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

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Thierry de MONTBRIAL

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Terry OZAN

Bruno ROGER

NON-VOTING DIRECTORS "CENSEURS"

Pierre HESSLER
Marcel ROULET
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	
	2004	**2005**
REVENUES	**6,235**	**6,954**
OPERATING EXPENSES	6,259	6,729
OPERATING MARGIN		
Amount	(24)	225
%	(0.4%)	3.2%
OPERATING PROFIT/(LOSS)		
Amount	(281)	214
%	(4.5%)	3.1%
PROFIT/(LOSS) FOR THE PERIOD	**(534)**	**141**
NET MARGIN (%)	(8.6%)	2%
EARNINGS/(LOSS) PER SHARE		
Number of shares at December 31	131,383,178	131,581,978
Weighted average number of ordinary shares (diluted)	132,789,755	138,472,266
Diluted earnings/(loss) per share (in euros)	(4.02)	1.06
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31	**285**	**904**
AVERAGE NUMBER OF EMPLOYEES	**57,387**	**59,734**
TOTAL NUMBER OF EMPLOYEES AT DECEMBER 31	**59,324**	**61,036**

THE CAPGEMINI GROUP

I – HISTORY

Founded by Serge Kampf in Grenoble in 1967, Capgemini has grown to become one of the world's leading consulting and information service companies by following a strategy of development and diversification that has combined both internal and external growth.

Hence, the Group has progressively extended its activities in Europe, in particular with the acquisition of Programator in Scandinavia, Hoskyns in the United Kingdom (1990), and Volmac in the Netherlands (1992).

At the same time, Capgemini has developed its management consulting activities due to the acquisition of two American companies - United Research and Mac Group - in the early 1990s, in addition to a German company - Gruber Titze & Partners - in 1993, and then Bossard, a French firm, in 1997.

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

The years 2001, 2002, 2003 and 2004 proved particularly difficult for the IT service sector and it became necessary to rebalance Capgemini's portfolio of activities in favor of two of its disciplines – local IT services and outsourcing – and around the Rightshore™ concept.

The acquisition of Transiciel, at the end of 2003, enabled Capgemini to double the size of Sogeti, an entity formed in 2001 in the local professional services domain and which contributed 16% of Group revenues in 2005. In the area of outsourcing, as of 2004 and 2005, the Group reaped the rewards from the efforts undertaken to establish its presence both in Europe and in North America due to a number of major contracts (HMRC, TXU, Schneider Electric).

In addition, Capgemini became the first European company to take the offshore route. Capgemini chose to set itself apart from its major rivals by proposing an "à la carte" system for the production of its service, which is based on the following: the customer's needs, the intended project itself and the client's culture as well. This is the Rightshore™ concept.

The Group's profile has therefore changed significantly in a few years, demonstrating its ability to face up to the new challenges that the IT services and consulting industries present. The 2005 results evidence a confirmed recovery: net profit of €141 million, an operating margin of 3.2% of revenues which, at almost €7 billion, grew by 15% compared to 2004 (the exchange rate and scope remaining constant).

II – THE CAPGEMINI DISCIPLINES

Four Disciplines, One Mission

Capgemini's mission is to support its clients as they transform their businesses in order to improve performance. Present in some thirty countries, employing 61,000 people, the Group, which generated nearly €7 billion in revenues in 2005, offers a range of services harmoniously coordinated around its four disciplines and its sector expertise. These services extend from the drawing up of strategies to the maintenance of information systems.

The Group's offering consists of four major disciplines. Each of these acts as a specialist in its area. In addition, by combining their expertise, they are able to produce for clients, an integrated offering of transformation services. This is one of the Group's key strengths: knowing how to bring together multiple skills in order to address projects that call for a crosswise approach, thereby satisfying the needs of clients who are looking for a commitment to achieve real, measurable, sustainable results.

These four core areas of activity are organized into autonomous units, each with its own objectives, business models and recruitment processes. Capgemini's fundamental disciplines include:

- Consulting Services (CS): helping our clients to identify, structure and implement transformation projects that will have a lasting impact on their growth and competitive edge;
- Technology Services (TS): systems integration and application development – formulating, developing and implementing all kinds of technical projects, from the very smallest to the very largest;
- Outsourcing Services (OS): assisting our clients in the complete or partial outsourcing of their IT systems and other suitable activities;
- Local Professional Services (LPS): offering a range of IT services adapted to local requirements in terms of infrastructures, applications and engineering.

Capgemini is independent from any software publishing houses or hardware manufacturers. In an effort to provide its clients with truly the best products and know-how, the Group has formed a network of strategic alliances and partnerships. This enables it to remain objective yet fully

aware of all the facts in order to freely and knowingly select and deliver reliable solutions, precisely tailored to each client's unique requirements.

Present in some thirty countries, Capgemini is also systematically capable of delivering services in the location which best serves the interests of the client – in terms of quality, cost and access to the best expertise. Dubbed Rightshore™, this approach revolutionizes the cost structure and added value of our services.

But Capgemini is also about doing business in a certain style, based on collaboration, which we call the Collaborative Business Experience (CBE). This is our trademark, which sets us apart from the others, as a true partner for whom the way in which results are achieved counts just as much as the results themselves. Hence, maximizing customer satisfaction is the number one criterion in determining our success.

2.1 The Consulting Services (CS) discipline: accelerating company transformation

Positioned on the consultancy market for strategy, management and information systems consultancy, and also boasting sector and functional expertise, Capgemini Consulting sets itself the goal of supporting its clients in identifying, structuring and implementing transformation projects that have a lasting impact on their productivity, growth and competitive edge.

With a network of approximately 5,000 consultants across the world, Capgemini Consulting – which accounts for 13% of the Group's revenues – guides organizations as they change by focusing on the key factors that make for a successful transformation: defining the best route to follow in accordance with targets, taking into account any potential barriers; using the appropriate leverage - people and technologies available -in order to maximize the innovation potential during implementation; and striving to produce quick, measurable and long-term results.

Capgemini Consulting offers its clients a range of complementary expertise:

- Business Transformation: supporting senior management in their transformation projects by guaranteeing rapid, significant operational results in terms of performance and profitability;
- Business Information Strategy: developing companies' ability to adapt through the transformation of their IT functions;
- Finance Transformation: helping financial directors to improve the management of their businesses and strengthen their control;
- HR Performance & Transformation: focusing on accompanying change;
- Marketing & Sales: assisting management and their teams in defining, designing and implementing new corporate strategies and innovative marketing strategies while maximizing the performance of their sales networks and marketing channels;
- Supply Chain Management: striving towards sustainable improvement as regards the competitiveness of operations, increasing the efficiency of the purchasing functions and accelerating the renewal of the service offering.

What distinguishes CS in the marketplace is, above all, its global reach, the vast spectrum of services offered to clients and the experience gained in designing and managing complex transformation projects. The integration of Consulting Services into the Group's other specializations also has major advantages, greatly appreciated by clients when – and this is the most frequent case - technology proves to be the pivotal point of the transformation to be undertaken, or when transformation calls for an outsourcing approach to be adopted. But beyond these differences and compared to its competitors, CS can claim to have a distinctive approach to its work, firmly rooted in the uniquely collaborative relationship that Capgemini establishes with its clients.

In 2005, the CS discipline returned to growth and rediscovered a dynamic thrust in Europe. Aided by favorable economic conditions, Consulting is entering a new period of expansion. It has claimed a leading position in a number of business sectors – Telecommunications and the Media, for example – and in certain countries, particularly France and the Netherlands, where the group has over 700 consultants in each case.

2.2 The Technology Services (TS) discipline – IT application development and systems integration: satisfied clients due to more innovation and increased productivity

Capgemini supports its clients in projects designed to evolve and transform their information systems. As project manager and systems integration architect, independent information technology consultant, application developer and creator of innovative technological solutions, Capgemini offers its clients a truly comprehensive and synergetic service package.

For some years now, the sector has been undergoing profound change at an increasingly rapid pace. The emer-

gence of new players in the global marketplace – mainly from India – and of new, highly industrialized production models have considerably modified the framework in which we operate and have forced traditional suppliers to reorganize their operations in order to adapt to the new style of competition. The activities of our Indian rivals are driving the sector towards greater concentration while maintaining strong pressure on prices. 2005 also marked a return to investments in new projects – and not just those motivated purely by a desire to reduce costs. Two trends coexist simultaneously in this market: the industrialization of IT production on a global level and the new demand for innovation, arising from Service Oriented Architectures (SOA), corresponding to users' new needs.

In response to these demands, our TS teams – who contribute 33% of the Group's total revenues – offer clients the Rightshore™ approach. This concept is based on the use of our worldwide network of service centers, specialized by discipline and by product line (SAP, Oracle, etc.) and located either in immediate proximity to the client or in a country that combines high-quality resources with reduced costs, such as Poland, India or China. This process of industrialization enables our clients to meet their key objective of reducing costs and is proving to be extremely successful: in India, we have increased our overall staff by 80% and the Group now employs some 4,000 people. It is anticipated that this number should reach 6,000 by the end of 2006.

The second major trend is innovation. Indeed, the market (particularly in the United States) is once again looking for projects with high value-added components, which place great emphasis on innovation and latest-generation technologies. In fact, Capgemini has implemented extensive supply chain optimization and customer relationship management (CRM) projects in the American retail sector. Likewise, due to its strengths in software architecture, it has carved out a place for itself in the market for complex Internet applications, designed to support millions of connections simultaneously or to link a company with thousands of partners.

Profitable throughout Europe in 2005 and having rediscovered the path to growth across the Atlantic, our IT application development and systems integration discipline is in excellent shape, a factor enabling it to forge ahead strongly. The aim is for this discipline to win market share both on projects involving the deployment of integrated management software packages (Enterprise Resource Planning – ERP) and on those with a high level of value added, such as Service-Oriented Architecture (SOA). Our success in reaching this aim is reliant on the quality of our staff. At the end of 2005, TS could call on the resources of 23,206 people, having recruited 5,410 new employees during that same year.

2.3 The Outsourcing Services (OS) discipline: profitability, growth and industrialization

Outsourcing consists of the management of all or a part of a company's IT or business process needs. Historically, the aim has been to reduce costs, but clients are focused more and more these days on using outsourcing to transform their IT and business processes in order to improve their companies' performance.

This discipline, employing 17,000 of our people, has significantly developed and brought to market a complete range of outsourcing services, which break down into three main areas:

- *Applications Management* (AM): these services cover functional user support, corrective and preventative maintenance, implementation or upgrades of software. Our industrial applications maintenance centers, connected to each other through a worldwide network, have been built on a basis of a standard organizational framework and use a common production model. These service centers enable our clients to significantly cut costs thanks to our RightshoreTM solutions, while also increasing productivity due to automation and shared resources.
- *Infrastructure Management* (IM): this service allows our clients to outsource the operation of their IT systems to a partner capable of managing the increasing complexity that comes with such systems, streamlining them and undertaking to provide the agreed levels of user satisfaction. The subcategories of Infrastructure Management (IM) are Data Center Services (DCS), Desktop and Distributed Services (DDS), and Network Integration Services (NIS).
- *Business Process Outsourcing* (BPO): the delegation to an outside supplier of one or more processes, usually containing a strong IT element. The growing demand for BPO has led Capgemini to heavily increase its offering. The activity calls on three of the Group's core competencies (consulting, technology and outsourcing) and will represent a major vector for growth in the coming years. Functions currently suitable for BPO range from purchasing, accounting/finance and customer relationship management to payroll and human resources management. The Group's largest BPO centers operate in Poland, China, India and Australia.

With a 33% growth in revenues during 2005 (the exchange rate and scope remaining constant), contributing 38% to

the Group's total revenues, Outsourcing Services currently represents Capgemini's most important activity. It is also the area of our business which has grown most rapidly over the past two years. In fact, OS has carried off some very impressive contracts, such as the one signed with the London police department (the Metropolitan Police), in a deal worth €503 million, in December 2005, and with the Swansea Council (€91 million). These successes have served to strengthen Capgemini's current leading position in the UK market, Europe's largest when it comes to outsourcing. The contract signed with General Motors, in February 2006, also in the €500 million range, helped to bolster our activities in the United States.

Among the Group strengths is its ability to master a key phase in the outsourcing contract: transition. Over the past two years, Capgemini has achieved two significant transitions: the market's largest (HM Revenues and Customs – 2,800 people to transfer) and fastest (TXU – 2,400 people to transfer in six weeks and savings of over $200 million achieved in just nine months).

As things stand, OS has a client portfolio that is balanced both in terms of size and client type. At the other end of the spectrum from our major contracts (worth over €250 million), OS also won, for example, nineteen smaller contracts (worth between €10 and €50 million) during 2005 and made inroads into new sectors such as finance (contract with Zurich Financial Services). In addition, the opportunity to sign a deal with the Canadian manufacturer Bombardier enabled OS to expand its catalogue of services and to construct a specific offering, involving the production of technical documentation destined for high-tech manufacturing, such as the aeronautics, automobile, nuclear, and defense industries.

After two years of growth, which have enabled it to hoist itself into the leading pack of major, worldwide outsourcing suppliers, Capgemini has set its priorities for 2006: efficiency, streamlining, and improving the quality of its production processes.

2.4 The Local Professional Services (LPS) discipline: the strength of maintaining close customer relationships

This discipline is handled by the Group's subsidiary Sogeti, Capgemini's initial name. The division embodies the very model on which the company built its initial success, firmly rooted in both a keen sense of human values shared by all the division's employees and a proven organizational model: Sogeti is a constellation of small companies – referred to as agencies – spread across ten countries. Each of the 250 agencies is managed "entrepreneurially" but with clear profit objectives, and enjoys a high degree of autonomy in managing its projects. This particular organizational structure provides the flexibility and responsiveness required for Sogeti to grow in a highly competitive marketplace.

Local Professional Services, which accounts for 16% of Group revenues, offers a broad range of IT services designed for local professionals in all types of companies, built around three main activities:

- High Tech Consulting: scientific engineering, industrial and technical information technology, mechanical IT and the use of electronics in industrial R&D;
- Application Services: design, maintenance and evolution of its clients' application assets;
- Infrastructure Services: management and administration of technical services and networks, plus the management of IT production.

Sogeti's results in 2005 were excellent: 8% growth, and over 9% profitability – the best in the whole Group. As for its staff, Sogeti had attracted 4,120 new employees during 2005, forming an aggregate workforce of 15,147 people.

Through the acquisition of Transiciel in 2003, the added dimension of our engineering and scientific and technical R&D activities are growing strongly. Currently active in France with 2,500 employees, Sogeti aims to build the unit to a sufficient size in 2006 to put it among the top European operators in its field. Another area in which Sogeti is looking to strengthen itself is in applications testing. This activity, in which it is strongest in the Netherlands, will be progressively deployed to all countries during 2006. Sogeti also plans to bolster its operations in North America.

III – THE CAPGEMINI MARKETS

Sectors: guarantee of our business added value

Public sector decision maker, head of a leading energy or telecom company, information systems director for a automobile manufacturer or a major bank… their agendas all share two key priorities: organizational and systems transformation. However, while their objectives of powering change and gaining in competitiveness may be the same, each one has very unique requirements, demanding a perfect understanding of the shifts in their market, of the challenges faced in each specific sector, of our clients' own clients and competitors, of the latest marketing innova-

tions and industry trends, and so on. In addition to our professionalism, Capgemini's clients expect the discipline to bring real business added value. And that is precisely what the Group's sector teams do every day.

3.1 The Public Sector: in the process of modernizing their services

The governments of the European Union member countries are all currently facing similar problems. How can they make their administrations more efficient and cost-effective? Given the terrorist threat, how can they secure their borders and ensure the public's safety? As the population grows older every year, how can they deliver better healthcare, while keeping a handle on spending? Encouraged by the European Commission in Brussels, for which Capgemini has set up an "e-government" watchdog – with a study published in each of the past five years - today's leaders are asking themselves how can they make public services more accessible and the lives of their citizens easier?

Against this backdrop of profound transformation in central and local administrations, Capgemini contributes to the four main focuses of today's public sector: simplified tax collection and management; public safety, including areas such as people's identities and electronic border control systems; local and regional authorities, segments which are rapidly expanding and where there is great interest for shared service centers; and healthcare, including electronic patient records, a market in which Capgemini aims to serve as a true partner for all of Europe's major countries.

