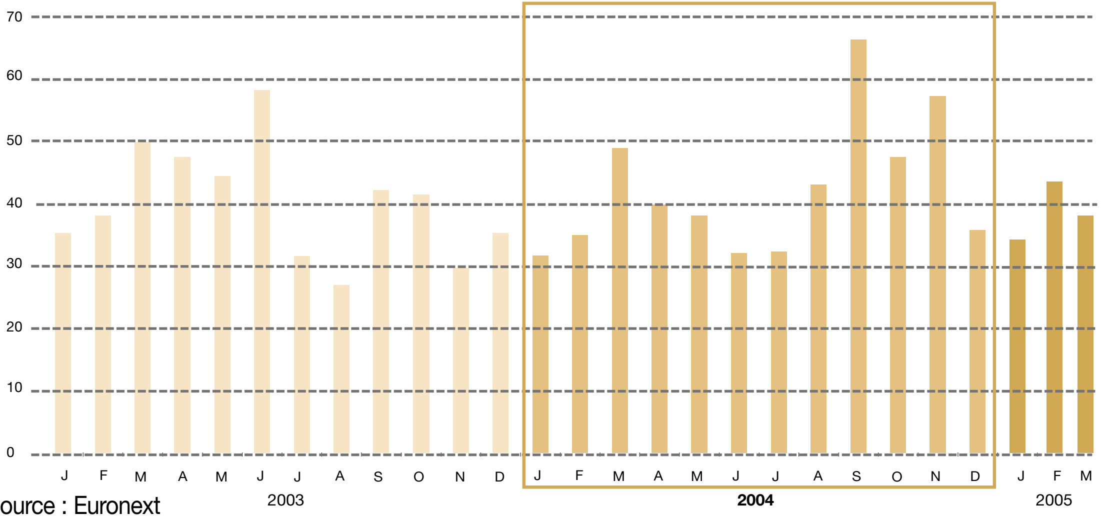


source : Reuters

NUMBER OF TRADES PER MONTH

From January 1, 2003 to March 31, 2005

in millions of shares



source : Euronext

SHARE PRICE AND TRADING VOLUME

The following table presents an analysis of trading in the Company's shares over the last 24 months:

Month	Number of trading days	Share price (in euros)			Trading volume		
					Number of shares		Value
		high	average	low	total	average (daily)	(millions of euros)
April 03	20	28.44	25.11	23.59	46,076,402	2,303,820	1,171.7
May 03	21	30.50	28.42	26.46	43,026,575	2,048,885	1,217.5
June 03	21	36.67	32.66	29.39	56,423,975	2,686,856	1,828.5
July 03	23	36.30	33.28	29.90	30,507,086	1,326,395	1,016.3
August 03	21	38.15	35.83	34.41	26,060,480	1,240,975	941.3
September 03	22	42.90	39.69	35.10	40,805,907	1,854,814	1,610.5
October 03	23	43.70	39.73	35.13	40,192,445	1,747,498	1,593.3
November 03	20	44.86	42.08	38.16	28,662,940	1,433,147	1,201.4
December 03	21	43.29	38.91	34.16	34,177,403	1,627,495	1,301.4
January 04	21	39.61	37.66	35.43	30,611,858	1,457,708	1,153.7
February 04	20	38.46	36.43	33.07	33,936,403	1,696,820	1,220.4
March 04	23	33.71	31.46	29.42	47,509,811	2,065,644	1,512.2
April 04	20	32.76	30.06	28.40	38,648,631	1,932,432	1,167.4
May 04	21	32.61	29.77	26.98	36,949,265	1,759,489	1,099.2
June 04	22	33.85	31.31	30.00	31,086,128	1,413,006	979.9
July 04	22	33.80	28.90	26.54	31,340,171	1,424,553	914.8
August 04	22	27.49	24.12	21.50	41,820,263	1,900,921	1,008.4
September 04	22	23.68	21.14	18.80	64,414,638	2,927,938	1,358.3
October 04	21	20.60	19.05	17.40	46,076,642	2,194,126	880.4
November 04	22	25.53	22.88	19.63	55,569,130	2,525,870	1,283.1
December 04	23	26.31	24.59	23.26	34,707,411	1,509,018	855.1
January 05	21	24.95	24.13	22.13	33,176,891	1,579,852	793.1
February 05	20	28.57	26.54	24.67	42,221,975	2,111,099	1,126.7
March 05	21	28.42	27.13	25.83	36,411,491	1,733,881	981.1

Source : Euronext

DIVIDENDS PAID BY CAP GEMINI

Year ended December 31	Distribution of dividend		Number of shares	Dividend per share	"Avoir fiscal" tax credit(a)	Total revenue (b)
	In millions	*% of net amount*				
1999	€78M	29%	77,945,108	1 euro	0.50 euro	1.50 euro
2000	€149M	35%	124,305,544	1.20 euro	0.60 euro	1.80 euro
2001	€50M	33%	125,244,256	0.40 euro	0.20 euro	0.60 euro
2002			No dividend was paid			
2003			No dividend was paid			

The Board of Directors recommends that no dividend should be paid in respect of 2004.

(a) and (b): the "avoir fiscal" tax credit represents 50% of the amounts distributed in relation to tax credits used by an individual or a company benefiting from the parent-subsidiary regime provided for under article 145 of the French Tax Code, or 10% for other entities using their "avoir fiscal" tax credit as from January 1, 2003. The 2004 Finance Act abolished the "avoir fiscal" tax credit with effect from January 1, 2005.

MANAGEMENT REPORT

PRESENTED BY THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 12, 2005
(OF APRIL 28 ON FIRST CALL)

I – GENERAL COMMENTS

Even though talk of a clear upturn in demand for IT consulting and services is still premature, the improvement in the fundamentals of our industry is sufficiently apparent to confirm that 2004 was a year of transition.

After three consecutive fiscal years of falling revenues, the Capgemini Group thus returned to growth, posting revenues of €6,291 million in 2004, compared with €5,754 million in 2003, representing an increase of 9.3% on a current Group structure and exchange rate basis, or 2.7% like-for-like (based on constant Group structure and exchange rates). Business appeared more or less stable at the end of the first half of the year; however, the six months to December 31, 2004 - with growth of 12.4% like-for-like (and 13.3% compared to the same half year in 2003) - testified to an about-turn in the Group's results. This was not reflected in terms of profitability (the year's operating margin is even lower than that for 2003: 0.9% compared with 2.7%), but 2004 will be seen to have marked the concrete implementation of the strategy to realign the Group's activities towards Outsourcing (where profitability is often zero or even negative during the first year or two of operations) and Local Professional Services, as well as the effects of restoring order in operations, in Europe in particular.

In the Outsourcing business, the Group made a breakthrough in the Transformational Outsourcing and Business Process Outsourcing segments, notably with the signing of the TXU contract in the United States in May and the Schneider Electric contract in France in November, following close on the heels of the Aspire contract signed at the end of 2003 with the Inland Revenue, the British tax authorities. The Group's ability to leverage the global competencies that are needed in consulting, technology and IT systems management is an important asset when “transformation” of its company or its business is a key client concern. Furthermore, these major contracts underscore the Group's leading position in this market and pave the way for it to continue its expansion into smaller contract markets (Drägerwerk, ABB and Bruce Power), where contracts were also entered into in 2004.

Among the new orders taken in 2004 (€10.4 billion), the TXU and Schneider Electric contracts alone account for €4 billion, which clearly reflects this trend towards Outsourcing. With one-third of revenue for 2005 generated by long-term Outsourcing contracts, the pattern of the Group's business has clearly become more recurring and therefore offers greater visibility. Thus, with a customer portfolio of more than €14 billion at December 31 (up 40% year-on-year), the contribution to revenue in 2005 should be approximately €3 billion, leaving more than €11 billion available for the following accounting periods.

As regards Local Professional Services, the swift integration of Transiciel into the Group means that the Group now has a particularly powerful force in this segment, which currently represents 16% of the Group's consolidated revenues, versus less than 8% in 2003. This business force in fact generated slightly more than €1 billion in revenues in 2004, up 6.6% compared to 2003 like-for-like, an excellent performance during a year of business combination. This performance is primarily due to an improvement in the usage rate (84.3% in 2004 as against 81.6% in 2003), a clear illustration of the dynamism of the Local Professional Services business, which moreover displayed the highest figures in the Group in terms of recruitment.

The rest of the Group's activities, consisting of the Consulting and Systems Integration segment, represented 51% of Group 2004 revenue, compared with 58% in 2003 like-for-like. In 2004, business in this segment contracted by 10.6% on a like-for-like basis in comparison to 2003, but displayed growth of 1.1% in the second half of 2004 on the same basis.

- In the Consulting business, signs of a slight improvement in market conditions in the United States appeared at the end of the first half of 2004, on the back of modest growth in volumes and strengthening prices. This upturn is more recent and less pronounced in Europe although overall improvements in usage rates (increasing from 62% in 2003 to nearly 64% in 2004) testify to these first signs of a recovery with an increase in employee turnover from 19.4% in 2003 to 22.3% in 2004 (the usual and immediate result of an upturn in business).

- In 2004, Systems Integration witnessed a slight improvement in market conditions, with business volumes picking up and the pressure on prices easing off in comparison with the last three years. However, the operating performance of the segment in 2004, particularly in the first half of the year, was hard hit by high cost overruns on a few fixed-rate contracts signed in a difficult market environment during previous fiscal years. Efforts to strengthen risk management procedures prior to signing contracts, combined with more stringent supervision of ongoing projects, should pave the way for a return to satisfactory productivity levels for contract work in 2005. Despite the increase in usage rates (up to 75.3%

in the fourth quarter of 2004 from 73.2% in the year-earlier period), a further improvement is essential given their key importance to the profitability of this business.

Expanded use by the Group of its network of local production centers ("Rightshore"TM) is a key competitive advantage in both Outsourcing and Systems Integration. At the end of 2004, the Group had a total of 3,500 employees in its production centers: 1,200 in its "nearshore" production centers (France excluding the Paris area, Spain, Canada and Poland) and 2,300 in its "offshore" production centers (India - where a second center was opened in Bangalore - and China).

To conclude these general remarks, although all the Group's operating units returned to revenue growth (with like-for-like growth standing at 12.4%, including 12% for the Europe/Asia-Pacific region and 14% for North America compared with the first half of the year), the situation is more uneven in terms of profitability. While all European operations witnessed a substantial improvement in operating income in the second half of the year and now seem to be well on their way to recovery, North American operations posted a big loss for the full year and, even though vigorous action has been undertaken in this region to close out longstanding contracts, due to the high-level cost structure, the Group considers that the situation there is still difficult. The recovery of the business in the United States is therefore the n°. 1 priority for Group Management in the first few months of 2005.

Finally, it is noteworthy that the Group ended the year with net cash of €402 million and has an essentially sound financial base given that the bulk of its restructuring measures are now complete, with the exception of the United States.

II - COMMENTS ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

2.1. Consolidated income statement

As mentioned previously, consolidated revenue amounted to €6,291 million, a rise of 9.3% on a current Group structure and exchange rate basis and a rise of 2.7% like-for-like compared to last year. It can also be observed that growth across all business segments was more marked in the second half of the year, up 12.4% on a like-for-like basis in the six months to December 31, 2004 compared with the first half, even though the second half is only just on a par with the second half of 2003 (+0.8%). However, the start of production under the TXU and Aspire contracts on July 1, 2004 (which contributed €527 million in second-half year revenues for 2004) accounts to a great extent for the growth rates recorded in the second six months in North America (+14%) or in the United Kingdom (+42% growth), and to a lesser extent in Benelux (+7% on the same bases). The average number of Group employees rose to 57,387 for 2004, compared with 49,805 for 2003, a much bigger increase (+15.2%) than growth in revenues (+9.3%), and a reflection of the changes in the Group's business portfolio. At December 31, 2004, the Group had 59,324 employees, compared with 55,576 employees at December 31, 2003. This 6.7% net staff increase is the balance resulting from the following:

- 10,900 people who left the Group, consisting of 8,100 voluntary departures, 2,300 layoffs, plus 500 employees who were transferred outside the Group further to the sale of certain business operations, and
- 14,600 who joined it, including 9,300 new hires and 5,300 employees transferred by our clients under outsourcing contracts signed with the Group.

Operating expenses amounted to €6,233 million, another increase (11.3% on a current Group structure and exchange rate basis) at a quicker pace than revenues. The breakdown of costs by type shows the following:

- an 8.8% increase in payroll costs, very significantly less than the growth in average headcount over the period (+15.2%), mainly reflecting the changes observed in the geographic breakdown of Group headcount (in particular the larger proportion of "offshore" staff) and in its business portfolio (with the increasing importance of Outsourcing and Local Professional Services);
- a big rise in the "purchases" caption, essentially as a result of the increased use of subcontractors, which represents for example 48% of the revenues billed by the Group to its client, the Inland Revenue. This rise is only very slightly offset by the savings made on travel expenses (down 9.4% this year after a reduction of already 30% last year!), or on IT equipment and telecommunications expenditure (- €70 million);
- rental charges are up by 10.7%, primarily as a result of the start of production under the two major contracts referred to above on July 1.

The breakdown of operating expenses by function shows that the deterioration in operating income stemmed entirely from the sharp contraction in gross margin. The "cost of services" – i.e., the amount of expenses incurred to perform the services undertaken by the Group in the contracts signed with its clients - rose by 17% (while total selling, general and administrative expenses logically fell by 2.3%). This considerable increase is largely attributable to the growing importance of Outsourcing and Local Professional Services in Group revenues, two businesses which have a structurally dilutive effect on this caption.

Operating income fell to €58 million in 2004 from €155 million in 2003 (with an operating margin of 0.9% versus 2.7% the previous year), but performance varied widely between one half-year and the next, with the Group posting a first-half operating loss of €20 million, compared with operating profit of €78 million over the next six months, giving a margin of 2.4% for this second half of 2004.

Performance also varied widely between regions: this €58 million figure results from the balance between the operating income of €122 million reported by the Europe/Asia-Pacific region taken as a whole, and the loss of €64 million registered by North America, a loss which is spread more or less evenly over the two halves of the year (€32 million for each half-year), and is almost entirely due to the Consulting and Systems Integration businesses. By comparison, there was a notable contrast in the performance of the Europe/Asia Pacific region between the two halves, since the annual income of €122 million breaks down into€12 million for the first half and€110 million (a figure 9 times higher) for the second. There was in particular a clear upturn in profitability in France (reporting a 5.2% margin in the second half versus a 1.6% margin at June 30) and in the United Kingdom, where losses were posted at June 30 (€9 million) whereas a €29 million profit was reported in the second half, notably attributable to the start of production on the contract signed with the Inland Revenue. In Southern Europe, Italy reported second-half revenue on a par with the first half of the year and reduced its operating loss from €8 million to €3 million, while Iberia (Spain and Portugal) ended 2004 almost at a break-even point whereas it had reported an operating loss of €23 million for 2003. Finally, Central Europe (Germany, Switzerland, Austria and Eastern European countries) turned in a strong performance in 2004, with operating income of €7 million in the first half and€12 million in the second.

The Group had net interest expense of €24 million in 2004 compared with net interest expense of €14 million in 2003.

- Over two-thirds of this increase related to the additional financial expenses due to the transfer of Transiciel's net debt to the Group's consolidated financial statements at January 1, 2004.
- The remaining increase was caused by the effect of reclassifying equipment lease contracts in the United Kingdom, France and the United States as finance leases (see the Group's consolidated financial statements, note 1.i – Finance Leases –.)

Other revenues and expenses represented a net expense of €217 million in 2004 (compared with 251 in 2003) and mainly consist of:

- €220 million in restructuring costs (127 relating to staff cutbacks and 93 resulting from the streamlining of the Group's office space),
- a €6 million charge relating to the sale to a credit institution of an additional carry-back tax receivable,
- €24 million in profits from the sale of our interest in Vertex and the sale of our infrastructure maintenance businesses in the nordic countries.

The Income tax expense (€125 million) is mainly due to the write-down of deferred tax assets recognized in the US taken over at the time of the acquisition of Ernst & Young's consulting business in 2000: in light of its underperforming operations in the United States which have had results well below the forecasts made at the time in a completely different economic climate, the Group decided to reduce once again the value of this tax asset, by decreasing it from €248 million – the assets' value at December 31 of the previous year - to €102 million as of December 31, 2004.
This caption also includes:

- an additional carry-back tax receivable of an amount of €33 million resulting from an increase in taxable income against which tax losses generated in France in 2002 can be offset,
- a net positive impact of €13 million relating to the revaluation of the deferred tax asset recognized in France,
- the balance results from lump-sum taxes on taxable income generated by certain profit-making subsidiaries.

After taking into account amortization of goodwill and impairment in the market share caption (€51 million), the Group ended the year with a net loss of €359 million (compared with a net loss of 197 million in 2003). The net loss per share existing at December 31 of each fiscal year was €2.73 for 132,967,504 shares, compared with €1.57 for 126,344,504 shares a year earlier.

2.2. Consolidated balance sheet

At December 31, 2004, consolidated shareholders' equity, including minority interests, stood at €3,002 million. The €349 million decrease compared with the December 31, 2003 figure was directly attributable to the net loss for the year.

Non-current assets totaled €2,966 million at December 31, 2004, representing a year-on-year decrease of €113 million. The decrease can be broken down as follows:

- a €63 million loss in value of market share and goodwill (including 42 relating to Transiciel's market share),
- €295 million relating to net acquisitions of property, plant and equipment and intangible assets, mainly in the United Kingdom (€149 million) and the United States (€54 million),
- depreciation and amortization of €315 million, including 264 relating to property, plant and equipment and intangible assets, and 51 relating to goodwill,
- a €31 million reduction in long-term investments mainly due to the sale of the Group's interest in Vertex,
- a €107 million decrease in long-term deferred tax assets.

Accounts and notes receivable amounted to €1,316 million at December 31, 2004, compared with €1,411 million at December 31, 2003. Out of this total, accounts receivable and related accounts represented €1,257 million versus 1 346 last year (down 6.6%), or 73 days' revenue versus 77 days at December 31, 2003. This further reduction in the number of days' revenue represented by accounts receivable is due to the growing importance of Outsourcing – a business where terms of payment are structurally more advantageous – but also tighter control over receivables collection procedures at the end of the year.

Accounts and notes payable amounted to €1,634 million at December 31, 2004, compared with€1,384 million at December 31, 2003, a rise of €250 million, half of which is due to an increase in accounts payable (as a result of the strong growth in the "purchases" caption).

Net cash and cash equivalents came to €402 million at December 31, 2004, compared with €266 million at December 31, 2003. The €136 million improvement in this item represents the balance between:

- €325 million in cash provided by operating activities (despite disbursements relating to restructuring activities for a total of €182 million over the year), as a consequence of:
  - a €33 million gain on the sale of a carry-back tax receivable, the reduction in days sales outstanding, which represents around €101 million,
  - an increase in trade payables (€108 million) and in other payables (€81 million),
- €134 million in net cash used by investing activities, mainly including:
  - €249 million in capital expenditure, of which almost two thirds (€151 million) related to outsourcing contracts;
  - proceeds from the sale of the Group's interest in Vertex (€70 million) and from the sale of the infrastructure maintenance businesses in the nordic countries (€18 million).
- approximately €60 million relating to the reclassification of equipment lease contracts as finance leases.

2.3. Transition to IAS/IFRS

The project launched in 2003 to prepare the Group for its transition to IFRS continued throughout 2004: identifying differences between these standards and the French accounting principles applied by the Group, assessing the impact of such differences, making adjustments to the 2004 financial statements including, firstly, revision of the consolidated financial statements at January 1, 2004 on the basis of the interpretations of these standards available at December 31, 2004 and the options available for first-time adoption.

At this stage, the main options taken up by the Group for first-time adoption of these standards were as follows:

- business combination that occurred prior to January 1, 2004 have not been restated retrospectively in accordance with IFRS 3 *Business Combination,*
- stock options granted on or after November 7, 2002 and vesting after January 1, 2005 have been restated,
- cumulative actuarial gains and losses relating to pensions and other post-retirement benefit obligations existing at January 1, 2004 have been recognized in full,
- the balance of the translation reserve at January 1, 2004 has been reset to zero.

In addition, the Group has decided to apply IAS 32 and 39 as of January 1, 2004.

The Group subsequently restated its consolidated financial statements at June 30, 2004 in accordance with IFRS, which allowed the main differences with current GAAP to be tested and evaluated. Finally, in addition to the preparation of French GAAP accounts, the Group brought its 2004 consolidated financial statements into compliance with IAS/IFRS.

The procedures described above enabled the Group to better measure the impacts of the transition to IFRS on the Group's consolidated financial statements. These relate in particular to:

- market share relating to acquisitions carried out by the Group prior to January 1, 2004 has been reclassified under goodwill (as goodwill is not amortized under IFRS, this adjustment will have no impact on the Group's consolidated income statement),

- goodwill: previously amortized over a period of 40 years, it will now be tested for impairment at each year-end,
- major outsourcing contracts: they are now required to be defined from the outset to determine whether they fall within the scope of IFRS 3 *Business Combinations,* and whether the assets transferred are allocated to property, plant and equipment, intangible assets or goodwill (this issue is still being discussed with the Statutory Auditors),
- deferred tax assets generated in North America and in France: they were discounted under previous GAAP according to when they were expected to be used. As discounting is no longer allowed under IAS 12 *Income Taxes,* the value of these two deferred tax assets will be adjusted by the corresponding amount,
- the requirements of IAS 19 *Employee Benefits* have been adopted in various countries, as appropriate. The principal effect of the new requirements is an increase in the annual pension charge and the recognition of the shortfall in the defined benefit plan set up in the United Kingdom (this information is in note 16 "Provisions and other long-term liabilities" to the financial statements),
- the impact of IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* in 2004 mainly concerns the Océane bonds issued in July 2003,
- the recognition of the option to sell and the undertaking to purchase the 2.9% interest held by TXU in Capgemini Energy LP,
- the cost relating to stock option plans: in 2004, this is minimal as the Group has taken up the option available in IFRS 1. However, costs relating to share awards are likely to rise in future accounting periods.

The presentation of these consolidated financial statements is based on Recommendation no. 2004-R.02 adopted on October 27, 2004 by the Conseil National de la Comptabilité.

A more detailed analysis remains to be performed in two areas, using a segment-based approach:

- the first relates to IFRIC 4 Determining Whether an Arrangement Contains a Lease, which concerns leases that may be embedded in outsourcing arrangements, which is effective from January 1, 2006 only,
- the second relates to the recognition of revenue on the run portion of outsourcing agreements, and especially the accounting treatment applicable to costs in relation to transition/transformation incurred during the initial operational phase.

Discussions regarding the application and impact of these IFRS are still being held both with other IT services industry players and the Group's Statutory Auditors. In light of the above, the Group has decided to present its 2004 consolidated financial statements initially under French GAAP and then present its restated accounting data for 2004 in accordance with IFRS once these last points have been resolved.

III – COMMENTS ON THE CAP GEMINI S.A. FINANCIAL STATEMENTS

3.1. Income statement

The Company's operating revenue amounted to €130 million (including €126 million in royalties received from subsidiaries) compared with €136 million for 2003 (including €125 million in royalties): the only important point to be noted here is that no license fee for use of the intangibles of Cap Gemini SA was charged to Transiciel in 2004.

Operating income contracted to €88 million from 112 the previous year, due to the Company's contribution to the advertising costs incurred by the Group for the "Collaborative Business Experience" campaign.

The Company had net interest expense of €756 million, compared with €155 million in 2003, although this increase is primarily due to the recognition of an additional provision of €1,098 million for impairment in value of investments in our subsidiaries in North America, the United Kingdom, the Netherlands, Spain and Italy, calculated on the basis of discounted cash flows adjusted for net debt (the method used to value intangible assets in the consolidated financial statements).

Net interest expense also includes:

- a €357 million merger deficit, arising from the dissolution (without liquidation) of Cap Gemini Telecom SA in October 2004, offset by the reversal of provisions for a roughly similar amount.
- the reversal of a €240 million provision relating to Cap Gemini Telecom Media & Network US, further to the sale of this company at December 31, 2004 to Capgemini North America. This transaction generated a capital loss of €314 million reported under net other expense.

Adjusted for movements in provisions and the merger deficit (€854 million in 2004, compared with 173 in 2003) and dividends from subsidiaries (€85 million in 2004 compared with 7 in 2003), net interest expense shows a slight improvement over last year, due mainly to the gain on the interest rate swap contract relating to the Océane bond issue.

Net other expense came to €324 million (compared with net other expense of only €3 million in 2003), due to the sale of shares in Cap Gemini Telecom Media & Network US to Capgemini North America.

After a tax benefit of €43 million (arising mainly on the recognition of a tax gain corresponding to an additional €39 million carry-back tax receivable on 2002 losses), the Parent Company ended the year with a net loss of €949 million, compared with a net loss of €42 million in 2003.

3.2. Balance sheet

Net investments fell to €6,245 million at December 31, 2004 from €7,029 million a year earlier. This decrease of €784 million mainly reflects:

- additional provisions for impairment of investments in certain subsidiaries for a total of €1,109 million,
- a write-down in the net book value of telecom business investments following the dissolution (without liquidation) of Cap Gemini Telecom SA (for €153 million),
- €388 million relating to capital increases in certain subsidiaries (United Kingdom, France, Sweden, Asia-Pacific region, Spain, Italy, Portugal and Austria),
- an increase in the value of the Transiciel shares (+ €16 million) following the extension of the public exchange offer for Transiciel shares and the compulsory buyout procedure,
- a net increase in loans granted to certain subsidiaries (for €70 million).

Shareholders' equity amounted to €6,433 million, a reduction of €943 million compared to the previous year, directly attributable to the loss reported for the year.

At €482 million, debt remained stable compared to December 31, 2003 while at year-end, net cash and cash equivalents stood at €249 million, compared with €316 million a year earlier.

3.3. Results appropriation and special long-term capital gains reserve

The Board of Directors recommends that both the net loss for the fiscal year (amounting to €948,714,553.24) and the negative retained earnings (up to €41,681,723.70) should be charged to the “additional paid-in capital” account which as a result will fall from€3,203,389,464.52 to €2,212,993,187.58.

As the Group reported a net loss in 2004, the Board recommends that you should decide that no dividend should be paid for the year. Pursuant to article 243 bis of the French Tax Code, shareholders are informed that no dividend was paid for 2003 and 2002 either and that for 2001 a dividend per share of €0.40 (excluding the *avoir fiscal* tax credit) was paid on the 125,244,256 shares existing as of December 31 of that fiscal year.

Lastly, pursuant to article 39 of the Amended Finance Act for 2004, your Board proposes to transfer the amount of €61,345,008.61 included as of December 31, 2004 in the "special long-term capital gains reserve" accounts to the "other reserves" account and to charge the special 2.5% tax provided for by such article to the "other reserves" account.

3.4. Share capital and ownership structure

In 2004, the Company's share capital was increased by just over €1.7 million (from €1,049,322,792 to €1,051,065,424), as a result of the following:

- issuance of 211,129 shares remitted as payment for the 638,385 Transiciel shares tendered to the extended public exchange offer launched by the Company in relation to Transiciel;
- issuance of 6,700 shares on exercise of stock options by Group employees.

Pursuant to article L.233-13 of the French Commercial Code, shareholders are informed that:

- as of December 31, 2004, Serge Kampf, Chairman of our Company's Board of Directors, held over 5% of the Company's capital and voting rights,
- during the year, Morgan Stanley & Co International Ltd crossed the 5% disclosure threshold once by increasing, and once by reducing its interest.

3.5. Stock options

The Extraordinary Shareholders' Meeting of May 23, 2000 authorized the Board of Directors to grant stock options to certain employees of the Group and its French and non-French subsidiaries. The authorization was given for a period of five years commencing May 23, 2000, and the number of shares to be subscribed on exercise of the options was limited to 12 million Company shares. The Board of Directors used this authorization to set up the Company's Fifth Stock Option Plan.

Within the scope of this authorization, in 2004 the Board of Directors granted in total options on 4,200,500 shares to 1,077 Group beneficiaries: for 566,000 of these shares, the option exercise price was set at €31 per share and for the other 3,634,500 shares, the option exercise price was set at €21 per share; in both cases, these prices represent the average of the prices quoted for the Company's shares over the 20 trading days preceding the date of grant.

In the event of a notice of authorization of a tender offer or public exchange offer for some or all of the Company's shares published by Euronext, option holders would be entitled, if they wish, to exercise all their options immediately – or all of their remaining unexercised options – without waiting for the end of the vesting period specified at the time of grant.

During 2004, only 6,700 shares were subscribed on exercise of options granted under this Fifth Plan. No further shares could be subscribed under the First, Second and Third Plans, for which the exercise periods expired on November 1, 1995, April 1, 1999 and April 1, 2002 respectively.

3.6. Authorization to buy back the Company's shares.

The 2004 Ordinary Shareholders' Meeting authorized the Company to buy back its shares on the open market under certain conditions. As this authorization was not used in 2004 and it is only legally valid for eighteen months, the Board of Directors is now asking shareholders to replace the authorization granted last year with a new equivalent authorization allowing the Company to take the following steps in decreasing order of priority:

- stabilize the second market or the liquidity of the share price within the scope of a liquidity agreement entered into with an investment services provider and in accordance with an ethics charter recognized by the AMF;
- remit the shares purchased on the exercise of the rights attached to securities convertible, redeemable, exchangeable or otherwise exercisable for Cap Gemini SA shares;
- award the shares purchased to employees and corporate officers (on the terms and by the methods provided for by law), including in connection with company stock option plans, plans involving the free grant of shares or a company savings plan;
- purchase the shares to retain them with a view to remitting them subsequently in exchange or payment for potential external growth transactions;
- possibly canceling the shares purchased.

To this end, the Board of Directors is seeking a maximum 18 month authorization for the Company to buy back shares representing up to 10% of its capital, at a maximum price of €50 per share, these purchases taking place within the scope of:

- articles L.225-209 et seq. of the French Commercial Code which also allow an authorization to be granted to the Board of Directors to cancel some or all of the shares thus purchased up to 10% of its capital, by 24-month period,
- European Regulation No. 2273/2003 of December 22, 2003,
- and finally the information memorandum relating to this share buyback program as approved by the *Autorité des Marchés Financiers* on 8th April, 2005 under number 05-238.

3.7. Returned shares

In the agreements entered into on May 23, 2000 with Ernst & Young in connection with the sale to Cap Gemini of its consulting business, it was provided that if any of its former partners who had become Group employees decided to leave the Group before a specified period had elapsed, they would be required to return some or all of the shares they had received at the time of the sale. The number of shares to be returned depends both on the reason for and the timing of the individual's departure. Pursuant to these agreements, a total of 16 376 Cap Gemini shares were returned to the Company between February 26, 2004 and February 25, 2005: your Board proposes to you, as was the case last year, that these shares be sold on the market rather than being cancelled.

3.8. Directors and compensation

The Board of Directors draws shareholders' attention to the fact that the "Reference Document" attached to the Annual Report given to each of you when you entered the meeting specifies:

- the total compensation and benefits paid by the Company and its subsidiaries to each of the directors during 2004,
- the list of directorships and other functions held by each of the directors in other companies.

3.9. Appointment of two Directors

Shareholders are invited to approve the appointment of Mr. Daniel Bernard and Mr. Thierry de Montbrial as Directors for a term of six years. Each appointment is naturally the subject of a separate resolution.

3.10. Appointment of a new Censeur (special independent advisory Board member)

Shareholders are invited to appoint Mr. Marcel Roulet as a special independent advisory Board member for a term of six years.

IV – ENVIRONMENTAL AND SOCIAL IMPACTS OF THE GROUP'S OPERATIONS

Section VI of the "Capgemini Group" part of this Reference Document (see page 9), explains the Group's policy with regard to human relations (changes in headcount during the year, career development, technical functions and general training, role of the Capgemini university, importance given to internal communications) and the relations with the Group's external business partners: customers, suppliers and the general public at large.

V – OUTLOOK

Amid signs that are less unfavorable and should confirm a gradual upturn in the market, higher usage rates for our employees in the Technology and Consulting services and ongoing efforts to push down costs will prove the two keys to securing an improvement in the Group's operating performance. In Europe, based on strong second-half results and the upbeat conditions observed since the beginning of this year, profitability for this area is poised to improve substantially in 2005. A turnaround in business in North America is more uncertain but is the absolute no. 1 priority set by Management for 2005: a robust action plan has recently been launched with the aim of stabilizing operations in this area as from the second half of the year.

Overall, with sales rising by at least 10%, for 2005 the Group is on track to record a somewhat improved operating margin compared with the 2.3% for the second half of 2004.

VI – COMMENTS ON MATTERS TO BE DISCUSSED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING

6.1. Authorization to cancel shares bought back

As stated above, the Board of Directors asks the Shareholders to authorize them to cancel some or all of the shares purchased pursuant to Articles L.225-209 et seq. of the French Commercial Code (the authorization to buy back shares being described in the sixth paragraph of Chapter 3 of this report), for up to 10% of its capital by 24-month period.

6.2. Financial authorizations

The delegations of authority given to the Board of Directors by the Extraordinary Shareholders' Meetings of May 7, 2003 and April 29, 2004 in order to:

- issue shares and share equivalents, with or without pre-emptive subscription rights, by any method of its choice,
- raise funds on the financial markets by issuing securities convertible, redeemable, exchangeable or otherwise exercisable for new shares, with or without pre-emptive subscription rights, have not yet been used and are therefore still valid.