This particular area is showing strong growth within the group, as evidenced by the fact that its share of revenues rose from 20% in 2004 to 27% in 2005. It includes projects as complex as Copernic, at France's Ministry of Finance, where 200 Capgemini employees are working to implement the new technological know-how (SOA). Further projects – in the Netherlands, Denmark, and Norway – relate to the administration of the tax system or to the development of new systems for simplifying tax collection. Capgemini's pan-European dimension enables it to re-use certain solutions that have been developed in one country to help support another country's project since the problems they face are often quite similar.

The outsourcing contract signed in 2003 with HMRC, the British customs and revenues administrative body, illustrates a new phenomenon referred to as "up-selling" – namely tens of millions of euros worth of complementary services in addition to the initial contract. This contract rocketed Capgemini straight to the top in terms of public sector suppliers in the United Kingdom, the most dynamic country in the world when it comes to investment in this particular field. This position was further strengthened in 2005 when outsourcing contracts were signed with the London Metropolitan Police and the Swansea Council (Wales), subsequent to those signed with Westminster and Croydon.

Such vast transformation projects, each developed on a national scale, are certainly going to spread across Europe since the administrations of various countries have many initiatives that can be shared. Furthermore, the Group has offices in 19 of the 25 countries that currently make up the European Union and its strategy of proximity makes perfect sense when it comes to developing this type of rather sensitive project.

Lastly, in terms of new markets for this sector, Canada looks promising as do Australia and China.

3.2 The Energy and Utilities Sector: a hive of activity

This sector currently generates 15% of Group revenues. 2005 proved to be a particularly interesting year, marked mostly by an increase in the price of energy. This was due to the significant increase in demand from countries such as India and China, the natural disasters in North America, the political tension in oil-producing countries, a range of electricity supply problems, the difficulty of respecting the Kyoto protocol, and so on. The general context, which Capgemini has been monitoring since 2001 by publishing its global report on the energy market, has been further colored recently by regionally-specific considerations.

In Europe, the liberalization of the energy markets, a movement that the Group has been following since 2002 through a specific survey – Capgemini's watchdog now serving as an industry reference – and the need to define new investment strategies in production are the major themes of the moment. In the United States, the market is largely oriented towards infrastructure and network modernization. In Asia, and in particular in China, bringing energy supplies up to match the boom in economic activity is the hub of attention.

This is a favorable context for Capgemini's Energy and Utilities business which, with its in-depth understanding of these markets, is particularly well placed to support the players in this sector as they confront such complex issues. Capgemini now occupies the position of center stage, both in Europe – where the group is working with EDF, E.ON, Centrica, Endesa, Gaz de France, Gas Natural, Suez and

Veolia Environnement, to name but a few – and in North America where, during 2005, the Group rolled out a major outsourcing agreement signed with TXU and won new contracts in Canada with Hydro One and Ontario Power Generation.

The major challenges mentioned here are prompting companies active in this sector to take on profound transformations of their organizations and, therefore, of their information systems. They are also looking more and more to outsource certain functions such as IT, or certain processes such as those related to customer-relationships. At the same time, new market segments are developing, such as consulting on CO2 emission certification or the deployment and management of information systems connected to the new "smart" meters installed right at the users' sites (for which an alliance, called Smart Energy, has been formed between Capgemini, HP and Intel). And the outlook, as they say, is bright. During 2006, we are likely to see a wave of acquisitions within the Utilities segment, both in Europe and in the United States, generating new business for service providers such as Capgemini.

3.3 The Manufacturing, Retail & Distribution Sector: global challenges

Globalization, competitiveness and consolidation: these were the three factors which most characterized this sector during 2005 and which will most likely continue to do so in 2006. The sector accounted for 28% of Capgemini's total revenues during 2005.

With the arrival of new industry players from emerging countries (India, China etc.), globalization means playing by a whole new set of rules. 2005 also produced quite a few surprises from China, with the Chinese manufacturing company Lenovo's acquisition of IBM's hardware activities (PCs). Conversely, western groups such as Siemens, Alstom or Schneider Electric, a client of Capgemini in a far-reaching contract for transformational outsourcing, are placing significant emphasis on Asia and Eastern Europe as they seek to achieve growth. General Electric, the American conglomerate, considers that, in the next ten years, 60% of its growth will arise from the emerging countries.

As a result of this trend towards globalization, the established players need to accelerate their transformation in order to remain competitive. Due to its considerable sector knowledge (as evidenced by worldwide logistics or automotive studies), Capgemini can deliver added value to its clients. In addition, specific RFID (Radio Frequency Identification) expertise and mobility have enabled Capgemini to provide retailers with the solutions they are seeking for sales outlets and back-office systems in order to help them to reduce costs or, even better, to improve growth.

On the other hand, car manufacturers, for whom 2005 was a difficult year, are continuing with their programs of cost reduction, reorganization, improvements in logistics and reinforcement of their collaboration with suppliers. Having won a transformational outsourcing contract early in the year for General Motors, Capgemini – having been selected as strategic partner - once again demonstrates that it is at the very heart of this movement.

This sector - and the industrial world in general - are the most advanced in their use of outsourcing, shared service centers and BPO (Business Process Outsourcing). Hence, the Canadian manufacturer Bombardier entrusted Capgemini with the BPO of its publishing and technical documentation, a first in the world of aeronautics.

3.4 The Financial Services Sector: an activity on the upswing

In the world of banking, 2005 was marked by the announcement of a number of mergers. These deals were seen as major events in Europe, where retail banking remains a highly regulated industry, organized along national lines and dominated in each country by local players, as demonstrated by the World Retail Banking Report.

The financial capabilities of certain banks enable them to consider acquisitions. Future marketplace consolidation will be extremely important for the Group, which is closely monitoring its movements because each merger can bring major transformation projects and information system overhauls. Furthermore, Capgemini has made significant investments in BPO (Business Process Outsourcing) in response to the growing needs of financial institutions in the area of cost variability. The Group has just signed a multi-year BPO contract with Zurich Financial Services, one of the world's largest insurance companies, to take over part of its financial and accounting functions. And new developments are on the horizon for a 'core business' BPO in the area of credit and mortgage loans, in particular.

More broadly, banking and financial institutions are investing in their IT systems after several years of spending freezes, following the transition into year 2000 and the transformations connected with the euro. According to analysts at Forrester Research, financial institutions will be investing approximately 50 billion euros in their IT platforms over the next 7 years.

In fact, the requirement for banks to increase their revenue per customer is leading them to redesign their marketing systems and to streamline their branch networks.

Furthermore, compliance with regulatory constraints such as Basel-II, Sarbanes-Oxley for American companies and their subsidiaries, and IAS-IFRS (International Accounting Standards/ International Financial Reporting Standards) norms, is accounting for 30% to 40% of all new IT investments in this sector. Finally, the prospect, from Brussels, of a homogenization of the payment systems across the European Union is leading banks to re-think their strategies to make sure they are not hit too hard by the ensuing decrease in revenues, which could be as much as 30%, or even 60%, depending on the scenario (see Capgemini's *World Payments Report*). The financial services sector accounts for 12% of aggregate Group revenues.

3.5 The Telecommunications, Media & Entertainment (TME) Sector: consolidation and broadband are driving the market

On both sides of the Atlantic, the merger trend among telecom operators continues, unabated. In the United States, two flagship deals in 2005 served to accelerate the process of concentration in a market which, 21 years earlier, had witnessed the break-up of a once monopolistic system: SBC Communications' takeover of AT&T Corp (to form AT&T Inc.) and Verizon's purchase of MCI. And for 2006, AT&T has announced its acquisition of BellSouth, one of the last regional operators still existing as an independent company.

In Europe, France Telecom completed a major acquisition deal last year with its takeover of the Spanish company Amena, giving it a significant scale with a cohesive portfolio of voice/data/video services. Already in 2006, Telefonica has taken control of the mobile phone operator O2. Other deals may well follow, motivated by a race for growth, the need to invest in fiber-optic networks and the ever greater integration of broadband, voice and mobile service offers. Capgemini has had people working with most of the leading telecom operators worldwide for several decades now. The Group has supported them through their various transformations so this makes it a natural partner when it comes to both mergers and their consequences both in terms of organization and system changes and of technological innovations, with their new services to deploy. This sector accounts for 11% of Group revenues, 80% of which comes from telecommunications alone.

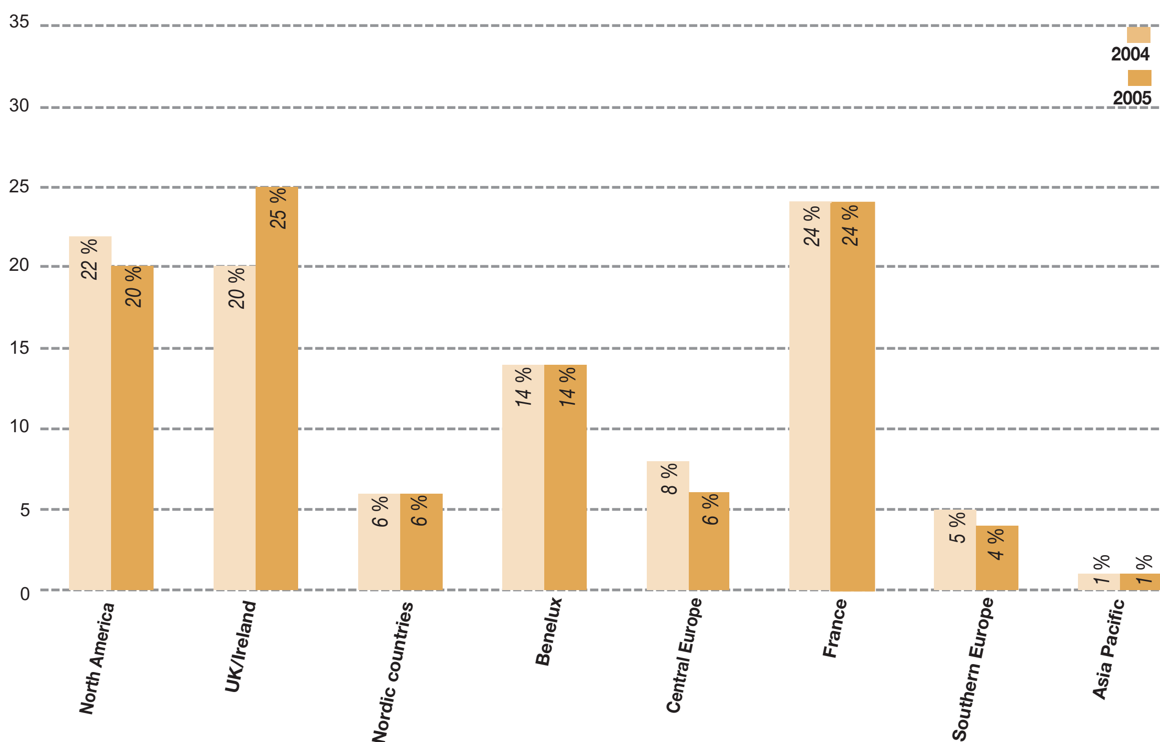
2005 was marked by an increase in the number of projects and the level of investment, operators having readjusted their finances after the three years of recession that followed the bursting of the 'Telecom bubble' in 2001.

There is no shortage of challenges in this area either. In standard telephony, for example, the growth of voice traffic over the Internet and the emergence of television via ADSL are set to profoundly change companies' traditional business models. Then, in terms of mobile phones, the arrival of virtual operators and the decline in subscriber growth rates are leading to a major upheaval among the players in this segment. Operators are going to need information systems but they are also going to need extremely flexible organizations that will enable them to rapidly come to terms with the various upheavals that the market is now seeing and will continue to see in the future. The Group's sector expertise and technological capabilities, notably in terms of Service-Oriented Architectures (SOA) already enable to contribute the added value that our customers expect.

Finally, in addition to the telecommunications sector, Capgemini signed major deals in 2005 with European and North American operators in the Media & Entertainment segments – the latter increasingly converging with Telecommunications – in the areas of content management, royalties and copyright management, outsourcing of audience measurement and the distribution of digital content.

IV – GEOGRAPHIC ORGANIZATION AND MAIN GROUP SUBSIDIARIES

The Group is established in some thirty countries, with a strong presence in the United Kingdom (accounting for 25% of revenues in 2005), in France (the Group's historical market, generating 24% of 2005 revenues), North America (20%), and Benelux (14%). These areas together account for 80% of overall revenues.
The Group performs its business activities through 108 consolidated subsidiaries as listed in note 30 ("List of consolidated companies by country") to the consolidated financial statements at December 31, 2005. These subsidiaries are located in eight geographic areas, whose relative contributions to Group consolidated revenues in 2004 and 2005 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 offices in the Place de l'Etoile in Paris, and the other, the office buildings located in Grenoble;
- 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.

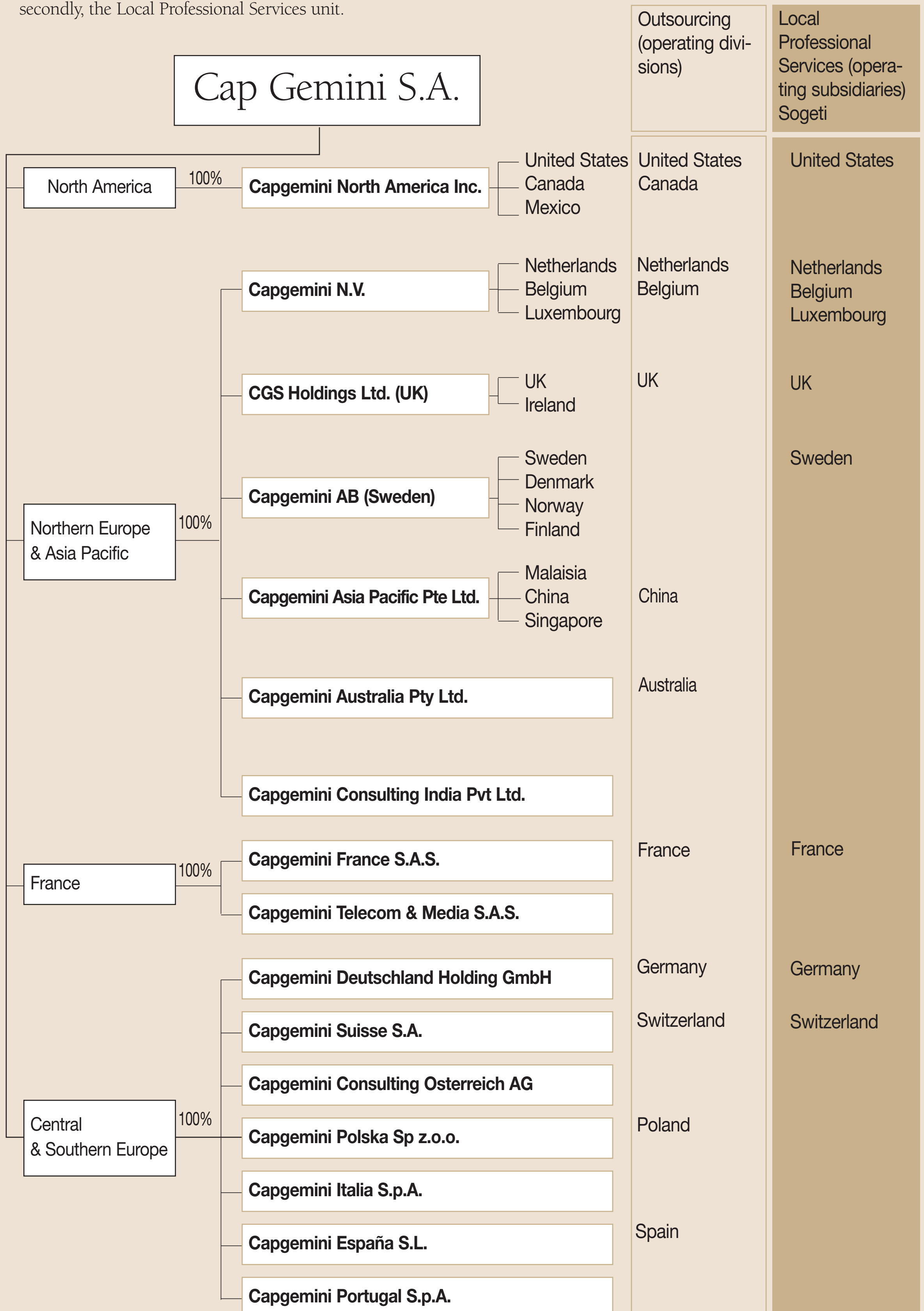
With regard to the Sogeti-Transiciel subsidiary, as of April 7, 2005, and in agreement with the management of the Capgemini Group, Transiciel's founder, Georges Cohen, is no longer serving as head of Sogeti-Transiciel. He has been replaced by Luc-François Salvador. This departure took place following 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., defines the strategic objectives for the Group via its Board of Directors, and ensures their implementation. In its role as a shareholder, Cap Gemini S.A. contributes, in particular, to the financing of its subsidiaries, either 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.