However, it is important to note that since the last Shareholders' Meeting, Ordinance 604 of June 24, 2004 has reformed the legal regime relating to the various securities convertible, redeemable, exchangeable or otherwise exercisable for new shares or granting a right to allocation of debt instruments, notably by eliminating the specific provisions applicable to each type of security and by introducing a simplified and unified regime, in force since June 27, 2004, subject to maintenance in effect of the rights of the holders as defined by the issue contract when it was entered into prior to such date. Moreover, the Board of Directors now has sole authority to decide or authorize the issue of non-convertible debentures.

Within this new legal framework, in order to allow the Board of Directors to always be in a position to launch the issues that are considered best suited to the Company's needs at the best possible time, depending on market conditions, shareholders are asked to replace the existing delegations of authority with new delegations of authority in line with the new legal regime provided for by the Ordinance of June 24, 2004.

These new delegations of authority which you are asked to give the Board of Directors would enable it, during the 26 months following today's Shareholders Meeting, to:

- increase the share capital by capitalizing reserves,
- issue new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments, with or without pre-emptive subscription rights,
- increase the amount of the issues if the requests for shares exceed the number of shares on offer, up to 15% of the initial issue at the same price as for the initial issue ("Greenshoe" options),
- finally, issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, as payment for shares tendered to a public exchange offer made by the Company or contributions in kind to the Company of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company.

This is the purpose of the **tenth, eleventh, twelfth, thirteenth and fourteenth** resolutions that supersede the previous resolutions adopted by the Extraordinary Shareholders' Meetings of May 7, 2003 and April 29, 2004. The overall limits on the amounts of the issues that may be decided pursuant to the delegations of authority granted to the Board by the foregoing resolutions are set by the **eighteenth** resolution**.** This resolution sets:

- a maximum nominal amount of €1.5 billion for capital increases paid up by capitalizing reserves,
- a maximum nominal amount of €450 million for capital increases, enabling the share capital to be increased to a maximum nominal amount of approximately €1.5 billion,
- a maximum aggregate issuance amount of €3 billion for securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments.

It is specified that, in the event of the cancellation of pre-emptive subscription rights, these amounts would be reduced by one-third: thus, the total nominal amount of the capital increases may not exceed €300 million (instead of 450) and the issuance amount of securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, may not exceed €2 billion (instead of 3).

In the event that the Board of Directors uses any of these delegations of authority, the Statutory Auditors will issue a special report to the Shareholders' meeting. Where these share issues are carried out without existing shareholders having pre-emptive subscription rights, the price of the shares issued, either directly or via securities convertible, exchangeable, redeemable or otherwise exercisable for shares, shall be at least equal to the weighted average price for the Company's shares during the three trading days prior to the date on which the price is set. This price may be reduced by a discount of up to 5%. Moreover, your Board of Directors has the authority to provide for a non-transferable priority right for the shareholders in respect of such shares.

A table summarizing the delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors with regard to share issues is provided on page 106 of the Reference Document.

6.3. Employee shareholdings

Pursuant to the Finance Act for 2005, your Board is today proposing that you use one of the two legal mechanisms that make it possible to increase employee shareholdings in the Company.

6.3.1. Stock options

In the first part of this report (section 3.5), we reminded you that the Ordinary and Extraordinary Shareholders' Meeting held on May 23, 2000 authorized the Board of Directors to grant stock options to employees of the Group and its French and non-French subsidiaries. This authorization was given for a period of five years commencing on the date of the Shareholders' Meeting, and the number of shares to be subscribed, on exercise of the options, was limited to 12 million Company shares. It was by using this authorization that the Board of Directors granted to 5,842 beneficiaries during the last five years (namely in 2000, 2001, 2002, 2003 and 2004) a certain number of stock options, details of which have been provided to you each year in the Management Report presented at each Annual Shareholders' Meeting. This is why, in view of the reincorporation of stock options held by beneficiaries no longer entitled to them as they were leaving the Group, and also in light of the refusal by some beneficiaries to take up all or part of the stock options allocated to them because they considered the tax legislation applied in their country to these options to be dissuasive, a total of 1,077,800 options remained to be granted as of December 31, 2004. As the 5-year period decided at the Shareholders' Meeting of May 23, 2000 ends on May 23, 2005, almost all these remaining options were granted on April 1, 2005.

As it wishes to pursue by this means its incentive and staff loyalty policy that it launched 18 years ago, the Board of Directors is asking shareholders to give them a new authorization, which would result in the Sixth Stock Option Plan, to grant stock options to employees of the Group and its French and non-French subsidiaries, concerning a total of 6,000,000 shares. This is the purpose of the fifteenth resolution, pursuant to which full powers will be given to the Board of Directors to decide on the list of beneficiaries, the number and type of options that will be offered to each of them (options to subscribe or purchase shares), the terms and conditions of grant and the way in which it will be possible to exercise the options thus granted (for example, the achievement of quantified targets and/or quality targets defined for each beneficiary or each category of beneficiaries). It should be noted that the Board of Directors has considered it would be more equitable not to provide for any discount in respect of the exercise price of these options: the price cannot therefore be less than the average of the opening prices quoted for the Company's shares over the 20 trading days preceding the date of grant (nor, in the case of options to purchase shares, less than the average price paid for the shares purchased by the Company). In accordance with French law, this authorization would be valid for a maximum period of 38 months as from the date hereof and would take over from the authorization given by the Ordinary and Extraordinary Shareholders' Meeting of May 23, 2000.

6.3.2. Free grant of shares

Article 83 of the 2005 Finance Act allows from now on the implementation of a system for the free grant of existing shares, or shares to be issued in the future, to employees of the Group and its French and non-French subsidiaries. Pursuant to this new system, the grant of these shares to certain beneficiaries will only become definitive at the end of a vesting period, the minimum duration of which cannot be less than 2 years, in turn followed by a minimum 2-year holding period for the shares. This new system will be complementary to the grants of stock options provided for in the previous section (the choice between the two being primarily made on the basis of the tax legislation applied in each country to the beneficiaries of such grants). The Board of Directors is therefore asking shareholders to authorize it to make free grants to certain employees of the Group and its French and non-French subsidiaries of existing shares or shares to be issued in the future, up to a total of 2,000,000 shares. This is the purpose of the **sixteenth** resolution, pursuant to which full powers will be given to the Board of Directors to decide on the list of beneficiaries of the grants and, where applicable, the criteria for the grant of shares. The grant of these shares to their beneficiaries will not be definitive until the end of a vesting period of 2 years, as from the date on which the grant is made, which period will in turn be followed by a minimum holding period for these shares, also lasting 2 years after this definitive grant. In accordance with the 2005 Finance Act, the authorization will be given in this respect for a period of 38 months as from the date hereof, that is, for the same period as for the authorization you were asked to give us earlier to grant stock options.

Furthermore, in order to satisfy the requirements of the French legislation on employee savings, shareholders are asked, via the adoption of the **seventeenth** resolution, to authorize the Board of Directors, in the event that it makes use of one of the authorizations enabling it to make share issues, to decide whether part of this employee share issue should be reserved for subscription by Group employees participating in a Company Savings Plan set up on this occasion. Such employee share issues may cover a maximum of 3,500,000 new shares.

Lastly, in accordance with Article L225-102 of the French Commercial Code, shareholders are informed that at December 31, 2004, the Mutual Fund Transiciel held 0.07% of the Company's capital, further to the tender of all of its shares to the public exchange offer launched by Cap Gemini in relation to Transiciel shares.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

ON THE CONDITIONS FOR THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD, ON INTERNAL CONTROL PROCEDURES APPLIED BY THE COMPANY AND ON LIMITATIONS PLACED BY THE BOARD ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

(ARTICLE L 225-37 OF THE COMMERCIAL CODE)

I – CORPORATE GOVERNANCE AND CONDITIONS FOR THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

Cap Gemini is a French joint-stock company ("société anonyme"), whose Board of Directors decided on July 24, 2002 to separate the functions of Chairman and Chief Executive Officer further to the authorization granted to the Board by the Shareholders' Meeting of April 25, 2002

1.1. The Board of Directors

The Board currently comprises eleven members and two Non-Voting Directors:

- ten of the eleven Directors (and the two Non-Voting Directors) were elected for a term of six years by the Shareholders' Meeting of May 23, 2000;
- the eleventh Director, Yann Delabrière, was appointed by the Board of Directors on February 25, 2004 to replace Jean-Bernard Lafonta (the representative of Wendel Investissement, formerly CGIP), who had resigned in December 2003 due to the virtual withdrawal of Wendel Investissement as a shareholder of Cap Gemini. This appointment was ratified at the Annual Shareholders' Meeting of April 29, 2004.

The terms of office of the eleven Directors and the two Non-Voting Directors will expire simultaneously at the end of the Ordinary Shareholders' Meeting held in April or May 2006 to approve the consolidated financial statements and the Cap Gemini S.A. financial statements for the year ending December 31, 2005.

The principal role of the Board of Directors is to determine the key strategies of the Company and the Group, and to ensure that these strategies are implemented. Particular emphasis is placed on the management of human resources, especially at managerial level, reflecting Cap Gemini's business as a provider of services.

The Board meets six times a year. Meetings are convened by the Chairman in accordance with a timetable agreed by the Board at the end of the previous year. However, this timetable may be amended during the year in response to unforeseen circumstances or at the request of more than one Director. During 2004, the Board met once when only 10 Directors were in office (Yann Delabrière having not yet been appointed) and five times when 11 Directors were in office. This represents a total of 65 theoretical attendances for all Directors combined; there were only 5 absences, giving an overall attendance rate of 92.3%.

Within a reasonable period before these meetings, each Director is sent:

- a detailed agenda;
- supporting documentation about items on the agenda calling for specific analysis or prior consideration, to the extent that the relevant information is available and there is no risk that the sending of such documentation will affect the confidentiality of sensitive information up until the day of the Board meeting;
- a summary report comparing the performance of Cap Gemini shares to that of various general and sector indices and that of its main competitors;
- a table giving a breakdown analyst by analyst of the last known consensus.

The Company's Board of Directors has been applying for some years the main corporate governance rules now recommended as best practice, by:

- preparing, adopting and applying highly detailed internal rules of operation;
- setting up three specialized Board Committees (the Strategy and Investments Committee, the Audit Committee and the Selection and Compensation Committee), each with a clearly defined role;
- linking a substantial portion of Directors' compensation (in the form of attendance fees) to actual attendance at Board and Committee meetings;
- reviewing the situation of each Director from time to time to assess whether or not he or she qualifies as independent from the Company itself and any of the subsidiaries which it controls.

The Board has also implemented a self-assessment procedure. This involved commissioning one of the two Non-Voting Directors to prepare and send a detailed questionnaire to each Director, about the composition, operation and efficiency of the Board and its Committees. The questionnaire was split into the following three main sections:

- overall assessment of the directors themselves: competence, complementarity, solidarity, independence, prestige, extent of interest, availability, etc...
- meetings and their effectiveness: number, length and period of notice of meetings, agenda, quality of information, quality of dialogue with management, quality of discussions between Directors, quality of decisions made and strategic options chosen, quality of minutes, assessment of the level of influence of the Board on the decisions taken by management, impact of Committee recommendations on Board decisions, etc.
- finally, a certain number of other issues relating for example to the conditions for possible changes in the composition of the Board and/or its Committees.

The summary of the replies to this questionnaire has not yet been discussed by the Board which has decided to devote a large part of its next meeting to take the action that it sees fit in this respect.

1.2. Internal rules of operation

As provided for in article 16 of the Company's bylaws, internal rules of operation were drafted, discussed and finally adopted by the Board of Directors on July 24, 2002. This decision followed the resolution approved at the General Shareholders' Meeting of April 25, 2002, which authorized the separation of the functions of Chairman and Chief Executive Officer. These internal rules of operation:

- set out or provide additional details on the content and the terms and conditions for the exercise of the respective powers of:
  - the Board of Directors itself,
  - any specialized Committees created by the Board,
  - the Chairman,
  - the Chief Executive Officer.
- determine how roles and responsibilities are allocated between these individuals and bodies and stress in particular that prior approval by the Board of Directors is required for any decision which is of major strategic importance or which is liable to have a material impact on the financial position or commitments of the Company or one of its principal subsidiaries.
- list the main obligations of the "code of ethics" which Directors of Cap Gemini S.A. undertake to comply with throughout their term of office. These rules stress, for instance, that pursuant to the current legal provisions, members of a Board of Directors may not carry out transactions with regard to the securities of companies in respect of which they have at their disposal, due to their functions, information that is not yet public and recommend that directors:
  - should only buy or sell Cap Gemini S.A. shares in the two-month period following interim or full-year results announcements
  - should formally undertake not to buy or sell shares in the month preceding said announcements.

1.3. Board Committees

Five years ago (on March 23, 2000), the Board of Directors approved the recommendation of its Chairman to set up three specialized Committees (a Strategy and Investments Committee, an Audit Committee and a Selection and Compensation Committee). Each Committee is tasked with reviewing and preparing Board discussions in its sphere of competence, making proposals to the Board, and providing advice and recommendations to the Board on decisions to be taken.

The initial appointment of Directors and Non-Voting Directors to these three Committees was decided upon by the Board of Directors at its meeting of September 13, 2000. Each Committee elected its own chairman, and has specific internal rules of operation defining the nature and extent of its roles and responsibilities.

1.3.1. Strategy and Investments Committee

This Committee reviews the strategic options that the Group may adopt, calibrates the investment needs associated with each of these options, makes recommendations regarding the choice of option that the management will subsequently implement, assesses potential or necessary alliances, and more generally discusses any issue seen as crucial to the Group's strategic future and ensuring financial stability.
Five Directors currently serve on this Committee:

- Chairman: Jean-René Fourtou
- four members: Paul Hermelin, Serge Kampf, Bruno Roger and Ernest-Antoine Seillière

This Committee met twice during 2004, with a 90% attendance rate (a member being absent at each meeting). It primarily examined the Group's situation in North America, and explored the various strategic options that could be taken in light of the investments already made, the importance for an IT services and consulting company to have a significant presence in the United States which is at the origin of all the innovations made in this field, and finally measures already taken aimed at renewing with growth and restoring the profitability of this Group Business Unit, which it felt should be continued or even intensified.

1.3.2. Audit Committee

This Committee assesses the appropriateness and the consistency of the accounting policies and methods used in the preparation of the full-year and interim financial statements. It checks the internal reporting and control procedures used to ensure the accuracy of financial information. The Committee also makes assessments of the various engagements conducted by the Statutory Auditors and gives an opinion as to whether they should be reappointed.

Three Directors and one Non-Voting Director currently serve on this committee:

- Chairman: Phil Laskawy
- Members: Yann Delabrière, Pierre Hessler (a Non-Voting Director) and Michel Jalabert.

This Committee met four times in 2004, with a 100% attendance rate (16%). It reviewed the accounting policies used for the consolidated and Cap Gemini S.A. financial statements for the year ended December 31, 2003, and the accounting treatment of significant events which took place during that year. It also reviewed the Group's interim financial statements for the period ended June 30, 2004, gave its opinion on proposals to recapitalize certain subsidiaries, examined the role and objectives of the internal audit team (working practices, scope of intervention and 2004/2005 action plan). Finally, the Committee reviewed the main differences between French generally accepted accounting principles as currently applied by Capgemini and international accounting standards (IAS/IFRS), especially the accounting treatment of the employee benefit represented by the granting of stock options.

1.3.3. Selection and Compensation Committee

This Committee looks into the human resources policy applied by Group companies to managerial posts (executive selection, succession planning, changes in compensation policy, determination of the variable portion of compensation, the granting of stock options, etc.) and makes sure that this policy is both consistent – while respecting local particularities – and in line with individual and collective performance. It is consulted prior to the decision on the appointment or replacement of Executive Committee members and strategic Business Unit managers. It makes proposals to the Board about the fixed and variable compensation of these individuals and the Chairman and the Chief Executive Officer. Finally, it has an ongoing remit to put forward one or more names of potential candidates for consideration by the Board of Directors if one or more directorships becomes vacant, or if the Board considers it appropriate to request a Shareholders' Meeting to approve an increase in the number of Directors (up to the legal maximum of 18).

The composition of this Committee is currently as follows:

- Chairman: Ruud van Ommeren
- Members: Christian Blanc, Terry Ozan, Geoff Unwin (a Non- Voting Director).

This Committee met four times in 2004, with an attendance rate of 81% (13/16). The Committee dealt with issues relating to the general compensation policy applied by the Group for 2004 as well as determining the variable portion of compensation for 2003 and revising fixed compensation for 2004 for the Chairman and Chief Executive Officer and key Group executives. Half the variable portion is linked to the percentage of achievement of financial targets set (revenues, operating income, central overheads, etc.), and half to the attainment of personal objectives set for each of them.

The Committee reviewed and submitted for final approval by the Board of Directors a list of the beneficiaries of the 4,200,500 stock options granted on April 1 and October 1, 2004 to 1,077 Group managers. With regard to the compensation of the directors themselves, it was proposed that for 2004, the same rules as in 2003 should be used for allocating attendance fees between Directors, Non-Voting Directors and members of the Board Committees and that, in light of the Group's results at year-end, the next Shareholders' Meeting would not be asked to revise the overall ceiling for attendance fees of €500,000 which has not been increased for 5 years, even though this ceiling was set five years ago and in the meantime there have been significant increases in the responsibilities of the Directors, in the amount of preparation time required for meetings, and in the number of meetings held. Finally, the Committee proposed to the Board candidates to replace the outgoing Director Jean-Bernard Lafonta and made suggestions concerning possible changes to the Board's current composition.

1.4. Compensation of Directors

As compensation for their responsibilities, and for time spent attending Board and Committee meetings as well as preparing for these meetings, the Company is authorized to pay attendance fees to its Directors and Non-Voting Directors (within the overall ceiling of €500,000 a year), which, as stated above, has remained unchanged since it was set by the Ordinary Shareholders' Meeting of May 23, 2000):

- to each Director or Non-Voting Director:
  - a fixed fee of €10,000 in his capacity as Director or Non-Voting Director
  - a fixed fee of €3,500 for membership of one of the Board Committees
  - €2,500 for each attendance at a Board meeting
  - €1,500 for each attendance at a Board Committee meeting.

  The "usual" compensation of a Director or Non-Voting Director is therefore approximately €33,000 (and slightly more for members of the Audit Committee as this Committee meets more frequently)
- to the Chairman and Vice-Chairman of the Board: a fixed fee of €25,000 each;
- to the Chairman of each Board Committee: a fixed fee of €10,000.

1.5. Directors' independence

The Selection and Compensation Committee has already conducted two reviews of the personal situation of each of the current members of the Board of Directors, based on:

- the definition of independence provided in the Viénot and Bouton reports on promoting better corporate governance in listed companies: ("a Director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment"),
- the independence criteria used in the United States (subject to change as a result of the Sarbanes-Oxley Act) and in other countries where the Group operates,
- finally, those proposed for French companies by the Bouton report.

The Committee concluded from this study, after discussion, that six of the eleven Directors (55%) could be regarded as independent: Christian Blanc, Yann Delabrière, Jean-René Fourtou, Michel Jalabert, Phil Laskawy and Ruud van Ommeren.

Having been informed of these conclusions, the Board of Directors established that it was the sole responsibility of the Board to judge the independence of each Director. The Viénot report actually stipulates that "the Board of Directors may take the view that a Director, despite meeting the aforementioned criteria, should not be deemed to be independent given his or her specific circumstances or those of his or her company, in the light of its share ownership structure or for any other reason, … and vice versa." After deliberating on the issues raised, the Board unreservedly and unanimously approved the conclusions that the Committee itself had reached.

II – LIMITATIONS PLACED BY THE BOARD ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

On the recommendation of Serge Kampf, the then Chairman and Chief Executive Officer of the Company, the Board of Directors decided at its meeting of July 24, 2002, that the functions of Chairman and those of Chief Executive Officer should be separated from then on. Paul Hermelin was appointed as Chief Executive Officer. As mentioned above, the Board's internal rules of operation, adopted on the same day, stipulated the content and methods for performing the functions and attributions of the Board itself, its Chairman and Chief Executive Officer, and established the internal rules of operation for the Board Committees created and organized the allocation of responsibilities between these different bodies.

As regards the role and powers of the Chief Executive Officer, the internal rules of operation stipulate that he must seek and obtain prior approval from the Board of Directors – or from its Chairman acting under delegated powers – for any decision which is of major strategic importance or which is liable to have a material effect on the financial position or commitments of the Company or of one of its principal subsidiaries.

This applies in particular to:

- the approval and updating of the 3-year plan based on the strategy approved by the Board;
- the contracting of strategic alliances;
- significant changes to the structure of the Group or its range of business activities;
- significant internal restructuring operations;
- financial transactions with a material impact on the financial statements of the Company or the Group (in particular the issuance of shares or share equivalents);
- acquisitions or disposals of assets individually worth more than €50 million;
- increases or reductions in the capital of a major subsidiary;
- specific authorizations concerning the granting of guarantees.

III – INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

These internal control procedures, which were already described at length in last year's Annual Report (pages 31 to 36 of the "2003 Reference Document") – and which will also be dealt with in the following pages of this year's report, appeared at the time to be largely sufficient, and sometimes even overabundant, when it came to protecting the company against any unpleasant surprises at the time of closing its accounts. However, several malfunctions came to light in 2004 (primarily in the United States) that luckily had only minor consequences, but are a clear illustration of the difficulties that are liable to arise from time to time – in a services company with 60 000 staff members over the 5 continents who speak at least 25 different languages (who quite often do not speak French… and sometimes not even English) – in applying everyday and everywhere complex rules that result from the principles of good corporate governance that are not yet universally widespread and of which the significance is sometimes not properly understood, or not properly accepted.

In any event, these malfunctions have led us at the end of 2004 and during the first few months of this year:

- to strengthen certain of these procedures even further (and also to increase the sanctions which would be imposed in the event of an established breach of any of these rules),
- to automate further the treatment (reconciliation and payment) of intercompany transactions,
- to set up a special structure known as the " Group Delivery Complex Project " aimed at providing for stricter risk control by ensuring the ongoing monitoring of complex projects in the process of execution.

More generally, the Group Chief Financial Officer has launched and is personally conducting a program for transformation of some of the Group's administrative and finance functions; known internally as the "Green project", the main thrusts of this program are:

- the introduction of a single information system across the Business Units (integrating – or on the contrary refusing to integrate – certain local particularities whose immanence resulted from the principle of decentralization adopted),
- greater efficiency in the support functions performed for the Group (better quality at lesser cost),
- the reinforcement of centralized treasury management,
- the transfer of the administrative and accounting functions of some subsidiaries to shared service centers,
- finally, the updating of all the Group's "accounting rules and procedures" to reflect the adoption of IFRS.

After these clarifications and amendments have been made, we will now get back to the description made last year of the internal control systems that have often already been in place in the Capgemini Group for several decades.

3.1. Objectives of internal control procedures

The Group's internal control procedures comprise a set of rules, directives and working practices designed to ensure that the activities of the Group and its staff:

- comply with the relevant laws, regulations, standards and internal rules,
- fit in with the Group's traditional values,
- are consistent with the strategies and objectives defined by the corporate decision-making bodies and their representatives, especially as regards risk management,

They are also aimed at ensuring that internal and external communications reflect fairly, and with an appropriate degree of prudence, the exact situation of the group formed by Cap Gemini SA and its subsidiaries.

These procedures relate mainly to main levels within the Group organization:

- The Senior Management has discussed, drafted, approved and distributed a set of rules and procedures (known as the “Blue Book”). Compliance with the Blue Book is mandatory for all employees of all Business Units. This Blue Book restates and explains Capgemini's 7 core values (which were defined over 20 years ago and have not changed since), sketches out the overall security framework within which the Group's activities must be conducted, and finally describes the methods to be followed in order to exercise the necessary degree of control over the risks identified in each of the Group's main functions.
- Business Units supplement or amend the Blue Book, by drawing up detailed internal control procedures which comply with the relevant laws, regulations and customary practices in the country where they operate, in order to exercise control more effectively over risks specific to their local market and culture.

The Group Internal Audit team, which reports directly to the Group's Chairman and its Chief Executive Officer, independently assesses the effectiveness of these internal control procedures given that, irrespective of how well they are drafted and how rigorously they are applied, these procedures can only provide reasonable assurance, not an absolute guarantee against all risks. The Internal Audit team comprised on average 15 members in 2004 carried out 38 in-depth control engagements over the year in the Group's Business Units and spent in all over 1,000 days performing audit procedures within the Business Units.

3.2. General organization of internal control procedures

The Group's internal control procedures are based on a close-knit executive management structure and clear lines of organization at operational level, which in turn rely on clearly defined processes and methods.

3.2.1. Close-knit executive management structure

A close-knit executive management structure has been set up to model, explain, procure adherence to, apply and control implementation of the strategy defined by the Board of Directors. This structure is built around 5 main bodies:

- The Office of the CEO: this comprises 4 people: the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Group's General Secretary. This Office meets once a week and more often if required, in order to oversee the overall running of the Group.
- The Executive Committee, chaired by the Chief Executive Officer, it consists of 12 members: the 4 persons mentioned above, the managers of each of the 6 Strategic Business Units and two Group Directors (the Strategy and Communications Directors). It meets once a month to discuss an agenda prepared by the Chief Executive Officer and, in the meantime, informal conference calls are used to provide updates on implementation of the measures decided upon at these monthly meetings. The Executive Committee's task is to verify the conditions of implementation of the decisions made, set priorities, evaluate risks and ensure that the organization is capable of meeting both the performance targets set for the fiscal year and the strategic objectives sought by the Group; finally, and if necessary, the Executive Committee will implement actions to remedy immediately any failures to deliver on the commitments made and the objectives set.
- The Operations Committee: this 10-person Committee, which meets weekly (either at face-to-face meetings or by video-conferencing), is chaired by the Chief Operating Officer and consists of the managers of the six Strategic Business Units and three Group Directors responsible for Marketing, Sales & Alliances and Delivery. The Operations Committee is responsible for overseeing on an ongoing basis the running of the Business Units, validating the explanations made of variances as compared to budget or to forecasts made for the following months, making decisions on corrective action to be taken in any or all or these Business Units, etc.
- The Group Finance Department: the primary responsibility of the Chief Financial Officer, this department handles internal information systems, procurement, financial information and corporate development as well as, naturally, the various services covered by the finance function itself, namely:
  - budget and financial control;
  - financial and management reporting;
  - consolidation;
  - setting Group accounting standards;
  - treasury management;
  - tax;
  - financial engineering.

- The Major Commitments Committee: consisting of six members and chaired by the Chief Executive Office, this Committee holds meetings twice a month between the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, the Director of Corporate Development, the Director of International Legal Affairs and the Group's General Secretary. Its task is to review - within the scope of the limitations placed by the Board on the powers of the Chief Executive Officer (see Chapter II above) - major business opportunities, plans for acquisitions or disposals, proposals for strategic alliances and master contracts with clients or suppliers that are under discussion and meet specific criteria. The Committee's decisions are based on a risk analysis and on recommendations presented under the auspices of the Corporate Development function and prepared in conjunction with the managers of the Business Units concerned. It only gives it opinion on the express condition that the International Legal Affairs Department has been involved in the review of the major commitments that would be entered into by the Group and/or one or more of its subsidiaries at the outset of commercial negotiations.

Finally, five corporate functions report directly to the Chief Executive Officer:

- The Internal Audit Department: This Department reports both to the Chairman and to the Chief Executive Officer and its role is to ensure that the internal control procedures adopted within the Business Units comply with the policies and rules established at Group level, and to check that they are properly applied. Each of these Business Units is inspected in accordance with a biannual program, which the Chairman or the Chief Executive Officer reserve the right to modify at any time in the light of urgent cases or the appearance of delays in achieving budget commitments;

- The Strategy Department whose main role is to provide its input and documentation for the thought processes carried out with regard to strategy by the Office of the CEO and by the Board Strategy Committee;
- The Communications Department, which is responsible for defining the guiding principles of the Group's communications strategy and ensuring they are implemented by the operating subsidiaries;
- The Capgemini University, which has a threefold role: providing Group staff and managers with the additional training they require (in new technologies, assuming commercial functions, the ability to handle large projects, personal leadership development, etc.), creating – for these 60 000 staff members and managers scattered over five continents – an attractive " meeting point " and for this purpose, hosting a large number of internal Group meetings or working groups cooperating on the same project, and finally – and secondarily – offering the Group's major clients a top-quality training environment and resources;
- The General Secretariat, to which the Departments of Legal Affairs and Human Resources report and which is also responsible for the general services for the two establishments run by the Group in Paris (Tilsitt and Kléber).

3.2.2. Clear lines of organization at operational level

The Group's operations are based on a decentralized model, consisting of six Strategic Business Units (SBUs) with substantial autonomy in their management. Four of these Units are based on a geographical split of the Group's business activities into four main geographical areas: North America, Northern Europe (which also includes the Asia Pacific region), France and the rest of Europe (Iberia, Italy, Germany and Central Europe). The two other Units handle two of the Group's four core businesses: one relating to Outsourcing and the other to Local Professional Services.

Within each of these SBUs, the basic operating entity within this structure is the Business Unit ("BU'). These units, which are kept manageably small so that the manager has close relations with his staff, each have an operating methodology similar to that of a small business, and have management and performance monitoring tools which allow them to remain in front-line contact. The Business Unit manager is responsible for his Unit meeting measurable targets relating to financial performance (growth, profitability, etc.), business development and the quality of expectation management and the level of satisfaction for the BU's clients. In each country, these Business Units are usually combined into a single legal entity, with the name Capgemini followed by the name of the country: where several legal entities are required due to local, tax or business constraints – or due to historical reasons – their number is systematically reduced to the strict minimum whenever such a reduction can be made.

3.2.3. Clearly defined processes and methods:

The due and proper functioning of the executive management structure of the Group and its Business Units is built on compliance with processes and methods which allow for efficiency and the traceability of decisions taken

3.2.3.1. Formal process for authorizing decisions

The decision-making process applied within the Group is based on rules for the delegation of powers. These rules are regularly updated, comply with the principle of subsidiarity and define three levels of decision-making depending on the issues involved, corresponding to the three layers of Capgemini organization:

- the Business Unit for everything within its area of responsibility,
- the SBU for everything concerning several BUs under its authority,
- finally, the Group (Office of the CEO, Executive Committee, etc.) for everything outside the scope of responsibility of a single SBU.

This process requires prior consultation and the provision of sufficient information to those involved. When recommendations are made to the ultimate decision-maker, they must report on the views of all interested parties and include a fair assessment of the advantages and disadvantages of each of the possible solutions

3.2.3.2. A framework of general policies and procedures

The "Blue Book" sets out the main principles and basic guidelines underpinning the Group's internal control procedures, and covers specific issues relating to the following areas:

- the internal organizational structure,
- human resources management principles and procedures,
- finance function organization and procedures,
- external services procurement organization and controls,
- the Group's information and communication systems,
- knowledge management and sharing,
- production of services in a multinational context,

- project management (sales, technical and financial).

3.2.3.3. A project risk control process

The Group has developed a formal process designed to anticipate and control risks associated with the delivery of information systems projects, from pre-sale to acceptance and payment by the client of the last invoice for the project. This process differentiates between:

- sales management controls,
- technical controls during the project execution phase,
- and financial controls of these same projects.

a) Sales management controls:

Projects are becoming ever more complex, in terms not only of size but also technical specifications, especially in outsourcing (long-term commitments, transfers of staff and/or assets, tailored financial packages). As a result, identifying and measuring the risks involved is essential at all stages in the selling process, not only for new contracts but also for extensions or renewals of existing contracts. This risk analysis is based in particular on:

- a tool for detecting and managing business opportunities making it possible to identify projects worth commercial investment as early on as possible in the sales cycle and consolidate the data relating to these opportunities at international level;
- a methodological approach to each major opportunity detected by the sales network, which involves breaking down each business opportunity into intermediate phases. This approach provides the best means of assessing the pros and cons of submitting a bid, validating the proposed technical solutions, and developing the various aspects (technical, legal and financial) of this bid, etc.;
- the heavy involvement of the legal affairs and risk management teams of the BU concerned in the bid preparation phase and the definition of the measures making it possible to reduce or avoid altogether the risks resulting for example from:
  - the size of the project,
  - the fact that it covers several countries,
  - contractual clauses significantly at variance with Group policies and/or standards;
  - complexity due to specifically tailored financial packages;
  - the need for upfront financial investment,
- the opinion of qualified technicians asked to validate the technical solutions proposed to the client to ensure that they meet the client's demands or requirements and the capacities and abilities of the Business Unit which will be responsible for conducting the project,
- a formal process for decision-making at the required level (depending on project nature and size).

b) Production control and project quality control process:

Policies for monitoring the performance of contracts have been adopted by the Group and are applied throughout the life of the project to ensure that it continues to runs smoothly. Key features include:

- clear definition of the roles and responsibilities of each person for execution and supervision throughout the entire production process, in particular as regards the project leader, client relationship management, billing, and joint oversight arrangements with the client;
- use of proprietary production methodologies on a worldwide basis,
- calling upon the expertise of the Group's Applications Development Centers;
- Group-wide identification of all the "at-risk" projects in the process of execution and implementation of action plans aimed at containing such risks;
- commissioning of independent "quality audits", in order to identify the new risks run where project execution appears to be at variance with forecasts or with the commitments taken;
- measurement of client satisfaction via OTACE (On Time Above Client Expectations) surveys.

c) Project financial control process:

Depending on its size, each Business Unit has one or more project financial controllers, whose tasks include:

- financial monitoring of each project and primarily of project development costs against the initially approved budget. Progress reports and management indicators are built into the monitoring process, which relies mainly on an analysis from time to time of the estimated costs to completion and their accounting impact;
- ongoing control over compliance with contractual commitments, in particular billings and payment milestones.