Simplified organization chart for the Group

The Group is composed of six main operating units (Strategic Business Units, or SBUs):

- four geographical units: North America, Northern Europe & Asia-Pacific – France – Central & Southern Europe;
- two units for specific disciplines: firstly, the Outsourcing SBU which performs its business activities on a worldwide basis and secondly, the Local Professional Services unit.



V - THE GROUP'S INVESTMENT POLICY

The Group has sufficient critical mass to operate efficiently in its disciplines, geographic areas and market segments.
A return to profitability and a constantly improving financial structure enable the Group to envisage boosting growth by investing in skills and capacity.
Targeted acquisitions may take place in 2006 in order to achieve the following objectives:
- backing the Group's RightShore™ strategy via the acquisition of production capacity in areas offering high technical quality and competitive costs;
- expanding the Group's territorial coverage, particularly in European countries where Group market share is not representative of its global size;
- increasing technical skills as well as innovation in specific high added-value fields within its client offering.

The Group will pay special attention to ensuring that these targets do not compromise its financial structure or future financial ratings, and that they all contribute to achieving its growth and profitability targets.

With regard to technology services, the growing industrialization of production will lead the Group to produce an ever-increasing proportion of services within 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 qualifications and the cost of IT professionals and technicians employed. In this respect, the Group may need to increase its production capacity in Asia and Eastern Europe in the coming years.

As part of the Group's systematic performance review of its business portfolio, and in parallel with this capacity development policy, the Group could decide to press ahead with the disposal of non-strategic businesses or activities that are not consistent with its profitability requirements.

VI – CORPORATE RESPONSIBILITY, SUSTAINABILITY AND SOCIAL STEWARDSHIP

6.1 Corporate Responsibility and Social Stewardship at the heart of the Group

Corporate Responsibility and Social Stewardship have been integral to Capgemini since its inception in 1967. At the heart of the company, the Group's seven values set the underlying context for Capgemini as a socially responsible organization. These values are the behavioral rules that every member of the Capgemini group is expected to follow.

- The first is **Honesty**, meaning loyalty, integrity, uprightness, a complete refusal to use any underhanded method to help win business or gain any kind of advantage. Neither growth nor profit nor independence has any real worth unless won through complete honesty and probity. Everyone in the Group should know that any lack of openness and integrity in business dealings will be penalized immediately upon it being proved.
- **Boldness**, which implies a flair for entrepreneurship and a desire to take considered risks and show commitment (naturally linked to a firm determination to uphold one's commitments). This is the very soul of competitiveness: firmness in making decisions or in forcing their implementation, an acceptance to periodically challenge one's orientations and the status quo. Boldness also needs to be combined with a certain level of prudence and a particular clear sightedness, without which a bold manager could become reckless.
- **Trust**, meaning the willingness to empower both individuals and teams; to have decisions made as close as possible to the point where they will be put into practice. Trust also means favoring open-mindedness as well as wide-spread idea and information sharing.
- **Freedom**, which means independence in thought, judgment and deeds, and entrepreneurial spirit and creativity. It also means tolerance, respect for others, for different cultures and customs: an essential quality in an international group.
- **Solidarity/Team Spirit**, meaning friendship, fidelity, generosity, fairness in sharing the benefits of collective work; accepting responsibilities and an instinctive willingness to support common efforts when the storm is raging.
- **Modesty,** that is simplicity, the very opposite of affectation, pretension, pomposity, arrogance and boastfulness. Simplicity does not imply naivety; it is more about being discreet, showing natural modesty, common sense, being attentive to others and taking the trouble to be understood by them. It is about being frank in work relationships, loosening up, and having a sense of humor.
- **Fun**, finally, means feeling good about being part of the Group or one's team, feeling proud of what one does, feeling a sense of accomplishment in the search for better quality and greater efficiency, feeling part of a challenging project.

6.2 Fundamental Group objectives

As a standard-setting IT service provider, the Group's fundamental commitment is to deliver measurable and sustainable results to its clients by bringing together expertise in business, consulting, technology and operational skills into truly integrated services.
Throughout its history, the Group's stakeholders have accompanied and encouraged its development. The Group's principal objective has therefore been to allow clients and employees to benefit from its expertise through sustainable

and profitable growth, enabling a proper return on shareholders' investment.

The **profitability** of the businesses is the main lever to attain a superior **return on investment**. This profitability – which is the only truly objective measure of performance of operational units – must in turn pave the way for new developments.

Profitability must be accompanied by a controlled **growth** in revenues so that the Group remains one of the world leaders in an increasingly consolidated market and continues to attract the best talents, and to best serve its clients and partners.

This growth is also instrumental in enabling each **employee** to see an evolution or increase in his/her responsibilities, skills and capabilities and to benefit on a professional level from the Group's development.

The Group's final fundamental objective is **excellence**. It is top quality work, at all levels and at all times, that enables Capgemini to promise its clients a degree of satisfaction in line with their expectations. This client satisfaction is in turn the engine that spurs growth and profitability in order to secure the independence, leadership and staying power of the Group.

These objectives can only be achieved by acting as a socially responsible organization committed to the long term sustainability of the communities and environments in which the Group operates.

6.2.1 Building on long-standing practices

Being a socially responsible organization means upholding a body of values, standards and commitments both internally and externally – commitments which have played a major role throughout the Group's history and which evolve with market developments. They include:

- **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 (skills building, equal opportunities, effective communication, employee consultation and engagement, and health and safety in the workplace);
- professional enhancement, which incorporates:
  - career management,
  - personal development;
- **diversity policies and practices**
- **relations with the Group's external stakeholders**, notably clients, shareholders, suppliers, alliance partners and the communities in which the Group is a major employer.

The Group aims to uphold these standards as it addresses the following key business challenges:

- to meet client requirements and constantly incorporate the latest technology into the service offerings, while ensuring compliance with changes in legislation and corporate governance codes;
- to retain 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 strategic orientations;
- to respect values and business ethics and to promote best practices throughout Capgemini, while complying with the regulatory requirements of each country in which the Group operates.

6.2.2 Tangible action

In 2003 the Group formalized its sustainability and social stewardship strategy by means of the "Corporate Social Responsibility (CSR)" strategy. CSR falls under the responsibility of the senior management and is coordinated by the Group's General Secretary.

The Group's actions and priorities in this area include:

- precise and regular measurement of compliance with fundamental Group rules on human relations;
- a clearly defined Code of Ethics that is published internally and externally;
- publication of the relationship expectations between the Group and its employees – the **People Charter**;
- increased focus on leadership development at all levels within the organization, including greater awareness of the role of the Group as a responsible corporate citizen in its local communities;
- training and upgrading skill-sets in line with technological developments and market demand;
- improvement of diversity at all levels within the organization;
- conscious-raising of the Group's purchase managers as regards ethical purchasing principles;
- definition of an environmental policy and indicators, and improvement of monitoring and reporting processes across the Group;
- increased Capgemini support and impact within the communities in which it operates.

Human rights and labor standards

The Group continues its support of the Global Compact launched in 1999 by the Secretary-General of the United Nations, which Capgemini joined in 2004. Member companies undertake to support and respect ten principles relating to human rights, the environment, labor rights and anti-corruption.

Furthermore, as a global organization, Capgemini recognizes that local customs and traditions may differ. The company respects local laws and customs while supporting international laws and regulations - in particular the International Labor Organization fundamental conventions on labor standards.

Group actions in 2005

The principles of Corporate Responsibility, Sustainability and Social Stewardship in 2005 led the Group to place a

strong ongoing focus on diversity and to set core diversity criteria, which country operations are expected to track and measure. The Group has also set out to embed expectations of corporate responsibility more firmly into the supply chain; increase the Group's commitment to environmental initiatives; and more systematically build responsibility and sustainability expectations into the way we work with our clients. Action plans have been, and are being, shared with core communities within the Group e.g. procurement and travel management, and will be further progressed in 2006.

The Group's core global policies and principles manual (The Blue Book) has been updated to reflect expectations and growing focus in this area and these policies are also being built into our internal audit procedures.

Responsibility for realizing the Group's CSR aims is being increasingly formalized through an internal network of champions and experts. Many countries are now appointing a social responsibility lead to drive local action plans in line with the wider corporate goals. To further disseminate messages and drive focus within the wider organization, the Group has a knowledge portal to capture best practices and aid initiatives, an intranet site and local internal communications. Externally, a social responsibility section has been built into the corporate website and the Group continues to respond openly to CSR ratings agencies and CSR focussed investors.

2005 also saw the Group focusing on a set of specific human resources priorities. These included revitalizing recruitment; a strong focus on employee retention, development and engagement; developing the Capgemini leadership, management and talent pool; and increasing the focus on internal communications.

Underpinning all human resources initiatives is a set of HR Principles – standards that must be adhered to in all parts of the Group. HR audits now form part of the Group internal audit process. Particular focus is being given to exporting Capgemini's already-established HR practices to the rapidly developing regions of China, India and Poland, and ensuring that the same values and principles are enjoyed there by all employees.

The 2005 HR priorities were actively translated into a range of tangible achievements within the operating entities:

Revitalizing recruitment

- As a strong statement of the Group's values, commitment to its people and collaborative approach to its clients and employees, Capgemini published its People Charter both externally and internally. This sets out the Group's employment promise both to potential joiners and existing employees.
- Many countries have revitalized recruitment and taken further steps to recruit diversely. For example, recruitment partners have been re-advised of Capgemini's commitment to diversity and female managers are actively involved in female recruitment. Where possible, some regions are recruiting in the close neighbourhood in order to support a better work-life balance.

Retention and engagement

- Many countries have implemented initiatives focusing on employee **wellbeing** including work life balance programs, stress management, improvement of employee-manager relationships, retention and reward initiatives, and better working conditions for areas of the business that have typically put high demands on employee time, travel and commitment.
- The Group has a comprehensive approach to working with the International and National Works Councils, employee forums and representatives when developing policy and practice – and actively encourages **employee engagement**.
- All countries saw a sharp improvement in **employee satisfaction** through the annual employee survey – both in the Employer of Choices Index (a summary indicator of employees' commitment and satisfaction) and in the majority of individual questions.
- The Group's University continues to stamp its mark at the heart of our development culture, in particular:
  - increasing the focus on **leadership development**;
  - increasing the impact and reach of the University on our people, linking them strongly to **Group priorities** through specially orchestrated weeks (Business Priority Weeks) with mixed communities and programs;
  - including **diversity and social responsibility** topics in global programs;
  - encouraging all new employees in the Consulting Services discipline to attend global Consulting Skills Workshops to reinforce their knowledge, thereby producing consistent expertise and enabling to build international co-operation and understanding from the start of their careers in the Group.
- A new and improved version of the "MyLearning" online Learning Management system was introduced in 2005. Through Group deals, the number of e-learning modules covering business, IT and soft skills has increased to over 1500. Employees also now have online access to over 10,000 books relevant to their profession and clients' industries.
- To meet clients' business needs and to support individuals' desires for professional development abroad, Capgemini continues to provide opportunities for people to develop their careers internationally. Specific **global mobility initiatives** supported in 2005 include an exchange program between France and India for managers and engagement managers and an initiative in Northern Europe and Asia Pacific (NEA) to encourage employees in Consulting and Technology Services to work cross borders. This includes having open resourcing across regions, a portal posting global assignment opportunities and incentives for managers to resource globally. NEA also launched a

- Graduate Mobility scheme allowing graduates to job-swap every 6 months between countries.
- Working with local communities is actively encouraged - funding and skills being provided – in recognition of our impact as a major employer in those communities.

Leadership and management

In order to ensure that company develops and retains a pool of talent for the ongoing leadership and management of the Group, all Strategic Business Units have enhanced the focus on **Talent Management Programs**. Actions have included sending people on specific leadership development programs at the Group University, setting strategic assignments, or allocating executive mentors or coaches.

Communications

2005 saw a real focus on internal communications to keep employees connected with Group developments, to create a sense of belonging and drive re-use and efficiency of the Capgemini processes for purposes of winning and delivering business. In particular, a range of communications around "diversity" continued to keep this topic to the fore.

Country Initiatives in 2005

All of Capgemini's country operations were encouraged to take actions to support the following:

- to increase or revitalize their community involvement;
- to focus on initiatives with an impact on employee retention and engagement;
- to increase diversity in the workforce; and
- to focus on learning and development or re-skilling programs where appropriate.

The following are some examples of country actions.

UK & Ireland (UK&I)

Within the community

2005 saw the UK&I business actively involved in community support - engaging with communities and clients, supporting charities and education and taking part in community activities as part of day to day business, including for example the Graduate Development Programs with many of our Outsourcing clients.

For example, Telford in the British Midlands is home to Capgemini's largest client work - the ASPIRE project. With over 2,500 employees in Telford (on both ASPIRE & Schneider Electric), Capgemini is the largest private employer in the region.

Capgemini has taken an active role in the local community, with an early sponsorship of the local football club AFC Telford United, which had been facing financial difficulties. Since July 2004, the company has helped turn around the fortunes of the football club, created opportunities for coaching for youngsters and been part of developing a new Learning centre.

Capgemini has also forged a strong partnership with the local college to develop new work experience programs and the area's first IT Foundation Degree.

The attractiveness of Capgemini as a local employer was seen in December 2005 when more than three times the expected applicants attended one of the company's recruitment fairs.

The UK&I business helped invigorate funding for part of the Prince's Trust, the UK's leading charity for young people. 40 colleagues also undertook tough challenges to raise £115,000 (€166,000) for the Trust. The UK&I continues to support education with programs like Time to Read and Head Teacher mentoring. Also, after the Tsunami disaster, colleagues raised £117,000 (€169,000) to pay for the reconstruction of a primary school in Indonesia.

Retention and engagement

2005 saw ongoing improvements to the work-life balance including a new stress management policy and greater flexibility added into the Work-Life Balance policy and initiatives to encourage a healthier life-style. The Consulting Services "Revitalization" program included many initiatives to re-energize the business including ones to improve working conditions for employees and to further develop capabilities. Employee satisfaction levels remain high and an area of continued focus.

Diversity

In 2005 the Diversity Champions network continued to engage the business and employees to spread good practice. The UK&I consulting practice strongly focused on diversity through increased recruitment and focus on retention. The graduate recruitment programs for Consulting and Technology also succeeded in recruiting a very balanced and diverse mix. To encourage role modeling and the mentoring of younger talent, a senior women's network was established. The company was also profiled for commitment to diversity by Race for Opportunity – a non-profit organization promoting diversity.

Learning & development

To increase learning opportunities whilst minimizing travel costs, the UK Learning and Development team took to the road and delivered some 400 in-house lunchtime training events in 15 different locations with over 3,300 people attending – all over and above the UK&I's normal training programs. Keeping up the focus on people development, the company also implemented an internal People Management Certification Program and the ASPIRE business set up a specific Modern Apprenticeship Scheme. The UK&I also continues to support re-skilling. For example, in one area of the Outsourcing business alone, over 330 individuals were re-skilled.

France

Employee Survey results saw impressive improvement in 2005, rising very close to the high levels of confidence and

satisfaction seen in 1999. In particular, both confidence in the company, market and management, and overall personal satisfaction were improved.
Through its nationwide coverage Capgemini contributes to maintaining and developing very much looked-for improvements in working conditions for many by achieving a better balance between Paris-based and regional-based employment through having delivery and administrative centres in the different regions rather than in Paris.
Learning and development modules focus on helping employees in their work-life balance, covering issues such as 'stress and vitality', 'conflict prevention' and health.