3.3. – Procedures for the preparation and processing of financial and accounting information

These procedures are used to ensure the application and compliance with Group accounting rules, in respect of preparing budgets and forecasts, financial reporting, consolidation, control and financial presentations.

3.3.1. Financial and accounting structure

The operational control aspects of the Group's finance function are decentralized, with a structure that parallels the

Business Unit structure. However, in order to safeguard the impartiality required in determining accounting results, the financial controllers of the Strategic Business Units report to the Group Chief Financial Officer. The Strategic Business Unit financial controllers are responsible for ensuring that high-quality financial and accounting information is reported on time to the parent company.
Each BU has its own financial controller, who in turn reports to the SBU's financial controller and is responsible for ensuring that the results of the unit's activities are accurately reported in the accounts in accordance and compliance with Group accounting rules and methods. To this effect, these financial controllers also check profit estimates for ongoing projects and assess their accounting impact, make sure that services are billed and paid for, as well as testifying to the quality of the information contained in financial reports and in the accounting schedules used as the basis for preparing the consolidated financial statements.

All these financial controllers apply the Group's accounting procedures and policies (and occasionally contribute to updating them) as collated in a Group manual that summarizes:

- what information must be reported, and how often;
- lines of reporting;
- performance indicators;
- the applicable accounting rules.

3.3.2. Financial processes

In order to exercise effective control over operations, the Group requires Business Units to submit weekly, monthly, half-yearly and annual reports of all budget, forecast, operational and accounting information required in general to oversee the Group:

- budget and forecasting process: The budget is a fundamental management control tool: drawn up between the Company and each of its managers based upon the manager's past performance, the Group's chosen strategic priorities and expected market trends, it sets quantified targets for the Strategic Business Units and their component BUs. The process for preparing this budget is a high spot in the relationship between the different levels of the Group's management and makes it possible to create a substantial link between the variable portion of the compensation paid to operational managers and the attainment of the budget targets that have been set for the BU they manage as well as those of the SBU to which their Business Unit belongs. Finally, a forecast operating statement (for a rolling 7-month period, i.e. the current month and the next 6 months) is prepared monthly. Variances from the budget are analyzed, so that any corrective action plans that may be needed can be drawn up as quickly as possible.

- Operational reporting and accounting consolidation process: Reporting of information is organized per Business Unit forming an SBU and by business line: it therefore allows revenues and costs to be split either by type or by function, to provide analyses of balance sheet items, and to measure performance indicators against budget (R/B), the last forecasts (R/F), and the same figures for the prior year (R/R'). A monthly reconciliation is performed to ensure that financial information derived from the operational reporting system is consistent with that derived from the consolidation prepared using data from the legal entities in the Group.

At each yearly or half-yearly closing, the scope of consolidation is redefined by the Group Finance Department and validated by the Group Legal Affairs Department. Written instructions are issued providing a timetable for period-end tasks (in particular, the reconciliation of intercompany transaction balances), highlighting current accounting issues requiring specific attention, and describing the control procedures that will be applied to prepare the consolidated financial statements.
The financial consolidation process is based on the reporting of information contained in accounting packages, which must be signed off on each occasion by the person responsible for preparing them. Statements of income, balance sheets and other key management indicators required for subsequent analytical purposes are stored in a single database maintained at Group level and access to this information system is strictly controlled. A monthly management report is prepared jointly for each Strategic Business Unit by the manager and financial controller of the unit. This report is designed to give an explanation of performance figures, forecasts for the next 6 months and actions taken in the event of material variances with budget, and is submitted to each of the four members of the Office of the CEO.

- Financial information controls: The interim and annual financial statements are subject to specific controls regarding financial information and its presentation. These include:
  - a systematic review carried out with the assistance of the International Legal Affairs Department of all material operations and transactions occurring during the period;
  - a procedure to identify, collate and report off-balance

sheet commitments and any other information liable to have significant repercussions on the financial position of the Group or any of the Group's subsidiaries at the end of the period;
- an in-depth review of the tax position of each of the Group's legal entities;
- a detailed analysis of the statement of cash flows.

The controls described above carried out by the Group's Finance Department are supplemented by the information provided by two independent bodies whose controls make it possible to verify the quality of the financial statements: the internal audit team, and the statutory auditors.

- *internal audit*: based on its program covering the Group's Business Units drawn up in agreement with the Group's Chairman and its Chief Executive Office (to which it reports directly), the Internal Audit function is to carry out controls to ensure that procedures relating to the safeguarding of assets, to the valuation of work-in-progress and the actual amount of trade accounts receivable, and to the proper recognition of liabilities are applied in each Business Unit in accordance with the rules and methods established by the Group. In particular, the Internal Audit is asked to pay specific attention to revenue recognition and controls over the percentage of completion of projects, so as to ensure that projects are accounted for on the basis of rigorous, up-to-date technical assessments. The Internal Audit program also includes a review of the procedures and controls operated within the Business Unit under review to ensure the security and validity of transactions and accounting entries.
- *Statutory auditors*: One of the main roles of the statutory auditors consists of performing an ongoing review of internal control procedures with an impact on the quality of the financial statements.

- Communication of financial information: this is subject to rigorous internal control, with a particular focus on three key methods used to convey financial information:
  - the Annual Report (and the attached Reference Document);
  - financial press releases;
  - meetings with analysts and investors.

The Annual Report has traditionally played the predominant role in financial communication by the Group since 1975 (this is therefore the 30th time that it has been published). Consequently, its preparation, the drafting of its content, the choice of illustrations its production and its distribution are subject to particular attention on the part of the Office of the CEO and above all its Chairman whose "Letter" is the most highly prized contribution. It is noteworthy that all the sections included in the Group Annual Report are written internally by staff and managers of the Group: each of them is responsible, in his own specific area of competence, for developing and formatting a chapter of this Annual Report within the scope of a general outline proposed by the Communications Department. Inserted into the Annual Report, the Reference Document combines all the information that must be provided pursuant to all the legal and regulatory requirements and is drawn up under the responsibility of the Group Finance Management. As there are more and more requirements that need to be met, the volume of the Annual Report increases by around 10 pages a year (it is now 123 pages this year compared to 68 five years ago).

Financial press releases are only published after receiving the formal approval of the Board of Directors or the Chairman and they must therefore be submitted to them sufficiently in advance. Except in exceptional circumstances, they are published outside the trading hours of the Paris stock exchange.

Meetings with analysts and investors are subject to specific preparation, and their content is presented to the Board of Directors or the Chairman prior to the meetings. This preparatory work is then used as a framework for comments and explanations provided by the Chief Executive Officer and/or the Chief Financial Officer during the meetings.

3.3.3. Transition to IFRS

The work undertaken for transition to IAS/IFRS and the progress made on this project are described in paragraph 2.3 of the Management Report.

3.3.4. Rules governing share trading

The Group requires all employees to refrain from carrying out any kind of transaction involving Cap Gemini shares during certain periods. Employees are reminded of these prohibitions in writing before the start of each such period.

3.4. Changes in these control procedures in 2005

The changes being made or those that will be made to certain of these control procedures during 2005 have been described at the beginning of this chapter (see page 41) to make it easier for the reader to situate them overall in the context of the various procedures that exist in 2004.

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE FINAL PARAGRAPH OF ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF CAP GEMINI SA'S BOARD OF DIRECTORS, ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and in accordance with the final paragraph of article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of the Board of Directors of the Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2004.

In his report, the Chairman of the Board of Directors is required to comment on the conditions in which the duties of the Board are prepared and organized and the internal control procedures in place within the Company.

Our responsibility is to report to you our observations on the information set out in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our procedures in accordance with the professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of accounting and financial information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the Chairman's report.

Based on these procedures, we have no matters to report on the information concerning the Company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report of the Chairman of the Board of Directors, prepared in accordance with the final paragraph of article L.225-37 of the French Commercial Code.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG S.A.

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

GROUP CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Cap Gemini S.A. and subsidiaries, for the year ended December 31, 2004.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

II - Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1 j) to the consolidated financial statements describes the methods used to account for revenue. As part of our assessments of the accounting rules and principles adopted by the Group, we verified whether the methods used to account for revenue were appropriate and obtained assurance of their correct application and that the estimates used were reasonable.
- A deferred tax asset of €653 million is recorded in the consolidated balance sheet. Note 20 to the consolidated financial statements describes the methods used to calculate this asset. As part of our assessments, we verified the overall consistency of the information and assumptions used to calculate this deferred tax asset.
- Net intangible assets carried in the consolidated balance sheet include €1,781 million in unamortized market share and goodwill amortized over a maximum period of 40 years. The accounting principles used and the methods applied to determine the value in use of these assets are described in notes 1 d) and 9 to the consolidated financial statements.

As part of our assessments, we verified whether the approach applied was correct and that the assumptions used and resulting valuations were consistent overall.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III - Specefic verifications

We have also reviewed the information given in the Group Management Report. We have no comments to make as to its fair presentation and its conformity with the consolidated financial statements.

We wish to draw your attention to the information provided in section 2.3 of the Management Report (Transition to IAS/IFRS) which details the work carried out to assess the impacts of this change in accounting standards on the Group's consolidated financial statements and indicates the progress of the project.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit
	Department of KPMG S.A.
Bernard RASCLE	Jean-Luc DECORNOY – Frédéric QUÉLIN
	Partner Partner

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Notes	2002		2003 (1)		2004	
in millions of euros		Amount	%	Amount	%	Amount	%
OPERATING REVENUE	3	7,047	100.0	5,754	100.0	6,291	100.0
Cost of services rendered	4	4,742	67.3	3,934	68.4	4,607	73.2
Selling expenses	4	892	12.7	662	11.5	603	9.6
General and administrative expenses	4	1,299	18.4	1,003	17.4	1,023	16.3
OPERATING INCOME		114	1.6	155	2.7	58	0.9
Interest income and expense (net)	5	(1)	0.0	(14)	(0.2)	(24)	(0.4)
Other revenues and expenses (net)	6	(503)	(7.1)	(251)	(4.4)	(217)	(3.4)
INCOME/(LOSS) OF FULLY CONSOLIDATED COMPANIES BEFORE TAX		(390)	(5.5)	(110)	(1.9)	(183)	(2.9)
Income tax	7	(6)	(0.1)	(47)	(0.8)	(125)	(2.0)
NET INCOME/(LOSS) OF FULLY CONSOLIDATED COMPANIES BEFORE AMORTIZATION OF GOODWILL AND WRITE-DOWN OF MARKET SHARE		(396)	(5.6)	(157)	(2.7)	(308)	(4.9)
Equity in net results of affiliates		(2)	0.0	(1)	(0.0)	-	-
Minority interests		7	0.1	(1)	(0.0)	-	-
NET INCOME/(LOSS) BEFORE AMORTIZATION OF GOODWILL AND WRITE-DOWN OF MARKET SHARE		(391)	(5.5)	(159)	(2.7)	(308)	(4.9)
Amortization of goodwill and write-down of market share	8	(123)	(1.8)	(38)	(0,7)	(51)	(0.8)
NET INCOME/(LOSS)		(514)	(7.3)	(197)	(3.4)	(359)	(5.7)

	Notes	2002	2003	2004
AVERAGE NUMBER OF SHARES		125,420,369	125,785,036	131,292,801
Weighted average number of potential dilutive shares (options)		1,307,299	559,468	1,166,103
Maximum number of potential dilutive shares (share warrants related to the acquisition of Transiciel)		-	-	508,600
ADJUSTED AVERAGE NUMBER OF SHARES		126,727,668	126,344,504	132,967,504
NUMBER OF SHARES AS OF DECEMBER 31		125,479,105	131,165,349	131,383,178
Net income/(loss)	1.o	(514)	(197)	(359)
Primary earnings/(loss) per share (in €) [2]	1.o	(4.10)	(1.57)	(2.73)
Diluted earnings/(loss) per share (in €) [3]	1.o	(4.10)	(1.57)	(2.73)
Primary earnings/(loss) per share (in €) [4]	1.o	(4.10)	(1.50)	(2.73)

(1) The consolidated statement of income does not include the activities of Transiciel which was fully consolidated at December 31, 2003.
(2) Earnings/(loss) per share based on average number of shares.
(3) Earnings/(loss) per share based on adjusted average number of shares, or primary earnings per share if diluted earnings per share is negative.
(4) Earnings/(loss) per share based on number of shares as of December 31.

In 2004, the Group made a consolidated net loss of €359 million after amortization of goodwill but before minority interests, representing a negative margin of 5.7% on operating revenue, compared with net losses of €196 million in 2003 (negative margin 3.4%) and €521 million in 2002 (negative margin 7.4%).

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002, 2003 AND 2004

in millions of euros	*Notes*	2002	2003	2004
ASSETS				
Intangible assets	9	1,628	1,849	1,884
Property, plant and equipment	10	512	471	460
Investments	11	85	88	64
TOTAL FIXED ASSETS		**2,225**	**2,408**	**2,408**
Long-term deferred tax assets	20	687	671	558
TOTAL NON-CURRENT ASSETS		**2,912**	**3,079**	**2,966**
Accounts and notes receivable, (net)	12	1,633	1,411	1,316
Other receivables	13	455	320	296
Financial receivables and short-term investments	15	490	929	1,001
Cash	15	372	292	251
TOTAL CURRENT ASSETS		**2,950**	**2,952**	**2,864**
TOTAL ASSETS		**5,862**	**6,031**	**5,830**
Commitments received from third parties	21	5	9	11

in millions of euros	*Notes*	2002	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital		1,004	1,049	1,051
Additional paid-in capital		2,063	2,220	2,226
Retained earnings		438	82	(277)
TOTAL SHAREHOLDERS' EQUITY	**14**	**3,505**	**3,351**	**3,000**
Minority interests	14	29	-	2
SHAREHOLDERS' EQUITY, INCLUDING MINORITY INTERESTS	**14**	**3,534**	**3,351**	**3,002**
Long-term debt	15	155	722	653
Provisions and other long-term liabilities	16	252	258	255
TOTAL LONG-TERM LIABILITIES		**407**	**980**	**908**
Short-term debt and bank overdrafts	15	242	233	197
Accounts and notes payable, (net)	17	1,620	1,384	1,634
Other payables	18	59	83	89
TOTAL CURRENT LIABILITIES		**1,921**	**1,700**	**1,920**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,862**	**6,031**	**5,830**
Commitments given to third parties	21	1,298	1,343	1,379

NET CASH AND CASH EQUIVALENTS	**15**	**465**	**266**	**402**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

in millions of euros	2002	2003 (*)	2004
OPERATING ACTIVITIES			
Net income/(loss)	(514)	(197)	(359)
Minority interests and equity in the results of affiliates	(5)	2	-
NET INCOME/(LOSS) OF FULLY CONSOLIDATED COMPANIES	**(519)**	**(195)**	**(359)**
Adjustments to reconcile net income/(loss) of fully consolidated companies to cash generated by operations :			
- Depreciation, amortization and write-down of fixed assets	325	207	256
- Provisions	30	19	13
- Changes in deferred taxes	61	9	140
- (Gains)/losses on disposals of assets	3	20	(14)
Other	(14)	6	(1)
CASH FLOWS OF FULLY CONSOLIDATED COMPANIES (I)	**(114)**	**66**	**35**
Cash flows related to :			
- Accounts and notes receivable (net) (A)	531	342	101
- Accounts and notes payable (net) (B)	36	(137)	108
- Other receivables and payables (C)	(382)	(124)	81
NET MOVEMENT IN WORKING CAPITAL (II=A+B+C)	**185**	**81**	**290**
NET CASH PROVIDED BY OPERATIONS (III=I+II)	**71**	**147**	**325**
INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment and intangible fixed assets	(278)	(151)	(176)
Disposals of property, plant and equipment and intangible fixed assets	42	5	41
	(236)	(146)	(135)
Acquisitions of investments	(16)	(41)	(73)
Disposals of investments	1	2	78
Dividends received from non-consolidated companies	1	1	-
	(14)	(38)	5
Effect of changes in Group structure	13	28	(4)
NET CASH USED BY INVESTING ACTIVITIES (IV)	**(237)**	**(156)**	**(134)**
FINANCING ACTIVITIES			
Increase in share capital (including exercise of stock options)	12	1	-
Dividends paid to parent company shareholders	(50)	-	-
Dividends paid to minority shareholders of consolidated companies	(1)	-	-
Issuance of convertible/exchangeable bonds (OCEANE)	-	460	-
Net change in borrowings	104	1	(152)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES (V)	**65**	**462**	**(152)**
CHANGE IN CASH AND CASH EQUIVALENTS (III+IV+V)	**(101)**	**453**	**39**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**904**	**767**	**1 190**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**767**	**1 190**	**1 232**
Effect of exchange rate movements on cash and cash equivalents	(36)	(30)	3
CHANGE IN CASH AND CASH EQUIVALENTS	**(101)**	**453**	**39**

(*) The consolidated statements of cash flows do not include cash flows relating to the activities of Transiciel, which was fully consolidated on December 31, 2003. However, its cash position at the acquisition date is presented under “Effect of changes in Group structure” in “Investing Activities”.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

in millions of euros	Number of shares	Share capital	Additional paid-in capital	Treasury stock [1]	Retained earnings	Translation adjustments	Share-holders' equity
AS OF JANUARY 1, 2002	**125,244,256**	**1,002**	**2,112**	**(2)**	**1,034**	**157**	**4,303**
Increase in share capital upon exercise of options	472,201	4	8	-	-	-	12
Elimination of treasury stock (256,885 shares) returned to the Company in 2002	-	-	12	(19)	-	-	(7)
Cancellation of Cap Gemini S.A. shares (237,352 shares)	(237,352)	(2)	(18)	20	-	-	-
Acquisition of the Ernst & Young consulting businesses	-	-	(1)	-	-	-	(1)
Dividends paid	-	-	(50)	-	-	-	(50)
Translation adjustments	-	-	-	-	-	(238)	(238)
Net loss (2002)	-	-	-	-	(514)	-	(514)
AS OF DECEMBER 31, 2002	**125,479,105**	**1,004**	**2,063**	**(1)**	**520**	**(81)**	**3,505**
Increase in share capital upon exercise of options	38,300	-	1	-	-	-	1
Net increase in share capital for the acquisition of Transiciel [2]	5,689,304	45	152	-	-	-	197
Disposal of treasury stock (209,477 shares) returned to the Company in 2003	-	-	4	(5)	-	-	(1)
Cancellation of Cap Gemini S.A. shares (41,360 shares)	(41,360)	-	(1)	1	-	-	-
Acquisition of the Ernst & Young consulting businesses	-	-	1	-	-	-	1
Translation adjustments	-	-	-	-	-	(155)	(155)
Net loss (2003)	-	-	-	-	(197)	-	(197)
AS OF DECEMBER 31, 2003	**131,165,349**	**1,049**	**2,220**	**(5)**	**323**	**(236)**	**3,351**
Increase in share capital upon exercise of options	6,700	-	-	-	-	-	-
Net increase in share capital for the acquisition of Transiciel [2]	211,129	2	5	-	-	-	7
Disposal of treasury stock (209,477 shares) returned to the Company in 2003	-	-	1	5	-	-	6
Earn-out Transiciel [3]	-	-	-	-	9		9
Translation adjustments						(14)	(14)
Net loss (2004)	-	-	-	-	(359)	-	(359)
AS OF DECEMBER 31, 2004	**131,383,178**	**1,051**	**2,226**	**-**	**(27)**	**(250)**	**3,000**

[1] See note 1.g.

[2] Further to the public exchange offer launched on October 20, 2003 for Transiciel shares, the Group's interest in Transiciel amounted to 93.32% as of December 31, 2003 and 96.71% as of February 10, 2004. (The public buyout offer followed by a compulsory buyout procedure, launched on April 7, 2004, took the Group's interest in Transiciel to 100% following the acquisition for cash of the remaining Transiciel shares not already held by the Group.)

[3] Option 2 of the public exchange offer for Transiciel shares launched by Cap Gemini S.A. on October 20, 2003 included an earn-out mechanism that would result in an estimated additional purchase consideration of €9 million based on 2004 and 2005 earnings forecasts.

NOTE 1 ~ **ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with French generally accepted accounting principles applicable as of December 31, 2004, including Accounting Standards Committee (CRC) standard 99-02 approved on June 22, 1999.

The main accounting policies applied by the Group are as follows:

a) Consolidation methods

The accounts of Cap Gemini S.A. and its significant directly or indirectly fully-controlled subsidiaries are fully consolidated. Prior to consolidation, the financial statements of subsidiaries are restated to comply with Group accounting policies.

Investments in companies which Cap Gemini S.A. directly or indirectly controls jointly with a limited number of other shareholders are accounted for by the method of proportional consolidation. This method consists of consolidating the income and expenses, assets and liabilities of jointly-controlled companies, line by line, based on the Group's percentage interest in their capital. Information concerning jointly-controlled companies is provided in Note 25, "Interests in jointly-controlled companies".

Investments in affiliated companies over whose management Cap Gemini S.A. exercises significant influence, without however exercising full or joint control, are accounted for by the equity method. This method consists of replacing the cost of the shares with an amount corresponding to the Group's equity in the underlying net assets and of recording in the income statement the Group's equity in net income.

Investments in dormant companies meeting the criteria mentioned above are not included in the consolidated financial statements because their consolidation would not have a material effect on the Group's consolidated assets and liabilities or the results of its operations.

The scope of consolidation is given in Note 27, "List of consolidated companies by country".

All other investments are stated at the lower of cost or fair value to the Group.

All consolidated companies had a December 31, 2004 year-end.

Intercompany transactions are eliminated on consolidation.

The Group does not have any special purpose entities.

b) Use of estimates

The preparation of the financial statements involves the use of estimates and assumptions which may have an impact on the reported values of assets and liabilities at the year-end or on certain items of income and expense for the year. Estimates are based on economic data which are likely to vary over time and are subject to a degree of uncertainty.

c) Foreign currency translation

The 2002, 2003 and 2004 consolidated financial statements were prepared in euros.

The balance sheets of foreign subsidiaries are translated into euros at year-end rates of exchange with the exception of shareholders' equity accounts, which are kept at their historical values. Statements of income of foreign subsidiaries are translated into euros at the annual weighted average rates of exchange. Differences arising from the translation of net income at different rates are directly allocated to retained earnings and have no impact on the statement of income.

Exchange differences arising on monetary items which form an integral part of the net investment in foreign subsidiaries are allocated to cumulative translation adjustment, in an amount net of tax.

The principal exchange rates used to convert foreign currency amounts into euros are as follows:

	Average rates for the year			Rates as of December 31		
	2002	2003	2004	2002	2003	2004
US Dollar	1.06163	0.88582	0.80512	0.95356	0.79176	0.73416
Pound Sterling	1.59093	1.44597	1.47413	1.53728	1.41884	1.41834
Canadian Dollar	0.67607	0.63237	0.61874	0.60423	0.61599	0.60916
Swedish Krona	0.10919	0.10961	0.10960	0.10926	0.11013	0.11086
Australian Dollar	0.57652	0.57592	0.59241	0.53891	0.59517	0.57277
Norwegian Krona	0.13324	0.12519	0.11950	0.13745	0.11885	0.12141
Japanese Yen (100)	0.84745	0.76413	0.74426	0.80390	0.74105	0.71607

d) Intangible assets

MARKET SHARE

When the acquisition of companies allows the Group to obtain a significant share of a specific market, identifiable market share is recorded as an intangible asset in the consolidated balance sheet at fair value.

Such market share is valued as of the date of acquisition in relation to economic data with reference to activity and profitability indicators.

In view of its nature, acquired market share is not amortized.

GOODWILL

Goodwill consists of the excess of the cost of shares in companies consolidated or accounted for by the equity method over the Group's equity in the fair value of the identifiable assets and liabilities acquired – including market share – as of the date of the acquisition. Goodwill is amortized over a maximum of 40 years.

As allowed under French accounting standards applicable as of the transaction date (article 248-3 of the Decree of February 17, 1986) and as specified by the French Stock Exchange Commission ("Commission des Opérations de Bourse"), the goodwill created upon the acquisition of 37.5% of Capgemini N.V. share capital by exchange of shares in July and August 1999 was not amortized and was written off against the premium on the shares issued in exchange for the Capgemini N.V. shares.

The acquisition of the Ernst & Young consulting businesses on May 23, 2000 has been accounted for in the consolidated financial statements by the alternative method ("méthode dérogatoire") provided for in section 215 of CRC standard 99-02. Consequently no goodwill is recorded under assets in respect of this acquisition.

VALUATION OF MARKET SHARE AND GOODWILL

Wherever there is an indication that goodwill or market share may be impaired, and at each fiscal year-end, the recoverable amount of the asset is estimated by comparing the net book value with its market value or fair value to the Group (value in use). Market value is calculated using revenue multiples. Fair value to the Group (value in use) is calculated using the discounted cash flows method. When the estimated recoverable amount is deemed to be significantly lower than the net book value, an impairment loss is recognized. The Company has not opted for early adoption of CRC standard 2002-10, issued on December 12, 2002, relating to the depreciation/amortization and impairment of assets.

COMPUTER SOFTWARE

Computer software and user rights acquired on an unrestricted ownership basis, as well as software developed for in-house purposes, which have a positive, lasting and quantifiable effect on future results, are capitalized and amortized over three to five years. As of every closing date, they are stated at the lower of cost or fair value to the Group.

e) Property, plant and equipment

Property, plant and equipment are carried in the balance sheet at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets concerned.

The most commonly adopted useful lives are the following:

Buildings	20 to 40 years
Fixtures and fittings	10 years
Computer equipment	3 to 5 years
Office furniture and equipment	5 to 10 years
Vehicles	5 years
Other equipment	5 years

f) Shares in non-consolidated companies

The Group holds shares in certain companies over whose management it does not exercise significant influence or control. These shares mainly comprise long-term investments in the form of strategic alliances with the companies concerned. These shares are carried in the balance sheet at the lower of cost or fair value to the Group.

g) Treasury stock

Cap Gemini S.A. shares held by the Company are shown as a deduction from consolidated shareholders' equity.

h) Deferred taxes

Deferred taxes are recorded in the statement of income and balance sheet to take into account temporary differences between the book values of certain assets and liabilities and their tax basis.

In accordance with the liability method, deferred taxes are computed at the latest known tax rate as of the year-end. The impact of possible changes in tax rates on deferred taxes accounted for previously is included in the statement of income for the year in which these rate changes become effective.

A deferred tax asset is recognized in respect of tax losses after deduction of any deferred tax liabilities. Deferred tax assets are written down to their recoverable value when tax loss carry-forwards are not expected to be utilized. Deferred tax assets and liabilities are discounted where the impact of discounting is material and where the timing of utilization can be reliably determined.

i) Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. When a fixed asset is held under a finance lease, its value is restated as an asset and the present value, at the beginning of the lease term, of future minimum lease payments during the lease term is recorded as an obligation. The asset is depreciated over its economic life in accordance with Group policy and the obligation is amortized over the lease term.

The IFRS transition project has identified a number of leases, mainly related to outsourcing contracts, which qualify as finance leases. These leases have been restated in the consolidated balance sheet for the year ended December 31, 2004.

j) Revenue recognition on long-term contracts

Revenues from long-term fixed price contracts, including systems development and integration contracts, are recognized under the percentage-of-completion method. Under this method, revenue is recognized as work on the contract progresses. Revenues from these contracts are included in trade accounts receivable in the balance sheet when invoiced to customers, and in accrued income when they are not yet invoiced. If necessary, a provision is made for forecast losses on completion.

Revenues from outsourcing contracts are recognized as the services are rendered. These services are generally invoiced on a monthly basis. For contracts including project development and outsourcing, the different components included therein are identified (project, outsourcing) so that revenues can be booked based on their type.

Revenues from time and materials contracts are recognized as services are rendered.

"Accounts and notes receivable, (net)" corresponds primarily to trade accounts receivable less advances received from customers.

k) Marketable securities

Marketable securities are stated at the lower of their aggregate cost or market value. In the case of quoted securities, the market value corresponds to the quoted market price as of the balance sheet date.

l) Retirement benefits

Group employees are covered by defined contribution or defined benefit plans set up in accordance with the regulations and practices in force in the countries in which the Group operates.

Defined contribution plans are funded by contributions paid by employees and Group companies to the organizations responsible for managing the plans.

Defined benefit plans:

- unfunded plans are plans where benefits are paid directly by the Group. The related obligation is covered by a provision corresponding to the discounted present value of future benefit payments. Estimates are based on regularly reviewed internal and external parameters;
- funded plans are plans where the benefit obligation is covered by external funds. Group contributions to these external funds are made in accordance with the specific regulations in force in each country.

m) Financial instruments

Gains and losses on hedging instruments are recognized on a symmetrical basis with the loss or gain on the hedged items.

The fair value of financial instruments is estimated based on market prices or data supplied by the banks.

n) Statement of income

Income and expenses are analyzed in the consolidated statement of income based on cost accounting principles which reflect the specific nature of the Group's business, as follows:

- cost of services rendered: expenses required to carry out projects;
- selling expenses: expenses incurred by the Group in relation to its sales activity;
- general and administrative expenses: expenses relating to Group administration.

These three items correspond to operating expenses which are deducted from operating revenue to obtain operating income.

Net income is then obtained by taking into account the following items:

- Net interest income/(expense) which corresponds to interest income from short-term investments less interest on long and short-term debt.
- Other revenues and expenses, which include primarily:
  - exchange differences;
  - gains and losses on disposals of assets and businesses;
  - dividends received from non-consolidated companies;
  - non-recurring charges and provisions (restructuring costs, office closures, new business integration costs etc).
- Income taxes, equity in the results of affiliates, minority interests, and amortization of goodwill and write-down of market share (market share is grouped together with goodwill because of their similar characteristics).

Net income/(loss) before minority interests but after amortization of goodwill is provided in a note after the statement of income.

o) Earnings per share

Net earnings per common share are calculated as follows:

- Primary earnings per share: on the basis of the average number of shares outstanding during the year, after deduction of treasury stock held as of December 31;
- Diluted earnings per share: on the basis of the average weighted number of shares outstanding during the year, after deduction of treasury stock, plus the number of potential dilutive shares related to options granted to employees of the Group (Note 14.b), OCEANE convertible/exchangeable bonds and equity warrants (see Note 21 "Commitments received from and given to third parties"), calculated based on a fair value determined using the average share price for the year. The weighted average number of shares is calculated on the basis of the date of issue of shares during the year. The number of potential dilutive shares does not include those related to out-of-the money instruments. Net income is adjusted for the potential impact of these dilutive shares. If the Group makes a loss, diluted loss per share is considered to be the same as the primary loss per share;
- Earnings per share based on the number of shares as of December 31: on the basis of the number of shares outstanding as of December 31 (including treasury stock at that date).

p) Net cash and cash equivalents

Net cash and cash equivalents comprise cash and cash equivalents less short-term and long-term debt.
Cash and cash equivalents correspond to financial receivables, short-term investments and cash, less bank overdrafts.

q) Consolidated statement of cash flows

The consolidated statement of cash flows details cash provided and used by operating, investing and financing activities.

r) Segment information

The Group operates primarily in Europe, North America and the Asia-Pacific region. The Group's business consists of consulting, systems integration, outsourcing and local technical assistance services.

The Group manages its operations based on geographic areas, disciplines and business segments. Only the geographic entities constitute profit centers for which detailed performance measurements exist. A segment analysis of operating revenue, operating income, operating margin, fixed assets and accounts and notes receivable is provided in Note 24, "Geographic segment information".

NOTE 2 ~ **CHANGES IN GROUP STRUCTURE IN 2002, 2003 AND 2004**

a) 2002 and 2003

The main changes in the scope of consolidation in 2002 and 2003 were as follows:

- In Canada, New Horizons System Solutions LLP and New Horizons System Solutions Inc. – which were both 49% – owned and proportionally consolidated as of December 31, 2001 – are now wholly-owned and were fully consolidated in the financial statements as of December 31, 2002.

- As part of an internal reorganization program, on January 1, 2002, the Group created a new wholly-owned entity, Sogeti, specializing in local technical assistance services. Sogeti has operations in Europe (France, Switzerland, Germany, Belgium, Sweden and the Netherlands) and North America.
- On September 4, 2003, Cap Gemini S.A. acquired Cisco Systems' 4.84% minority interest in Cap Gemini Telecom S.A, raising its stake in that company to 100%.
- Further to the public exchange offer launched on October 20, 2003 for Transiciel shares, the Group's interest in this company was increased to 93.32% as of December 31, 2003. Transiciel is a European consultancy firm specializing in high technology, integration of management systems, outsourcing and administration of systems and networks. The Transiciel group – which operates principally in France, the Benelux countries and Spain – had revenues of €496 million in 2003, operating income of €20 million and a €64 million net loss. The public exchange offer for Transiciel was approved by Cap Gemini S.A.'s Extraordinary Shareholders' Meeting which took place on December 18, 2003, with the payment/delivery date for the related shares set at December 24, 2003. The Transiciel group was fully consolidated as of December 31, 2003.

b) 2004

The main changes in the scope of consolidation in 2004 were as follows:

- On April 23, 2004, further to the reopened alternative public exchange offer and the public buyout offer followed by a compulsory buyout, the Group's percentage interest in Transiciel was raised to 100%.
- In Switzerland, Capgemini Schweiz AG took over Logimatik, the IT services subsidiary of the Georg Fischer group, on January 1, 2004 as part of an outsourcing contract. As of December 31, 2004, Logimatik was 100% owned and was fully consolidated.
- In Germany, the Group took over the IT services subsidiaries of the Drägerwerk AG group on March 1, 2004 as part of an outsourcing contract. As of December 31, 2004, these 100%-owned companies were fully consolidated.
- In the United States, the Group formed Capgemini Energy LP as part of a ten-year service contract, effective July 1, 2004, with the American electricity company TXU Energy Company LLC. As of December 31, 2004, Capgemini Energy LP, which is 97.1% owned by the Group, was fully consolidated.
- In December 2004, the Group sold its Swedish and Norwegian infrastructure maintenance activities to the EDB group.

NOTE 3 ~ **OPERATING REVENUE**

Operating revenue by geographic area can be analyzed as follows:

in millions of euros	2002		2003		2004	
OPERATING REVENUE	Amount	%	Amount	%	Amount	%
North America	2,258	32	1,715	30	1,401	22
United Kingdom and Ireland	1,223	17	1,016	18	1,290	20
Nordic countries	469	7	377	6	391	6
Benelux	925	13	762	13	859	14
Germany and Central Europe	458	6	437	8	477	8
France	1,247	18	1,066	18	1,481	24
Southern Europe	327	5	285	5	299	5
Asia-Pacific	140	2	96	2	93	1
TOTAL	**7,047**	**100**	**5,754**	**100**	**6,291**	**100**

NOTE 4 ~ **OPERATING EXPENSES**

Operating expenses consist primarily of payroll costs and travel expenses, which can be analyzed as follows:

in millions of euros	2002	2003	2004
Payroll costs	4,249	3,672	3,995
Travel expenses	505	350	317
TOTAL	**4,754**	**4,022**	**4,312**
As a % of total operating expenses	69%	72%	69,2%
As a % of total operating revenue	67%	70%	68,5%
Average number of employees	54,882	49,805	57,387

NOTE 5 ~ **INTEREST INCOME AND EXPENSE (NET)**

Interest income and expense (net) can be analyzed as follows:

in millions of euros	2002	2003	2004
Interest income from short-term investments	24	22	20
Interest on debt	(29)	(38)	(49)
Other	4	2	5
TOTAL	**(1)**	**(14)**	**(24)**

Changes in interest income and expense (net) between 2003 and 2004 reflect:

- for over two-thirds of the difference, the interest expense arising from the consolidation of Transiciel's debt from January 1, 2004;
- for the balance, the effect of the reclassification as finance leases of equipment lease contracts in the United Kingdom, France and the United States (see Note 1.i, "Finance leases").

NOTE 6 ~ **OTHER REVENUES AND EXPENSES (NET)**

Other revenues and expenses (net) can be analyzed as follows:

in millions of euros	2002	2003	2004
Restructuring costs	(463)	(211)	(220)
Net impact of the sale of a carry-back tax credit	-	(16)	(6)
Gains/(losses) on disposals of shares and businesses	7	4	24
Gains/(losses) on disposals of intangible assets and property, plant and equipment	(3)	(1)	(2)
Write-down of property, plant and equipment	(10)	-	-
Gains/(losses) on financial receivables	(11)	2	-
Foreign exchange gains/(losses) (net)	(3)	(11)	(7)
Other (net)	(20)	(18)	(6)
TOTAL	**(503)**	**(251)**	**(217)**

Restructuring costs comprise:

2002:

- €359 million in costs relating to workforce reduction measures involving 5,855 employees, mainly in North America, the United Kingdom, Nordic countries, the Benelux countries and Southern Europe;
- €104 million in other costs mainly relating to measures taken to streamline the Group's real estate assets, launched at the end of the first half of 2002 following the workforce reductions.

2003:

- €141 million directly related to staff cutbacks (3,047 employees), carried out primarily in France, North America, the Nordic countries, Spain and Portugal, and the Benelux countries;
- €70 million in other costs, mainly relating to measures to streamline the Group's real estate assets. These costs involve the United Kingdom, France, Germany and Central Europe, North America, Spain and Portugal.

2004:

- €127 million directly related to staff cutbacks (2,335 employees), carried out primarily in France, the Benelux countries, the United Kingdom, Germany and Central Europe, and Italy;
- €93 million in other costs, mainly relating to measures to streamline the Group's real estate assets. These costs involve North America, the United Kingdom, the Nordic countries, France, the Benelux countries, and Germany and Central Europe.

Net impact of sale of carry-back tax credits:

The charge relates to the sale of carry-back tax credits arising on the 2002 tax loss, amounting to €90 million in 2003 and €39 million in 2004 (see Note 7, "Income Tax").

Gains/(losses) on disposals of shares and businesses:

In November 2004, the Group sold its interest in the capital of Vertex to United Utilities Plc. for €70 million. The corresponding capital gain amounted to €18 million.
In December 2004, the Group sold its Swedish and Norwegian infrastructure maintenance activities to the EDB group for €18 million. The corresponding capital gain amounted to €6 million.

Write-down of property, plant and equipment:

In 2002, this corresponds to an exceptional write-down of the value of a property in Béhoust previously used as the premises of the Group University. Other uses for the property are being considered following the 2003 opening of the new University at the "Les Fontaines" site in Gouvieux, north of Paris.

NOTE 7 ~ INCOME TAX

Income taxes can be analyzed as follows:

in millions of euros	2002	2003	2004
Current income taxes	55	(38)	11
Deferred taxes (*)	(61)	(9)	(136)
TOTAL	**(6)**	**(47)**	**(125)**

(*) The impact of discounting deferred taxes recognized in the United States and France is included in this item.

Effective rate of income tax

In 2004, the Group's effective rate of income tax was –68.3% of the pre-tax loss.

The Group operates in countries with different tax regimes and the effective rate of income tax therefore varies from one year to another, based on changes in each country's contribution to consolidated earnings. The effective rate of income tax is also significantly affected by changes in deferred tax assets recognized in relation to tax loss carry-forwards available to the Group.

The difference between the French standard rate of income tax and the Group's effective tax rate can be analyzed as follows:

in millions of euros	2002	2003	2004
STANDARD TAX RATE IN FRANCE (%)	35.4	35.4	35.4
TAX (EXPENSE)/INCOME AT THE STANDARD RATE	138	39	65
Impact of :			
Deferred tax assets not recognized or written down on tax loss carry-forwards and temporary differences	(115)	(207)	(93)
Impact of adjustment to deferred taxes related to the acquistion of Ernst & Young in North America	(318)	(93)	(141)
Impact of adjustment to deferred taxes recognized in France as the result of the reorganization of North American operations	363	225	62
Difference in tax rates between countries	(16)	(2)	3
Permanent differences and other items	(58)	(9)	(21)
TAX (EXPENSE)/INCOME AT THE EFFECTIVE RATE	**(6)**	**(47)**	**(125)**
EFFECTIVE RATE OF INCOME TAX (%)	**(1.5)**	**(42.3)**	**(68.3)**

In 2004, the Group's effective tax rate was principally due to the combined effect of:

- the write-down of deferred tax assets as well as unrecognized deferred taxes, primarily in North America (€62 million), Southern Europe (€14 million), the United Kingdom (€12 million) and the Nordic countries (€5 million);
- €141 million (net of the €86 million positive discounting effect) recorded against deferred tax assets recognized in relation to the acquisition of Ernst & Young in North America;
- an additional deferred tax asset of €62 million recognized in France on the short-term capital loss related to the reorganization of the Group's North American operations. This amount is net of a €23 million positive discounting effect and of the €11 million impact of reductions in French income tax rates in 2005 and 2006.
- permanent differences and other items arising in 2004, including:
  - taxes not based on taxable income, mainly in North America and Italy;
  - permanent differences, arising mainly in North America, the Benelux countries, the Nordic countries and France.

During 2002, 2003 and 2004, several subsidiaries were subject to tax audits. The subsidiaries concerned have challenged a number of the proposed reassessments.

On June 28, 2004, Cap Gemini S.A. sold to a credit institution for €33 million an additional carry-back tax credit of €39 million arising from an increase in the taxable profits against which the French tax loss for 2002 was offset. The resulting gain in current income taxes was canceled out by a corresponding reduction in deferred tax assets.

NOTE 8 ~ **AMORTIZATION OF GOODWILL AND WRITE-DOWN OF MARKET SHARE**

in millions of euros	2002	2003	2004
Amortization of goodwill	(39)	(38)	(51)
Write-down of market share	(84)	-	-
TOTAL	**(123)**	**(38)**	**(51)**

In 2002, the €84 million in write-down of market share primarily related to an exceptional €81 million write-down in relation to the Group's Telecom operations in North America.
In 2004, the residual goodwill recognized in Italy (€7 million) and the Netherlands (€4 million) were written down in full.

NOTE 9 ~ **INTANGIBLE ASSETS**

Changes in intangible assets in 2002, 2003 and 2004 can be analyzed as follows by type of asset:

in millions of euros	Market share	Goodwill	Other intangible assets	TOTAL
GROSS VALUE				
AS OF JANUARY 1, 2002	**858**	**1,191**	**227**	**2,276**
Translation adjustments	(58)	(58)	(12)	(128)
Acquisitions/Increase	-	22	35	57
Disposals/Decrease	-	(1)	(12)	(13)
Changes in Group structure	-	4	(10)	(6)
AS OF DECEMBER 31, 2002	**800**	**1,158**	**228**	**2,186**
Translation adjustments	(58)	(56)	(11)	(125)
Acquisitions/Increase	-	-	30	30
Disposals/Decrease	-	(7)	(11)	(18)
Changes in Group structure	-	347	4	351
AS OF DECEMBER 31, 2003	**742**	**1,442**	**240**	**2,424**
Translation adjustments	(10)	(16)	(7)	(33)
Acquisitions/Increase	-	41	107	148
Disposals/Decrease	(10)	(28)	(42)	(80)
Changes in Group structure	-	35	9	44
Movement related to Transiciel	393	(393)	-	-
AS OF DECEMBER 31, 2004	**1,115**	**1,081**	**307**	**2,503**
ACCUMULATED AMORTIZATION				
AS OF JANUARY 1, 2002	**-**	**(313)**	**(133)**	**(446)**
Translation adjustments	8	22	8	38
Additions	(84)	(39)	(48)	(171)
Reversals	-	-	11	11
Changes in Group structure	-	1	9	10
AS OF DECEMBER 31, 2002	**(76)**	**(329)**	**(153)**	**(558)**
Translation adjustments	12	21	9	42
Additions	-	(38)	(35)	(73)
Reversals	-	9	10	19
Changes in Group structure	-	-	(5)	(5)
AS OF DECEMBER 31, 2003	**(64)**	**(337)**	**(174)**	**(575)**
Translation adjustments	5	7	4	16
Additions	-	(51)	(62)	(113)
Reversals	-	25	35	60
Changes in Group structure	-	-	(7)	(7)
AS OF DECEMBER 31, 2004	**(59)**	**(356)**	**(204)**	**(619)**
NET BOOK VALUE				
As of January 1, 2002	858	878	94	1,830
As of December 31, 2002	724	829	75	1,628
As of December 31, 2003	678	1,105	66	1,849
AS OF DECEMBER 31, 2004	**1,056**	**725**	**103**	**1,884**

a) Market share

Market share represents part of the excess of purchase cost over the fair value of the net assets of Hoskyns in the United Kingdom (€361 million), Volmac in the Netherlands (€176 million), Programator in Sweden (€51 million), Beechwood in the United States (€74 million) and Transiciel in France (€393 million).

The movement in market share during 2004 relates primarily to:

- Recognition of market share of €393 million arising from a revaluation of the identifiable assets and liabilities of Transiciel as of December 31, 2004. This figure includes additional purchase consideration of €9 million in respect of the earn-out mechanism under Option 2 as stipulated in the terms of the public exchange offer launched by Cap Gemini S.A. on October 20, 2003 (see Note 21).
- The remaining movement, a decrease of €15 million, reflects the sale of the Swedish and Norwegian infrastructure maintenance activities, formerly part of the Group's outsourcing business, to the EDB group (€10 million), and the translation difference arising on market share denominated in foreign currencies (€5 million).

b) Goodwill

Goodwill as of December 31, 2004, primarily relates to the following geographic areas: North America (€104 million), the United Kingdom (€95 million), the Benelux countries (€220 million), Germany and Central Europe (€122 million) and France (€131 million).

Changes in the net book value of goodwill primarily reflect the following:

- 2002:
  - goodwill recorded on the acquisition of the activities of the IT subsidiary of Werklinq in the Netherlands (€20 million increase);
  - amortization for the year (€39 million);
  - translation differences arising on goodwill denominated in foreign currencies (€36 million reduction).
- 2003:
  - goodwill recorded on the acquisition of Transiciel (€352 million increase);
  - amortization for the year (€38 million);
  - translation differences arising on goodwill denominated in foreign currencies (€35 million reduction);
  - in France, the sale of the shares held in APIS on November 27, 2003.
- 2004:
  - revaluation of the identifiable assets and liabilities of Transiciel as of December 31, 2004, resulting in the recognition of market share instead of the goodwill provisionally recognized (€393 million);
  - goodwill recorded on the acquisition in Germany of the IT services subsidiaries of the Drägerwerk AG group and the acquisition in Switzerland of Logimatik, the IT services subsidiary of the Georg Fischer group (total increase of €29 million);
  - amortization for the year (€51 million);
  - translation differences arising on goodwill denominated in foreign currencies (€9 million reduction).

The goodwill created by the public tender offer in July and August 1999 for the 37.5% interest in Capgemini N.V. amounted to €855 million and was written off against share premium. If the goodwill had been recorded as an asset and amortized, the amortization charge for 2004 would have been €21 million and the net value as of December 31, 2004 would have been €737 million.

c) Impairment tests

The carrying values of goodwill and market shares at December 31, 2004 were tested for impairment in accordance with the procedure established by the Group (see Note 1.d.) to monitor the values of these assets. This procedure, which is particularly based on the discounted cash flows method, consists of assessing the recoverable amount of each cash generating entity within the Group. Cash generating entities correspond either to subsidiaries or to geographic segments in which the Group has operations. The assessment is based on various parameters used in the budget procedure and on five-year projections, including growth and profitability rates considered reasonable. A standard after tax discount rate and a standard long-term growth rate for the period beyond 5 years are applied to all valuations of cash generating entities (10.1% and 3.0% respectively at December 31, 2004). These rates are determined based on an analysis of the business segment in which the Group operates. At December 31, 2004, an impairment charge of €7 million was recorded based on this procedure.

d) Other intangible assets

Other intangible assets are mainly purchased software and other licenses.

NOTE 10 ~ **PROPERTY, PLANT AND EQUIPMENT**

Changes in property, plant and equipment in 2002, 2003 and 2004 can be analyzed as follows by type of asset:

in millions of euros	Land, buildings, fixtures and fittings	Computer equipment	Other	TOTAL
GROSS VALUE				
AS OF JANUARY 1, 2002	**430**	**396**	**205**	**1,031**
Translation adjustments	(25)	(22)	(6)	(53)
Acquisitions/Increase	140	136	31	307
Disposals/Decrease	(54)	(44)	(74)	(172)
Changes in Group structure	(13)	4	-	(9)
AS OF DECEMBER 31, 2002	**478**	**470**	**156**	**1,104**
Translation adjustments	(24)	(26)	(5)	(55)
Acquisitions/Increase	47	57	17	121
Disposals/Decrease	(26)	(43)	(13)	(82)
Changes in Group structure	24	1	(28)	(3)
AS OF DECEMBER 31, 2003	**499**	**459**	**127**	**1,085**
Translation adjustments	(6)	(7)	(1)	(14)
Acquisitions/Increase	33	164	9	206
Disposals/Decrease	(29)	(109)	(8)	(146)
Changes in Group structure	3	1	7	11
AS OF DECEMBER 31, 2004	**500**	**508**	**134**	**1,142**
ACCUMULATED DEPRECIATION				
AS OF JANUARY 1, 2002	**(198)**	**(269)**	**(74)**	**(541)**
Translation adjustments	14	12	2	28
Additions	(29)	(83)	(41)	(153)
Reversals	13	42	9	64
Changes in Group structure	7	(4)	7	10
AS OF DECEMBER 31, 2002	**(193)**	**(302)**	**(97)**	**(592)**
Translation adjustments	15	15	3	33
Additions	(40)	(75)	(18)	(133)
Reversals	18	39	10	67
Changes in Group structure	(5)	5	11	11
AS OF DECEMBER 31, 2003	**(205)**	**(318)**	**(91)**	**(614)**
Translation adjustments	5	5	-	10
Additions	(47)	(139)	(16)	(202)
Reversals	20	97	8	125
Changes in Group structure	(1)	-	-	(1)
AS OF DECEMBER 31, 2004	**(228)**	**(355)**	**(99)**	**(682)**
NET BOOK VALUE				
As of January 1, 2002	232	127	131	490
As of December 31, 2002	285	168	59	512
As of December 31, 2003	294	141	36	471
AS OF DECEMBER 31, 2004	**272**	**153**	**35**	**460**

The gross value of leased assets (lease qualifying as finance leases in Note1.i, “Finance leases”) was €384 million in 2004 (2003: €260 million; 2002: €220 million) and mainly relates to IT equipment in the United Kingdom (€134 million), the Benelux countries (€38 million), North America (€34 million) and France (€10 million), as well as to the former and new university buildings in Béhoust and “Les Fontaines” for €39 million and €97 million respectively. The related accumulated depreciation was €185 million in 2004 (2003: €77 million; 2002: €48 million). Some leases that qualify as finance leases were recognized as such for the first time on December 31, 2004. The effect was a net change of the gross value and accumulated depreciation recorded in “Computer equipment” of €103 million and €56 million respectively.

NOTE 11 ~ INVESTMENTS

Investments can be analyzed as follows:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Investments accounted for by the equity method	1	-	-
Shares in non-consolidated companies	60	55	5
Deposits and other long-term investments	24	33	59
TOTAL	**85**	**88**	**64**

a) Shares in non-consolidated companies

Movements in shares in non-consolidated companies can be analyzed as follows:

in millions of euros	2002	2003	2004
AS OF JANUARY 1	**65**	**60**	**55**
Translation adjustments	(5)	(5)	2
Acquisitions	9	-	-
Disposals	-	-	(52)
Other movements	(9)	-	-
AS OF DECEMBER 31	**60**	**55**	**5**

In November 2004, the Group sold its 14.6% interest in Vertex to United Utilities Plc. (impact: €52 million).

b) Related party transactions

Transactions entered into with Vertex during 2004 were primarily of a commercial nature, and comprised:

- services billed by the Group to Vertex (€58 million);
- services billed by Vertex to the Group (€28 million).

Transactions with other related companies were not material.

c) Deposits and other long-term investments

The fair value of deposits and other long-term investments is not materially different from their net book value.

NOTE 12 ~ ACCOUNTS AND NOTES RECEIVABLE (NET)

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Trade accounts and notes receivable, (net)	1,550	1,346	1,257
Other accounts and notes receivable	83	65	59
TOTAL	**1,633**	**1,411**	**1,316**

All accounts and notes receivable are due within one year.

a) Trade accounts and notes receivable (net)

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Trade accounts receivable	1,482	1,269	1,324
Work-in-progress	901	458	449
Provisions for doubtful accounts	(82)	(38)	(32)
Advances received from customers	(751)	(343)	(484)
TOTAL	**1,550**	**1,346**	**1,257**
In number of days of total operating revenue	**80**	(*) **77**	**73**

(*) Transiciel's assets were not included in the calculation of the number of days of total operating revenue as the company's corresponding revenues were not consolidated during the year.

b) Other accounts and notes receivable

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Employees and social security	1	-	3
Prepaid and recoverable taxes	23	35	38
Other	59	30	18
TOTAL	**83**	**65**	**59**

NOTE 13 ~ **OTHER RECEIVABLES**

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Income tax prepayments	134	18	29
Short-term deferred tax assets	162	103	95
Deferred charges and pre-paid expenses	159	199	172
TOTAL	**455**	**320**	**296**

In 2003, the movement in "Income tax prepayments" was due to the sale to a credit institution of a €90 million carry-back tax credit recognized in France. The movement in "Short-term deferred tax assets" was due to reassessments of North American and French deferred tax assets.

Deferred tax assets by nature and related provisions are analyzed in Note 20.

NOTE 14 ~ SHAREHOLDERS' EQUITY

a) Share capital, additional paid-in capital, retained earnings

These items, together with the related number of shares outstanding, are dealt with in the consolidated statement of changes in shareholders' equity.

Consolidated retained earnings, which represent the sum of Cap Gemini S.A.'s retained earnings and the Group's equity in the post-acquisition retained earnings of subsidiaries, can be analyzed as follows:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	**2004**
Retained earnings of Cap Gemini S.A.	1,124	1,442	1,673
Retained earnings of subsidiaries (*)	(604)	(1,119)	(1,700)
TOTAL	**520**	**323**	**(27)**

(*) Net of dividends paid to Cap Gemini S.A.

b) Stock option plans

At the May 24, 1996 and May 23, 2000 Annual Shareholders' Meetings, the Directoire and the Board of Directors, respectively, were given a five-year authorization to grant stock options to a certain number of Group employees on one or several occasions.

The principal features of the two plans in force at December 31, 2004 are summarized in the table below:

	1996 plan	**2000 plan**	
Date of Shareholder's Meeting	May 24, 1996	May 23, 2000	
Total number of stock options	6 000 000	12 000 000	
First options granted on	July 1,1996	September 1, 2000	October 1, 2001
Exercise period	6 years	6 years	5 years
Exercise price as a % of the average of the prices quoted for Cap Gemini S.A. shares over the twenty trading days preceding the date of grant	80%	80%	100%
Exercise price per share in € :			
Min.	114.00	139.00	21.00
Max.	178.00	161.00	60.00
Total number of shares subscribed at December 31, 2004	1,423,465	-	45,000
Potential number of shares to be created on exercise of options outstanding at December 31, 2004	[1] 1,411,950	[2] 1,596,600	[3] 9,280,600
Of which options held by two of the eleven members of the Board of Directors	70,000	-	165,000

[1] i.e. 132,000 shares at a price of €114 (01/07/1999), 355,950 shares at a price of €118 (01/11/1999), 333,000 shares at a price of €178 (01/01/2000), 309,000 shares at a price of €161 (01/06/2000) and 282,000 shares at a price of €144 (01/12/2000).

[2] i.e. 911,600 shares at a price of €161 (01/09/2000) and 685,000 shares at a price of €139 (01/01/2001).

[3] i.e. 2,111,500 shares at a price of €60 (01/10/2001), 1,841,100 shares at a price of €24 (01/10/2002), 1,195,000 shares at a price of €40 (01/10/2003), 536,500 shares at a price of €31 (01/04/2004) and 3,596,500 shares at a price of €21 (01/10/2004).

In the event of an authorized tender offer to acquire the Company's shares and other securities giving access to the Company's capital or voting rights, all outstanding stock options would become immediately exercisable.

c) Minority interests

Movements in minority interests can be analyzed as follows:

in millions of euros	2002	2003	2004
AS OF JANUARY 1	39	29	-
Minority interests in net income of subsidiaries	(7)	1	-
Purchase of Capgemini N.V. minority interests	(1)	-	-
Purchase of Cisco minority interests	-	(26)	-
Minority interests in cumulative translation adjustments and other	(2)	(4)	2
AS OF DECEMBER 31	29	-	2

In 2002, movements in minority interests mainly reflected the results of Cap Gemini Telecom S.A. and its subsidiaries.

In 2003, Cap Gemini S.A. acquired a further 4.84% interest in Cap Gemini Telecom S.A., buying out the minority interests of Cisco Systems, thus increasing the Group's stake in the company to 100%.

In 2004, movements in minority interests reflected the 2.9% interest in Capgemini Energy LP held by the American electricity company TXU Energy Company LLC.

NOTE 15 ~ NET CASH AND CASH EQUIVALENTS

Net cash and cash equivalents correspond to available cash and cash equivalents less short-term and long-term debt:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Cash and cash equivalents	767	1,190	1,232
Debt	(302)	(924)	(830)
NET CASH AND CASH EQUIVALENTS	465	266	402

Short-term debt (due within one year) and bank overdrafts break down as follows:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Short-term debt	147	202	177
Bank overdrafts	95	31	20
SHORT-TERM DEBT AND BANK OVERDRAFTS	242	233	197

a) Cash and cash equivalents

Cash and cash equivalents correspond to financial receivables, short-term investments and cash, less bank overdrafts:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Financial receivables and short-term investments	490	929	1,001
Cash	372	292	251
Bank overdrafts	(95)	(31)	(20)
CASH AND CASH EQUIVALENTS	767	1,190	1,232

b) Long and short-term debt

Debt is broken down into long and short-term debt, with short-term debt referring both to the current portion of long-term debt and amounts originally due within one year. It can be analyzed as follows:

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Long-term debt	155	722	653
Short-term debt	147	202	177
TOTAL	**302**	**924**	**830**

Analysis by type of debt

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
"OCEANE" bond issue (convertible and/or exchangeable bonds)	-	460	460
Drawdowns on bank and similar facilities	119	211	47
Obligations under finance leases	175	191	221
Other debt	8	62	102
TOTAL	**302**	**924**	**830**

"OCEANE" bond issue (convertible and/or exchangeable bonds)

On June 24, 2003, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing shares ("OCEANE"), maturing on January 1, 2010. The effective issue and settlement date of the bonds was July 2, 2003. The total amount of the issue was €460 million, represented by 9,019,607 bonds with a nominal value of €51 each. The bonds bear interest at 2.50 % per year. On October 28, 2004, the company took out an interest rate swap under which it now pays variable rate interest (see Note 19, "Financial instruments").

A prospectus ("Note d'Opération") concerning this bond issue was approved by the French Stock Exchange "Commission des Opérations de Bourse" under visa no. 03-607 dated June 24, 2003.

Conversion and/or exchange of the bonds for shares

Each bond may be converted and/or exchanged for one Cap Gemini S.A. share, at any time between August 11, 2003 and the seventh business day preceding January 1, 2010.

Redemption at maturity

The bonds will be redeemed in full on January 1, 2010 in cash at par.

Early redemption by repurchase or public offer

The Company may redeem all or part of the bonds at any time, without limitation on price or quantity, by repurchasing the bonds, either on or off the stock exchange or by means of a public purchase or exchange offer.

Early redemption at the Company's option

From July 2, 2007 and until the seventh business day preceding January 1, 2010, the Company may redeem all outstanding bonds at an early redemption price equal to par plus accrued interest, if the product of (i) the then current conversion/exchange ratio and (ii) the arithmetic mean of the opening quoted prices of the Company's ordinary share on the "Premier Marché" of Euronext Paris S.A. calculated over a period of 20 stock exchange trading days, as selected by the Company from the 40 stock exchange trading days immediately preceding the date of publication of a notice relating to such early redemption, exceeds 125% of such early redemption price. Upon early redemption, the bonds may be redeemed either in cash or converted into Cap Gemini S.A. shares, at the option of the bondholders.

Early redemption at the option of bondholders

Bondholders may request the early redemption of all or part of their bonds in the event of a change of control of the Company.

Early repayment

The "OCEANE" documentation contains the usual provisions relating to early repayment at the initiative of a majority of bondholders, particularly in the event of a failure to pay sums due or to comply with other obligations set out in the documentation (beyond any "grace periods", if applicable), cross-default (in excess of a minimum threshold), liquidation, dissolution or sale of all of the Company's assets, or delisting of the Company's shares from the "Premier Marché" of Euronext Paris S.A.

Any upgrade or downgrade in Cap Gemini S.A.'s credit rating would not constitute an early redemption event and would not affect the interest rate applicable to the bonds.

Pari passu status

Cap Gemini S.A. has undertaken that the bonds will rank pari passu with all other bonds issued by the Company.

Drawdowns on bank and similar facilities

The movement in "Drawdowns on bank and similar facilities" between December 31, 2003 (€211 million) and December 31, 2004 (€47 million) is mainly due to the early repayment on February 24, 2004 of €148 million of bank debt related to Transiciel. At December 31, 2004, the amount of €47 million mainly comprises drawdowns by operational subsidiaries of the Group on bank facilities, principally in North America (€28 million) and the Asia-Pacific region (€18 million). In some circumstances, these drawdowns are backed by a guarantee from Cap Gemini S.A.

Syndicated credit facility obtained by Cap Gemini S.A.

On July 31, 2001, the Company signed a €600 million multi-currency line of credit with a syndicate of banks, expiring on July 31, 2006. The syndicate was made up of BNP Paribas and Barclays Capital Group (acting as lead arrangers); Banca di Roma, Bank of America, CIC-Crédit Mutuel, Crédit Agricole Indosuez, Crédit Lyonnais, Deutsche Bank, HSBC/CCF, ING BANK, Natexis Banques Populaires and Société Générale (acting as co-arrangers); and CADIF, Dresdner Bank AG and Fuji Bank Limited (acting as participants).

There was no drawing on this facility during the year 2004.

When this facility was obtained, its main characteristics were as follows:

- Term: 5 years;
- Rate: Euribor and Libor (1-3-6-12 months);
- Fee on undrawn amount: 0.125%;
- Fee on drawdowns: 0.275% to 0.325%, depending on the amount utilized.

The Company also agreed to comply with the following covenants regarding financial ratios:

- the consolidated net debt to equity ratio must at all times be less than 1;
- interest cover, i.e. the extent to which interest expense (as reported on the "Interest income and expense (net)" line in the consolidated statement of income) is covered by consolidated operating income, must be at least 3.5x as of December 31 and June 30 of each year (based on the 12 months then ended).

As of June 30, 2004, the Group was in compliance with its contractual covenant regarding indebtedness, because the ratio of consolidated net debt to equity was 0.1%. However, the Group was in breach of its covenant on interest cover, which was 2.6x as of June 30, 2004 based on the 12 months then ended.

Under an amendment to the syndicated credit facility agreement dated October 15, 2004, the banking syndicate agreed that the breach of the interest cover covenant as of June 30, 2004 would have no effect on the availability of the facility, and that the ratio would be set at 1.75x (instead of 3.5x) for the 12-month period ending on December 31, 2004.

As of December 31, 2004, the Group complied fully with these ratios: the consolidated net debt to equity ratio was 0 %, and interest cover stood at 2.42x.

Under the same amendment to the syndicated credit facility agreement, and following the downgrade on January 7, 2005 to the long-term credit rating attributed to the Company by Standard & Poor's, use of this credit facility is at present subject to the following conditions:

- fee on undrawn amount: 0.28%;
- fee on drawdowns: 0.80% to 0.85%, depending on the amount utilized.

These fees cannot be increased further, and may be reduced in the event of an upgrade in the credit rating attributed to the Company by Standard & Poor's. Upgrades or downgrades in Cap Gemini S.A.'s credit rating would not affect the availability of this facility.

The facility agreement includes covenants restricting the Company's ability to carry out certain operations. These covenants also apply to Group subsidiaries which are signatories to the agreement and, where relevant, to the "principal subsidiaries" – defined on the basis of their contribution to consolidated revenues – and in turn to their respective subsidiaries. They include restrictions relating to:

- pledging certain assets as collateral or authorizing the continued use of certain assets as collateral;
- substantially modifying the general nature of a company's operations;
- asset sales, mergers and similar transactions.

Cap Gemini S.A. also committed to standard obligations, including obtaining and retaining the necessary authorizations, maintaining insurance cover, maintaining pari passu treatment, and providing financial information.

Lastly, the agreement contains the usual provisions relating to early repayment (including for failure to pay sums due), misrepresentation or failure to comply with other obligations included in the agreement (subject to any applicable "grace periods"), cross-defaults (in excess of a minimum threshold), insolvency and bankruptcy proceedings, change of ownership, or changes which would have a significant negative impact on the Group.