Sogeti in France has set up its own business school dedicated to deliver long-term training programs. Newly recruited graduates are given a comprehensive set of courses, including specific skills aligned with the main service offering portfolio such as Software Control and Testing and Infrastructure Management practice. The business school also delivers retraining programs for people who need to be re-skilled according to major market shifts. For example, software developers specialized in mainframe or client/server technologies are moved to software development in Java, .net environment whereas system administrators are moved from legacy systems onto open architectures. These programs last more than 4 months, the objective being to reposition professionals on new trends where their experience and knowledge make sense in terms of new market demands. The training programs are based on several modules in order to reinforce the "soft skills" and behaviour competences, methods, know-how and best practices skills as well as the new technology skills. The modules are grouped together in an educational, logical sequence according to the future role these professionals will undertake. By the end of their courses, attendees have to put their knowledge into practice through a state of the art simulated project. To finish their courses, the professionals present their new competencies to their peers in order to demonstrate that they have assimilated this new knowledge and are ready to be assigned to new roles.
More than 200 graduates have joined Sogeti and more than 200 employees have been retrained through these programs.

Diversity
Capgemini France has been actively involved in promoting higher education programs for disabled persons to help them to acquire proper qualifications for entering the job market. The company has also been rolling out a training and awareness program, for managers in charge of recruitment, in order to promote further diversity through recruitment. All employees involved in recruitment must uphold French law which states that the sole recruitment criteria is an applicant's competence.
Learning and development
2005 saw the roll out of "GPEC" (Employment and Competency Forecast Process). This estimates the necessary evolution in skills for staff, roles and competencies, between "as-is" and "3 years to-be", under certain assumptions as regards market changes and mid-term company strategy. Its aim is to allow the company to build plans for re-skilling, training, promotion and recruitment. A large investment in L&D (on average five times the legal requirement) is to be carried out as a consequence of this initiative.
The "Espace Carrière Mobilité" (career and mobility assistance) enables every employee to seek help from counselors for personal projects, career choices and problem solving.

North America
In the community
The North America business has active local 'SCENE' teams that involve employees in educational, professional and charitable programs. In 2005, the company matched donations from employees on 3 major programs: the Tsunami, the hurricanes and the earthquakes.

Retention and engagement
The re-organization of the North American business to a more geographically-based business model allows the focus to be on working locally and being managed locally, showing a marked improvement in work-life balance. North America also introduced its People Manager Certification program to better develop leadership and people management competencies.
As a part of the North America recruitment revitalization a new program for previous Capgemini employees, called ReConnect, was launched. The alumni program has a comprehensive alumni website which includes:
- Searchable online alumni directory,
- People Spotlight,
- News and events,
- Alumni Resources,
- Thought Leadership.

Diversity
Building on an already broad base of diversity initiatives, an additional African American Affinity group was set up and recruitment has been focusing on increasing diversity.

Learning and development
North America led the way in updating their Learning Management System as part of a wider Group update. The system provides employees with learning maps and competency development maps and also tracks any learning modules that individuals should take.

China
Retention and engagement
To help support the growth of the business in China an almost completely new HR team was formed with mostly

Chinese team members. The team is rolling out Group people management standards to provide improved support in line with Group commitments to all employees. The remuneration policy has been reviewed, benchmarked and revised.
The comprehensive internal communications program includes many new initiatives: a renewed intranet, regular weekly information to employees, increased awareness of Capgemini's principles and promotion of the use of the Group's global intranet 'Talent' to foster understanding and a sense of belonging to the wider Group.

Learning and development
2005 saw a strong focus on developing counseling principles and competencies. Along with consulting training and technology training, a series of management development programs have been run to improve management and leadership skills. Language training is provided; and the competency model has been improved.

India
In 2005, one of the HR managers in Capgemini India won the Young HR Professional of the Year Award at the Asia Pacific Human Resources Outsourcing Conference. She was chosen for demonstrating excellence in HR and showing courage in pushing the limits in her role in an organization competing in a global market. Her outstanding achievements were highly praised by a panel of leading HR Professionals and CEOs and demonstrate the importance given by Capgemini to the support and development of its people.

In the community
Following 3 days of flooding in Mumbai, colleagues from Capgemini India rallied support, sponsoring medical camps and providing equipment to affected schoolchildren. Around 750 employees also donated blood in on-site campaigns.
Internally, the business set up the Benevolent Fund to provide monetary assistance to employees and their families in times of distress e.g. for medical treatment.

Retention and engagement
All new employees take part in a 90-day integration into the company. This involves an initial 2-day induction followed by a "Flourish" session after 90 days to check how the employee is settling in and to solicit feedback. New hires are all allocated mentors to help the settling-in process.
In addition Capgemini India has a range of ongoing initiatives to enhance employee wellbeing and satisfaction. Awards are given for project-based high performance, outstanding achievements and delivery excellence. In 2005, employees and their families enjoyed two major get-togethers, including the celebration of Diwali, at company sites. 'Socio-zone' entertainment events are organized quarterly with the firm contributing 50% of the costs and social events are held every last Friday in the month. In 2005, 48 teams also enjoyed participating in the company cricket tournament.
Every first Friday in the month, the Mumbai and Bangalore facilities connect for 'Focus Friday' – a celebration of sales, delivery, productivity and growth successes.

Diversity
To improve the percentage of women in the workforce, a conscious decision was taken to recruit more women graduates. In 2005, 29% of new recruits were women. Shift working and remuneration were redefined, extending better benefits to employees, and a formal anti-sexual harassment policy is now operative.

Learning and development
Learning and development activities included technology re-skilling, specific certifications for outsourcing professionals, cross-functional modular training to develop general competencies and engagement management certification. A six-week training program was also conducted for graduate recruits.

The Netherlands
Retention and engagement
In 2005, the Netherlands company ranked in 3rd place out of 113 organizations in an external survey of employee satisfaction by Incompany 200. Differing from the top 2 companies by only 1000th of a point, Capgemini scored particularly well on motivation, autonomy, facilities, career opportunities, education and collegial structure.
A Colleague of the Year election program is run to visibly promote and reward high performance. Every quarter, each part of the business nominates an employee and at the end of the year, first, second and third place awards are publicized, with substantial financial rewards.
The Netherlands has implemented work-life balance workshops for working couples and working singles with children.

Diversity
The Netherlands diversity drive includes a Diversity Awareness Program and active participation in the Platform for Professional Women. The higher percentage of female sickness has been reduced and a female development program has been started as part of the overall talent development program.

Environmental award
In 2005, recycling organization Stichting Disposables Benelux awarded Capgemini Netherlands the Retour Award 2004 for recycling 90 percent of their plastic drinking cups. Stichting recycles cups into DVD/CD cases, or removable fronts for mobile phones. A cash prize of €1,000 was awarded, which Capgemini doubled. The money was given to a charity project to repair used tools and send them to developing countries.

Central and Southern Europe (Germany, Austria, Eastern European countries, Spain, Italy and Portugal)

Retention and engagement

A broad range of flexible work models helps to improve the work-life balance in the Central Europe region – a flexibility that is appreciated by employees and recognized by applicants. Employees are able to work part-time, take periods of time off work or work partially from home.

Central Europe has developed a High Potential Program and aims to foster a "feel good factor" through special benefits such as extra bonuses, ad hoc perks or social events with employees and their partners.

In Central Europe, the internal employee survey has shown marked and steady improvement in employee satisfaction since 2002 across the areas of work-life balance, culture and values, pride in being a Capgemini employee, diversity, support from management and personal development.

Since the beginning of 2006, to support the aspiration to be a more family-responsible company, the Spanish company has now included Childcare vouchers in their social benefits program.

Diversity

To improve the gender balance within the Central European workforce, preference is given to recruiting female candidates when other qualifications are equal. Some specific recruiting events for female candidates are under discussion whilst female managers are actively involved in the recruiting process, especially at job fairs.

In Spain in 2005 there was a strong focus on recruiting diversity and a separate diversity section on the intranet has been developed to improve understanding of the importance of diversity to Capgemini in Spain. Training and recruitment of handicapped people has been undertaken and an agreement will be signed in 2006 with the main handicapped association.

For 2006 the Spanish team will continue their focus on diversity including:

- active membership in an equal opportunities network,
- a diversity section on the external website.

Sweden

Diversity

In 2005, Sweden built on an already strong foundation of diversity championship. A focus on gender distribution means that Sweden now has a 32% ratio of female employees. A number of actions were implemented to achieve this result. In most parts of the Swedish business, candidates from minority groups (in most, but not all cases, female) are always considered in the reorganization or promotion of new managers. Female executives are encouraged to take part in mentor programs with male mentors to promote an understanding of the challenges faced by female leaders. Diversity is also included in leadership programs for first line leaders.

Retention and engagement

Sweden runs work-life balance seminars for all employees with a focus on managing stress. The company proactively seeks solutions that allow employees to work flexible hours or from home when needed – with client agreement. The company pays 25% of a broadband connection at home. The company pays 80% of the employee's salary (up to an agreed maximum) for parental leave to both men/women for 6 months. Employees with children aged between 0-8 years old may also choose to work part time (75%).

In the community

In 2005, Swedish colleagues donated €11,000 to the private medical charity Médecins sans Frontières – a Christmas initiative in lieu of staff gifts.

6.3 Human relations

6.3.1 Constantly growing headcount

Employee headcount trends over the past ten years reflect the investment cycles of 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 increasing 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.

Following 2004, which saw an upturn in the number of employees, fueled particularly by two major outsourcing contracts (TXU and Aspire) resulting in the transfer of over 5,300 staff members, 2005 was a year of reinforcement. The pattern of renewed hiring that emerged in 2004 was significantly confirmed in 2005.

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%
2005	59,734	4.1%	61,036	2.9%

* 48,304 excluding Transiciel, acquisition only effective as at december 31.

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:

Year end	Headcount 2003	%	Headcount 2004	%	Headcount 2005	%
North America	7,914	14.2%	8,893	15.0%	6,351	10.4%
UK/Ireland	6,496	11.7%	8,534	14.4%	8,826	14.5%
Nordic Countries	3,672	6.6%	3,485	5.9%	3,429	5.6%
Benelux	8,540	15.4%	8,306	14.0%	8,613	14.1%
Central Europe	3,055	5.5%	3,390	5.7%	3,732	6.1%
France	18,442	33.2%	18,664	31.5%	19,866	32.5%
Southern Europe	5,404	9.7%	5,151	8.7%	5,591	9.2%
Asia-Pacific	2,053	3.7%	2,901	4.9%	4,628	7.6%
Total	**55,576**	**100%**	**59,324**	**100%**	**61,036**	**100%**

These movements reflect three main trends over the period:
- Increased use of Rightshore™ capabilities, which combine local resources close to the client with resources which may be located in specialized production centers based on a particular technology or service offering.
- Development of Local Professional Services, with a particularly strong focus on France and the Benelux countries.
- An upturn in business in the United States, which led to reorganization by region.

Following the trend begun in 2004, 2005 also saw very strong momentum in recruitment, with nearly 14,500 new hires. The upsurge in business in 2005 made it possible to implement "revitalization" programs, meaning that hiring mainly concerned young graduates, particularly in France, India, the United States, the United Kingdom, Spain and the Netherlands. All countries saw growth, but levels were particularly high in India with an expansion of nearly 83%, and at Sogeti which recruited 4,100 new employees.

At the same time, employee turnover – which measures the percentage of voluntary departures – continued to rise slightly in 2005, to 15.4% (from 14.1% in 2004), representing over 9,300 voluntary departures during the year. This trend reflects the upturn in the IT services market and the ensuing employee mobility. This turnover rate is carefully monitored on an ongoing basis and specific programs have been put in place to ensure that it remains in line with the rest of the industry. The rate differs depending on the business line and geographic area. In India, which is currently a high growth market for IT services, employee turnover fell by over 11% to settle currently below 20%.

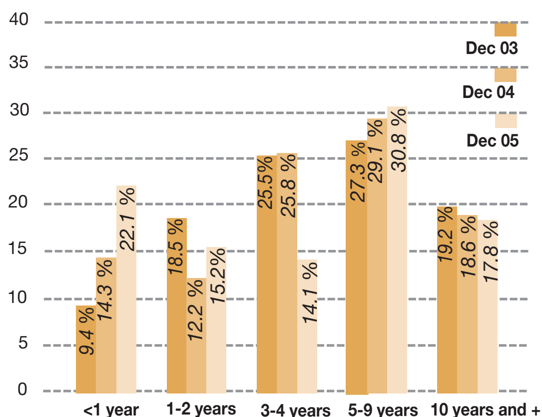
The resource utilization rate, which measures the ratio of directly billable time to total working time (excluding vacation), has risen overall in 2005 in the Projects and Consulting businesses (Consulting, Technology - or Systems Integration & IT Applications Development - and Local Professional Services) and can be analyzed as follows:

Quarterly	2004				2005			
utilization rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consulting Services	64.2	64.5	62.4	64.7	64.6	68.6	68.0	68.2
Technology Services	74.0	74.8	76.0	76.4	77.8	79.2	79.2	79.1
Local Professional Services	82.7	84.4	85.6	85.6	85.4	86.3	85.9	85.9

The utilization rate is not monitored for the Outsourcing business, for which it does not reflect changes in performance.

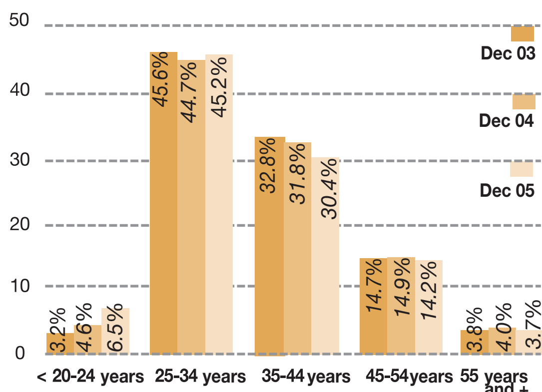
In order to fine-tune its assessment of the composition of its workforce, since 2003 the Group has been tracking a number of indicators for average length of service, average employee age and male/female ratio.

HEADCOUNT - SENIORITY: CHANGE 2003-2005



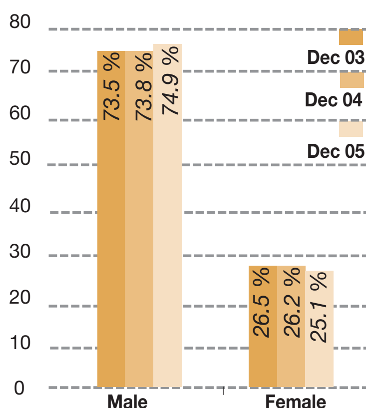
Changes in average seniority reflect the Group's hiring policy over the past few years. Following two years of very selective recruiting, the proportion of people with between one and two years' seniority had declined substantially. Renewed hiring in 2004 and 2005 then brought a sharp influx of employees with less than one year of seniority. 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. Added to the hiring freeze in 2000 to 2003, this had the effect of increasing the number of employees with over five years of seniority within the Group.

HEADCOUNT - BY AGE: CHANGE 2003-2005



As in 2004, the average age of Group employees declined only very slightly, to 36.3 years. The renewed hiring of young graduates in 2004 and 2005 has led to a doubling of the proportion of employees under 25.

HEADCOUNT - MALE/FEMALE RATIO: CHANGE 2003-2005



The percentage of women employed edged down in 2005, 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..

6.3.2 Human capital – the Group's most important asset

As an intellectual service provider, the Group's main asset is its highly-qualified workforce. Employee motivation and intellectual resource management are key to the Group's success. The Group's approach to corporate responsibility and social stewardship 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.

The People Charter - published in full on Capgemini's intranet and internet sites and summarized here - sets the foundation for the relationship between Capgemini and its employees.

Capgemini believes that every professional is key to the success and sustainability of the Group. As a result, the company offers an environment where all can progress and develop their skills, collaborate with diverse professionals, contribute to the Group business goals through varied assignments, sharing of knowledge, and enjoying a rewarding career.

Capgemini believes that the success of the business is grounded in the diverse work and life experiences of its people. Success is driven by the individual contributions of outstanding professionals who work together to create a Collaborative Business Experience with clients and deliver outstanding results.

Capgemini's collaboration principles include:

- combined client and Capgemini project teams: when the

client succeeds, Capgemini succeeds;
- open communications: active listening and an environment where all ideas and viewpoints are welcome;
- commitment to transfer knowledge and help clients become self-sufficient;
- client relationships based on trust and mutual respect: supporting honest interactions and endorsing constructive feedback;
- responsive and cooperative attitude: understanding the clients' business and needs; providing excellent service; delivering on promises.