Obligations under finance leases

As of December 31, 2004, obligations under finance leases relate primarily to the financing of the Group's university premises at Béhoust and "Les Fontaines", and of IT equipment acquired by Capgemini UK Plc. and Capgemini Outsourcing B.V. (Benelux) for their outsourcing business.

in millions of euros	Earliest start date of leases	Latest expiry date of leases	Rate	Obligation as of Dec. 31, 2002	Obligation as of Dec. 31, 2003	Obligation as of Dec. 31, 2004
Capgemini University (Béhoust)	April 1992	January 2012	3-Month Euribor + 0.7%	31	29	27
Capgemini University (Les Fontaines)	Dec. 2001 Dec. 2002	July 2014	3-Month Euribor + 0.75%	93	87	80
Capgemini UK Plc. (*)	Sept. 1999	July 2010	Fixed rates (3.6% to 11.05%)	30	33	59
Capgemini Outsourcing B.V.	Dec. 2002	June 2008	Fixed rates (3.12% to 6.31%)	21	33	19
New Horizons System Solutions LLP (*)	January 2001	October 2009	Fixed rates (6% to 7%)	-	-	13
Capgemini France S.A.S. (*)	Sept. 1999	April 2009	Fixed rates (2.6% to 9%)	-	-	7
Capgemini Kansas City Service Center LLC (*)	Feb. 2003	Dec. 2008	Fixed rates (6% to 7%)	-	-	4
Capgemini España SL	July 2001	June 2007	Fixed rate 5%	-	6	4
Capgemini Systems Nord GmbH	April 1999	July 2007	Fixed rate 3.9%	-	-	3
Capgemini Energy LP	July 2004	Dec. 2007	Fixed rate 5.99%	-	-	2
Transiciel S.A.	April 1999	April 2011	Fixed rate 5.7%	-	1	1
Sogeti Nederland B.V.	July 2004	June 2008	Fixed rate 4.75%	-	-	1
Capgemini Danmark AS	July 2001	June 2016	Fixed rate 6.8%	-	1	1
Capgemini Portugal S.A.	Feb. 2003	January 2006	Fixed rate 5.38%	-	1	-
TOTAL				**175**	**191**	**221**

(*) As indicated in Note 1.i, some leases that qualify as finance leases were recognized as such for the first time on December 31, 2004. The effect was to increase the amount of obligations under finance leases by €48 million.

Other debt

As of December 31, 2004, the €102 million of other debt included:

- A financing of €44 million obtained by the sale of client receivables by Transiciel to a factoring company. The factoring contracts provide for a maximum of €90 million of financing on the following terms:
  - a management fee (including credit insurance) amounting to 0.15% of the face value of client receivables sold;
  - a financing margin on drawdowns representing the 3-month Euribor + 50 basis points.
- A debt of €18 million owed to TXU under the terms of the contract, recognized in July 2004.
- The €21 million residual balance of the price paid to acquire the IT services subsidiaries of the Drägerwerk AG group, payable in two equal installments in February 2005 and 2006.

Main characteristics of long and short-term debt

Interest rates

The average interest rate paid on Group debt was 4.8% in 2004, compared with 6.2% in 2003 and 5.4% in 2002. Excluding administrative banking fees and interest expense related to the French employee profit-sharing scheme, the average interest rate was 3%, compared with 3.7% in 2003. Due to the interest rate decrease between 2003 and 2004, and to a gain of €3.3 million from the interest rate swap in respect of the "OCEANE" bonds, these average interest rates paid on Group debt improved (see Note 19, "Financial Instruments").

As of December 31, 2004, 76% of Group debt was at variable rates and 24% at fixed rates, compared with 38% and 62% respectively as of December 31, 2003. The change reflects mainly the interest rate swap contracted in respect of the "OCEANE" bonds (see Note 19, "Financial Instruments").

Maturities of debt

Maturities of debt are as follows:

	2002		2003		2004	
AS OF DECEMBER 31 *in millions of euros*	Amount	%	Amount	%	Amount	%
y+1	147	49	202	22	177	21
y+2	25	8	77	8	52	6
y+3	23	7	77	8	26	3
y+4	14	5	17	2	26	3
y+5	13	4	22	3	16	2
y+6 and subsequent years	80	27	529	57	533	65
TOTAL	**302**	**100**	**924**	**100**	**830**	**100**

Breakdown by currency

The breakdown of debt by currency is as follows:

	2002		2003		2004	
AS OF DECEMBER 31 *in millions of euros*	Amount	%	Amount	%	Amount	%
Euro	149	50	829	90	681	82
US Dollar	88	29	46	5	52	6
Pound Sterling	31	10	33	3	59	7
Other currencies	34	11	16	2	38	5
TOTAL	**302**	**100**	**924**	**100**	**830**	**100**

Collateral

As of December 31, 2004, borrowings were secured by collateral totaling €269 million (€340 million as of December 31, 2003 and €175 million as of December 31, 2002) including €219 million in finance leases.

Fair value of debt

The fair value of short-term debt and obligations under finance leases is close to their book value as they are at market rates of interest.

Movements in long and short-term debt

Movements in long and short-term debt can be analyzed as follows:

in millions of euros	2002	2003	2004
AS OF JANUARY 1	**207**	**302**	**924**
New borrowings	97	528	76
Repayments	(68)	(31)	(222)
Net change in drawdowns on lines of credit	75	(36)	(6)
Translation adjustments	(9)	(40)	(6)
Changes in Group structure	-	201	4
Other movements	-	-	60
AS OF DECEMBER 31	**302**	**924**	**830**

Other movements include the portion arising prior to December 31, 2003 of additional obligations arising from the restatement in 2004 of finance leases identified as a result of the IFRS transition project (see Note 15, section "Obligations under Finance Leases").

NOTE 16 ~ PROVISIONS AND OTHER LONG-TERM LIABILITIES

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Provisions for contingencies and charges	26	43	39
Provisions for pensions and other post-retirement benefits	96	101	123
Employee profit-sharing reserve	69	62	38
Long-term deferred tax liabilities (*)	61	52	55
TOTAL	**252**	**258**	**255**

(*) Long-term deferred tax liabilities are analyzed in Note 20.

Changes in provisions for contingencies and charges and in provisions for pensions and other post-retirement benefits can be analyzed as follows:

in millions of euros	December 31, 2003	Additions	Reversals (utilization)	Reversals (excess provisions)	Translation adjustments	Other movements	December 31, 2004
Provisions for contingencies and charges	43	12	(8)	(1)	-	(7)	**39**
Provisions for pensions and post-retirement benefits	101	72	(64)	(1)	(1)	16	**123**
TOTAL	**144**	**84**	**(72)**	**(2)**	**(1)**	**9**	**162**

The other movements in provisions for pensions and other post-retirement benefits are mainly due to recognition of pension obligations relating to the acquisition of subsidiaries of the Drägerwerk AG group (Germany) and Logimatik (Switzerland), and to the signature of an outsourcing contract in Sweden with ABB.

Provisions for pensions and other post-retirement benefits

Provisions for pensions and other post-retirement benefits as of December 31, 2003 and December 31, 2004 can be analyzed as follows:

AS OF DECEMBER 31 *in millions of euros*	2003	2004
Provisions for funded defined benefit plans	**9**	**12**
- United States, Canada, Germany, Switzerland, France	9	12
Provisions for other unfunded defined benefit plans	**81**	**96**
- Provisions for pensions (Germany)	21	25
- Provisions for retirement bonuses (France, Italy)	30	31
- Provisions for medical expenses and other	30	40
Provisions for pensions	**11**	**15**
- United Kingdom and Ireland	11	15
TOTAL	**101**	**123**

The Group does not apply in 2004 the National Accounting Board (CNC) recommendation 2003-R.01 of April 1, 2003 concerning the accounting treatment and valuation of retirement and other post-retirement benefit obligations. Nevertheless, the obligations of Group companies are recognized in the consolidated balance sheet in accordance with local laws and practices and the valuation methods applied comply with CNC recommendation 2003-R.01, except in Italy, in the United Kingdom and Ireland, where the amount of the obligation determined in accordance with the CNC recommendation is presented below.

There are two categories of retirement plans

- Defined contribution plans
  These exist in most European countries (France, Benelux, Germany and Central Europe, the Nordic countries, Italy, Spain and Portugal), in the United States and in the Asia-Pacific region.
  These plans are funded by contributions paid to authorized agencies, which are booked as an expense.
- Defined benefit plans
  These can be either:
  - Funded defined benefit plans:
    These plans exist in the United States, Canada, the United Kingdom, Ireland, Germany, Switzerland and in France (Transiciel).
  - Unfunded defined benefit plans:
    Obligations under unfunded retirement and other post-retirement benefit plans are covered by provisions recorded in the balance sheet under "Provisions for pensions and other post-retirement benefits". The main countries concerned are France, Italy, Germany and Central Europe, the Nordic countries, and North America.

a) Provisions for funded defined benefit plans

Employees

	United States	Canada	Germany	Switzerland	France	TOTAL
Current employees	295	1,308	228	50	5,674	7,555
Former employees	285	16	135	-	-	436
Retirees	1	50	9	-	-	60
TOTAL	**581**	**1,374**	**372**	**50**	**5,674**	**8,051**

Actuarial assumptions

	United States	Canada	Germany	Switzerland	France
Pension obligation discounting rate (%)	6.0	6.0	5.0 - 6.0	3.5	5.0
Salary inflation rate (%)	3.0	3.3	1.8 - 3.0	2.0	1.5
Expected return on plan assets (%)	8.5	7.0	3.5	3.8	4.5

Breakdown of obligation

in millions of euros	United States	Canada	Germany	Switzerland	France	TOTAL
Projected benefit obligation	28	138	12	9	3	190
Fair value of plan assets	23	132	12	8	1	176
GROSS BENEFIT OBLIGATION	**5**	**6**	**-**	**1**	**2**	**14**
Unrecognized actuarial gains and losses	-	(17)	-	-	-	(17)
Unrecognized prior service cost	-	(1)	-	-	-	(1)
NET BENEFIT OBLIGATION IN BALANCE SHEET	**5**	**(12)**	**-**	**1**	**2**	**(4)**
Assets	-	(16)	-	-	-	(16)
Liabilities	5	4	-	1	2	12
NET BENEFIT OBLIGATION IN BALANCE SHEET	**5**	**(12)**	**-**	**1**	**2**	**(4)**

Breakdown of movements in obligation

in millions of euros	Present value of obligation	Fair value of plan assets	Unrecognized actuarial gains and losses	Unrecognized prior service cost	Net benefit obligation in balance sheet
BALANCE AS OF DECEMBER 31, 2003	154	132	(12)	(1)	9
Net expense for the year :					
- Service cost arising in the year	15	-	-	-	15
- Interest expenses on the obligation	9	-	-	-	9
- Expected return on plan assets	-	10	-	-	(10)
- Net actuarial loss/(gain) recognized	-	-	-	-	-
- Prior service cost recognized	-	-	-	-	-
Benefits paid to employees	(7)	(7)	-	-	-
Contributions paid	-	30	-	-	(30)
Unrecognized actuarial gains and losses	6	1	(5)	-	-
Translation adjustments	(4)	(4)	-	-	-
Other movements	17	14	-	-	3
BALANCE AS OF DECEMBER 31, 2004	190	176	(17)	(1)	(4)

Other movements mainly relate to the acquisition of Logimatik (Switzerland).

b) Provisions for unfunded defined benefit plans

Employees

	Canada	Sweden	Germany	France	Italy	Others	TOTAL
Current employees	1,308	201	287	12,679	1,407	2,111	17,993
Former employees	16	892	78	-	-	-	986
Retirees	50	9	54	3	-	-	116
TOTAL	**1,374**	**1,102**	**419**	**12,682**	**1,407**	**2,111**	**19,095**

Actuarial assumptions

	Canada	Sweden	Germany	France	Italy	Others
Pension obligation discounting rate (%)	6.0	4.4	5.0 - 6.0	4.7 - 5.0	4.8	2.0 - 6.9
Salary inflation rate (%)	3.3	2.0	2.0 - 2.8	1.5 - 2.0	3.0	1.0 - 6.0
Expected return on plan assets (%)						

Breakdown of obligation

in millions of euros	Canada	Sweden	Germany	France	Italy	Others	TOTAL
Projected benefit obligation	22	18	26	23	14	1	**104**
Fair value of plan assets							
GROSS BENEFIT OBLIGATION	**22**	**18**	**26**	**23**	**14**	**1**	**104**
Unrecognized actuarial gains and losses	1	(2)	-	(2)	-	-	**(3)**
Unrecognized prior service cost	-	-	-	(5)	-	-	**(5)**
NET BENEFIT OBLIGATION IN BALANCE SHEET	**23**	**16**	**26**	**16**	**14**	**1**	**96**
Assets							
Liabilities	23	16	26	16	14	1	96
NET BENEFIT OBLIGATION IN BALANCE SHEET	**23**	**16**	**26**	**16**	**14**	**1**	**96**

Breakdown of movements in obligation

in millions of euros	Present value of obligation	Fair value of plan assets	Unrecognized actuarial gains and losses	Unrecognized prior service cost	Net benefit obligation in balance sheet
BALANCE AS OF DECEMBER 31, 2003	82		(1)	-	81
Net expense for the year :					
- Service cost arising in the year	7		-	-	7
- Interest expenses on the obligation	4		-	-	4
- Expected return on plan assets	-		-	-	-
- Net actuarial loss/(gain) recognized	-		-	-	-
- Prior service cost recognized	-		-	-	-
Benefits paid to employees	(5)		-	-	(5)
Contributions paid	-		-	-	-
Unrecognized actuarial gains and losses	8		(2)	(5)	1
Translation adjustments	-		-	-	-
Other movements	8		-	-	8
BALANCE AS OF DECEMBER 31, 2004	104		(3)	(5)	96

Other movements mainly relate to the acquisition of subsidiaries of the Drägerwerk AG group (Germany) and the signature of an outsourcing contract with ABB in Sweden.

c) United Kingdom and Ireland

In the United Kingdom and Ireland, in view of the average age of active members at December 31, 2004 (42 years), the majority of the plan assets are funded by equities. The legal method consists of discounting post-employment benefits using the expected long-term rate of return on plan assets. In the Group's case, this represents the expected long-term rate of return on assets funded by equities, which is currently estimated to be 8%. The deficit arising from the difference between the present value of the obligation and the market value of plan assets is amor-tized in accordance with the local regulations, over the expected average residual working lives of the plan members (approximately 12 years). The annual charge includes the annual amortization of this deficit and the service cost for the year.

Employees

	United Kingdom and Ireland (IAS 19)
Current employees	4,110
Former employees	5,215
Retirees	751
TOTAL	**10,076**

Movements in the balance sheet provision can be analyzed as follows :

in millions of euros	December 31, 2003	Additions	Reversals (utilization)	Reversals (excess provisions)	Translation adjustments	Other movements	December 31, 2004
Provisions for pensions and post-retirement benefits	11	46	(43)	-	-	1	15

The pension expense for the year comprises the service cost arising in the year (€37 million) and annual amortization of the deficit (€9 million). Reversals of provisions relate to disbursements during the year (€35 million in contributions for the year, and €8 million for the amortization of the deficit). The €15 million balance on the provision as of December 31, 2004 represents the portion of pension costs not yet paid out (€11 million of contributions and €4 million in respect of the amortization of the deficit).

If CNC recommendation 2003-R.01 had been applied as of January 1, 2004, the financial statements would have included the following benefits in respect of this plan:

Actuarial assumptions

	United Kingdom and Ireland (IAS 19)
Pension obligation discounting rate	5.4%
Salary inflation rate	3.5%
Expected return on plan assets	7.0%

Breakdown of obligation

in millions of euros

	United Kingdom and Ireland(IAS 19)
Projected benefit obligation	1,009
Fair value of plan assets	682
GROSS BENEFIT OBLIGATION	**327**

Breakdown of movements in obligation

in millions of euros

	Present value of obligation	Fair value of plan assets
BALANCE AS OF DECEMBER 31, 2003	859	580
Net expense for the year :		
- Service cost arising in the year	58	-
- Interest expenses on the obligation	49	-
- Expected return on plan assets	-	43
- Net actuarial loss/(gain) recognized	-	-
- Prior service cost recognized	-	-
Benefits paid to employees	(10)	(10)
Contributions paid	-	43
Unrecognized actuarial gains and losses	59	30
Translation adjustments	(6)	(4)
Other movements	-	-
BALANCE AS OF DECEMBER 31, 2004	**1,009**	**682**

The “ASPIRE” contract (see Note 21, “Commitments received from and given to third parties”) includes clauses providing for the transfer of pension to the Capgemini UK Plc. plans, at the request of employees. In this case, the obligations transferred will be fully funded.

Employee profit-sharing reserve

The reduction in the employee profit-sharing reserve is mainly due to the reclassification as short-term of the liability arising from the profit-share entitlement for 1999.

NOTE 17 ~ ACCOUNTS AND NOTES PAYABLE

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Trade accounts payable, (net)	518	408	520
Accrued personnel costs	779	661	718
Accrued taxes	212	218	250
Other	111	97	146
TOTAL	**1,620**	**1,384**	**1,634**

NOTE 18 ~ OTHER PAYABLES

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Income tax	28	53	56
Short-term deferred tax liabilities	25	18	23
Deferred income and dividends payable	6	12	10
TOTAL	**59**	**83**	**89**

NOTE 19 ~ FINANCIAL INSTRUMENTS

Interest rate hedges

As of December 31, 2004, two interest rate hedges were outstanding in the form of swaps and options (caps and floors) on a total amount of €500.2 million (versus €202.6 million at December 31, 2003), for periods ranging from 5 to 10 years:

- Firstly, a €40.2 million interest rate swap contract over a remaining period of 10 years, covering 50% of the finance lease taken out by S.A.R.L Immobilière Les Fontaines (Capgemini University) in December 2002. Under the terms of the swap contract, S.A.R.L. Immobilière Les Fontaines pays a fixed rate of 3.51% and receives 3-month Euribor.
  The market value of this hedging instrument as of December 31, 2004 shows an unrealized loss of €0.4 million (compared with an unrealized gain of €0.6 million at December 31, 2003).
- Secondly, an additional interest rate swap contracted by the Company on October 28, 2004 relating to the "OCEANE" bonds convertible and/or exchangeable into Cap Gemini S.A. shares, issued by the Company on June 24, 2003. This swap covers a total amount of €460 million over a remaining period of 5 years. Under the terms of the swap contract, the Company pays variable rate (12-month post-fixed Euribor less 0.59%) against the fixed rate of the OCEANE bonds (2.5%). The variable rate is capped at 3.41% and has a floor of 1.41%. This interest rate swap also contains a zero-cost automatic desactivation clause in the event that the Company exercises its right (under certain conditions) to redeem the bonds early (see Note 15, section "Analysis by type of debt"). The market value of this hedging instrument as of December 31, 2004 shows an unrealized gain of €1.4 million. This contract increases the Company's sensitivity to changes in interest rates, but caps its exposure to the risk of higher interest rates.
- On October 30, 2004, the Group decided to cancel four interest rate swap and option contracts (caps, floors and tunnels) for a total amount of €159.1 million. These contracts were set up by Transiciel to hedge medium-term loans that were repaid early and in full on February 24, 2004. Cancellation of these swap contracts resulted in Transiciel recognizing a loss of €4 million in respect of their market value as of October 30, 2004 and a loss of €2 million for the cost of carrying the contracts from January 1, 2004 through October 30, 2004. A provision of €5.2 million in respect of these swap contracts had already been booked on the acquisition of Transiciel; an additional provision of €0.8 million was taken in the first half of 2004 following a review of the first-time consolidation balance sheet of Transiciel, taking the total provision for these swap contracts to €6 million.

Currency hedges

As of December 31, 2004, currency hedges totaled €125.6 million, as follows:

- hedges of commercial transactions expiring in 2005 and 2006 in the form of currency swaps for a total equivalent value of €22 million and relating to amounts denominated in euros, US dollars, Polish zlotys, Indian rupees, Australian dollars and Hong-Kong dollars;
- currency swaps expiring in 2005, acquired as hedges of inter-company financing transactions, including:
  - USD 110.3 million, for an equivalent value of €80.9 million;
  - SEK 203.1 million, for an equivalent value of €22.7 million.

The market value of this hedging instrument as of December 31, 2004 shows an unrealized gain of approximately €0.2 million.

NOTE 20 ~ **DEFERRED TAXES**

a) Changes in deferred taxes

Deferred tax assets and liabilities can be analyzed as follows:

AS OF DECEMBER 31 *in millions of euros*	**2002**	**2003**	**2004**
Tax loss carry-forwards	1,408	1,338	1,360
Temporary differences arising from the acquisition of the Ernst & Young consulting businesses	1,047	830	780
Other	11	48	112
Provisions against deferred tax assets	(1,779)	(1,545)	(1,694)
TOTAL DEFERRED TAX ASSETS (LONG-TERM)	**687**	**671**	**558**
Tax loss carry-forwards	76	42	62
Temporary differences arising from the acquisition of the Ernst & Young consulting businesses	42	17	-
Provisions for vacation pay	13	12	11
Other	36	49	55
Provisions against deferred tax assets	(5)	(17)	(33)
TOTAL DEFERRED TAX ASSETS (SHORT-TERM)	**162**	**103**	**95**
TOTAL DEFERRED TAX ASSETS	**849**	**774**	**653**
Restated amortization of goodwill	(57)	(50)	(51)
Capitalization and amortization	-	-	-
Provisions	(3)	(2)	(2)
Other	(1)	-	(2)
TOTAL DEFERRED TAX LIABILITIES (LONG-TERM)	**(61)**	**(52)**	**(55)**
Revaluation of work-in-progress	(5)	(8)	(13)
Restructuring provisions	(19)	-	-
Provisions	-	(6)	(6)
Other	(1)	(4)	(4)
TOTAL DEFERRED TAX LIABILITIES (SHORT-TERM)	**(25)**	**(18)**	**(23)**
TOTAL DEFERRED TAX LIABILITIES	**(86)**	**(70)**	**(78)**

As of December 31, 2004, deferred tax assets, which amount to €653 million, were recognized on tax losses and goodwill amortizable for tax purposes for €598 million (see infra b)) and for the balance on other types of temporary differences.

As of December 31, 2004, the majority of deferred taxes can be analyzed as follows:

1. Deferred tax assets in North America

The US$ 4,280 million difference between the acquisition price of the Ernst & Young consulting businesses in North America and the historical cost of the assets and liabilities acquired is amortized over fifteen years for tax purposes, representing an income tax saving of US$ 1,669 million based on current rates. Over the last fiscal years, these amortization charges have led to an increase in tax losses generated by North American operations that may be carried forward over a period of 20 years. In view of the above, the Group always has potential tax savings available in the form of tax losses or future amortization allowances that may be utilized up to 2035 under current regulations.

To date, the Group has recognized deferred tax asset on the basis of an estimate of taxable income for the Group's North American operations for the next fifteen years. This calculation was based on growth and profitability assumptions considered as reasonable, using the following visibility and discounting assumptions:

- 100% utilization in the first five years. As from the sixth year, probable recoveries were covered by provisions calculated at a standard rate of 35%, which was increased by five points per year up to 70% in the fifteenth year, and to 100% in the sixteenth year.
- Discounting rate based on 30-year US Treasury bonds.

As of December 31, 2004, considering operations realized below forecasted performances in the United States, in particular for year 2004, the Group has decided to take account of potential tax savings over a limited period of five years (discounted at the rate of 5-year US Treasury bonds, i.e. 4.1%), compared with 15 years previously. In view of the above, and taking into account likely profitability levels based on the latest business developments, certain tax planning opportunities - related mainly to the deferred payment of intra-group royalties - and lastly its potential realizable value, the corresponding tax asset has been written down from €248 million as of December 31,2003 to €102 million as of December 31, 2004.

2. Deferred tax asset recognized in France further to the reorganization of the Group's North American operations

Cap Gemini S.A. recognized a net short-term capital loss of €2.8 billion in 2002 on the reorganization of the Group's North American operations (see item b) below, "Tax losses and goodwill amortizable for tax purposes"). Since December 31, 2003, the corresponding tax loss may be carried forward without time limit against future taxable income generated in France.

As of December 31, 2004, this deferred tax asset was adjusted to reflect the estimated of taxable income of the Group's French operations over the next fifteen years. The calculation was based on growth and profitability assumptions considered as reasonable, using the following visibility and discounting parameters:

- 100% utilization in the first five years. As from the sixth year, probable recoveries are covered by provisions calculated at a standard rate of 35%, which is increased by five points per year up to 70% in the fifteenth year, and to 100% in the sixteenth year.
- Discounting rate of 3.5% (the French Government bond rate).

After utilization against taxable income for the current fiscal year (tax impact of€16 million) and after the negative impact of (i) the additional carry-back of 2002 tax losses (€33 million) and (ii) successive reductions in the French income tax rate in 2005 and 2006 (€11 million), the deferred tax asset was increased by €62 million (including a positive discounting impact of €23 million). As a result, the total deferred tax asset as of December 31, 2004 represents €434 million (long-term portion €396 million, short-term portion €38 million), compared with €421 million as of December 31, 2003.

b) Tax losses and goodwill amortizable for tax purposes

in millions of euros	2002	2003	2004
Tax loss carry-forwards temporarily available	3,701	1,521	1,775
Tax loss carry-forwards available without time limit	464	2,746	2,501
TOTAL TAX LOSS CARRY-FORWARDS	**4,165**	**4,267**	**4,276**
Goodwill Norh America	3,168	2,421	2,045
TOTAL TAX LOSS CARRY-FORWARDS AND GOODWILL AMORTIZABLE FOR TAX PURPOSES	**7,333**	**6,688**	**6,321**
Related potential tax saving	2,556	2,228	2,202
of which recognized deferred tax asset	792	706	598

As of December 31, 2004, deferred tax assets (€598 million) were recognized on tax losses and goodwill amortizable for tax purposes primarily in France as a result of North American operations (€434 million), in the United States (€102 million), in Germany and Central Europe (€22 million) and in the Benelux countries (€12 million).

Changes in tax loss carry-forwards between 2003 and 2004, which amount to €9 million, principally reflect:

- the amortization which the Group is able to apply for tax purposes as a result of the acquisition of the Ernst & Young consulting businesses in North America (€217 million);
- taxable losses generated in 2004, mainly in Germany and Central Europe (€21 million), Italy (€19 million), and Spain and Portugal (€17 million);
- a €108 million negative translation adjustment, principally on North American tax loss carry-forwards;
- recognition of a carry-back tax credit arising on French taxable losses (€101 million);
- all of these partially offset by taxable income generated in 2004, mainly in France (€44 million), the United Kingdom (€10 million) and Norway (€6 million).

The expiry dates of available tax loss carry-forwards as of December 31, 2002, 2003 and 2004 were as follows:

	2002		2003		2004	
AS OF DECEMBER 31 *in millions of euros*	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
y+1	25	1	46	1	68	2
y+2	30	1	16	1	23	1
y+3	2	-	26	1	52	1
y+4	32	1	60	1	52	1
y+5 and subsequent years	3,612	86	1,373	32	1,580	37
Without time limit	464	11	2,746	64	2,501	58
TOTAL	**4,165**	**100**	**4,267**	**100**	**4,276**	**100**

NOTE 21 ~ COMMITMENTS RECEIVED FROM AND GIVEN TO THIRD PARTIES

a) Commitments received

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Commitments received from third parties:			
- on contracts	1	5	7
- other	4	4	4
TOTAL	**5**	**9**	**11**

b) Commitments given

AS OF DECEMBER 31 *in millions of euros*	2002	2003	2004
Commitments given to third parties:			
- on contracts	36	109	79
- on non-cancelable leases	1,229	1,173	1,078
- on options	-	-	147
- on borrowings	8	5	-
- other	25	56	75
TOTAL	**1,298**	**1,343**	**1,379**

- Commitments given on contracts mainly represent purchase orders to be issued under global purchase contracts, mainly in the United Kingdom.

- As of December 31, 2004, the Group's commitments under non-cancelable leases by type and maturity were as follows:

in millions of euros	Computer equipment	Offices	Cars	Other	Total
y+1	31	151	47	3	232
y+2	20	143	34	3	200
y+3	10	126	21	2	159
y+4	5	113	9	1	128
y+5	2	102	1	-	105
y+6 and subsequent years	1	253	-	-	254
TOTAL	**69**	**888**	**112**	**9**	**1,078**

Office lease terms depend on the geographic area and vary between 5 and 25 years. Vehicle leases are short-term contracts of 3 to 5 years.

Commitments relating to non-cancelable leases are mainly given in the United Kingdom (€211 million), North America (€217 million), the Benelux countries (€176 million), France (€158 million), and Germany and Central Europe (€113 million).

- The 10-year outsourcing contract signed with TXU Energy Company LLC and Oncor Electric Delivery Company provides, in favor of the TXU group, and besides the standard clauses, for a put option on its 2.9% interest in Capgemini Energy LP and certain related assets (essentially the IT platform owned by the TXU group and used by Capgemini Energy LP for the term of the contract), for an amount of US $200 million (€147 million) subject to certain adjustments. This option is exercisable by the TXU group during the 10 years following the end of the contract.

- Other commitments relate mainly to:

- guarantees given to the tax authorities in connection with tax disputes in France and Spain;
- commitments to employees in the Netherlands and Sweden;
- a guarantee relating to the sale of client receivables by Transiciel Benelux S.A. to a factoring company.

c) Other commitments

Under the terms of the agreements signed in connection with the acquisition of the Ernst & Young consulting businesses, former partners of Ernst & Young who worked in the consulting businesses became employees of the Group and as such have employment contracts. If any of these employees decides to leave the Group within a specified period, they are required to return all or some of the shares received at the time of sale of the Ernst & Young consulting businesses to Capgemini. The number of shares to be returned depends on the reason for and timing of the employee's departure.

Cap Gemini S.A. as well as all subsidiaries and any companies at least 50%-owned, either directly or indirectly, are insured for possible financial losses resulting from general or professional liability claims arising in the course of their business. The coverage has been taken out with several different insurance companies as part of a worldwide insurance program. The program is reviewed and adjusted periodically to take into account any changes in the Group's revenues, businesses and risks.
€20 million of this program is covered by a consolidated captive reinsurance entity whose commitments are totally covered or re-insured.

On June 26, 2003 and June 28, 2004, Cap Gemini S.A. sold to a credit institution for €74 million and €33 million respectively, a receivable of €90 million and an additional receivable of €39 million due from the French Treasury resulting from the election to carry back the French tax loss generated in 2002. Under the sale agreements, Cap Gemini S.A. undertook to compensate the buyer for any difference between the amount of the credit sold and the amount effectively recoverable from the French Treasury. This undertaking expires on June 30, 2011.

On October 20, 2003 Cap Gemini filed a public exchange offer to acquire all of the outstanding share capital of Transiciel, in which Transiciel shareholders were invited to exchange their shares under one of the two following options:

- Option 1: an exchange ratio of 1 new Capgemini share issued for every 3 Transiciel shares;
- Option 2: an exchange ratio of 5 new Capgemini shares plus 16 warrants giving entitlement to new Capgemini shares, for 16 Transiciel shares.

Option 2 includes an earn-out mechanism which would allow Transiciel shareholders to receive additional Capgemini shares subject to the Sogeti/Transiciel entity attaining certain earnings targets over the next two years. This earn-out mechanism is described in the prospectus which was approved by the "Commission des Opérations de Bourse" under visa n° 03-935 on October 29, 2003. If the targets under Option 2 are met by the new Sogeti/Transiciel entity, shareholders who have chosen Option 2 would be entitled to receive a maximum of 508,600 new Capgemini shares – with a dividend entitlement date of January 1, 2006 – at the close of the extended public exchange offer for Transiciel shares on January 28, 2004. As of December 31, 2004, the resulting additional purchase consideration is estimated at €9 million, i.e. 245,398 new shares valued at€35.44 each (market price on December 18, 2003, the date of the Extraordinary Shareholders' Meeting which approved the transaction).

In various large contracts signed by Group entities (in particular the "ASPIRE" contract signed with Inland Revenue on January 5, 2004 for an estimated amount of £ 3 billion and the TXU contract signed on May 17, 2004 for an amount of US $ 3.5 billion (see below), the Group has provided a performance and/or a financial guarantee. The outsourcing contract signed with TXU Energy Company LLC and Oncor Electric Compagny provides, besides the put option (see above) and the standard clauses, for a termination right of the contract in the event the Group's corporate credit rating is lowered below investment grade. Following the downgrade of the Group's credit rating by Standard & Poors on January 7, 2005, TXU has confirmed the continuation of the contract.

On May 25, 2004, the Capgemini Group signed an agreement with France Telecom providing for the outsourcing of part of its telecommunications network for a term of eight years. Under the agreement, an indemnity is payable to either Capgemini or France Telecom depending on whether or not actual purchase volumes are higher or lower than the level specified in the agreement. Capgemini's maximum liability under this agreement amounts to €21.6 million at December 31, 2004.

NOTE 22 ~ **EXCEPTIONAL EVENTS AND LITIGATION**

The Group is not aware of any exceptional event or other claims that are likely to have or may have had, in the recent past, a material impact on its business, financial position, results of operations, assets or outlook, which are not reflected in the accounts or discussed in the notes to the consolidated financial statements.

NOTE 23 ~ **NUMBER OF EMPLOYEES**

The breakdown of average headcount across the Group's main geographic areas is as follows:

	2002		2003		2004	
AVERAGE NUMBER OF EMPLOYEES	**Employees**	**%**	**Employees**	**%**	**Employees**	**%**
North America	9,893	18	8,832	18	8,338	15
United Kingdom and Ireland	7,412	14	6,651	14	7,471	13
Nordic countries	4,589	8	3,926	8	3,652	6
Benelux	9,333	17	8,098	16	8,356	15
Germany and Central Europe	3,191	6	3,026	6	3,256	6
France	13,637	25	13,054	26	18,595	32
Southern Europe	4,998	9	4,563	9	5,210	9
Asia-Pacific	1,829	3	1,655	3	2,509	4
TOTAL	**54,882**	**100**	**49,805**	**100**	**57,387**	**100**

The breakdown of headcount at December 31 across the Group's main geographic areas is as follows:

	2002		2003		2004	
NUMBER OF EMPLOYEES AS OF DECEMBER 31	Employees	%	Employees (*)	%	Employees	%
North America	9,674	18	7,914	16	8,893	15
United Kingdom and Ireland	7,268	14	6,496	13	8,534	14
Nordic countries	4,250	8	3,672	8	3,485	6
Benelux	8,860	17	7,716	16	8,306	14
Germany and Central Europe	3,124	6	3,055	6	3,390	6
France	13,378	25	12,884	27	18,664	31
Southern Europe	4,636	9	4,514	9	5,151	9
Asia-Pacific	1,493	3	2,053	4	2,901	5
TOTAL	**52,683**	**100**	**48,304**	**100**	**59,324**	**100**

(*) without Transiciel (7,272 employees) acquired end of 2003.

NOTE 24 ~ GEOGRAPHIC SEGMENT INFORMATION

Operating revenue and operating income, fixed assets and trade accounts and notes receivable by geographic area are as follows:

in millions of euros	2002		2003		2004	
OPERATING REVENUE	Amount	%	Amount	%	Amount	%
North America	2,258	32	1,715	30	1,401	22
United Kingdom and Ireland	1,223	17	1,016	18	1,290	20
Nordic countries	469	7	377	6	391	6
Benelux	925	13	762	13	859	14
Germany and Central Europe	466	7	437	8	477	8
France	1,239	17	1,066	18	1,481	24
Southern Europe	327	5	285	5	299	5
Asia-Pacific	140	2	96	2	93	1
TOTAL	**7,047**	**100**	**5,754**	**100**	**6,291**	**100**

in millions of euros	2002		2003		2004	
OPERATING INCOME (LOSS) AND % OF OPERATING MARGIN	Amount	% of operating margin	Amount	% of operating margin	Amount	% of operating margin
North America	42	1.9	41	2.4	(64)	(4.6)
United Kingdom and Ireland	(24)	(2.0)	36	3.5	20	1.6
Nordic countries	(6)	(1.3)	(4)	(1.1)	(1)	(0.3)
Benelux	47	5.1	72	9.4	45	5.2
Germany and Central Europe	(3)	(0.7)	20	4.6	19	4.0
France	85	6.9	24	2.3	50	3.4
Southern Europe	(15)	(4.6)	(37)	(13.0)	(12)	(4.0)
Asia-Pacific	(12)	(8.6)	3	3.1	1	1.1
TOTAL	**114**	**1.6**	**155**	**2.7**	**58**	**0.9**

in millions of euros **FIXED ASSETS**	2002 Amount	 %	2003 Amount	 %	2004 Amount	 %
North America	356	16	275	11	283	12
United Kingdom and Ireland	628	28	576	24	581	24
Nordic countries	114	5	111	5	110	5
Benelux	458	21	466	19	566	23
Germany and Central Europe	175	8	171	7	175	7
France	423	19	747	31	655	27
Southern Europe	59	3	51	3	25	1
Asia-Pacific	12	-	11	-	13	1
TOTAL	**2,225**	**100**	**2,408**	**100**	**2,408**	**100**

in millions of euros **TRADE ACCOUNTS AND NOTES RECEIVABLE (NET)**	2002 Amount	 %	2003 Amount	 %	2004 Amount	 %
North America	298	19	226	17	136	11
United Kingdom and Ireland	253	16	182	14	182	14
Nordic countries	79	5	64	5	80	6
Benelux	226	15	177	13	197	16
Germany and Central Europe	131	9	115	8	119	9
France	377	24	453	34	422	34
Southern Europe	152	10	119	8	102	8
Asia-Pacific	34	2	10	1	19	2
TOTAL	**1,550**	**100**	**1,346**	**100**	**1,257**	**100**

NOTE 25 ~ **INTERESTS IN JOINTLY-CONTROLLED COMPANIES**

The Group exercises joint control over various companies, mainly in Germany and the United Kingdom. These jointly-controlled companies contribute 1.54% of Group operating revenues.

NOTE 26 ~ **SUBSEQUENT EVENTS**

In January 2005, the Group sold its 25.22% interest in IS Energy for €16 million further to the exercise by E.ON of its purchase option at year-end 2004.

In January 2005, French activities of Sogeti-Transiciel were reorganized. Some new entities were created as a result of mergers and asset-for-share exchanges.

At end 2004, a reorganization of French operations led to the formation of seven new entities (Capgemini Consulting, Capgemini Finance et Services, Capgemini Industrie et Distribution, Capgemini Est, Capgemini Ouest, Capgemini Sud, Capgemini Outsourcing services), via a succession of asset-for-share exchanges that took place early in 2005.

NOTE 27 ~ **LIST OF CONSOLIDATED COMPANIES**

At December 31, 2004, a total of 129 companies were consolidated by the Group.

Country	Consolidated companies	% interest	Consolidation Method
GERMANY	Capgemini Deutschland GmbH	100.0%	FC
	Capgemini Deutschland Holding GmbH	100.0%	FC
	Capgemini Systems GmbH	100.0%	FC
	IS Energy Information Services für die Energiewirtschaft GmbH	25.2%	PROP
	Software Desfcn and Management AG (Münich)	100.0%	FC
	Ruhrdfcital Private Konsortium GbR	66.7%	FC
	Ruhrdfcital Betriebs GmbH & Co. KG	66.6%	FC
	Ruhrdfcital Verwaltungs GmbH	66.6%	FC
	Ruhrdfcital Besitz GmbH & Co. KG	13.3%	EQ
	Capgemini Systems Nord GmbH	100.0%	FC
	Dräger Information Technologies GmbH	100.0%	FC
	Capgemini Electronic Business Portals GmbH	100.0%	FC
	Sogeti Deutschland GmbH	100.0%	FC
	Cap Gemini Telecom Media & Networks Deutschland GmbH	100.0%	FC
AUSTRALIA	Capgemini Australia Pty Ltd.	100.0%	FC
	Capgemini Business Services Australia Pty Ltd.	100.0%	FC
AUSTRIA	Capgemini Consulting Österreich AG	100.0%	FC
BELGIUM	Capgemini Belgium N.V./S.A.	100.0%	FC
	Gitek N.V./S.A.	100.0%	FC
	Sogeti N.V. / S.A.	100.0%	FC
	Sogeti-Transiciel International S.A.	100.0%	FC
	Ariane II S.A./N.V.	100.0%	FC
	Ariane IT S.A.	100.0%	FC
	Ordfces S.A.	100.0%	FC
CANADA	Capgemini New Brunswick Inc.	100.0%	FC
	Capgemini Nova Scotia Ltd.	100.0%	FC
	Capgemini Canada Inc.	100.0%	FC
	Inergi Inc.	100.0%	FC
	Inergi LP	100.0%	FC
	New Horizons System Solutions LP	100.0%	FC
	New Horizons System Solutions Inc.	100.0%	FC
CHINA	Capgemini (Shanghai) Co. Ltd.	100.0%	FC
	Capgemini Hong Kong Ltd.	100.0%	FC
	Capgemini Data Processing Shenzen Ltd.	100.0%	FC
	Capgemini Business Services (China) Ltd.	100.0%	FC
	Capgemini Business Services (Asia) Ltd.	100.0%	FC
DENMARK	Capgemini Danmark AS	100.0%	FC
SPAIN	Capgemini España, S.L.	100.0%	FC
	Sogeti España S.L.	100.0%	FC
	Transiciel S.L.	100.0%	FC
	Transiciel Formacion S.L.	100.0%	FC
	Cap Gemini Telecom Media & Networks España S.L.	100.0%	FC

FC = Fully consolidated, EQ = Accounted for by the equity method, PROP = Proportional consolidation.

Country	Consolidated companies	% interest	Consolidation Method
UNITED STATES	BiosGroup Inc.	38.03%	EQ
	BIOS GP Inc.	100.0%	FC
	Capgemini America Inc.	100.0%	FC
	Capgemini Applications Services LLC	100.0%	FC
(cont.)	Capgemini Kansas City Service Center LLC	100.0%	FC
	Capgemini U.S. Consulting B.V.	100.0%	FC
	Capgemini Holding Inc.	100.0%	FC
	Capgemini U.S. Holdings LLC	100.0%	FC
	Capgemini U.S. LLC	100.0%	FC
	Capgemini North America Inc.	100.0%	FC
	Capgemini Technologies LLC	100.0%	FC
	Capgemini Government Solutions LLC	100.0%	FC
	Sogeti USA LLC	100.0%	FC
	Capgemini Energy GP LLC	100.0%	FC
	Capgemini Energy Holdings LLC	100.0%	FC
	Capgemini Energy LP	97.1%	FC
FINLAND	Capgemini Finland Oy	100.0%	FC
	Racap Solutions Oy	65.0%	FC
	Cap Gemini Telecom Media & Networks Finland Oy	100.0%	FC
FRANCE	Cap Gemini S.A.	Parent company	FC
	Answork	14.8%	EQ
	Capgemini France S.A.S	100.0%	FC
	Capgemini Gouvieux S.A.S	100.0%	FC
	Capgemini Service S.A.S	100.0%	FC
	Capgemini Université S.A.S	100.0%	FC
	Pierre Fabre Informatique	51.0%	FC
	Immobilière Les Fontaines S.A.R.L.	100.0%	FC
	SCI Béhoust	100.0%	FC
	SCI Paris Etoile	100.0%	FC
	Sogeti France S.A.S	100.0%	FC
	Capgemini Telecom & Media S.A.S	100.0%	FC
	Transiciel S.A.	100.0%	FC
	Transiciel Ingénierie S.A.	100.0%	FC
	Transiciel Régions S.A.	100.0%	FC
	Transiciel ISR S.A.	100.0%	FC
	Transiciel Technologies S.A.	100.0%	FC
	Sinfor Automation S.A.	100.0%	FC
	Transiciel services S.A.S.	100.0%	FC
	Retec S.A.	100.0%	FC
	Chryseis Micro et Réseaux E.U.R.L.	100.0%	FC
UNITED KINGDOM	Capgemini UK Plc	100.0%	FC
	CGS Holdings Ltd.	100.0%	FC
	Gemini Consulting Holding Ltd. (UK)	100.0%	FC
	Working Links (Employment) Ltd.	33.0%	PROP
	Cap Gemini Telecom Media and Networks UK Ltd.	100.0%	FC
HUNGARY	Capgemini Magyarorszag Kft	100.0%	FC
INDIA	Capgemini Consulting India Private Ltd.	100.0%	FC
INDONESIA	PT EY GCC Asia Pacific B.V.	100.0%	FC
IRELAND	Capgemini Ireland Ltd.	100.0%	FC

FC = Fully consolidated, EQ = Accounted for by the equity method, PROP = Proportional consolidation.

Country	Consolidated companies	% interest	Consolidation Method
ITALY	Capgemini Italia S.p.A.	100.0%	FC
	Cap Gemini Telecom Media & Networks Italia S.p.A.	100.0%	FC
JAPAN	Capgemini Japan KK	100.0%	FC
LUXEMBOURG	Capgemini Luxembourg S.A.	100.0%	FC
	Capgemini Reinsurance Company S.A.	100.0%	FC
	Ariane II Luxembourg S.A. / N.V.	100.0%	FC
MALAYSIA	Capgemini Malaysia Sdn Bhd	100.0%	FC
MEXICO	Capgemini Mexico S. de R.L. de C.V.	100.0%	FC
NORWAY	Capgemini Norge AS	100.0%	FC
NETHERLANDS	Capgemini Outsourcing B.V.	100.0%	FC
	Capgemini Interim Management B.V.	100.0%	FC
	Capgemini Nederland B.V.	100.0%	FC
	Capgemini Sourcing B.V.	100.0%	FC
	Capgemini Educational Services B.V.	100.0%	FC
	Capgemini N.V.	100.0%	FC
	Paul Postma Marketing Consultancy B.V.	100.0%	FC
	Capgemini Datacenter Amsterdam B.V.	100.0%	FC
	Sogeti B.V.	100.0%	FC
	Sogeti Nederland B.V.	100.0%	FC
	Capgemini International B.V.	100.0%	FC
	Capgemini Global Client Consulting Asia Pacific B.V.	100.0%	FC
	Cap Gemini Telecom Media & Networks Nederland B.V.	100.0%	FC
POLAND	Capgemini Polska Sp z.o.o.	100.0%	FC
PORTUGAL	Capgemini Portugal, Serviços de Consultoria e Informatica S.A.	100.0%	FC
CZECH REPUBLIC	Capgemini Czech Republic S.r.o.	100.0%	FC
SINGAPORE	Capgemini Singapore Pte Ltd.	100.0%	FC
	Capgemini Asia Pacific Pte Ltd.	100.0%	FC
	Professional Outsourcing Pte Ltd.	100.0%	FC
	Cap Gemini Telecom Media & Networks Singapore Pte Ltd.	100.0%	FC
SLOVAKIA	Capgemini Slovensko, s.r.o.	100.0%	FC
SWEDEN	Capgemini AB	100.0%	FC
	Capgemini Sverfce AB	100.0%	FC
	Sogeti Sverfce AB	100.0%	FC
	Cap Gemini Telecom Media & Networks Sverfce AB	100.0%	FC
SWITZERLAND	Capgemini Suisse S.A.	100.0%	FC
	SD&M Schweiz AG	100.0%	FC
	Georg Fischer Logimatik AG	100.0%	FC
	Sogeti Suisse S.A.	100.0%	FC

FC = Fully consolidated, EQ = Accounted for by the equity method, PROP = Proportional consolidation.

CAP GEMINI S.A. SUMMARIZED FINANCIAL STATEMENTS

The Statuory's Auditors' reports of February 24, 2005 on the full parent company financial statements, including the notes thereto, are free from qualification.
These documents are available upon request from the Company.

SUMMARIZED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

in millions of euros	2002	2003	2004
Operating revenue	162	136	130
Operating expenses	(18)	(24)	(42)
OPERATING INCOME	**144**	**112**	**88**
Interest income/(expenses), net	(4,629)	(155)	(756)
Other income and expenses, net	258	(3)	(324)
Income tax	92	4	43
NET INCOME/(LOSSES)	**(4,135)**	**(42)**	**(949)**

SUMMARIZED BALANCE SHEETS

AS OF DECEMBER 31, 2002, 2003 AND 2004

in millions of euros	2002	2003	2004
ASSETS			
Non-current assets	6,734	7,036	6,251
Current assets	619	920	804
Other assets	1	9	7
TOTAL ASSETS	**7,354**	**7,965**	**7,062**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders'equity	7,222	7,376	6,433
Provisions	25	17	10
Long and short-term debt	14	476	482
Other liabilities	93	96	137
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	**7,354**	**7,965**	**7,062**

SUBSIDIARIES AND INVESTMENTS

in millions of euros	Capital	Other shareholders' equity (including net income) for the year)	% of interest	Number of shares owned	Book value of shares		Loans & advances granted	Guarantees given [1]	2004 Revenue	Dividends received
					Gross	Net				
SUBSIDIARIES										
Capgemini North America Inc	1	1 581	100.00%	982,000	5,509	1,241	-	-	-	-
CGS Holdings Ltd	753	1	100.00%	558,777,061	721	721	-	-	-	-
Gemini Consulting Holding Ltd	0	11	100.00%	1,083	23	23	-	-	-	-
Capgemini Oldco Ltd	15	31	100.00%	1,033,938,857	801	352	-	-	-	-
Capgemini Old Ireland Ltd	0	0	100.00%	71,662	16	16	-	-	-	-
Cap Gemini Telecom Media & Networks UK Ltd	27	– 10	100.00%	19,000, 000	30	16	-	-	76	-
Capgemini AB (Sweden)	3	236	100.00%	24,714	352	352	23	-	4	-
Capgemini NV (Benelux)	5	491	100.00%	45,787,968	1,467	1,307	26	-	-	-
Capgemini Belgium NV	15	– 9	0.63%	3,445	7	7	-	-	99	-
CGTMN Nederland	0	0	100.00%	18,000	5	5	-	-	4	-
Capgemini Deutschland Holding GmbH	92	38	94.40%	1	571	440	16	-	9	-
Capgemini Deutschland GmbH	12	47	2.90%	1	10	10	11	-	164	-
Cap Gemini Telecom Media & Networks Deutschland Gmbh	0	12	100.00%	1	16	6	37	-	22	-
Capgemini Consulting Österreich AG	0	2	100.00%	36,791	42	30	-	-	22	-
Capgemini Suisse AG	4	– 2	100.00%	5,434	36	29	-	-	20	-
Capgemini Polska Sp Z.o.o (Poland)	3	– 4	100.00%	106,135	16	8	1	12	14	-
Capgemini Magyarorszag Kft	0	4	100.00%	1	2	2	-	-	4	-
Capgemini France SAS	44	3	100.00%	2,845,000	487	487	-	21	828	-
Capgemimi Telecom & Media	17	22	100.00%	1,090,762	171	171	-	-	176	-
Transiciel SA	19	105	100.00%	18, 829,662	217	217	162	-	26	-
Capgemini Italia S.p.A.	5	1	100.00%	1,038,575	454	0	25	6	71	-
Cap Gemini Telecom Media & Networks Italia S.p.A.	0	0	100.00%	20,000	13	0	-	2	22	-
Capgemini España S.L. (Sociedad Unipersonal)	9	– 8	100.00%	88,620	168	104	9	7	127	-
Cap Gemini Telecom Media & Networks España, S.L.U.	7	– 0	100.00%	65,854	46	26	-	-	25	-
Capgemini Portugal, Serviços de Consultoria e Informatica, SA	8	– 8	100.00%	1,698,842	44	44	-	-	26	-
Capgemini Asia Pacific Pte. Ltd. (Singapore)	86	– 89	100.00%	191,891,000	112	64	-	-	1	-
Capgemini Australia Pty Ltd (Australia)	95	– 99	100.00%	1,200,000	157	48	-	38	45	-
Capgemini New Zealand Ltd (New Zealand)	9	– 9	100.00%	3,000,000	42	0	-	-	-	-
Sogeti France SAS	10	9	100.00%	9,699,573	60	60	-	0	191	11
Sogeti SA	0	1	99.84%	619	0	0	-	-	5	-
Sogeti Sverige AB	1	5	100.00%	5,000	5	5	-	-	63	-
Capgemini Service S.A.S	2	4	100.00%	1,500,000	59	6	-	16	136	-
SCI Paris Étoile	0	2	99.99%	9,999	48	31	-	-	3	2
SCI du Château de Béhoust	0	– 4	99.00%	99	0	0	-	27	0	-
Immobilière Les Fontaines S.A.R.L	8	– 9	99.80%	499,000	13	13	5	80	5	-
Capgemini Université SAS	0	0	100.00%	2,500	0	0	-	-	9	-
Capgemini Gouvieux SAS	0	– 0	100.00%	10,000	0	0	14	-	19	-
Autres France	nm	nm	nm	nm	1	1	-	-	nm	-
Autres Étrangers	nm	nm	nm	nm	3	1	-	-	nm	-

INVESTMENTS

As of December 31, 2004, investments held by Cap Gemini SA are not material.

nm: not meaningful

The net income of subsidiaries and investments is not provided because disclosure would be prejudicial to the Company's commercial and financial strategy.

[1] As of December 31, 2004, the amount of guarantees and letters of comfort granted by the Company to its subsidiaries for financial facilities amounts to 321 millions euros, of which 90 millions euros have been used.

Cap Gemini SA is at the head of the French tax group made up of 12 companies. The impact of tax consolidation in 2004 is a benefit of 4 millions euros.

The book value at year end is the fair value for the group. This value is calculated using discounted net cash flows adjusted by the net debt. A depreciation is booked when the fair value represents less than the gross book value.

CHANGES ON SHAREHOLDERS' EQUITY

in millions of euros	December 31, 2003	Net income appropriation 2003	Other changes	December 31 2004
Share capital	1,049	-	2	1,051
Additional paid-in-capital	6,055	-	5	6,060
Legal reserve	100	-	-	100
Untaxed reserves	42	-	-	42
Other reserves	172	-	-	172
Retained earnings	-	(42)	(1)	(43)
Net income / (losses)	(42)	42	(949)	(949)
TOTAL	**7,376**	**0**	**(943)**	**6,433**

FIVE-YEAR FINANCIAL SUMMARY

in millions of euros	2000	2001	2002	2003	2004
I - SHARE CAPITAL AT YEAR-END					
Share capital	994	1,002	1,004	1,049	1,051
Number of common shares outstanding	124,305,544	125,244,256	125,479,105	131,165,349	131,383,178
Maximum number of future shares to be created:					
- through exercise of equity warrants	7,487,783	10,463,754	10,951,340	10,004,465	12,289,150
- through conversion of convertible bonds	-	-	-	9,019,607	9,019,607
- through warrants related to Transiciel acquisition	-	-	-	503,602	508,600
II - OPERATIONS AND RESULTS OF THE CURRENT YEAR					
Operating revenue	196	184	162	136	130
Operating revenue and financial revenue	329	301	248	175	876
Income before taxes, amortization and provisions	395	264	(1,523)	108	(491)
Income tax	32	64	(92)	(4)	(43)
Net income / (losses)	318	(1,874)	(4,135)	(42)	(949)
Distributed income	[a] 164	50	0	0	[b] 0
III - EARNINGS PER SHARE *(in euros)*					
Earnings after taxes, but before amortization and provisions	3	2	(11)	1	(3.41)
Net earnings	2.56	(14.96)	(32.96)	(0.32)	(7.22)
Dividend per share, net	1,20	0,40	0	0	[b] 0
IV - EMPLOYEE DATA					
Average number of employee during the year	-	-	-	-	-
Total payroll	-	-	-	-	-
Total benefits	-	-	-	-	-

(a) Representing a dividend of 149 million d'euros and dividend equalization tax (précompte) of 15 million d'euros.

(b) Subject to approval by the Ordinary Shareholder's Meeting of May 12, 2005 (April 28, 2005 on first convocation).

STATUTORY AUDITORS' SPECIAL REPORT ON CERTAIN RELATED PARTY AGREEMENTS

(YEAR ENDED DECEMBER 31, 2004)

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A., we are required to report on certain contractual agreements with certain related parties of which we have been advised.

Our responsibility does not include identifying any undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article 92 of the March 23, 1967 decree, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

Agreements entered into during the year

We have not been informed of any agreements entered into during the year governed by the provisions of article L.225-38 of the French Commercial Code.

Agreements entered into in prior years which remained in force during the year

Pursuant to the March 23, 1967 decree, we were informed that the following agreements approved in prior years remained in force during the year.

- Agreement signed with Lazard Frères authorized by the Board of Directors on February 26, 2003

Director concerned: Bruno Roger

Type and purpose of agreement: Agreement with Lazard Frères to act as an exclusive financial consultant to assist the Company in researching transactions aimed at changing its scope of operations and/or its financial structure, and in carrying out any such transactions.
The agreement was entered into for a period of seven months from the date of signature and is tacitly renewable for a period of six months.

Terms and conditions: the agreement provides for the payment of a success fee corresponding to 80% of the standard market rates. If no such transactions were carried out before September 30, 2003 Cap Gemini S.A. had to pay a 400,000 r etainer fee for all work carried out since the signature of the agreement.

Lazard Frères did not receive any fees in 2004.

We conducted our review in accordance with the standards of our profession applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG S.A.

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

STATUTORY AUDITORS' SPECIAL REPORT ON THE CANCELING OF SHARES BOUGHT BACK BY THE COMPANY

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING
HELD ON MAY 12, 2005) – 9TH RESOLUTION

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and pursuant to the provisions of article L.225-209, paragraph 5 of the French Commercial Code relating to the canceling of shares bought back by the Company, we hereby present our report on the reasons and terms of the proposed capital reduction.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we review the proposed capital reduction in order to ensure whether the reasons and terms are fair.

The proposed capital reduction would take place further to the buyback of shares representing a maximum of 10% of the Company's share capital, in accordance with article L. 225-209 of the French Commercial Code. The Board of Directors is seeking an 18-month authorization by the Shareholders' Meeting for this buyback program.

Shareholders are also asked to grant the Board of Directors full powers to cancel the shares acquired, provided that the aggregate number of shares canceled in any given period of 24 months does not exceed 10% of the Company's capital. These powers would be exercisable for a period of 24 months.

We have no comment to make on the reasons or terms of the proposed capital reduction, the implementation of which depends on the Shareholders' Meeting approving the buyback of the Company's shares.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG S.A.

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUANCE OF SHARES AND SHARE EQUIVALENTS

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 12, 2005)
11TH, 12TH, 13TH AND 14TH RESOLUTIONS

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and as required by the French Commercial Code and particularly articles L.225-135 and L.228-92, we hereby present our report on the planned issuance of shares and share equivalents, as presented in the 11th, 12th, 13th and 14th resolutions submitted to shareholders for approval.

As described in its report, the Board of Directors is asking for authorization for a period of 26 months to carry out such transactions and set the terms and conditions thereof. Shareholders are also asked to waive their pre-emptive right to subscribe for shares and share equivalents under the 12th and 14th resolutions.

1/ Issuance of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for shares with or without pre-emptive subscription rights

The 11th and 12th resolutions provide for the issuance on one or several occasions, respectively with or without pre-emptive subscription rights, of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments.

The total nominal amount (excluding the share premium) of capital increases that may be carried out by issuing shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €450 million (11th resolution) or €300 million (12th resolution). The aggregate amount of the issue of shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting a right to allocation of debt instruments may not exceed €3 billion (11th resolution) or €2 billion (12th resolution).

The price of the shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares issued pursuant to the 12th resolution should be at least equal to the weighted average price for the Company's shares during the three trading days preceding the date on which the price is set. This price may be reduced by a discount of up to 5%.
Pursuant to the 13th resolution, the number of shares to be issued in connection with the 11th and 12th resolutions may be increased if demand is high ("Greenshoe" option), under the conditions provided for by article L.225-135-1 of the French Commercial Code and within the limits set out in said resolutions.

2/ Issuance of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments as payment for shares tendered to any public exchange offer or for contributions in kind

The 14th resolution provides that the Board of Directors may use the delegation of authority granted to it under the 12th resolution as payment for shares tendered to any public exchange offer made by the Company in France or any other country on the shares of another company traded on an organized market, or for contributions in kind to the Company of shares or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares.
Shares or securities issued as payment for contributions in kind may not exceed 10% of the Company's current share capital.

The price of any shares and other securities issued pursuant to this delegation of authority will be set based on the laws applicable to contributions in kind or public exchange offers. Therefore, the rules relating to setting the issue prices of Company shares provided for in the 12th resolution will not apply.

Existing shareholders of the Company will not have a pre-emptive right to subscribe to any shares and/or other securities issued, as the exclusive purpose of said issues is to provide payment for contributions in kind and to the holders of securities tendered to public exchange offers made by the Company.

The total amount of share issues that may be carried out pursuant to the delegations of authority given to the Board of Directors in the 11th, 12th, 13th and 14th resolutions is set out in the 18th resolution as follows:

- the total nominal amount (excluding the share premium) of capital increases that may thus be carried out by issuing shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €450 million;
- the aggregate amount of the issue of securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting a right to allocation of debt instruments may not exceed €3 billion.

We conducted our work in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to review the methods used for determining the issue price for each issue.

As the issue price of new shares is to be determined by the Board of Directors when the operations are carried out, we are not in a position to comment on the final terms and conditions under which these issues will be conducted, nor, in consequence, on the proposed waivers of shareholders' pre-emptive rights to subscribe for the issues concerned, the principle of which is in keeping with the nature of the proposed operations.

In accordance with article 155-2 of the March 23, 1967 decree, we will issue a supplementary report at the time of each such issue conducted by the Board of Directors.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit** *Department of KPMG S.A.*
Bernard RASCLE	Jean-Luc DECORNOY – Frédéric QUÉLIN Partner Partner

STATUTORY AUDITORS' SPECIAL REPORT ON STOCK OPTIONS TO BE GRANTED TO CERTAIN EMPLOYEES AND CORPORATE OFFICERS

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 12, 2005)
15TH RESOLUTION

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and as required by article L.225-177 of the French Commercial Code and article 174-19 of the March 23, 1967 decree, we hereby present our report on stock options to be granted to certain employees and corporate officers of your Company and related companies within the meaning of article L.225-180 of the French Commercial Code.

The Board of Directors is required to report on the reasons for the issue of stock options as well as on the method to be used to set the option exercise price. Our responsibility is to express an opinion on the proposed method of setting the option exercise price.

The total number of shares underlying the options to be granted may not exceed 6,000,000 shares.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to verify that the proposed method to be used to set the option exercise price is disclosed in the report of the Board of Directors, and that said method complies with the applicable legal provisions, is transparent for shareholders and does not appear to be manifestly inappropriate.

We have no comments to make on the proposed method.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit** *Department of KPMG S.A.*
Bernard RASCLE	Jean-Luc DECORNOY – Frédéric QUÉLIN Partner Partner

STATUTORY AUDITORS' SPECIAL REPORT ON THE ALLOCATION OF FREE SHARES IN THE FORM OF EXISTING SHARES OR SHARES TO BE ISSUED TO CERTAIN EMPLOYEES AND CORPORATE OFFICERS

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 12, 2005)
16TH RESOLUTION

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and as required by article L.225-197-1 of the French Commercial Code, we hereby present our report on the planned allocation of free shares in the form of existing shares or shares to be issued to certain employees and corporate officers of Cap Gemini S.A. and related companies within the meaning of article L.225-197-2 of the French Commercial Code.

The Board of Directors is seeking an authorization to allocate free shares in the form of existing shares or shares to be issued and is responsible for drawing up a report on this planned transaction. Our responsibility is to report to you our observations on the information provided to you in connection with the planned transaction.

We have performed the necessary procedures to review whether the terms and conditions of the planned transaction fall within the scope of the applicable law.

We have no comments to make as regards the information given in the report of the Board of Directors on the planned allocation of free shares.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG S.A.
Jean-Luc DECORNOY – Frédéric QUÉLIN
Associé Associé

STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUE OF SHARES IN CONNECTION WITH EMPLOYEE SHARE OWNERSHIP

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 12, 2005)
17TH RESOLUTION

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and in accordance with article L.225-138 of the French Commercial Code, we hereby present our report on the planned share issues to be offered for subscription by employees who are members of a Company Savings Plan (PEE) set up by the Company or related companies within the meaning of article L.225-180 of the French Commercial Code, as submitted to shareholders for approval.

In accordance with the provisions of article L.225-129-6 of the French Commercial Code, and based on its report, the Board of Directors is inviting shareholders to grant it an 18-month authorization to set the terms and conditions of any such issue in accordance with article L.443-5 of the Labor Code. Shareholders are also asked to waive their pre-emptive right to subscribe for any shares to be offered to employees for subscription.

The total number of new shares offered for subscription under this authorization may not exceed 3,500,000 new shares. We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to review the methods used for determining the issue price for each issue.

Subject to the future examination of the terms and conditions of these issues, we have no comment to make on the methods used to determine the issue price of new shares, as presented in the report of the Board of Directors.

As the issue price of new shares is to be determined by the Board of Directors when the operations are carried out, we are not in a position to comment on the final terms and conditions under which these issues will be conducted, nor, in consequence, on the proposed waiver of shareholders' pre-emptive rights to subscribe for the issues concerned, the principle of which is in keeping with the nature of the proposed operations.

In accordance with article 155-2 of the March 23, 1967 decree, we will issue a supplementary report at the time of each such issue conducted by the Board of Directors.

Paris, February 24, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit

Department of KPMG S.A.
Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

TEXT OF THE DRAFT RESOLUTIONS

PROPOSED RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS
TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

I – RESOLUTIONS PRESENTED AT THE ORDINARY SHAREHOLDERS' MEETING

First resolution

Approval of the 2004 financial statements

After hearing the following:

- the management report presented by the Board of Directors;
- the general report of the Statutory Auditors on their audit of the financial statements;

the General Shareholders' Meeting hereby approves the financial statements for the year ended December 31, 2004, which show a net loss of €948,714,553.24, and therefore gives discharge to the Board of Directors for its management of Company affairs during the year.

Second resolution

Approval of the 2004 consolidated financial statements

After hearing the following:

- the Group management report for the year ended December 31, 2004 presented by the Board of Directors;
- the report of the Statutory Auditors on their audit of these consolidated financial statements;

the General Shareholders' Meeting hereby approves the consolidated financial statements for the year ended December 31,2004, which show a net consolidated loss of €359 million.

Third resolution

Regulated agreements

After hearing the Statutory Auditors' special report on agreements governed by article L.225-38 of the French Commercial Code (*Code de Commerce*), the General Shareholders' Meeting records that no such agreement has been entered into during the past year.

Fourth resolution

Results appropriation and treatment of the long-term capital gains reserve

The General Shareholders' Meeting approves the recommendations of the Board of Directors and resolves to deduct from additional paid-in capital both the net loss for the year of €948,714,553.24 and an amount of €41,681,723.70 recorded as a deficit in retained earnings. Therefore, additional paid-in capital will be reduced from €3,203,389,464.52 to €2,212,993,187.58.