Capgemini strives to offer all professionals a rewarding professional and personal life by providing interesting client assignments, challenging roles, shared knowledge, training and leadership development opportunities, state-of-the-art technology, rigorous delivery methods and certification programs, leading practices, and a collaborative work atmosphere.
The company believes in a two-way dialogue where employees' priorities are consideredwithin a collaborative process in order to define targets relating to management, performance and compensation.

Capgemini's commitment to its people

Capgemini aims to capture the hearts and minds of professionals around the world in a common and shared culture, through focused areas:
- applying the collaboration principles to the relationship between the professional and organization;
- respect for Capgemini's Corporate Social Responsibility and Sustainable Development engagements on diversity, social cohesion and ethical charter;
- a performance management process that considers employees for what they do and how they do it;
- career flexibility through clearly defined competency models and career tracks.
- learning and development opportunities to help people excel;
- recruiting and on-boarding with collaborative behavior;
- a team-focused environment rather than cliques and clans - where professionals can enhance their skills, share knowledge and enjoy a rewarding career;
- constant improvements and a willingness to discard the past when appropriate;
- encouragement of personal pride in collaborative achievements and acknowledgement of the equal value of all disciplines as assets for the Group.

6.3.3 Fundamental principles

The Group is committed to a number of fundamental principles that govern its relationships with its employees. These principles are that all employees:
- be given an annual performance appraisal, as well as the opportunity to discuss its content in an individual interview;
- are entitled to a personalized development plan;
- the help of a mentor with whom they can discuss their career path;
- be able to regularly voice their opinion through a survey on overall trends concerning the Group and on professional development;
- to be regularly informed by their managers and able to engage in dialogue concerning their assignments and work environment.

These principles are enshrined in Capgemini's performance management processes.

6.3.4 Personalized career management

The competency model

Employees' professional development is supported by a competency model which forms the basis for performance appraisal and personal career advancement. The model, rooted in shared values, is tailored to take into account the specific needs of each of the Group's businesses such as specific knowledge or expertise for each discipline.

Personal development and appraisal

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. Such a framework ensures the professional development and promotion of all employees, because skills assessment is the best way of respecting equal opportunities.

For this purpose, 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 from more experienced colleagues.

Mobility

Geographical mobility, whether within a country or internationally, is supported by the Group and is often requested by employees. To facilitate mobility within each country, intranet sites indicate available positions to give every opportunity for roles to be filled by existing employees prior to being advertised externally. Likewise, for professionals involved in overseas assignments or who are considering an international career, useful information can be found on company intranets together with 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. 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 the risks faced by its people as far as possible.

6.3.5 Learning, a major priority

General learning policy

The value of a consulting and IT services company lies in the quality of its intellectual capital. In an industry characterized by rapid technological change and changing patterns of work, it is essential for employees to keep their knowledge and skills up-to-date in line with client and market needs. It enables them to leverage and to build on their knowledge, and gain rewarding professional experience. Personalized development plans are therefore designed at the time of the annual performance interview and reviewed at least once a year. Furthermore, operating units undertake a systematic and iterative review of both the capabilities required for their businesses and their portfolios of training offerings to keep apace with current and future market needs.

The fundamental strategy of competency development draws upon various approaches:

- standard training programs;
- mentoring systems;
- e-learning;
- on-line books;
- on-the job training;
- easily accessible databases for knowledge sharing;
- management of professional interest communities;
- forums and team rooms.

A culture of sharing and networks is vital 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 implementing the Group's strategy.

Considerable resources devoted to training

Resources are devoted to training both at Group level and locally. The Group has a learning management system called *MyLearning* which is open to all employees. It contains all Group programs and, for many regions, their local curricula. The underlying platform of MyLearning was refreshed in 2005 to give an enhanced learning experience and to improve available learning tools. The catalog of courses includes a range of training options to suit different learning styles including e-learning, on-line mentoring, test-preps, books, online examinations, language courses, live virtual training and meeting sessions, and classroom teaching. Classroom instruction is provided either at local training centers or within the Group University.

The Group University

The Group invested €96 million in a specialized Business Learning Forum called Les Fontaines – which opened in early 2003, reflecting how important training is to the Group. This is the home for the Group University and is an ideal platform for employee integration and networking.

The number of participants for the University's training programs in 2005 was the highest ever, delivering 20,191 participant days to 4,900 individuals with over 1,000 people attending courses in their local countries. This is a massive increase over the 2,470 participants in 2004. The overall quality and satisfaction rate for 2005 was 4.3 out of 5.

The University is structured into a number of schools aligned to the business. The Leadership Development School and the Business Development School are transversal and open to all discipline members. The Consulting School and Technology school are aligned to their respective disciplines. The Technology School is a key support for our internal certification programs for Engagement Managers, Architects, Software and Infrastructure Engineers.

The certification process

Internal certification

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.

The process has three objectives:

- to create strong and recognized professional-interest communities by sharing information, knowledge and skills in specific areas;
- to ensure a blended distribution and graduated progression of competencies, 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".

The Group has six main internal certifications for: Engagement Managers, Architects, Software Engineers, Infrastructure Engineers, Enterprise Applications Specialists and for People Managers.

At the end of 2005, 3,631 people had received certification at Group level (some 6% of the Group's total headcount), against 3,456 at the end of 2004.

External certification

The Group has a long-standing external certification policy and has enhanced this through online learning programs that provide the ability to study for external affiliation, including test preps and online mentoring.

In 2005, 3 Group employees were awarded the Microsoft Most Valuable Professionals (MVP) awards for outstanding contributions to Microsoft communities of experts. MVP status is awarded to the most active online community experts for their technical expertise, voluntary willingness to share their experiences, and their commitment to helping others realize their potential within Microsoft's technical and product communities.

Another Capgemini manager was awarded the Emeritus Member Award by BMC Remedy Products, the developer of a service management system used by the Outsourcing dis-

cipline. The award was given for his pivotal role in developing the relationship with this key partner and collaborating to ensure Remedy products meet not only the needs of Capgemini but also of the wider outsourcing market.

Capgemini Center Certification

At least 33 Capgemini centers including Accelerated Delivery Centers, Application Management Services Centers and Technical Excellence Centers now have some form of certification. For example, centers in France, the United Kingdom, Belgium, the Netherlands, Germany, Spain, Italy, the United States, Canada, the Nordic countries and India have ISO certifications including ISO 9001 / ISO 9001-2000. Many centers are also working on their CMM/CMMI® (Capability Maturity Model Integration) certification, specific to the applications development business. The Mumbai and Bangalore centers in India have obtained the highest CMM and CMMI® certification (Level 5), and 9 other centers across France, the Netherlands, Spain, Canada and the US have also achieved CMM/CMMI® (Level 3).

6.3.6 A firm commitment to dialog and communication

Bringing together 60,000 people in an ever-changing and highly competitive world and in a spirit of collaboration cannot be achieved without frequent and broad internal communications.

Capgemini believes effective communication is a precondition for an open and honest culture and for the involvement and engagement of employees. It is also essential for rolling out knowledge, sharing successes and creating a sense of belonging – to local teams and to the Group globally.

In 2005 Capgemini continued to focus on communications at the Group level. In particular:

- The Group intranet, Talent, updated with real-time news and information, enjoys over 15,000 visitors each month. Talent includes information, methods and tools concerning the Group and contains links to local sites, training sites and communities. There are over 5,000 subscribers to News Alert, and a Weekly Email Edition is sent to all Capgemini employees every Friday.
- 2005 saw a further increase in the number of global channels used for consistent communication with the introduction of weekly audio news “podcasts”.
- Talent also runs a themed annual communications and award program, designed to recognize and reward people from all parts of the Group. In 2005 the theme was ‘On the Move’: employees were invited to identify an initiative which they believed had been key to getting things in Capgemini on the move after the market downturn.
- Newspapers and rich-media, produced by Group Communications, support communications at special events.
- A dedicated channel helps to develop the community and communication between the Group’s principal operational leaders. “The Executive” series comprises a monthly newsletter, a calendar of events, a Who’s Who and regular e-mail updates.
- In 2005 Capgemini held its first-ever all-staff Webchat, “Let's Talk On-line.” For 90 minutes, the 4 members of the Office of the CEO answered questions from any of the 60,000 employees worldwide in five languages. Those unable to take part could send their questions in advance and all questions were answered.
- Electronic community tools such as ‘Community Home Spaces’, ‘Team Rooms’ and other forums continue to evolve to allow internal communities to debate on technical topics, rapidly share best practice and access Group tools and methodologies.
- The Group University consistently provides a vital platform for international communication and exchange.

Whilst the wealth of global communications initiatives provides cohesion and understanding within the Group, local communications teams, with help from human resources colleagues, play a vital role in supporting the corporate culture. Above all, communication is a daily management task, drawing on various local initiatives developed through newsletters, intranet sites, information meetings and formal or informal exchanges.

Communication at the heart of employee transfers

Maintaining the involvement and satisfaction of existing employees is only part of the communications challenge. Winning the hearts and minds of the many people who join the company each year as part of an outsourcing deal is equally vital to the success of any deal. In 2005, over 600 people joined Capgemini from Schneider Electric in 26 countries. Communication at all stages was of critical importance. Road shows in the countries, and joint meetings with strong support from Group management, were instruments of success. Websites were set up in several languages to cascade detail on each wave and how it would affect people. A celebration event marked each individual country transfer, with welcome booklets and induction sessions scheduled to ensure rapid integration.

Two-way communication and employee involvement

At the heart of the Capgemini’s communications philosophy is a commitment to dialog. Whilst informal two-way dialogue is always encouraged, understanding the satisfaction levels of employees is also formally sought through the annual Group survey. Locally managed but globally consistent, the survey tracks a set of questions that remain basically identical over time enabling to monitor changes in satisfaction data and the impact of any corrective action taken. Employees are informed of the results of these satisfaction surveys.

Employee representation – a formal voice for employees

Capgemini also demonstrates its commitment to formal two-

way dialog through its approach to employee representation. The company upholds the laws of representation and recognizes the importance of constructive dialogue between employees and management in shaping key decisions affecting the running of the Group. In 2001 the International Works Council (IWC) was set up as the official representative body in the Group, meeting 4 times a year. It enables employee representatives to bring employee interests directly to the attention of Group management and in return to be informed directly by management of plans for the company and their impact on its employees.
Since 2004, Capgemini has gone beyond the dictates of European legislation and opened the IWC meetings up to members from non-European countries, including the Americas and India, creating a truly globally representative body. In 2005 a working session on Capgemini's Corporate Social Responsibility was held with the IWC, generating widespread support and suggestions. The IWC also set up a dedicated intranet site to give all Group employees open access to IWC information.
At a local level the company also supports dialogue with unions or other employee representatives, within relevant bodies and through the processes provided for in local legislation, regulations and agreements.
In France, an Information Dissemination Agreement was signed in 2002 to define the terms and conditions for information to be issued to employees by the unions, Health and Safety Committee and other employee representatives via the Group's intranet. Similar practices also exist in other countries such as Spain and the United Kingdom.
The quality of dialogue with employee representatives is also vital during transitions of people into the Group. For example, in the Schneider Electric deal, contact with unions in each country was established at the earliest point in the cycle and this helped to set up specific legal arrangements to cope with discrepancies between pensions at Schneider Electric and Capgemini. In the UK the ASPIRE deal had over 80 complex employment items to be resolved before any transitions could be conducted. All 80 items were resolved with a group of employee representatives who met weekly with management.

6.3.7 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 policy aims 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.
The Vice Presidents and Senior Executives compensation schemes are overviewed and authorized at the Group level for both fixed salaries and variable compensation schemes. Non Vice President and Senior Executive compensation schemes are locally designed and managed but with Group approval on the principles.

6.3.8 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. The Board of Directors granted a certain number of options to 6,193 people under the fifth stock option plan, which was launched in May 2000 and expired in May 2005, and to 650 people under the sixth plan, launched in May 2005 and expiring in July 2008. Details of these grants have been provided each year in the Management Report presented at each Annual Shareholders' Meeting of Cap Gemini S.A. 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 and stock options granted by Cap Gemini S.A. to the ten non-director employees with the most stock options, as well as the options exercised by those employees is provided on pages 82 and 148 of this report.

6.3.9 Diversity, equal opportunity and working conditions

In all countries of operation, the Group complies with local labor legislation and international labor regulations.
In its relations with employees, Capgemini endeavors to guarantee equal opportunities for all, with no unlawful discrimination. Principles and values are applied in such a way as to promote diversity, the physical integrity of employees and a fair balance between work and private life. Capgemini is committed to ensuring that individuals are shown respect and that the work environment is free from bullying or harassment.
In line with the UN Global Compact and the growing importance of Corporate Social Responsibility, a formal diversity management project was launched in 2004 and built on in 2005.
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 was added to the external website;

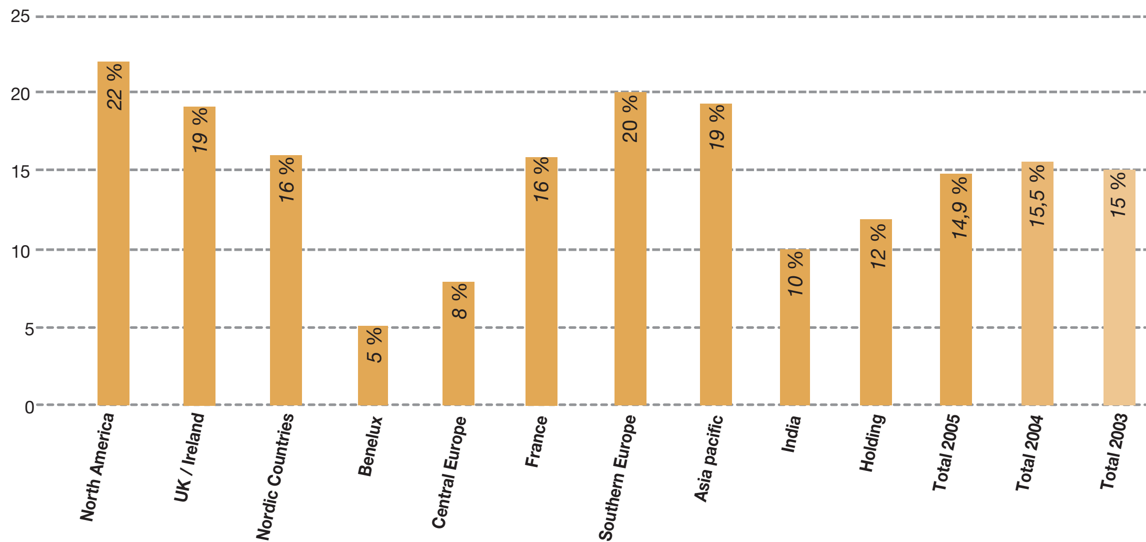
- the approach is also set out in the diversity section of the global intranet and serves as the framework for local policies. Group guidelines explain the reasons for implementing a diversity management policy and identify what can help or hinder it;
- an internal communications program was launched in 2004 to raise employee awareness of diversity. Based on the response levels and interest generated, the campaign was continued in 2005 and included a range of online articles spotlighting developments in different regions. Some regions have their own local diversity sites and diversity is also kept on the agenda at senior executive meetings;
- at Group level tracking is carried out, 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. At a local level in a number of countries, where allowed, tracking is carried out of specific diverse populations such as different cultural groups, age groups and people with disabilities;
- diversity performance indicators are also included in the HR audit run each year;
- many country operations have local action plans and local initiatives are coordinated to allow the sharing of knowledge and roll out of best practices;
- diversity is specifically addressed in the HR processes of recruitment, promotion, performance management and compensation. At entry level there is now well-balanced gender recruitment but more work is still required moving up the grades. Many regions have actions in place to target recruitment of a more diverse workforce on all dimensions;
- some regions including the Netherlands and Norway have developed initiatives to help develop female leadership including mentoring and coaching to encourage progression to senior management levels;
- 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;
- networks of diversity champions are now active in many regions. As a measure of commitment, the businesses in India and in the UK have appointed diversity champions in non-HR line management positions.