The General Shareholders' Meeting approves the recommendation of the Board of Directors not to pay a dividend for 2004. Pursuant to article 243 bis of the French General Tax Code, the General Shareholders' Meeting recalls that no dividend was paid for the previous two years (2003 and 2002) and that a dividend of €0.40 per share was paid on the 125,244,256 shares outstanding at the end of 2001.

Furthermore, the Meeting resolves, pursuant to article 39 of the Amended Finance Act for 2004, to transfer the amount of €61,345,008.61, included as of December 31, 2004 in the "special long-term capital gains reserve" accounts, to the "other reserves" account and to charge to the same account the special 2.5% tax provided for by the said article 39.

Fifth resolution

Authorization to buy back shares

In accordance with the provisions of articles L.225-209 et seq. of the French Commercial Code and European Regulation No. 2273/2003 of December 22, 2003 come into effect on October 13, 2004, after hearing the report presented by the Board of Directors and the information memorandum approved by the "*Autorité des Marchés Financiers*" (the "AMF"), the General Shareholders' Meeting authorizes the Board of Directors to buy back the Company's shares on the open market. The related powers may also be delegated by the Board of Directors.

This authorization is given to allow the Company in order of decreasing priority:

- to enter into a share management process with an investment services provider within the scope of a liquidity agreement in accordance with an ethics charter recognized by the AMF;
- to remit the shares thus purchased to holders of securities convertible, redeemable, exchangeable or otherwise exercisable for Cap Gemini SA shares upon exercise of the rights attached thereto, in accordance with the Stock Exchange regulations;
- to award shares to employees and corporate officers (on the terms and by the methods provided for by law), in connection with company stock option plans, plans involving the issue of bonus shares or company savings plans;
- to retain them with a view to remitting them in exchange or payment for potential external growth transactions;
- to possibly cancel the shares thus purchased subject to adoption of the ninth resolution of the Extraordinary Shareholders' Meeting to be held immediately after the Ordinary Shareholders' Meeting.

The transactions described above may be carried out by any method allowed under the applicable laws and regulations, including through the use of derivative instruments and by means of a block purchase or transfer of shares.

The share buybacks may be carried out at any time, except during the suspension periods specified in the General Regulation of the *"Autorité des marches financiers"*.

The General Shareholders' Meeting resolves that the maximum purchase price may not exceed €50 per share and that, in accordance with the provisions of article L 225-209 of the French Commercial Code, the maximum number of shares that may be acquired under this resolution may not exceed 10% of the Company's issued capital as of December 31,2004, corresponding to 13,138,317 shares; the total funds invested in the share buybacks may therefore not exceed €656,915,850 (€50 x 13,138,317 shares).

In the case of a capital increase paid up by capitalizing reserves and issuing bonus shares, as well as in the case of a stock-split or reverse stock-split, the above maximum price per share will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction.

The General Shareholders' Meetings gives full powers to the Board of Directors, including the power of delegation, to use this authorization to:

- place any and all buy and sell orders and enter into any and all agreements for the keeping of a register of share purchases and sales, in accordance with the Stock Exchange regulations;
- carry out any and all filing and other formalities and generally do whatever is necessary.

The Board of Directors will be required to report to the shareholders in each annual General Shareholders' Meeting on all of the transactions carried out during the year under this authorization.

This authorization is given for a period of 18 months as from the date of this Shareholders' Meeting and replaces the authorization given in the fifth resolution adopted by the Ordinary Shareholders' Meeting of April 29, 2004.

Sixth resolution

Appointment of a twelfth Director

The General Shareholders' Meeting approves the recommendation of the Board of Directors to appoint Daniel Bernard as Director for a term of six years. Daniel Bernard's term of office will therefore expire at the General Shareholders' Meeting called to approve the 2010 financial statements.

Seventh resolution

Appointment of a thirteenth Director

The General Shareholders' Meeting approves the recommendation of the Board of Directors to appoint Thierry de Montbrial as Director for a term of six years. Thierry de Montbrial's terms of office will therefore expire at the General Shareholders' Meeting called to approve the 2010 financial statements.

Eighth resolution

Appointment of a third Non-Voting Director

The General Shareholders' Meeting approves the recommendation of the Board of Directors to appoint Marcel Roulet as Non-Voting Director for a term of six years. Marcel Roulet's terms of office will therefore expire at the General Shareholders' Meeting called to approve the 2010 financial statements.

II – RESOLUTIONS PRESENTED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING

Ninth resolution

Authorization to cancel shares acquired under the buyback program

After hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting authorizes the Board of Directors to:

- cancel - in accordance with article L.225-209 of the Commercial Code - on one or several occasions at its sole discretion, all or some of the Cap Gemini shares held by the Company, provided that the aggregate number of shares cancelled in any given period of twenty-four months does not exceed 10% of the Company's capital, and to reduce the capital accordingly;
- charge the difference between the purchase price of the cancelled shares and their par value to additional paid-in capital or any distributable reserves.

The General Shareholders' Meeting gives full powers to the Board of Directors to use the authorization given in this resolution, to amend the bylaws to reflect the new capital and to carry out all necessary formalities. These powers may also be delegated.

This authorization is granted for a period of 24 months as from the date of this Shareholders' Meeting, and replaces the authorization given in the seventh resolution adopted by the Extraordinary Shareholders' Meeting of April 29, 2004.

Tenth resolution

Delegation of authority to the Board of Directors to carry out a capital increase by capitalizing reserves

In accordance with articles L 225-129-2 and L 225-130 of the French Commercial Code, and after hearing the report of the Board of Directors, the General Shareholders' Meeting:

- authorizes the Board of Directors to decide to increase the share capital on one or several occasions by capitalizing additional paid-in capital, reserves, income or other amounts in the form of a bonus share issue or by raising the par value of existing shares;

- but decides that, within the scope of this authorization, the nominal amount of the increases in capital by capitalizing reserves may not exceed €1.5 billion.

This delegation of authority is granted for a period of 26 months as from the date of this Shareholders' Meeting.

Eleventh resolution

Delegation of authority to the Board of Directors to issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments with pre-emptive subscription rights

In accordance with articles L 225-129-2 and L 228-92 of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors to decide, on one or several occasions, on the issue, in France or other countries, of new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for shares, immediately and/or in the future, or granting a right to allocation of debt instruments issued by the Company; these securities may be denominated either in euros, or in foreign currencies, or in any monetary unit established by reference to several currencies;
- resolves that the shares and securities issued within the scope of this authorization are subject to the following ceilings:
  - the total nominal amount (excluding the share premium) of capital increases that may thus be carried out by issuing shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €450 million, to which will be added, where applicable, the additional amount of the shares to be issued in order to preserve the rights of bearers of securities convertible, redeemable, exchangeable or otherwise exercisable for shares as provided for by law;
  - the aggregate amount of the issue of securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting a right to allocation of debt instruments may not exceed €3 billion;
- resolves that, if the Board of Directors makes use of this delegation of authority, the shareholders will have a pre-emptive right, in proportion to the amount of their shares, to subscribe for issues of shares or securities issued pursuant to this resolution, it being specified that if the subscriptions by shareholders pursuant to their priority rights pro rata to their existing holdings, as well as to any shares not taken up by other shareholders, do not cover the total value of the share issue, the Board of Directors may notably offer all or some of the shares not subscribed to the public, pursuant to the provisions of article L 225-134 of the French Commercial Code;
- gives powers to the Board of Directors to charge the share issuance costs against the related premiums.

This delegation of authority is granted for a period of 26 months as from the date of this Shareholders' Meeting and replaces the delegations of authority given in the fourteenth and sixteenth resolutions adopted by the Extraordinary Shareholders' Meeting of May 7, 2003, and in the eighth, eleventh and thirteenth resolutions adopted by the Extraordinary Shareholders' Meeting of April 29, 2004.

Twelfth resolution

Delegation of authority to the Board of Directors to issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments without pre-emptive subscription rights

In accordance with articles L 225-129-2, L 225-135 and L 228-92 of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors to decide, on one or several occasions, on the issue, in France or other countries, of new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for shares, immediately and/or in the future, or granting a right to the allocation of debt instruments issued by the Company; these securities may be denominated either in euros, or in foreign currencies, or in any monetary unit established by reference to several currencies;
- resolves that, within the scope of this authorization, the total nominal amount (excluding the share premium) of capital increases that may thus be carried out by issuing shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €300 million and the aggregate amount of the issue of securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting a right to allocation of debt instruments may not exceed €2 billion;

- resolves to eliminate the shareholders' pre-emptive subscription right to these shares and securities convertible, redeemable, exchangeable or otherwise exercisable for shares to be issued under this delegation of authority, by giving the Board of Directors the power to provide for a priority right for the shareholders to subscribe for said shares pursuant to the provisions of article L 225-135 of the French Commercial Code and to set, in such event, the period for exercising the priority right;
- resolves that the price of the shares, or securities convertible, redeemable, exchangeable or otherwise exercisable for shares, which are issued in accordance with this authorization shall be at least equal to the weighted average price for the company's shares during the three trading days preceding the date on which the price is set. This price may be reduced by a discount of up to 5%;
- gives powers to the Board of Directors to charge the share issuance costs against the related premiums.

This delegation of authority is granted for a period of 26 months as from the date of this Shareholders' Meeting and replaces the delegations of authority given in the fifteenth and seventeenth resolutions adopted by the Extraordinary Shareholders' Meeting of May 7, 2003, and in the ninth and fourteenth resolutions adopted by the Extraordinary Shareholders' Meeting of April 29, 2004.

Thirteenth resolution

Delegation of authority to the Board of Directors to increase the amount of the issues in the scope of options for over-allocation (“Greenshoe” options)

After hearing the report of the Board of Directors, the General Shareholders' Meeting resolves that, within the scope of the issues decided based on the authorizations granted to the Board of Directors pursuant to the eleventh and twelfth resolutions above, the number of shares to be issued as provided for in the issue may be increased, if demand is high, under the conditions and within the limits provided for by article L 225-135-1 of the French Commercial Code and its implementing decree and within the limit of the ceilings provided for in such resolutions.

Fourteenth resolution

Delegation of authority to the Board of Directors to issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments as payment for shares tendered to any public exchange offer made by the Company or for contributions in kind to the Company of shares or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares

In accordance with articles L 225-147, L 225-148, L 225-129 and L 228-92 of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- resolves that the Board of Directors may use the authorization granted to it pursuant to the twelfth resolution above within the limit of the same ceilings, in order to issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to the allocation of debt instruments as payment for shares tendered to any public exchange offer made by the Company in France or any other country concerning the shares of another company traded on one of the regulated markets set out in the said article L. 225-148;
- delegates to the Board of Directors the powers required to carry out, within a limit of 10% of the Company's current share capital, an issue of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting the right to allocation of debt instruments, as payment for contributions in kind made to the Company composed of shares or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares, where the provisions of article L 225-148 of the French Commercial Code do not apply;
- notes that existing shareholders of the Company shall not have a pre-emptive right to subscribe to any shares and/or other securities issued pursuant to this authorization, as the exclusive purpose of said issues shall be to provide payment for contributions in kind and to the holders of securities tendered to public exchange offers made by the Company;
- notes that the price of any shares and other securities issued under this authorization shall be set based on the laws applicable to contributions in kind or public exchange offers, and therefore resolves that the rules relating to setting the issue prices of Company shares provided for in the eighth resolution above shall not apply;
- gives powers to the Board of Directors, or a representative duly authorized in accordance with the law, to utilize this authorization and to charge the share issuance costs against the related premiums.

This delegation of authority is granted for a period of 26 months as from the date of this Shareholders' Meeting.

Fifteenth resolution

Authorization granted to the Board of Directors to grant stock options to certain employees and corporate officers of the Company and Group companies

In accordance with articles L 225-177 et seq. of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors to grant, on one or several occasions, to designated beneficiaries among the Company's employees and corporate officers as well as those of certain French or non-French companies or economic interest groups that are related to it under the conditions laid down in article L 225-180 of the French Commercial Code, stock options for new shares in the Company, issued in the scope of a capital increase, or options granting the right to purchase existing shares of the Company held by the Company under the conditions laid down by law and the regulations;

- notes that this authorization automatically entails, with respect to the recipients of stock options, the waiver by shareholders of their pre-emptive right to subscribe for the shares to be issued as and when the stock options are exercised;
- resolves that, if stock options are granted for the purchase of shares of the Company, the purchase price for the existing shares may not be less than the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the date of their allocation by the Board of Directors, or less than the average purchase price for the shares held by the Company pursuant to articles L 225-208 and L 225-209 of the French Commercial Code;
- notes that, in the event of transactions carried out by the Company governed by article L 225-181 of the French Commercial Code, an adjustment shall be made to the subscription or purchase price and the number of shares covered by options without this adjustment leading to a decrease in the subscription price to below the par value of the share;
- gives powers to the Board of Directors to establish, in compliance with the applicable laws and regulations and the provisions of this resolution, all the terms and conditions for the allocation of stock options and the exercise of such options and, in particular, to:
  - designate the beneficiaries of the different kinds of stock options;
  - set the prices for the subscription of the new shares or the purchase of existing shares, the period or periods for exercise of the options during the term of validity of the options that may not exceed six years;
  - stipulate, where applicable, a ban on resale of all or some of the shares subscribed or acquired through the exercise of the options for a time period which may not exceed three months as from the date of exercise of the option;
  - where applicable, set the periods of temporary suspension of the exercise of the options, as required by certain financial transactions;
  - note the capital increases resulting from the exercise of stock options; amend the by-laws accordingly; carry out all formalities, directly or via a duly authorized representative;
  - more generally, take all appropriate measures and do whatever is necessary;
- resolves finally that, without prejudice to the impact of the adjustment referred to above, the total number of shares underlying the options granted pursuant to this authorization may not exceed 6,000,000.

This authorization is granted for a period of 38 months as from the date of this Shareholders' Meeting, and replaces the authorization given in the twenty-fourth resolution adopted by the Extraordinary Shareholders' Meeting of May 23, 2000.

Sixteenth resolution

Authorization granted to the Board of Directors to allocate existing free shares or free shares to be issued to certain employees and corporate officers of the Company and Group companies

In accordance with articles L 225-197-1 et seq. of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors to make, on one or several occasions, allocations of existing bonus shares of the Company or bonus shares to be issued, to employees or corporate officers of the Company and/or companies or economic interest groups that are related to it under the conditions set out in article L 225-197-2 of the French Commercial Code or certain categories of such employees or corporate officers;
- resolves that, without prejudice to the effect of the adjustments mentioned below, the total number of bonus shares allocated may not exceed 2,000,000 shares;
- resolves that the allocation of the shares to their beneficiaries shall only be definitive at the end of a vesting period of 2 years as from the allocation of such shares by the Board of Directors;
- sets the minimum period for retention of the shares by their beneficiaries at 2 years as from their definitive allocation;
- gives powers to the Board of Directors to implement this authorization, and in particular:
  - to define the terms and conditions for the issue and, where necessary, the criteria for allocating the shares and defining the beneficiaries thereof;
  - to decide, in the event that transactions are carried out during the vesting period that affect the Company's issued capital, whether or not to adjust the number of the shares allocated in order to protect the rights of the beneficiaries and, if appropriate, define the terms and conditions of such adjustment;
  - to draw any amount from the reserves and/or additional paid-in capital of the Company in order to carry out the capital increase or increases following the definitive allocations of shares to be issued, to set the entitlement dates

applicable to the new shares, to note the capital increase or increases carried out pursuant to this authorization, and to amend the by-laws accordingly;
- to carry out all formalities and, more generally, to do whatever is necessary.

This authorization is granted for a period of 38 months as from the date of this General Shareholders' Meeting.

Seventeenth resolution

Delegation of authority to the Board of Directors to decide whether an employee share issue should take place by offering shares for subscription by Group employees participating in a Company Savings Plan (PEE) to be set up at that time

In accordance with articles L 225-129-6 and L 225-138 of the French Commercial Code and articles L.433-1 et seq. of the French Labor Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors to decide whether an employee share issue should take place by offering shares for subscription by Group employees participating in a Company Savings Plan (PEE) to be set up at that time, particularly if the Board decides to use the authorizations granted in the tenth, eleventh, twelfth, fifteenth and sixteenth resolutions above;
- resolves that any employee share issue carried out in accordance with this authorization may not represent more than 3,500,000 new shares;
- resolves that the issue price of the new shares, determined in accordance with the provisions of article L.443-5 of the French Labor Code, may neither be higher than the average of the opening prices quoted for the Company's shares on the Paris Stock Exchange over the twenty trading days preceding the date of the decision by the Board of Directors or the Chief Executive Officer setting the opening date for the subscription period, nor more than 20% lower than the said average;
- notes that this authorization automatically entails the waiver by the shareholders of their pre-emptive right to subscribe for the shares to be offered to employees for subscription;
- gives powers to the Board of Directors, or a representative duly authorized in accordance with the law, under the conditions and within the limits provided for above, to:
  - decide whether the shares should be directly subscribed by the employees concerned or through a corporate mutual fund (FCPE) or an employee share ownership mutual fund (SICAVAS);
  - draw up the list of beneficiaries;
  - set the opening and closing dates of the subscription period and the issue price of the shares, as well as the payment period;
  - set the number of new shares to be issued and the applicable rules in the event of oversubscription;
  - charge the share issuance costs against the related premiums; and more generally do whatever is necessary.

This delegation of authority is granted for a period of 18 months as from the date of this Shareholders' Meeting and replaces the delegation of authority given in the tenth resolution adopted by the Extraordinary Shareholders' Meeting of April 29, 2004.

Eighteenth resolution

General ceiling on financial authorizations

After hearing the report of the Board of Directors, the General Shareholders' Meeting resolves that the total amount of share issues that may be carried out pursuant to the authorizations given to the Board of Directors in the eleventh, twelfth, thirteenth and fourteenth resolutions above shall be as follows:

- the total nominal amount (excluding the share premium) of capital increases that may thus be carried out by issuing shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €450 million, to which will be added, where applicable, the additional amount of the shares to be issued in order to protect the rights of bearers of securities convertible, redeemable, exchangeable or otherwise exercisable for shares as provided for by law, it being specified that this limit will not apply to capital increases by capitalizing additional paid-in capital, reserves, income or other amounts;
- the aggregate amount of the issue of securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting a right to allocation of debt instruments may not exceed €3 billion.

Nineteenth resolution

Powers to carry out formalities

The General Shareholders' Meeting authorizes the bearer of a copy or extract of the minutes of this meeting to execute all filing, publication and other formalities required under French law.

OTHER INFORMATION

Company name and head office

Name: Cap Gemini
Head office: 11, rue de Tilsitt, 75017 Paris

Legal form and governing law

"Société anonyme" governed by the French Companies Act of July 24, 1966 and Decree no. 67-236 of March 23, 1967.

Date of incorporation and term
The Company was incorporated on September 17, 1984. It was registered on October 4, 1984.

The Company was set up for a period of ninety nine years from the date of its registration. It may be wound up in advance or its term may be extended by decision of the Extraordinary Shareholders' Meeting.

Corporate purpose (article 3 of the bylaws)

The Company's purpose is to assist companies in France and abroad to manage and develop their businesses by providing them with the benefit of its knowledge of their industry, its know-how in the area of business process engineering and re-engineering, and its expertise in the area of information technologies.

To fulfill this purpose, the Company carries out on behalf of customers, either directly or through its subsidiaries or affiliates, one or more of the following activities, on an individual or integrated basis:

1. Management consulting

Working closely with customers, the Company assists in transforming companies by helping them to redefine or redirect their strategy, change their product and service lines, re-engineer their structures and business processes, restore staff motivation and achieve other changes. To this end, the Company uses all the possibilities offered by the latest information technologies wherever appropriate.

2. Information systems development

The Company designs and installs information systems. Its services include the development of customized software, the installation of market or internally-developed software applications, the integration of systems incorporating hardware, communication systems, customized software, software packages and other components. The Company also supports customers' IT projects by providing consulting, project management, training and assistance services.

3. Outsourcing

The Company manages all or part of its customers' IT resources on their behalf. Where requested by customers, the Company may perform all or part of this service using its own hardware, telecommunications systems and other equipment.

The Company may also manage the IT-based services offered to its customers' own clientele. In addition, it may work in partnership with customers within a structure conducting all or some of these activities.

In order to fulfill its corporate purpose, the Company may decide to:

- create specialist subsidiaries or acquire interests in the capital of other companies and manage their business in exchange for a fee. Management services include the provision of technical, marketing, legal and financial assistance, promotion of a common image, organization of financial structures, assistance in negotiations to help these companies win new contracts, training, research and development support, etc.,
- invest and manage the Company's available funds, make cash advances, and give any and all guarantees or collateral on behalf of subsidiaries and affiliates,
- obtain or acquire and use any and all patents and manufacturing processes and sell, contribute or license any such patents and processes.

In broader terms, the Company's purpose is to carry out any and all commercial, industrial, securities, real estate or financial transactions related directly or indirectly to any of the above purposes or any similar or associated purpose or which are likely to facilitate the fulfillment or furtherance of said purposes.

Incorporation details

The Company is registered with the Paris Companies Registry under number 330 703 844.
APE business identifier code: 741 J.

Consultation of legal documents

Documents relating to the Company, including the bylaws, the financial statements, the reports of the Board of Directors (or the Directoire, from May 24, 1996 through May 23, 2000) to the General Shareholders' Meetings, and the Statutory Auditors' reports are available for consultation at the Company's head office at 11, rue de Tilsitt, 75017 Paris.

Fiscal year

The Company's fiscal year commences on January 1 and ends on December 31.

Appropriation and distribution of earnings

The General Shareholders' Meeting has sole discretionary powers to decide the appropriation of distributable income, as defined by French company law. Consequently, the General Shareholders' Meeting may decide to appropriate all or part of distributable earnings to revenue reserves, special reserves or retained earnings, or to distribute all or part of the amount to shareholders.

The General Shareholders' Meeting also decides the terms and conditions of payment of dividends. In particular, shareholders may be offered a stock dividend alternative, in which case the related dividends will be paid in the form of new shares credited as fully paid, issued in compliance with the provisions of the applicable laws and regulations. The above provisions also apply to the distribution of interim dividends, subject to compliance with French company law.

In addition, the General Shareholders' Meeting may decide to distribute a dividend out of distributable reserves, subject to compliance with French company law.

General Shareholders' Meetings

Shareholders may participate in general meetings in person, by proxy or by casting a postal vote, subject to submitting evidence of their identity and their title to the shares – which may be held in either registered or bearer form – to the address indicated in the notice of meeting. This formality must be completed at least five days prior to the date of the Meeting.

If shareholders attend general meetings in person, any proxies given by them to third parties or any votes cast by post will be cancelled.

To be taken into account, postal votes must be received by the Company at least three days prior to the date of the Meeting.

Where a shareholder has given proxy to a third party and has also sent in a postal voting form, if there is any difference in the two votes, the postal vote will be taken into account and the proxy ignored.

Disclosure thresholds

The Extraordinary Shareholders' Meeting of April 25, 2002 added specific disclosure obligations to the Company's bylaws. The bylaws now state that shareholders are required to notify the Company if their interest in the Company's capital or voting rights is increased to above (or reduced to below) 1% or any multiple thereof. In the case of failure to comply with these disclosure rules, at the request of one or several shareholders with combined holdings representing at least 1% of the Company's capital or voting rights, the undisclosed shares will be stripped of voting rights. Said sanction will apply for all General Shareholders' Meetings for a period of two years from the date on which the failure to disclose is rectified. Said request and the decision of the General Shareholders' Meeting must be recorded in the minutes of the Meeting.

Shareholder identification

The Company is authorized to obtain details of identifiable holders of bearer shares.

The Extraordinary Shareholders' Meeting of April 25, 2002 added a new article to the Company's bylaws according to which the Company may request from the share transaction clearing organization, the name, address, nationality and year of birth for an individual or the name, address and date of registration for a Company, of any holders of shares and securities convertible, exchangeable, redeemable or otherwise exercisable for shares carrying voting rights at General Shareholders' Meetings. The Company may also obtain details of how many shares are held by each shareholder and any applicable restrictions on said shares.

Voting rights

The voting right attached to shares is proportionate to the capital represented by the shares. All shares have the same par value and they therefore all carry one voting right.
No shares have double voting rights.
The Company's bylaws do not provide for any bonus shares.
Registered and bearer shares carry one voting right each.

Changes in share capital and related rights

Changes in the capital or the rights attached to shares may be carried out subject to compliance with French company law and the specific provisions of the bylaws, summarized below.

SHARE CAPITAL

Amount of capital

As of December 31, 2004, the Company's capital amounted to €1,051,065,424 represented by 131,383,178 common shares with a par value of €8, all fully paid-up.

Shares may be issued in either registered or bearer form, at the shareholder's discretion.

Financial authorizations

Financial authorizations currently applicable

The Extraordinary Shareholders' Meetings of May 7, 2003 and April 29, 2004 authorized the Board of Directors to issue various types of shares and share equivalents provided the maximum amount of the Company's share capital does not exceed €1.5 billion (see table below):

Type of securities	Maximum amount *(in euros)*	Date of authorization	Expiry Date of authorization
Common shares with PSR	450 million (par value)	04/29/2004	04/29/2007
Common shares paid up by capitalizing retained earnings, income or additional paid-in capital	450 million (par value)	04/29/2004	04/29/2007
Common shares without PSR	450 million (par value)	04/29/2004	04/29/2007
Common shares without PSR (Employee Savings Plan)	28 million (par value)	04/29/2004	04/29/2007
Convertible debentures with PSR	3 billion (debentures)	05/07/2003	05/07/2005
Convertible debentures without PSR	3 billion (debentures)	05/07/2003	05/07/2005
Debentures with equity warrants with PSR	3 billion (debentures) 400 million (par value of shares)	05/07/2003	05/07/2005
Debentures with equity warrants without PSR	3 billion (debentures) 400 million (par value of shares)	05/07/2003	05/07/2005
Warrants with PSR	400 million (par value)	04/29/2004	04/29/2005
Hybrid securities with PSR	400 million (shares with warrants) 3 billion (securities other than convertible debentures and debentures with equity warrants) and 400 million (shares in secondary issue)	04/29/2004	Period prescribed by law
Hybrid securities without PSR	400 million (shares with warrants) 3 billion (securities other than convertible debentures and debentures with equity warrants) and 400 million (shares in secondary issue)	04/29/2004	Period prescribed by law

PSR = pre-emptive subscription rights

In the case of the issuance of securities without pre-emptive subscription rights, shareholders may be given a priority right to subscribe for the securities for a period and on terms to be determined by the Board of Directors.

None of these authorizations was used in 2004.

Please note that pursuant to changes in French securities law which entered into force on June 24, 2004 (Ordonnance no. 2004-604), only the Board of Directors may decide to proceed with or authorize an issue of debentures.

Proposed renewals to financial authorizations

At the Extraordinary Shareholders' Meeting of May 12, 2005 (April 28, 2005 on first convocation), shareholders will be invited to replace the existing guidelines for the delegation of authority with new guidelines compatible with the new legal regime introduced by Ordonnance no. 2004-604 dated June 24, 2004, which reforms the provisions governing the different types of securities giving access to the Company's capital or conferring entitlement to debt instruments, notably by removing specific legal constraints while simplifying and unifying the existing regimes to create a single legal framework. The securities issuances in question would allow the Company to increase its capital stock by an amount not to exceed €450 million (par value of shares), with specific ceilings for increases by capitalizing retained earnings, income or additional paid-in capital and for those related to the employee savings plan (see table below):

Type of securities	Maximum amount *(in euros)*	Date of authorization	Expiry Date of authorization
Common shares paid up by capitalizing retained earnings, income or additional paid-in capital	1.5 billion (par value)	12/05/2005	12/07/2007
Common shares and/or other securities giving access to the Company's capital or conferring entitlement to debt instruments, with PSR	450 million (par value) (1) 3 billion (2)	12/05/2005	12/07/2007
Common shares and/or other securities giving access to the Company's capital or conferring entitlement to debt instruments, without PSR (3)	300 million (par value) (1) 2 billion (2)	12/05/2005	12/07/2007
Common shares without PSR (Employee Savings Plan)	28 million (par value)	12/05/2005	12/11/2006

PSR = pre-emptive subscription rights

(1) Ceiling for increases in the Company's capital stock (par value) permissible through the issuance of shares or of securities giving access to the Company's capital.
(2) Overall ceiling for the issuance of securities giving access to the Company's capital or conferring entitlement to debt instruments.
(3) Including those issued to provide payment for shares/securities tendered to a share exchange offer initiated by the Company for shares in a company listed on a regulated market.
Capital increases against contributions in kind (not including share exchange offers) may not exceed 10% of the Company's current capital stock and the overall ceiling for the issuances is €3 billion.

In the case of the issuance of securities without pre-emptive subscription rights, shareholders may be given a priority right to subscribe for the securities for a period and on terms to be determined by the Board of Directors.

Share equivalents

Stock options

The Board of Directors was authorized by the May 23, 2000 Annual Shareholders' Meeting, and the Directoire by the Annual Shareholders' Meeting of May 24, 1996 to set up one or several stock option plans over a five-year period.

At the General Shareholders' Meeting of May 12, 2005 (April 28, 2005 on first convocation), shareholders will be invited to authorize the Board of Directors to grant certain employees of the Group, on one or more occasions over a period of 38 months, options to subscribe to a total of 6 million shares.

Details of the two stock option plans in force at December 31, 2004 are summarized in the table below:

Summary presentation	1996 plan	2000 plan	
	(plan no. 4)	(plan no. 5)	
Date of Shareholders' Meeting	May 24, 1996	May 23, 2000	
Total number of stock options	6,000,000	12,000,000	
First options granted on	July 1, 1996	September 1, 2000	October 1, 2001
Exercise period	6 years	6 years	5 years
Exercise price as a % of the average of the prices quoted for Cap Gemini S.A. shares over twenty trading days preceding the date of grant	80%	80%	100%
Exercise price per share in €:			
- Minimum	114.00	139.00	21.00
- Maximum	178.00	161.00	60.00
Total number of shares subscribed at December 31, 2004	1,423,465	-	45,000
Potential number of shares to be created on exercise of options outstanding at December 31, 2004	1,411,950 [1]	1,596,600 [2]	9,280,600 [3]
Of which options held by two members of the Board of Directors	70,000	-	165,000

[1] i.e. 132,000 shares at a price of €114; 355,950 shares at a price of €118; 333,000 shares at a price of €178; 309,000 shares at a price of €161 and 282,000 shares at a price of €144.

[2] i.e. 911,600 shares at a price of €161 and 685,000 shares at a price of €139.

[3] i.e. 2,111,500 shares at a price of €60; 1,841,100 shares at a price of €24; 1,195,000 shares at a price of €40; 536,500 at a price of €31 and 3,596,500 at a price of €21.

In the event of an authorized tender offer to acquire the Company's shares and other securities giving access to the Company's capital or voting rights, all outstanding stock options would become immediately exercisable.

The potential number of shares to be created on exercise of options outstanding as of December 31, 2004 amounted to 12,289,150:

- if all of these options were exercised at December 31, 2004 - irrespective of whether the exercise price is higher than the market price – the dilutive effect would be 8.6%;
- including only "in-the-money" options, i.e. those whose exercise price is less than or equal to the Cap Gemini share price at December 31, 2004 (€23.56), and irrespective of the exercise date the dilutive effect would be 2.7% (i.e. 3,596,500 new shares would be created).

Granting of bonus shares

At the General Shareholders' Meeting of May 12, 2005 (April 28, 2005 on first convocation), shareholders will be invited to authorize the Board of Directors to grant certain employees of the Group, on one or more occasions over a period of 38 months, a total of 2 million existing or newly issued bonus shares.

Issuance of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs)

On June 24, 2003, Cap Gemini SA issued €460 million worth of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs), maturing on January 1, 2010. The 9,019,607 OCEANEs created on July 2, 2003 have a nominal value of €51 each. A prospectus concerning this bond issuance was approved by the Commission des Opérations de Bourse on June 24, 2003 under number 03-607.

Conversion and/or exchange of the bonds for shares

Each bond may be converted and/or exchanged for one Cap Gemini share, at any time between August 11, 2003 and the seventh business day before January 1, 2010.

Redemption at maturity

Redemption in full on January 1, 2010 in cash, at a redemption price equal to the nominal value of the bonds.

Early redemption by repurchase or public offer

The Company may redeem all or some of the bonds at any time, with no price or quantity limits, by means of repurchases on or off-market or by public offer.

Early redemption at the Company's option

From July 2, 2007 until the seventh business day preceding January 1, 2010, the Company may redeem all outstanding bonds at an early redemption price equal to the nominal value plus accrued interest, if the product of (i) the then current conversion/exchange ratio and (ii) the arithmetic mean of the opening share prices of the Company on the Premier Marché of Euronext Paris S.A. calculated over a period of 20 consecutive stock exchange trading days during which the shares are listed as selected from the 40 consecutive stock exchange trading days immediately preceding the date of publication of a notice relating to such early redemption, exceeds 125% of such early redemption price of the bonds. Upon early redemption, the bonds may be redeemed either in cash or converted into Cap Gemini shares, at the option of the bondholders.

Early redemption at the option of bondholders

Bondholders may require early redemption of all or some of their bonds in the event of a change of control of the Company.