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. Capgemini Netherlands also launched three pilots to implement short term actions on gender diversity such as no selection without at least one female candidate, finding female role models and implementing a female development program;
- 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. Graduate recruitment has proactively targeted the recruitment of women to improve the female ratio;
- 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. In 2005 they again identified Capgemini in the UK as a Best Practice Organization in the area of Diversity. Recently the UK has focused on recruiting new female vice presidents and executive consultants; reviewing real or perceived barriers to the development of a more diverse workforce; and encouraging networking and experience sharing;
- the UK also enables employees to update on-line their personal data with 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;
- North America has developed 'Lending Libraries' of language tapes, diversity training and other diversity-related materials. They also have special-interest networks that operate either on a national or local office basis. These networks allow individuals to share ideas and concerns. Established or forming groups include the African-American Affinity Group, the Gay/Lesbian/Bisexual/Transgender Affinity Group, the Hispanic Employee Network and the Professional Women's Network. Externally, Capgemini North America is also teaming up with minority-composed suppliers and helping to develop, implement and improve the effectiveness of supplier diversity programs;
- women's networks have been created in Belgium, Australia and the Netherlands, among others.

In terms of women's representation at the highest levels of responsibility, the situation was as follows as of December 31 2005:

PERCENTAGE OF WOMEN IN SENIOR POSITIONS BY OPERATING UNIT



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

- 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 working conditions and preserving the confidentiality of personal data;
- in France, the company has been negotiating a comprehensive agreement with trade unions to promote employment of disabled people. 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. The company has carried out substantial work with the UK 'Employers' Forum on Disability' to develop a best practice system for monitoring & supporting disability. As a result, the company was asked by the "Employers Forum on Disability" to sponsor their publication "Monitoring for Change: A practical Guide to monitoring disability in the workforce";
- India, Spain and Italy collect data on their disabled employees in order to provide specific assistance.

Health and Safety in the workplace

Health and Safety in the workplace is an important feature of human resources and facilities management. Fortunately, the Group's businesses do not involve high-risk activities. Health and Safety responsibilities are taken very seriously and the company has specific processes and measures in place. Capgemini also often works in collaboration with clients regarding their buildings and locations where staff may be working. In addition, areas of concern are regularly reviewed and preventative measures put in place.

6.4 The Group and its clients

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 (On Time and Above Client Expectations). Clients are asked to indicate their main expectations from the Group's services based on a set of relevant indicators related to the type of service provided, the nature of the working relationship, knowledge sharing and 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 Production Director.

Social responsibility within our clients

As issues of corporate social responsibility take on further prominence, the Group intends to increasingly take into account the CSR and sustainability impacts of any projects carried out with clients. Considerations will be embedded into the process of project assessment.

6.5 Supplier relations

Capgemini's business of providing intellectual services means that personnel costs account for almost two thirds of its expenses, while 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 formalized new procurement procedures that contain guidelines on the ethics of purchasing and the selection of suppliers. The Group's commitment to ethical procurement has also been strengthened in the Group policies and procedures manual "The Bluebook".

Capgemini is increasingly working with its clients' and alliances' procurement teams on joint approaches. For example, 2005 saw collaboration with a major UK client and their other key suppliers to determine how to work together to ensure corporate responsibility in the supply chains.

In 2005 Group appointed a Chief Procurement Officer whose role will include driving the ethics of procurement deeper into its supply chain operations including increased monitoring.

Key principles of ethical purchasing

By joining the United Nations Global Compact, the Group has undertaken to uphold 10 key principles of human rights, the environment, labor rights and anti-corruption. In Procurement this means Capgemini aims to work only with suppliers who have appropriate ethical policies in place and who are committed to respecting human rights. 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.

Capgemini's approach to procurement also involves:

- treating suppliers fairly, providing all of them with the same information about the company's requirements;
- selecting vendors based on value, performance and price (as a consideration). Selection decisions must be clear and auditable, justifiable to management and explainable to vendors;
- ensuring confidentiality of supplier information;
- maintaining an "arms length" relationship with suppliers;
- not taking advantage of mistakes made by suppliers.

In 2006 Capgemini will be looking to further embed the following principles into the selection of suppliers:

- wherever possible, expectations of Corporate Social Responsibility should be built into calls for tender and contracts with suppliers;
- procurement teams should develop appropriate methods of monitoring local suppliers for adherence to the above principles and levels of Corporate Social Responsibility;
- where appropriate, the impact on local communities should be considered when selecting suppliers (employment of women, ethnic minorities, focus on disability etc).

As far as possible, Capgemini also aims to undertake all procurement (real estate, equipment, business travel) in line with its Environmental policies and guidelines.

6.6 The Group and the environment

Environmental policy

Capgemini's industry is recognized as having a moderate impact on the environment due to the very nature of its operations. However, the Group is committed to ensuring that its services are delivered in a manner that is not detrimental to the environment nor to the health, safety and welfare of Capgemini employees, clients, customers and partners, nor to the general public with whom the company comes into contact. Environmental protection is a continuous process and the Group expects its employees, suppliers and contractors to ensure that the environmental impact of any activity, building or equipment is taken into consideration.

At the end of 2005 the Group surveyed its subsidiaries on the nature of environmental policies, programs and indicators in place in each region plus specific actions taken; and staff training and awareness. The Group intends to then consolidate this baseline data and develop a comprehensive programme of improvements for all countries.

The key features of the current Group environmental policy are:

- compliance with local and international environmental legislation;

- taking environmental impact into account in Corporate Social Responsibility training programs and raising employee awareness of these issues;
- using, in Capgemini's sphere of influence, the best practices available in this area;
- setting up indicators to monitor progress.

The Group's environmental focus is on three key areas:

- real estate / facilities, energy and equipment;
- waste management (including reduction, reuse and recycling);
- business travel.

Real Estate

To understand Capgemini's environmental impact in the area of real estate, the company actively monitors power consumption, office space and the type of equipment used with a view to streamlining these areas wherever practicable.

Within the context of local legislation and real estate conditions, all parts of the business are increasingly expected to:

- streamline existing office space to the minimum required for headcount;
- monitor power consumption and where possible, optimize/reduce it (by effective servicing, appropriate temperature controls, identification of emissions / leaks, water-saving devices, use of energy-saving monitors, etc);
- adopt advanced energy-saving systems when opening new office buildings e.g. where possible:
  - using advanced heating and environmental controls to control the working environment,
  - using material from renewable resources, non-toxic materials and recyclable items,
  - installing internal noise suppression devices,
  - utilizing low energy and low water consumption planning;
- ensure that all buildings comply with appropriate local/international health & safety regulations;
- ensure that no toxic or hazardous materials are introduced into the workplace without workplace controls being in place;
- provide appropriate training for facilities managers in environmental compliance

Local country actions to date include:

- the UK is switching its energy supply to *Green Energy* in 2006, meaning that energy providers will procure energy generated under a 'combined heat and power' (CHP) scheme. CHP typically has dramatically improved electric efficiencies compared to separate heat and power and reduces traditional air pollutants and carbon dioxide associated with climate change. This can mean a 50% gain in overall efficiency, resulting in a 35% fuel saving for the generating company. An energy efficiency review is also underway;
- in the Netherlands, advanced energy-saving systems have been installed in new office buildings;
- in a number of countries, lighting is timed for automatic switch-off and sensor monitors are used for lighting in meeting rooms.

Equipment

In terms of the purchasing and management of equipment, where possible, and in accordance with local legislation, the business is expected to:

- take into account the environmental aspects of any new equipment being purchased;
- use low energy equipment;
- regularly maintain and clean equipment;
- ensure equipment in the working environment does not gives rise to unreasonable noise, dust or fumes or create a hazard to employees;
- undertake appropriate testing of electrical equipment.

Waste management

Capgemini aims to recycle waste materials as far as possible. For example by:

- providing recycling facilities for paper, aluminium, printer toners etc;
- environmentally disposing of or recycling IT and electronic equipment in accordance with local laws;
- using appropriately certified / licensed organizations to remove special waste (e.g. defective monitors or neon tubes).

The following is a sample of local country actions:

- in France, the default of photocopies has been set to double-sided printing to reduce paper waste;
- Australia has invested in latest printer technology to encourage scanning for electronic, rather than paper, filing;
- The Netherlands has installed new printing systems throughout their buildings which significantly reduce unnecessary printing;
- in the United States 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 Central Europe, IT equipment is leased then environmentally recycled;
- in the UK new printer systems have significantly reduced the number of devices and allow for ongoing optimization. They have reduced the amount of power and toner consumed and provide for both toner and end of life machine recycling;
- The Netherlands was recently awarded the Retour Award 2004 for recycling 90 percent of their plastic drinking cups.

Business Travel

Group policy is to reduce the environmental impact of business travel as far as possible by traveling to face-to-face meetings only when essential. This is achieved by supporting

and improving:
- video/telephone conferencing and other collaborative working tools;
- virtual and flexible working.

Where possible, employees are expected to use public transport or, for example, special company bus services, in preference to private transport.
2005 saw a decrease in travel expenses per head of over 6%.

Local initiatives include:
- in the Dutch practice, employees are given a rail card as an incentive to use public transport instead of company cars;
- in the UK a number of sites have car share, site buses and bicycle racks and facilities. The travel and expenses policy also allows staff to claim mileage for use of a motorcycle or bicycle;
- in India, a Capgemini bus commuting system was set up for employees to reduce pollution from car exhausts;
- in Central Europe, employees are encouraged to car pool and to use diesel-run company cars or rental cars;
- in Sweden, train rather than air travel is encouraged wherever feasible.

Environmental indicators

In 2004 the Group first consolidated a set of data to better understand the environmental impact caused by Capgemini's power consumption, office space and the type of equipment used.
At the end of 2005, Capgemini had 383 sites covering just under 800,000 square meters. This represents a reduction in total surfaces by about 8% since 2004 while end of year employee numbers increased by 3%. Equating to fewer square meters per person, the company expects as a result to save some energy consumption (air conditioning, heating, etc). The buildings are mostly rented and many have been recently renovated with the majority being air-conditioned.
Whilst a survey was carried out on power consumption by Capgemini's sites, for many locations this information is included in overall maintenance charges and is not provided separately by the owner. Calculations for kWh per square meter are therefore estimates only, and based on survey returns for 56% of the total surface area of facilities, average out at 248.5 kWh per square meter.
A number of regions have started to record their paper consumption and based on survey returns for 62% of the surface area of facilities, an estimated annual average of around 16kg per person was used. Most regions actively recycle paper.

6.7 The Corporate Social Responsibility external offering

In 2005, the Group has been steadily developing its expertise in offering support and experience to clients in the complex issues of Corporate Social Responsibility. Differentiated from its competitors, since 2001 Capgemini's offering, "Becoming Sustainable", not only looks at the development of sustainable CSR strategies but also leads clients through the comprehensive process of implementation.
Capgemini's expertise includes:
- designing sustainable development strategies and supporting implementation;
- designing and deploying sustainable products;
- 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 of sustainable development 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 the economic and financial dimension;
- a global network of experts – "The Capgemini Sustainability Community";
- active involvement in independent institutions, such as France's *Collège des Hautes Etudes de l'Environnement et du Développement Durable* and the *Centre de Recherche sur le Développement Durable* at the Reims Management School;
- experience in organizing events such as seminars and conferences.

In 2005 Capgemini carried out very tangible assignments with its clients to create practical and implementable CSR improvements. Highlights include:
- helping the Purchasing Department of Renault-Nissan to define its sustainability strategy and run its environmental and social projects through the supply chain;
- defining and implementing a group-wide HSE (Hygiene, Security and Environment) and sustainability reporting tool for a multinational glass and construction materials company.

2006 will see an increase of internal programs and client projects with CSR and sustainability benefits and will be reflected into Capgemini's main service offers where relevant.

VII – RISK ANALYSIS

7.1 Market risks

7.1.1 Counterparty risk

The financial assets which could potentially give rise to counterparty risk essentially consist of financial investments. These investments mainly comprise money market securi-

ties managed by leading financial institutions and, to a lesser degree, negotiable debt instruments issued by companies or financial institutions with a high credit rating from a recognized rating agency. There is therefore no significant counterparty risk for the Group on these short-term investments.
Moreover, in line with its policy for managing currency and interest rate risks (see below), Capgemini enters into hedging agreements with leading financial institutions; counterparty risk can therefore be deemed negligible.

7.1.2 Liquidity risk

The principal financial liabilities whose early repayment could expose the Group to liquidity risk are the two convertible bonds mentioned above (OCEANE 2003 and OCEANE 2005) and the E500 million multicurrency syndicated line of credit renewed on November 14, 2005 for five years. The OCEANE documentation contains the usual provisions relating to early repayment at the initiative of bondholders in the event of pre-defined occurrences. The documentation relating to the syndicated line of credit stipulates, in addition to the usual early repayment events in this type of agreement, the obligation for Cap Gemini to comply with certain financial ratios. This obligation had been complied with as of December 31, 2005.
It is also stipulated that a change in the credit rating attributed to Capgemini by Standard & Poor's would not affect the availability of these sources of financing and would therefore not expose the Group to liquidity risk. However, the cost of financing of the syndicated line of credit could be increased or decreased.

7.1.3 Interest rate risk

Cap Gemini's exposure to interest rate risk can be analyzed in terms of (i) its cash position: as of December 31, 2005 the Group had €2,136 million in liquid assets invested at market rates compared to gross borrowing of €1,232 million and (ii) the Group's conservative policy with respect to management of interest rate risk: the uncapped variable portion of gross borrowing represented only 7% (capped and uncapped variable rate debt combined accounted for 41% of the total). As a consequence, an increase in interest rates would have a negligible (and possibly positive) impact on Capgemini's net finance costs. Conversely, a low interest rate environment (below 2%) would expose the Group to an increase in its net finance costs.

7.1.4 Currency risk

Capgemini's exposure to currency risk is low due to the fact that the bulk of its revenue is generated in countries where operating expenses are also incurred. However, the growing use of offshore production centers in Poland, India and China exposes Capgemini to currency risk with respect to a portion of its delivery costs. The amounts in question are still relatively immaterial but given that this trend is set to increase in the future, Capgemini has already defined and implemented a global policy to minimize exposure to exchange rate fluctuations and to manage the resulting risk, particularly through systematic hedging of the corresponding intercompany flows. These hedges mainly take the form of forward purchases and sales of currency.

7.1.5 Financial instruments

Financial instruments are used in particular to hedge interest rate and currency risks. All hedging positions relate to existing assets or liabilities and/or business or financial transactions. Gains and losses on financial instruments – designated as hedges - 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 banks.

7.1.6 Legal risks

The Group's activities are not regulated and consequently do not require any specific legal, administrative or regulatory authorization.
In the case of some services, such as outsourcing or specific projects carried out for clients who are subject to specific regulations, the Group itself may be required to comply with those regulations.
The Group is not aware of any litigation or claims that are liable to have, or that have had in the last twelve months, a material impact on its operations, financial position or future prospects, other than those recognized in the financial statements or disclosed in the notes thereto.

7.2 Risks related to operations

Capgemini is a service-provider. The main risks to which the Group is exposed are (i) failure to deliver the services to which it has committed, or (ii) failure, especially in the case of fixed-price contracts, to deliver services within the contractual time-frame to the required level of quality and within the initial budget. Preventative and control procedures are in place, from initial commitment to final project acceptance by the client. Other risks not directly associated with project execution are less predictable.

Project Execution

Contracts are subject to a formal approval procedure prior to signature, involving a legal review and an assessment of the risks relating to the project and to the terms of execution. The authority level at which the contract is approved depends on the size, complexity and risk profile of the project. The Major Commitments Committee, which meets weekly if required, examines the most substantial commercial negotiations, proposals for strategic alliances, and contracts with specific risk exposures.

Capgemini has developed a unified set of methods known

as the "Deliver" methodology. Project managers are given specific training to develop their skills and acquire the appropriate level of certification for the complexity of projects under their charge. The Group also has a pro-active policy of seeking external certification (CCM, ISO, etc.) for its production sites.
Contract execution is monitored using established procedures throughout the life of the project, with a dedicated structure for monitoring complex projects. Expert teams track these complex projects, and may also intervene – at the request of the Group's Production and Quality department – on projects that are experiencing difficulties. Each project is subject to monthly financial controls, and the Internal Audit function checks that project management and control procedures are being properly applied.
Capgemini uses its own proprietary client relationship management process known as OTACE (On Time And Above Client Expectations). The partnership approach to client relations encouraged by the Collaborative Business Experience concept helps to resolve problems upfront.
These procedures and systems play an important part in identifying risks at the earliest possible stage, allowing preventive measures to be taken that will limit the impact both for clients and for Capgemini itself.

Employees
Capgemini's people are its main productive resource, and the Group attaches great importance to developing and maintaining its human capital. The Group's human resources functions operate performance assessment and staff retention programs.