At December 31, 2004 if these bonds were converted into new Cap Gemini shares, the dilutive impact would be 6.4%.

Public exchange offer for Transiciel shares

On October 20, 2003 Cap Gemini filed a friendly public exchange offer to acquire all of the outstanding share capital of Transiciel.

Key terms of the offer

The transaction took the form of a public exchange offer whereby Transiciel shareholders were invited by Cap Gemini to tender and exchange their shares under either of the following options:

Option 1: an exchange ratio of 1 new Cap Gemini share to be issued for every 3 Transiciel shares;

Option 2: an exchange ratio of 5 Cap Gemini shares to be issued, plus 16 warrants giving entitlement for up to 1 new Cap Gemini share, for 16 Transiciel shares.

Option 2 includes an earn-out mechanism which would allow Transiciel shareholders to receive additional Cap Gemini shares subject to the Sogeti/Transiciel grouping attaining certain operating performance targets over the next two years. This earn-out mechanism is described in the prospectus which was approved by the Commission des Opérations de Bourse under visa no. 03-935 on October 29, 2003.

According to the notice stating the final outcome of the offer, issued by the Autorité des Marchés Financiers on December 16, 2003 under reference number 203C2148, at that date Cap Gemini held 17,571,514 Transiciel shares, representing approximately 93.32% of that company's share capital, breaking down as follows:

- 9,513,882 Transiciel shares tendered to the offer under Option 1 (1 new Cap Gemini share for 3 Transiciel shares tendered),
- 8,057,632 Transiciel shares tendered to the offer under Option 2 (5 new Cap Gemini shares and 16 warrants for 16 Transiciel shares).

Extension of the public exchange offer

Cap Gemini reopened its public exchange offer for Transiciel shares between December 22, 2003 and January 28, 2004. The terms of the extended offer remained the same as those set out in the prospectus approved by the Commission des Opérations de Bourse on October 29, 2003.

According to the notice stating the final outcome of the offer, issued by the Autorité des Marchés Financiers on February 10, 2004 under reference no. 204C0214, Cap Gemini received 638,385 Transiciel shares under the extended offer, breaking down as follows:

- 558,417 Transiciel shares tendered under Option 1 (1 new Cap Gemini share for 3 Transiciel shares tendered),
- 79,968 Transiciel shares tendered under Option 2 (5 new Cap Gemini shares and 16 warrants for 16 Transiciel shares).

At that date, Cap Gemini held 18,209,899 Transiciel shares, representing 96.71% of that company's capital and 95.13% of its voting rights.

Buy-out offer followed by a squeeze-out procedure

During the period April 7–22, 2004, Cap Gemini launched a buy-out offer followed by a squeeze-out procedure for the shares in Transiciel it did not already own, at the price of €13.25 for each Transiciel share (for more information please refer to the prospectus concerning this operation, which was granted visa number 04-249 by the Autorité des Marchés Financiers on April 5, 2004).

Upon completion of this buy-out offer followed by a squeeze-out procedure, during which Cap Gemini received 619,763 Transiciel shares, Cap Gemini held a total of 18,829,662 Transiciel shares, representing 100% of this company's capital and voting rights.

Provided the operating performance targets defined by the Company for the Sogeti/Transiciel grouping under the term "ROBA", for résultat opérationnel brut ajusté (gross adjusted operating income), are met, each equity warrant will entitle its holder to receive new Cap Gemini shares, representing a certain percentage of the Company's capital stock, with rights accruing as of January 1, 2006. On the basis of the number of Cap Gemini shares issued under Option 2 of the public exchange offer, the total number of these new shares will not exceed 508,600. Should holders of equity warrants receive this total number of Cap Gemini shares, the dilutive impact would be 0.39%.

Other securities giving access to the Company's capital

At December 31, 2004, if the maximum number of potential shares were issued through the exercise of stock options, the conversion of OCEANEs, and the exercise of equity warrants issued under the terms of the public exchange offer for Transiciel, the dilutive impact would be 14.24%.

Changes in capital

	Number of shares	Share capital	Additional paid-in capital
		(in euros)	*(in euros)*
AS OF JANUARY 1, 2000	**77,945,108**	**623,560,864**	**2,075,378,489**
Issuance of shares:			
- shares issued in payment for the contribution of Ernst & Young's consulting businesses	42,737,107	341,896,856	9,060,266,684
Share issuance costs charged against the premium	-	-	(53,147,828)
Issuance of shares for cash:			
- shares issued to Cisco	2,597,764	20,782,112	680,614,168
Share issuance costs charged against the premium	-	-	(2,254,552)
- shares issued upon exercise of stock options	1,025,565	8,204,520	23,340,953
AS OF DECEMBER 31, 2000	**124,305,544**	**994,444,352**	**11,784,197,914**
Capital reduction:			
- by cancellation of shares returned by former Ernst & Young partners who have left the Group	(208,370)	(1,666,960)	(34,278,002)
Issuance of shares for cash:			
- shares issued upon exercise of stock options	1,147,082	9,176,656	21,368,417
AS OF DECEMBER 31, 2001	**125,244,256**	**1,001,954,048**	**11,771,288,329**
Dividend paid out of additional paid-in capital	-	-	(50,097,702)
Capital reduction:			
- by cancellation of shares returned by former Ernst & Young partners who have left the Group	(237,352)	(1,898,816)	(18,106,308)
Issuance of shares for cash:			
- shares issued upon exercise of stock options	472,201	3,777,608	8,653,224
AS OF DECEMBER 31, 2002	**125,479,105**	**1,003,832,840**	**11,711,737,543**
Net loss for 2002 and losses brought forward from prior year	-	-	(5,806,779,517)
Capital reduction:			
- by cancellation of shares returned by former Ernst & Young partners who have left the Group	(41,360)	(330,880)	(1,193,207)
Issuance of shares:			
- upon the public exchange offer for Transiciel shares	5,689,304	45,514,432	156,114,502
Share issuance costs charged against the premium	-	-	(4,675,700)
Issuance of shares for cash:			
- shares issued upon exercise of stock options	38,300	306,400	612,800
AS OF DECEMBER 31, 2003	**131,165,349**	**1,049,322,792**	**6,055,816,421**
Issuance of shares:			
- shares issued upon extension of the public exchange offer for Transiciel shares	211,129	1,689,032	5,793,380
Share issuance costs charged against the premium	-	-	(679,180)
Issuance of shares for cash:			
- shares issued upon exercise of stock options	6,700	53,600	107,200
AS OF DECEMBER 31, 2004	**131,383,178**	**1,051,065,424**	**6,061,037,821**

Current ownership structure

The ownership structure as of December 31, 2004 is presented on page 24. No shares carry double voting rights.

In accordance with the agreements entered into between Cap Gemini and Ernst & Young in connection with the acquisition of Ernst & Young's consulting businesses which was completed on May 23, 2000, 12,240 Cap Gemini shares were returned to the Company between February 26, 2004 and December 31, 2004 by people who became employees of the Cap Gemini Ernst & Young Group and then left the Group. In accordance with French company law, these shares are stripped of their voting rights.

As of December 31, 2004, there were 1,478 holders of registered shares.

As of December 31, 2004, Serge Kampf held over 5% of the Company's capital and voting rights.

As far as the Company is aware, at that date no other shareholders held 5% or over of the Company's capital or voting rights, either directly or indirectly, or acting in concert. Morgan Stanley & Co International Ltd informed the Company on September 20, 2004 that it had exceeded this threshold of 5%, and on September 21, 2004 that it had once again brought its interest under the threshold of 5%.

In accordance with Article 10 of the Company's bylaws, the companies listed below made the following declarations to the Company during the 2004 fiscal year:

- The mutual fund management company Ecureuil Gestion FCP declared that it had exceeded the threshold specified in the bylaws of 1% of the Company's capital and voting rights
- Hermès Pensions Management Ltd declared that it had exceeded this same 1% threshold
- Caisse des Dépôts et Consignations declared that it had fallen below the thresholds of 4%, then 3%, and finally 2% of the Company's capital and voting rights
- Prudential Plc and its subsidiaries declared that they had exceeded and subsequently fallen below the 1% threshold
- Caisse Nationale des Caisses d'Epargne et de Prévoyance declared that it had fallen below, then exceeded, and finally fallen below the 1% threshold
- Crédit Suisse First Boston declared that it had exceeded, then fallen below, and finally exceeded the 1% threshold

Shares held by members of the Board of Directors represent 5.3% of the Company's capital.

Changes in ownership structure over the last three years

	As of December 31, 2002			As of December 31, 2003			As of December 31, 2004		
	Number of shares	% interest	% voting rights	Number of shares	% interest	% voting rights	Number of shares	% interest	% voting rights
Wendel Investissement	13,889,452	[2] 11.1	11.1	5,566,014	4.2	4.3	3,118,514	2.4	2.4
Serge Kampf	7,169,947	5.7	5.7	7,069,947	5.4	5.4	6,819,947	5.2	5.2
Paul Hermelin	140,048	0.1	0.1	140,048	0.1	0.1	140,048	0.1	0.1
Public [1] (registered and bearer shares)	104,236,471	83.1	83.1	118,179,863	90.1	90.2	121,292,429	92.3	92.3
Treasury stock	43,187	0.0	0.0	209,477	0.2	0.0	12,240	0.0	0.0
Own shares	–			–			–		
TOTAL	**125,479,105**	**100.0**	**100.0**	**131,165,349**	**100.0**	**100.0**	**131,383,178**	**100.0**	**100.0**

[1] Including capital held by managers, particularly those who have exercised stock options in the past and retained their shares, as well as shares received in May 2000 by former Ernst & Young Consulting partners who became Group employees after the acquisition of the Ernst & Young Consulting businesses.

[2] Including the Cap Gemini SA shares sold to BNP Paribas Arbitrage (3.6% of the Company's capital) which may be bought back at the sole discretion of Wendel Investissement. In accordance with disclosure threshold legislation set out in para. 4 of article L233-9 of the Commercial Code, these shares must be accounted for as if Wendel Investissement still owned them.

As of December 31, 2004, the Company held 12,240 shares returned by the former partners of Ernst & Young who had left the Group.

Based on the response to a request for details filed on August 31, 2004 the Company has 243,538 identifiable holders of bearer shares.

No shares carry double voting rights.

Shareholders' agreements

The shareholders' agreements entered into between Cap Gemini and the contributors of Ernst & Young's consulting businesses (both "consulting" and "non-consulting" partners and entities) were published by the Conseil des Marchés Financiers (CMF) on May 3, 2000 under reference no. 200C0662. These agreements set out the conditions under which all or some of the 42,737,107 new Cap Gemini shares issued in payment for the contributions made by Ernst & Young would be sold in a gradual and controlled manner over a five-year period ending in mid-2005, in order to avoid any adverse effect on the market price of Cap Gemini shares.
The Conseil des Marchés Financiers considered that the agreements between Cap Gemini and a) the partners and entities of the Ernst & Young network and b) the former partners of Ernst & Young who had become employees of the Group, did not constitute an action in concert by the signatories thereto.

The terms and conditions of disposal of Cap Gemini shares were made more flexible by an amendment to the agreements published by the CMF on April 10, 2001 under reference number 201 C 0384. This amendment modified both the volume and timetable of share disposals, but retained the original controlled sale procedure in order to minimize the effects on the share price. The amendment provided for the implementation of a procedure to regularly ask shareholders whether they intend to sell their Cap Gemini shares and created a shareholders' committee to decide when sales should be initiated, as well as the terms and conditions thereof. According to the amendment, Cap Gemini is responsible for coordinating the preparation and initiation of sales in relation to these Cap Gemini shares. These amendments do not have any effect on the provisions of the original agreements concerning the lifting of lock-up conditions.

There are no other shareholder agreements in force.

CORPORATE GOVERNANCE

For further information, please refer to the report of the Chairman of the Board of Directors on pages 37 to 46.

Board of Directors

- Members: 11 directors and 2 Non-Voting Directors, elected by the General Shareholders' Meeting of May 23, 2000.

- Directors:
Serge Kampf, Chairman
Christian Blanc
Yann Delabrière[1]
Jean-René Fourtou
Paul Hermelin, Chief Executive Officer
Michel Jalabert
Phil Laskawy
Ruud van Ommeren
Terry Ozan
Bruno Roger
Ernest-Antoine Seillière, Vice-Chairman

- Non-Voting Directors:
Pierre Hessler
Geoff Unwin

[1] Appointed on February 25, 2004 following the resignation of Jean-Bernard Lafonta; appointment ratified by the General Shareholders' Meeting of April 29, 2004.

After an in-depth review of their personal situations, the Board of Directors considers that the six directors whose names are underlined are independent directors.

- Term of office: 6 years (the current terms of both the Directors and Non-Voting Directors will expire at the Ordinary Shareholders' Meeting held in April or May 2006 to approve the financial statements for the year ending December 31, 2005).

- Shareholding obligation: each Director must personally hold a minimum of 100 Company shares. This obligation does not apply to Non-Voting Directors.

- Meetings:
- 6 times per year at the Company's head office in Paris (or in any other location stated in the notice of meeting)
- attendance rate in 2004: 92.3%

- Internal Rules of Operation: the Board of Directors has drawn up and adopted Internal Rules of Operation, whose main aim is to set out the division of tasks between the Board itself and the Board Committees, the Chairman and the Chief Executive Officer. The Rules also set out a list of obligations which the Directors undertake to respect.

Board Committees

The role of the three Board Committees is to review or prepare certain discussion points based on their expertise, to make proposals and to provide the Board with opinions or recommendations concerning the Board's decisions. They have no decision-making power in their own right – as the Board is responsible for all decisions taken – and they must not deal with any matters that do not relate to their specific expertise.

- ***Strategy and Investments Committee***
  - Chairman: Jean-René Fourtou
  - Members: Paul Hermelin, Serge Kampf, Bruno Roger and Ernest-Antoine Seillière
  - Meetings: 2 in 2004, with an attendance rate of 90%
- ***Audit Committee***
  - Chairman: Phil Laskawy
  - Members: Pierre Hessler, Michel Jalabert and Yann Delabrière (as of the validation of his appointment as director on February 25, 2004 by the General Shareholders' Meeting of April 29, 2004)
  - Meetings: 4 in 2004, with an attendance rate of 100%
- ***Selection and Compensation Committee***
  - Chairman: Ruud van Ommeren
  - Members : Christian Blanc, Terry Ozan, Geoff Unwin
  - Meetings: 4 in 2004, with an attendance rate of 81%

List of Directorships and other functions held by members of the Board of Directors during 2004

The following Directorships and other functions are held by the 11 voting members of the Board of Directors:

	FIRST APPOINTMENT AND EXPIRY OF TERM OF OFFICE (*)	MAIN FUNCTION	OTHER FUNCTIONS HELD
Serge Kampf	2000-2005	**Chairman of the Board of Directors of:** • CAP GEMINI S.A.	**Chairman of:** • Capgemini Service S.A.S. • Capgemini Suisse S.A. **Chairman and Chief Executive Officer of:** • SOGETI TRANSICIEL SA **Director of :** • Capgemini North America Inc. (U.S.A.) • SANOFI-AVENTIS S.A.
Ernest-Antoine Seillière	2000-2005	**Chairman and Chief Executive Officer of:** • WENDEL Investissement S.A.	**Chairman and Chief Executive Officer of:** • STE LORRAINE DE PARTICIPATIONS SIDERURGIQUES SLPS **Chairman of the Board of Directors of:** • FIMEP S.A. • LUMINA PARENT S.A.R.L. (Luxembourg) **Chairman of the Supervisory Board of:** • ORANJE NASSAU GROEP B.V. (Netherlands) **Vice-Chairman of the Board of Directors of:** • CAP GEMINI S.A. **Director of** • SOFISAMC (SUISSE) • EDITIS **Member of the Supervisory Board of:** • GRAS SAVOYE & CIE (S.C.A.) • HERMES INTERNATIONAL (S.C.A.) • PEUGEOT S.A. • BUREAU VERITAS S.A.

(*) at the date of the General Shareholders' Meeting held to approve the accounts of the year concerned

	FIRST APPOINTMENT AND EXPIRY OF TERM OF OFFICE [*]	MAIN FUNCTION	OTHER FUNCTIONS HELD
Christian Blanc	2000-2005	**Director of:** • CAP GEMINI S.A.	**Director of:** • CARREFOUR • COFACE • J.C. DECAUX • THOMSON
Yann Delabrière	2004-2005	**Member of the Executive Committee and Chief Financial Officer of:** • PSA PEUGEOT CITROËN	**Chairman of the Board of Directors and CEO of:** • BANQUE PSA FINANCE • CREDIPAR **Chairman of the Board of Directors of:** • PEUGEOT CITROËN ARGENTINA **Chairman of :** • PERGOLESE INVESTISSEMENTS (SAS) **Chairman of the Supervisory Board of:** • PEUGEOT FINANCE INTERNATIONAL NV (PAYS-BAS) **Vice-Chairman and Director of:** • PSA INTERNATIONAL S.A. (SUISSE) **Director of :** • GEFCO • FAURECIA • AUTOMOBILES CITROËN • PEUGEOT CITROËN AUTOMOBILES • CAP GEMINI S.A. **Sole manager of:** • PSA SERVICES S.R.L. (Italy)
Jean-René Fourtou	2002-2005	**Chairman and Chief Executive Officer of:** • VIVENDI UNIVERSAL	**Chairman of the Supervisory Board of:** • GROUPE CANAL+ **Vice-Chairman and member of the Supervisory Board of:** • AXA **Director of:** • CAP GEMINI S.A. • SANOFI-AVENTIS **Permanent representative of:** • AXA ASSURANCES IARD MUTUELLE on the Management Committee of: AXA MILLESIMES **Honorary Chairman of:** • THE INTERNATIONAL CHAMBER OF COMMERCE

(*) at the date of the General Shareholders' Meeting held to approve the accounts of the year concerned

	FIRST APPOINTMENT AND EXPIRY OF TERM OF OFFICE (*)	MAIN FUNCTION	OTHER FUNCTIONS HELD
Paul Hermelin	2000-2005	**Director and Chief Executive Officer of:** • CAP GEMINI S.A.	**Chairman of:** • Capgemini France S.A.S. • CAP SOGETI FRANCE S.A.S. • CAP SOGETI.COM S.A.S. • Capgemini North America Inc. (U.S.A.) • Capgemini America, Inc. (U.S.A.) • Capgemini Holding Inc. (U.S.A.) • Capgemini US LLC (U.S.A.) **Chief Executive Offier of:** • Capgemini Service S.A.S. **Director of:** • SOGETI TRANSICIEL S.A. • Capgemini New Brunswick, Inc. (CANADA) • Capgemini Nova Scotia, Inc. (CANADA) • Capgemini Canada Inc. (CANADA) • CGS HOLDINGS LTD (UK) • SOGETI (BELGIUM) • CAP GEMINI TELECOM MEDIA & NETWORKS ESPANA • Capgemini Asia Pacific PTE LTD • Capgemini Japan KK • Capgemini Australia Pty Ltd • Capgemini New Zealand Ltd **Member of the Supervisory Committee of:** • Capgemini N.V.
Michel Jalabert	2000-2005	**Director of:** • CAP GEMINI S.A.	
Phil Laskawy	2002-2005	**Director of:** • CAP GEMINI S.A.	**Director of:** • GENERAL MOTORS CORPORATION • HENRY SCHEIN, INC. • LOEWS CORPORATION • THE PROGRESSIVE CORPORATION

(*) at the date of the General Shareholders' Meeting held to approve the accounts of the year concerned

	FIRST APPOINTMENT AND EXPIRY OF TERM OF OFFICE (*)	MAIN FUNCTION	OTHER FUNCTIONS HELD
Ruud van Ommeren	2000-2005	**Director of:** • CAP GEMINI S.A.	**Member of the Supervisory Board of:** • Capgemini N.V. • GAK ONROEREND GOED V.O.F. • DELFTS INSTRUMENTS N.V. **Member of the Supervisory Board of:** • ANWB • WILLEM VAN RIJN B.V. • KONINKLYKE GROLSCH N.V.
Terry Ozan	2000-2005	**Director of:** • CAP GEMINI S.A.	**Director of:** • NOTEWORTHY MEDICAL SYSTEMS, INC. **Member of the Strategy Committee of:** • STATE INDUSTRIAL PRODUCTS
Bruno Roger	2000-2005	**Chairman of:** • LAZARD FRERES S.A.S.	**Director of:** • CAP GEMINI S.A. • COMPAGNIE DE SAINT-GOBAIN **Member of the Supervisory Board of:** • AXA • PINAULT PRINTEMPS REDOUTE **Non-Voting Director of:** • EURAZEO

DIRECTORS' INTERESTS

Compensation of Directors

The total gross compensation (fixed + variable) paid to the two senior company officers in 2004 breaks down as follows:

in euros (1 euro = 1.263 US dollars in 2003 and 1.3621 in 2004)	**Amount paid in 2004**	**2003**
Serge KAMPF	722,400	783,300
Paul HERMELIN	996,500	1,186,850
TOTAL	**1,718,900**	**1,970,150**

In 2004, Terry Ozan, who is no longer a Group employee, received variable compensation of €121,192 for 2003.

Half of the variable portion of these senior company officers' compensation is based on Group performance (revenues, operating income) and half on the attainment of personal objectives. It is calculated and paid after the accounts for the year have been closed and audited, i.e. at the start of the following year.

(*) at the date of the General Shareholders' Meeting held to approve the accounts of the year concerned

Total attendance fees for 2003 paid to the members of the Board of Directors in 2004 were as follows:

(in euros)		Amount paid in 2004	Amount paid in 2003
Serge KAMPF		58,000	62,042
Ernest-Antoine SEILLIERE		64,333	66,000
Christian BLANC		26,000	27,500
Paul HERMELIN		33,000	31,500
Michel JALABERT		34,500	39,083
Ruud van OMMEREN (*)		29,625	22,844
Terry OZAN (*)		22,500	23,625
Bruno ROGER		33,000	27,500
	1st Subtotal	300,958	300,094
+ (from July 24, 2002)			
Jean-René FOURTOU		36,167	9,625
Jean-Bernard LAFONTA		29,500	13,625
Phil LASKAWY (*)		29,250	12,594
	2nd Subtotal	395,875	335,938
+ (until July 24, 2002)			
Pierre HESSLER		-	23,875
Geoff UNWIN (*)		-	14,531
Guy de WOUTERS (*)		-	18,469
TOTAL		**395,875**	**392,813**

(*) amounts paid to non resident beneficiaries, after deduction of withholding tax.

Total attendance fees for 2003 paid to the Non-Voting members of the Board of Directors in 2004 were as follows:

(in euros)		Amount paid in 2004	Amount paid in 2003
(from July 24, 2002)			
Pierre HESSLER		34,500	13,625
Geoff UNWIN (*)		20,625	9,094
	1st Subtotal	55,125	22,719
(until July 24, 2002)			
Chris van BREUGEL (*)		-	14,531
Phil LASKAWY (*)		-	15,656
	2nd Subtotal	-	30,187
	TOTAL	**55,125**	**52,906**

(*) amounts paid to non resident beneficiaries, after deduction of withholding tax.

The total amount of attendance fees for the year 2003 paid in 2004 to the Directors and Non-Voting members of the Board represents €395,875 + €55,125 = €451,000 (after deduction of withholding tax for non resident beneficiaries) or €485,000 (before any deduction of withholding tax).

Stock options

Paul Hermelin was granted 70,000 stock options in 2004. No company officers exercised any stock options during the year. Serge Kampf has never requested and has never been granted any stock options.

Regulated agreements

As of December 31, 2004, no specific agreements had been entered into other than that mentioned in the Statutory Auditors' special report.

Loans or guarantees given to directors of the Company

None.

EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

Profit-sharing and incentive plan agreements

All the French companies in the Group have signed profit-sharing agreements in accordance with French law.

Stock options

Stock options granted by Cap Gemini S.A. and exercised by the top ten employee grantees (non-Directors) are:

	Number of options granted/ shares subscribed	Weighted average exercise price *(in euros)*	Plan
Options granted to the top ten employee grantees during the year, by the Company and other Group companies entitled to grant options	381,000	26.51	Plan no. 5
Options exercised during the year by the top ten employee grantees of the Company and other Group companies entitled to grant options	5,000	24.00	Plan no. 5

GROUP MANAGEMENT STRUCTURE

Group's operational management structure is organized through several committees:

- The Office of the CEO has 4 members:

Paul Hermelin	Chief Executive Officer
Pierre Danon	Chief Operating Officer
Nicolas Dufourcq	Chief Financial Officer
Alain Donzeaud	General Secretary & Human Resources

- The Executive Committee has 12 members:

Paul Hermelin	Chairman
Pierre Danon	
Nicolas Dufourcq	
Alain Donzeaud	

Strategic Business Unit leaders

Northern Europe & Asia-Pacific	: Henk Broeders
France and TS[1] Global Coordination	: Philippe Donche-Gay
Local Professional Services Sogeti-Transiciel	: Luc-François Salvador
Central & Southern Europe and CS[2] Global Coordination	: Antonio Schnieder
North America	: Chell Smith
Outsourcing Services	: Paul Spence

Group Directors

Strategy	: Pierre-Yves Cros
Communication	: Philippe Grangeon

- The Operations Committee has 10 members:

Pierre Danon	Chairman

Strategic Business Unit leaders

Henk Broeders
Philippe Donche-Gay
Luc-François Salvador
Antonio Schnieder
Chell Smith
Paul Spence

Global Marketing	: Colette Lewiner
Global Sales & Alliances	: Patrick Nicolet
Global Delivery	: Gille Taldu

The role and function of these various committees are provided in the Report of Chairman of the Board of Director at paragraph 3.2.1

[1] Technology Services.
[2] Consulting Services.

PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

Statutory Auditors:

- PricewaterhouseCoopers Audit
  32, rue Guersant, 75017 Paris,
  represented by B. Rascle
  First appointed at the Ordinary Shareholders' Meeting of May 24, 1996.
  Current term expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2007 financial statements.

- KPMG S.A.
  Les Hauts de Villiers, 2 bis, rue de Villiers 92309 Levallois-Perret Cedex
  represented by JL. Decornoy and F. Quélin
  First appointed at the Ordinary Shareholders' Meeting of April 25, 2002.
  Current term expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2007 financial statements.

Substitute Auditors:

- Philippe Gueguen
  20, rue Garibaldi, 69006 Lyon,
  Substitute for PricewaterhouseCoopers Audit,
  appointed at the Ordinary Shareholders' Meeting of May 7, 2003.
  Term expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2007 financial statements.

- Guillaume Livet
  Les Hauts de Villiers, 2 bis, rue de Villiers 92309 Levallois-Perret Cedex,
  Substitute for KPMG S.A.,
  appointed at the Ordinary Shareholders' Meeting of April 25, 2002.
  Term expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2007 financial statements.

Fees paid by the Group to the Statutory Auditors and members of their networks

in thousands of euros	KPMG				PWC			
	Montants		%		Montants		%	
	2004	2003	2004	2003	2004	2003	2004	2003
Audit								
Statutory and contractual audits	1,903	1,457	59%	67%	2,945	3,124	71%	65%
Other engagements	693	336	21%	16%	959	1,265	23%	27%
SUB-TOTAL	2,596	1,793	80%	83%	3,904	4,389	94%	92%
Other services								
Legal and tax advisory services	439	325	13%	15%	267	244	6%	5%
IT	26	22	1%	1%	0	44	0%	1%
Internal audit	24	6	1%	0%	0	27	0%	1%
Other	165	16	5%	1%	0	67	0%	1%
SUB-TOTAL	654	369	20%	17%	267	382	6%	8%
TOTAL	3,250	2,162	100%	100%	4,171	4,771	100%	100%

PERSON RESPONSIBLE FOR INFORMATION

Nicolas Dufourcq
Chief Financial Officer
11, rue de Tilsitt, 75017 Paris
Tel.: +33 (0)1 47 54 50 00

2005 PROVISIONAL FINANCIAL CALENDAR

First quarter 2005 revenue announcement:	May 4, 2005
2004 IFRS financial information:	May 4, 2005
First half 2005 results announcement:	September 8, 2005
Third quarter 2005 revenue announcement:	November 9, 2005
Fourth quarter 2005 revenue announcement:	February 15, 2006

This provisional calendar is given for information purposes only and is subject to subsequent amendments.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE "DOCUMENT DE RÉFÉRENCE"

"To the best of my knowledge, the information contained in the Document de Référence is correct. It includes all the information required by investors to form an opinion concerning the assets and liabilities, business, financial position, results and outlook of the Company and no information has been omitted that would be likely to alter an investor's opinion."

Paul Hermelin
Chief Executive Officer

STATEMENT BY THE AUDITORS ON THE "DOCUMENT DE REFERENCE"

This is a free translation into English of the Statutory Auditors' statement issued in the French language and is provided solely for the convenience of English speaking readers.
This statement should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and as required by articles 211-1 to 211-42 of the General Regulations issued by the Autorité des Marchés financiers (French securities regulator), we have examined in accordance with French professional standards the information about the financial position and the historical accounts included in the report registered as a "document de référence".

The "document de référence" is the responsibility of Paul Hermelin, Chief Executive Officer. Our responsibility is to express an opinion on the fairness of the information about the financial position and the accounts contained in the "document de référence".

Our procedures, which were performed in accordance with French professional standards, consisted in assessing the fairness of the information about the financial position and the accounts and verifying that this information agrees with the audited financial statements, reading the other information contained in the "document de référence" in order to identify any material inconsistencies with the information about the financial position and the accounts, and reporting any manifestly incorrect information that came to our attention, based on our overall knowledge of the Company, as acquired during our audit. The "document de référence" does not contain any forward-looking information determined according to a structured process.

We audited the consolidated financial statements for the year ended December 31, 2002, as approved by the Board of Directors, in accordance with French generally accepted auditing standards. Our report on these financial statements was free from qualifications but contained an observation relating to the change of accounting method due to the adoption of CRC standard 2000-06 concerning liabilities, issued on December 7, 2000.

We audited the financial statements of the Company for the years ended December 31, 2002, 2003 and 2004 and the consolidated financial statements for the year ended December 31, 2003, as approved by the Board of Directors, in accordance with French generally accepted auditing standards. Our reports on these financial statements were free from qualifications or observations.

We also audited the consolidated financial statements for the year ended December 31, 2004, as approved by the Board of Directors, in accordance with French generally accepted auditing standards. Our report on these financial statements was free from qualifications but contained the following observation set out in the third part of the report:
We wish to draw your attention to the information provided in section 2.3 of the Management Report (Transition to IAS/IFRS) which details the work carried out to assess the impacts of this change in accounting standards on the Group's consolidated financial statements and indicates the progress of the project.

Based on the procedures described above, we have nothing to report concerning the fairness of the accounting and financial information included in the "document de référence".

Paris, April 27, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit

Department of KPMG S.A.

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

The *"document de référence"* includes:
- the Statutory Auditors' report on the consolidated financial statements at December 31, 2004 on page 48, which set out the justification of our assessments in accordance with the provisions of article L225-235 of the French Commercial Code;
- the Statutory Auditors' report (page 47) prepared in accordance with the final paragraph of article L225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors describing the internal control procedures relating to the preparation and processing of accounting and financial information.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In application of AMF general regulation articles 212-1 to 212-15, the French version of this *"Document de Référence"* was filed with the *"Aurorité des Marchés Financiers"* on April 27, 2005. The "*Document de Référence"* may not be used in connection with a financial transaction unless it is accompanied by an Information Memorandum approved by the *"Aurotiré des Marchés Financiers"*.

CHECKLIST

The French version of this annual report has been filed as a "Document de Référence" with the Autorité des Marchés Financiers. The following checklist shows the main information required under the Authority's regulations and application instructions.

STATEMENTS BY THE PERSON RESPONSIBLE FOR THE "DOCUMENT DE REFERENCE" AND THE STATUTORY AUDITORS

Statement by the person responsible for the "Document de Référence" 122
Statement by the Statutory Auditors 122
Person responsible for information 121

GENERAL INFORMATION

CAPITAL

Authorized, unissued capital 106
Potential capital 108
Changes in capital 111

MARKET FOR THE COMPANY'S SHARES

Share price and trading volume data over 24 months 25-26
Dividends 26

CAPITAL AND VOTING RIGHTS

Current ownership structure 112
Changes in ownership structure 112
Shareholders' agreements 113

THE GROUP'S OPERATIONS

Organization (parent company – subsidiary relations, information on subsidiaries). 6
Financial highlights 1
Segment information (by line of business and geographic area). . . . . 2, 3, 4, 83, 84 and 85
Market environment. 2
Capital spending policy 21

GROUP RISK ANALYSIS

Risk factors 21
Insurance and risk coverage 22

ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS

Consolidated financial statements and notes . . . . 48 to 88
Off-balance sheet commitments 81
Fees paid to the Statutory Auditors and members of their networks 121
Summary parent company financial statements . . . . 89 to 91

MANAGEMENT BODIES

Group management structure 120
Corporate Governance . . . . 37 and 114
Directors' compensation and stock option programs. 118
Options granted to the ten employees (non-director) with the highest number of options 119
Stock option plans 108
Regulated agreements. . . . . 92 and 119

RECENT DEVELOPMENTS AND OUTLOOK

Recent developments 85
Outlook 34