Information system
Capgemini's operations have little dependency on its own information systems, which are managed via a predominantly decentralized structure. The Group is sensitized to the security of internal communication networks, and protects them via security rules and the use of firewalls; it also has an IT security policy. For some projects or clients, enhanced systems and network protection is provided on a contractually-agreed basis.

Clients
Capgemini serves a large client base, in a wide variety of sectors and countries. The Group's biggest clients are multinationals and public bodies. The largest client accounts for just under 12% of Group revenues, and is in the public sector, while the second-largest client accounts for just 3%. The top 10 clients collectively account for a little under 28% of revenues, and the top 30 for approximately 40%. The Group pays close attention to the billing and payment terms of each contract, with the Finance Department closely monitoring compliance with these terms.

Suppliers
Capgemini is dependent upon certain suppliers, especially in its systems integration business. Although alternative solutions are available for most software, the Group has forged alliances with a limited number of strategic suppliers. Agreements that provide for commissions or rebates are subject to strict rules, and clients are usually informed of their existence. Group-level agreements are subject to approval by the Major Commitments Committee.

Countries
Capgemini has permanent operations in approximately 30 countries. The bulk of its revenues are generated in Europe and North America, which are economically and politically stable. Strict approval criteria must be met before employees are sent to work in countries where there are no existing Group operations, and even stricter criteria must be met before the Group establishes operations in a new country.

7.3 Insurance

The Group Insurance Manager, who reports to the Chief Financial Officer, is responsible for all non-life insurance issues. Life insurance issues, which are closely related to employee compensation packages, are managed by the human resources function in each country.

Group policy is to adjust insurance coverage to the replacement value of insured assets, or in the case of liability insurance to an estimate of specific, reasonably foreseeable risks in the sector in which it operates. Excess levels are set so as to encourage operational unit managers to commit to risk prevention and out-of-court settlement of claims, without exposing the Group as a whole to significant financial risk.

General civil and professional liability
This type of coverage, which is very important to clients, is contracted and managed centrally at Group level. Cap Gemini S.A. and all subsidiaries over which it exercises direct or indirect control of more than 50% are insured against the financial consequences of general civil or professional liability arising from their activities, under an integrated global program involving a range of lines contracted with a number of highly reputable, solvent insurers. The terms of this program, including cover limits, are periodically reviewed and adjusted to reflect trends in revenues and changes in the Group's activities and risk exposures.
The first line of this program, totaling €30M, is reinsured through a consolidated captive reinsurance company that has been in operation for several years.

Direct damage and business interruption
Capgemini operates from premises located in many countries and, within most of these countries, operates at a number of sites. In all, the Group has just under 400 sites, with an average area of around 2,000 m^2. Some of the Group's consultants work on client premises. This geographical dispersion limits risk, in particular the risk of loss due to

business interruption, arising from an incident at a site. The biggest outsourcing site, which has disaster recovery plans in place to ensure continuity of service, represents less than 3% of Group revenues.
This dispersion means that direct damage and loss due to business interruption insurance policies are contracted and managed locally.

Other risks

Directors' liability insurance, travel assistance and repatriation coverage for employees working away, and fraud and sabotage coverage (especially for information systems) are managed centrally at Group level via global insurance policies. All other risks – including motor, transport and employer's liability – are insured locally using policies that reflect local regulations.
The Group has decided not to insure against industrial relations risks, given its pro-active preventive approach in this area. Pollution risks are low in an intellectual services business, and Capgemini does not insure against these risks in any country in which it operates. The Group has also decided that, unless coverage is compulsory and accessible, it is not worth systematically insuring against terrorism-related risks. Certain risks are excluded from coverage under the general conditions imposed by the insurance market.

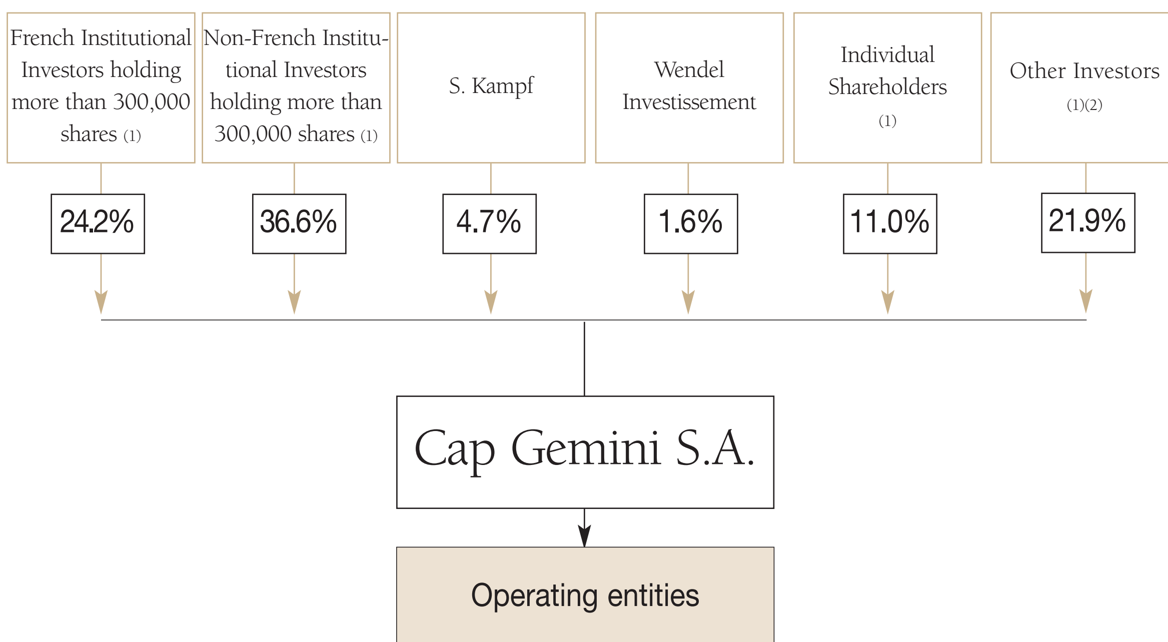
VIII – CAP GEMINI AND THE STOCK MARKET

At December 31, 2005, the capital of Cap Gemini S.A. was made up of 131,581,978 shares (ISIN code: FR0000125338). The year-on-year increase of 198,800 shares reflects the shares issued upon the exercise of their stock options by Group employees. Cap Gemini shares are listed on the Eurolist market (compartment A) and are eligible for the SRD deferred settlement system of the Paris Stock Exchange. Cap Gemini shares are included in the CAC40 index, on the Euronext 100 index and on the Dow Jones STOXX and Dow Jones Euro STOXX European indexes. Between January 1 and December 31, 2005, the Cap Gemini share price on Eurolist increased from €24.09 to €33.91.

In 2005, the average daily trading volumes in relation to Cap Gemini shares was around 1.10% of the total volume of shares traded on the Paris market.

Most recent data available on allocation of the capital

at December 31, 2005



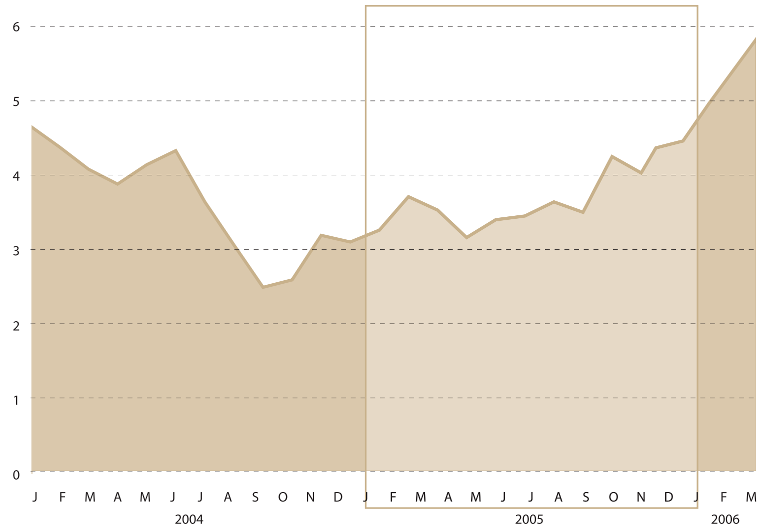
(1) On the basis of a shareholder survey at September 30, 2005
(2) Including the proportion of shares held by Group managers, in particular those holding shares as a result of the exercise of stock options together with former partners of Ernst & Young Consulting having received shares in May 2000 following its acquisition and having since become Group employees.

STOCK MARKET CAPITALIZATION

From January 2004 to March 2006

In billions of euros

source: Euronext

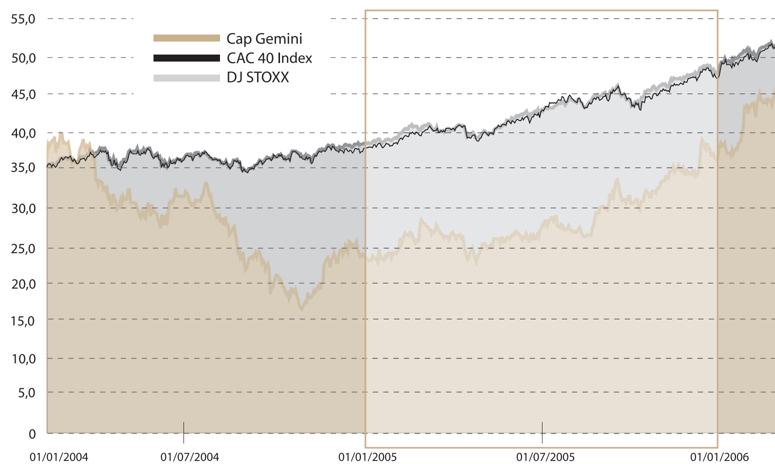


SHARE PERFORMANCE

From December 31, 2003 to March 31, 2006

In euros

source: Reuters

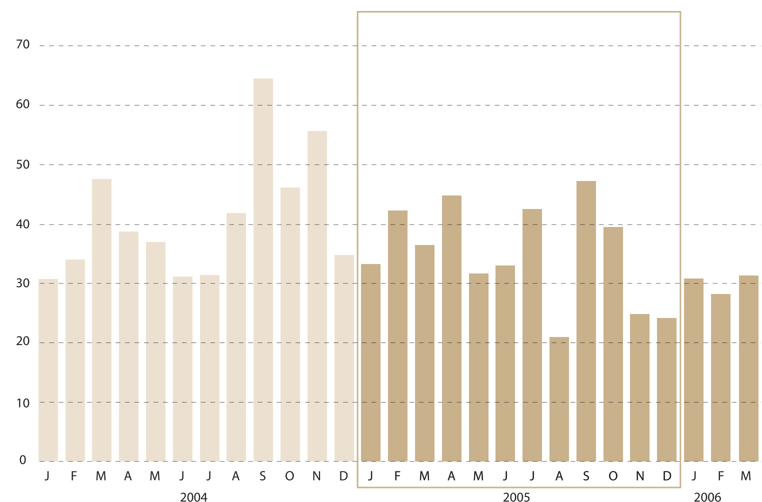


NUMBER OF TRADES PER MONTH

From January 2004 to March 2006

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 prices in euros			Trading volume		
					Number of Shares		Value
		high	average	low	total	average (daily)	(millions of euros)
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
April 05	21	27.37	25.31	23.11	44,743,799	2,130,657	1 122.8
May 05	22	26.53	25.59	23.90	31,636,386	1,438,018	803.6
June 05	22	27.28	26.49	25.80	32,958,407	1,498,109	871.2
July 05	21	29.50	27.78	25.67	42,437,888	2,020,852	1 181.3
August 05	23	28.14	27.20	26.31	20,904,698	908,900	570.9
September 05	22	32.75	29.56	26.42	47,188,345	2,144,925	1 406.1
October 05	21	33.55	31.17	29.25	39,399,725	1,876,177	1 232.0
November 05	22	34.20	32.31	30.25	24,787,634	1,126,711	799.5
December 05	21	35.34	34.48	33.67	24,092,654	1,147,269	821.6
January 06	22	38.97	36.76	33.71	30,799,276	1,399,967	1 137.4
February 06	20	43.22	38.41	35.82	28,173,136	1,408,657	1 106.8
March 06	23	45.16	43.05	40.31	30,925,749	1,344,598	1 299.4

Source : Euronext

DIVIDENDS PAID BY CAP GEMINI

Year ended December 31	Distribution of dividends		Number of shares	Dividend per share	Tax credit	Total revenue
	Millions	*% of net income*				
2000	€149M	35%	124,305,544	1.20 euro	0.60 euro	1.80 euro
2001	€50M	33%	125,244,256	0.40 euro	(a) 0.20 euro	(b) 0.60 euro
2002			No dividend paid			
2003			No dividend paid			
2004			No dividend paid			
2005	€66M*	47%	131,581,978	0.50 euro*		

(*) Recommended dividend submitted to the Annual Shareholders' Meeting of May 11, 2006

(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 11, 2006

To the shareholders,

We are here today both as an ordinary and extraordinary shareholders' meeting during which the shareholders present will be called upon to discuss and decide on proposals falling within the scope of either the ordinary or the extraordinary shareholders' meeting. The additional difficulty this year is that for technical, but nonetheless logical reasons, we will at several points have to alternate between the ordinary and extraordinary parts of the meeting.

Moreover, in order to facilitate the reading of this management report, we have decided to structure it in the same manner as the agenda of this Ordinary and Extraordinary Shareholders' meeting, presenting the various points for your consideration in a logical manner.

The purpose of the first part of this report is therefore:

- to inform you about Company and Group activities during the past year;
- to comment on Capgemini Group's consolidated financial statements;
- to submit the accounts for the financial year ended and Cap Gemini SA's results appropriation for your approval;
- to provide information on share capital, stock options, the remuneration of the directors of Cap Gemini SA, the risks incurred by the company and the social and environmental impact of the Group's activities;
- and finally, to present a brief outline of the Group's short-term outlook.

Approval will subsequently be requested to revise the bylaws, in order to:

- reduce the terms of office of directors from six to four years; and
- reduce the terms of office of non-voting directors from six to two years.

This revision will require meeting the requirements for a quorum and a majority applicable to an extraordinary meeting of shareholders.

Returning to the ordinary part of the shareholders' meeting, approval will then be requested to:

- renew the terms of office of nine of the thirteen current directors;
- renew the terms of office of the two outgoing non-voting directors;
- revise the total amount of fees annually allocated to the members of the Board of Directors (an amount that has not been revised in six years);
- renew the authorizations already given to the Company to buy back its own shares on the open market and to cancel all or part of the shares acquired thereby.

In the final section, respecting the quorum and majority requirements for an extraordinary shareholders' meeting, your approval will be requested to:

- authorize the Board of Directors to raise funds on the financial markets and to undertake an employee share issue by offering shares for subscription by Group employees participating in a Company Savings Plan (PEE) to be set up at that time.
- make a technical modification of the bylaws to permit the holding of Board of Directors meetings using videoconference or telecommunications facilities.

I – GENERAL COMMENTS ON THE GROUP'S ACTIVITY OVER THE PAST YEAR

After a drawn-out recession, 2005 witnessed the return of moderate growth in demand for Project & Consulting Services, thereby curbing the downward trend in prices over recent years. While this upturn had already begun in North America, 2005 saw it extend to Europe.

a) Operations by region:

Against this positive background, Capgemini Group's growth significantly outperformed the market due to the coming onstream of several major Outsourcing contracts. Revenue in 2005 was up 11.5% on the previous year, representing an increase of 15% at current rate and perimeter. Growth was particularly robust in the first half, at 21.6%, and 9.7% in the second half.

Business in the **United Kingdom** and **Ireland** grew 36.1% on a like-for-like basis, making it the top-performing region in terms of revenue and accounting for 25% of the Group total. This sharp increase is partly attributable to the Outsourcing contract with Her Majesty's Revenue and Customs (HMRC, formerly the Inland Revenue), a prime example of the fact that in addition to their contribution to Group stability through their recurrent nature, these major Outsourcing contracts offer opportunities to develop the Group's other businesses by providing add-on Consulting and Technology services. These other businesses also witnessed significant growth which resulted in enhanced staff

utilization rates and an improvement in the sales prices for these services.

France accounted for 24% of total Group revenue, making it the second largest of the Group's major "regions". In 2005, against a background of overall price stability, it posted revenue growth of 12.6% on the back of the Schneider contract's startup phase despite a slowdown in Outsourcing activities outside of the major contracts. Here again, improved general market conditions resulted in better use of available resources, particularly in Local Professional Services. Another noteworthy point was the year-on-year headcount increase of more than 1,200.

Accounting for 14% of total Group revenue, the **Benelux** region recorded 11.5% growth in 2005, with an improvement in key indicators in the Consulting, Technology and Local Professional Services segments and a marginal slowdown in Outsourcing Services due to several contracts expiring during the year.

The **Nordic region**, which accounts for 6% of total Group revenue, also witnessed an upsurge, climbing 15.7% like-for-like but only 6.2% based on published figures, due to the sale of the Swedish and Norwegian infrastructure management activities in late 2004. The recovery in the region also paved the way for a significant improvement in staff utilization rates, combined with a modest increase in the sales prices of our services.

Central Europe (Germany, Switzerland, Austria and the Eastern European countries) contributed 6% of revenue, posting strong growth of 9.2% on a like-for-like basis, although the sale of the Group's interest in IS Energy led to a 7.1% fall in revenues based on published figures. As with the above-mentioned zones, the strong upturn in Consulting and Technology services drove both an increase in headcount and an improved staff utilization rate.

Southern Europe (Italy, Spain and Portugal), accounting for 4.5% of total Group revenue, experienced a difficult year with Spain and Portugal up a modest 5.5%, but Italian operations in stagnation.

The **Asia-Pacific region** now accounts for only 1% of total Group revenue after a 13.1% like-for-like drop in revenue due to the completion of a major project. The disposal of activities in Singapore, Malaysia and Japan changes this figure to a drop of 21.5% once the currency effect and the impact of changes in scope are added back in. In contrast, the Group's activity in India underwent vigorous expansion, with the headcount leaping from less than 2,000 to over 3,500 in one year. However, the full effect of this growth is not reflected in the region's results since India is a production center, and revenue is recognized for the region that ordered the services. On a related note, the Group has continued to roll out the Rightshore™ strategy by developing production centers in Poland and China, where headcounts more than doubled in 2005.

North America, with nearly 20% of total Group revenues, also experienced significant like-for-like growth of 5.2% which exactly offset the reduction in the Group's scope of consolidation following the sale of its Healthcare activity in June 2005. The ramp-up of the TXU contract and the solid performance of Sogeti offset the still significant downturn in the Consulting and Technology businesses which came in 7.2% below the year-earlier figure. It should be noted in this regard that the Group launched the Booster turnaround plan at the beginning of 2005, comprising three key initiatives:

- implementing a simplified operating structure based around five regional entities;
- drastically cutting costs in order to achieve a significant reduction in the breakeven point, while maintaining the capacity to capitalize on growth; and
- refocusing management culture around the key values of pragmatism, accountability and operating efficiency. Implementing this plan naturally did not have an instantaneous effect and the first half of 2005 still witnessed a fall in its billable headcount, either through layoffs or resignations. However, the new operating model and the determined turnaround effort applied to this segment of Group activities resulted in a strong recovery in sales, leading to an improvement in the staff utilization rate and a reduction in contract overruns. As a consequence, revenues and orders picked up significantly in the second half, with a notable acceleration in the fourth quarter.

b) Operations by business segment:

Outsourcing experienced marked growth of 32.9% while the Group's other business segments increased overall by only 6.4%, broken down as follows:

- Consulting	+	2.1%
- Technology Services	+	7.4%
- Local Professional Services	+	7.9%

But the real picture is somewhat different: in fact, as was noted earlier, major Outsourcing contracts very often generate add-on services that involve Consulting and Technology activities. When the share of these other activities included in Outsourcing is reallocated to these segments, real growth is as follows:

- Consulting	+	2.6%
- Technology Services	+	20.8%
- Local Professional Services	+	7.9%
Total "other segments"	**+**	**13.6%**
Outsourcing	**+**	**18.0%**

c) Headcount:

The Group's average headcount advanced by 2,347 (4.1%) and at December 31, 2005 surpassed 61,000 for the first time in the Group's history. The net increase compared to December 31, 2004 is 1,712, reflecting:

- 15,165 additions consisting of:
  - 14,453 new hires;
  - 712 transfers by our clients under Outsourcing contracts signed with the Group.

- and 13,453 departures broken down as:
  - 9,237 resignations;
  - 1,415 transfers outside the Group further to the sale of certain business operations;
  - 2,801 layoffs.

Excluding sales and acquisitions of activities, Group headcount therefore increased by 200 people per month in 2005.

d) Order book:

in 2004, the Group took €10.4 billion in orders, including two contracts, with TXU and Schneider, which alone amounted to €4 billion. No contracts of this magnitude were signed in 2005 and at December 31, 2005, total orders taken for the year amounted to €6,831 million, approximately the same amount as the previous year, excluding the mega deals.

A number of flagship contracts were agreed during the year. These included an Outsourcing contract signed with the London Metropolitan Police Service, Sogeti's contract with Airbus for the management of its Unix systems, a contract with Swansea town council (UK) for a combination of Outsourcing and project and consulting services, and a framework agreement with the telecommunications operator TDC (Denmark). The year was also notable for the accelerated expansion of our BPO (Business Process Outsourcing) activity, boosted by the signing of a number of major contracts, in particular with Danfoss (Denmark), Telekurs (Switzerland) and Bombardier (Canada).

e) Profitability:

Significant progress was made in improving the operating margin during 2005. Restated according to IFRS, the Group had a negative operating margin of €24 million in 2004 (-0.4% of revenue); it posted a positive figure of €225 million in 2005 (3.2% of revenue). This improvement was particularly pronounced in the second half of the year when the operation margin reached 4.7%.

Several factors contributed to this improvement, chief among them was the tight rein on selling and general and administrative expenses. Down by €200 million compared to last year's figure, these costs still amount to 19.5% of revenues but were as high as 24.8% in 2004.

The turnaround of the Consulting and Technology activities in North America also contributed to the year's improved results. Although these segments again turned in heavy losses for first-half 2005, they edged towards the operational breakeven point in the second half. This encouraging result was compounded by the return to growth in revenue and orders mentioned above.

Restructuring costs, particularly those incurred during the implementation of the Booster turnaround plan in North America, took a toll on operating profit. These costs were reduced by a third compared to the previous year (€164 million compared to €240 million in 2004) and moreover were fully offset by the proceeds on the sales of the Healthcare activities in North America, the Consulting activities in Japan and the Group's interest in IS Energy in Germany (€166 million).

In total, the Group generated a €141 million profit for the year. This improvement in profitability was matched by major cash flows. As we will see further on, the Group's net cash and cash equivalents climbed from €285 million at end-2004 to €904 million one year later, i.e. an increase of €619 million, of which one-third (€194 million) was attributable to the sales of business operations mentioned earlier.

II – COMMENTS ON CAPGEMINI GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

As the consolidated financial statements for fiscal year 2005 were prepared according to international accounting standards as described in Note 1 – Accounting Rules and Policies, the comparative data for fiscal year 2004 were restated according to the same standards. Consolidated financial statements prepared under French GAAP for fiscal years 2004 and 2003 may be consulted from page 46 onwards in the 2004 "Reference Document".

2.1 Consolidated income statement

As mentioned previously, **consolidated revenue** amounted to €6,954 million for the year ended December 31, 2005, a rise of 11.5% once the currency effect and changes in scope are factored in, and a rise of 15% like-for-like.

Operating expenses jumped 8% to €6,729 million, compared to €6,233 million in the 2004 accounts and 7.5% after restatement under IFRS.

An analysis of costs **by type** reveals:

- an increase in payroll costs (wages and salaries, payroll taxes and travel expenses) that is exactly equal to the increase in average headcount (4.1%). At €4,484 million, it represents 64.5% of revenues compared to 69.1% in 2004, even though the share of variable compensation accounted for in 2005 is higher than in 2004. This is due

to the fact that headcount reductions were particularly prevalent in North America, a high labor-cost region, while the bulk of new hires were in India where salaries are much lower. It should also be noted that travel expenses, which remained stable in absolute terms, have represented a constantly diminishing share of revenues for the last five years (from 7.1% in 2001, they are only 4.4% in 2005).

- a 25.8% jump in "Purchases and sub-contracting" due mainly to the fact that by commissioning partners in our major Outsourcing contracts, we are able to offer a comprehensive service to our clients; but as the main contractor, we recognize all the revenue even though we only carry out a portion of the related services and correspondingly assume all of the costs related to these services.
- a 16.3% reduction in the rental costs for our offices around the world reflecting the major efforts undertaken over the recent years to streamline the Group's property portfolio.

The **analytical breakdown** confirms what was mentioned earlier, i.e. that the improvement in operating margin essentially stems from the major cut in selling, general and administrative expenses, which still accounts for 19.5% of revenue but represented 24.8% in 2004 (and 31.1% in 2002!).

The cost of services rendered – corresponding to the costs incurred during the execution by the Group of client projects – outstripped revenue growth to end the year at 77.3% of revenue in 2005, compared with 75.6% in 2004. This development is the direct result of commissioning partners or sub-contractors to help execute major Outsourcing contracts. This is particularly true in the case of HMRC (formerly the Inland Revenue) where the portion attributable to our partners Fujitsu and BT amounts to a total of one-third of the revenue from the client in 2005. Based on an analysis of this item excluding the major Outsourcing contracts (HMRC, TXU, Schneider), the service cost increased slightly compared to the previous year (from 73.4% to 73.6%), although this is largely explained by the fact that 2004 costs were reduced by the very modest level of variable compensation actually paid, with the variance from the normal level representing about 1% of revenues. The Group therefore recorded modest but genuine progress in output cost control.

Operating margin came in at €225 million compared with a negative €24 million in 2004 (a margin of 3.2% in 2005 versus -0.4% in 2004), with profitability accelerating through the year from 1.8% in the first half to 4.7% in the second half. Performance across the geographical regions remains very uneven, since despite Sogeti's strong performance, North America still posted a small loss for the year while on the other side of the Atlantic, Benelux turned in the Group's best performance with a margin of 10.6%. With regard to North America, the margin notably turned positive again (2.8%) in the second half. This near five percentage point improvement in operating margin from one half of the year to the other is to the credit of the new team in place since last autumn and suggests a long-term return to solid profitability in the future.

Other operating income and expense was still negative by €11 million in 2005, although this had amounted to €257 million in 2004. The dramatic improvement essentially reflects:

- restructuring costs of €164 million compared to €240 million in 2004. Half of these costs are related to headcount reductions mostly in North America, France and the Nordic countries; the other half concerns the cost of streamlining the property portfolio in North America.
- €166 million in gains realized by the Group during 2005 from the sale of (i) its Healthcare activity in North America to Accenture (€123 million), (ii) 95% of its interest in the subsidiary Capgemini Japan to NTT Data Corporation (€28 million), and (iii) its 25.22% stake in Germany-based IS Energy to E.ON (€15 million);
- €5 million in income on the disposal of the Group's lease financing contract on its property at Behoust, which housed the Group University until the opening of the new Fontaines site at Gouvieux near Chantilly in 2003;
- conversely, a €12 million expense relating to the granting of shares and stock options and a €6 million expense in connection with goodwill impairment in the Netherlands and the UK.

Operating profit stood at €214 million in 2005 compared to a loss of €281 million in 2004, a turnaround totaling nearly €500 million.

The Company still had **net financial expense** of €38 million in 2005 compared to €27 million in 2004 despite the spectacular improvement in net cash and cash equivalents, whose effects are only reflected in "finance costs, net". This item shows a slight improvement from a negative €28 million in 2004 to a negative €24 million in 2005, due to the fact that the carrying cost of €5 million related to the convertible bond issued in June 2005 (i.e. the variance between the interest expense recorded in the income statement and the investment income from the funds raised by the bond issuance)

was more than offset by the investment income from the cash and cash equivalents generated during the fiscal year. The year-on-year deterioration in net financial expense is therefore mainly attributable to "other financial income and expense, net" mostly due to the fact that this item did not include any gains from the sale of interests in other companies, in contrast to 2004 when the sale of its stake in Vertex generated gains amounting to €18 million.

Income tax expense stood at €35 million, compared to €226 million in 2004, and mainly represented income tax payable on profits of €21 million, notably in the Netherlands, Germany, Central Europe, and India and standard minimum income taxes of €11 million, paid mainly in North America and Italy. The deferred tax expense of €1 million can be broken down as follows:

- The expense arising in France from the utilization of deferred tax assets on tax loss carry-forwards, resulting in an expense of €33 million which was more than offset by the adjustment of deferred tax assets amounting to €36 million.
- In the rest of the world, the utilization of deferred tax assets on tax loss carry-forwards, mainly offset by the recognition of additional net deferred income tax assets on temporary differences, notably in Canada.

Net profit attributable to equity holders of the parent (operating profit reduced by finance costs and by income tax expense) is therefore €141 million compared to a loss of €534 million in 2004, i.e. a year-on-year switch of €675 million. The diluted loss per share of €4.02 based on 132,789,755 shares in 2004 was transformed into diluted earnings per share of €1.06 for a total of 138,472,266 shares including the impact of the potential shares related to the OCEANE bonds issued in 2005.

2.2 Consolidated balance sheet

At December 31, 2005, **consolidated shareholders' equity** stood at €2,992 million, a €204 million increase compared with equity at December 31, 2004. This mainly reflects:

- the profit for the year (€141 million);
- the value of the equity component of the OCEANE 2005 bonds (€26 million);
- the acquisition of a call option aimed at fully neutralizing the potentially dilutive impact of the OCEANE 2003 convertible bonds issued on June 24, 2003 (a dilutive impact of €10 million, after tax);
- the contra entry for the charge related to the granting of shares and stock options, for €12 million;
- a positive change in translation adjustments, in an amount of €29 million; and
- the various increases in share capital resulting from the exercise of stock options, in an amount of €5 million.

Non-current assets (excluding deferred tax assets and long-term receivables) totaled €2,398 million at December 31, 2005, €78 million below the December 31, 2004 figure. This decrease can be broken down as follows:

- a €12 million reduction in intangible assets, mainly relating to the impairment of goodwill for an amount of €6 million, and the impairment of software for €3 million. The increase in the gross value of intangible assets was offset by the amortization charge for the year;
- a €50 million fall in property, plant and equipment, arising from the closures of certain facilities in North America, the deconsolidation of the assets of IS Energy, which was sold in January 2005, and the disposal of the lease financing contract on the property at Behoust, former site of the Group University; and
- a €16 million reduction in financial assets, mainly relating to changes in the value of assets hedging funded defined benefit pension plans.

Other non-current assets grew €39 million, including a €36 million increase in deferred income tax assets, essentially linked to the impact of translation adjustments.

Net accounts and notes receivable, comprising trade receivables and accrued interest, amounted to €1,868 million at December 31, 2005, versus €1,814 million on December 31, 2004. In particular, trade receivables remained flat in absolute terms year-on-year, despite the sharp increase in revenue, due to a marked overall shortening of time-to-payment. At December 31, 2005, net accounts and notes receivable represented 62 days' revenue as opposed to 72 days' at year-end 2004. This 62 day ratio is the best ratio recorded by the Group since the 1970s.

Net accounts and notes payable, comprising trade payables and accrued interest, advances received from customers, provisions in relation to the 2005 bonus, amounts payable to personnel, and accrued taxes, totaled €2,490 million at December 31, 2005, compared with €2,082 million at year-end 2004. The increase in this item is the direct result of the ramp-up of the Group's major Outsourcing contracts.

Cash and cash equivalents at year-end (short-term investments and cash less bank overdrafts) totaled €2,136 million at December 31, 2005, compared to €1,232 million on December 31, 2004. Half of this €900 million improvement arises from the income from the OCEANE bonds issued in June 2005 (€437 million) and the remainder reflects higher cash flow levels generated during the fiscal year.

Consolidated gross debt increased by €283 million to €1,231 million at December 31, 2005 compared with €948 million on December 31, 2004, with the increase of approximately €400 million relating to the 2005 OCEANE bonds only partially offset by paying down debt.

As mentioned above, **net consolidated cash and cash equivalents** amounted to €904 million on December 31, 2005, compared with €285 million at the 2004 year-end. This increase of €619 million resulted from positive cash flows:

- €542 million in net cash provided by operations, reflecting:
  - cash flows from operations before net finance costs and

income tax of €280 million;
- a reduction in net working capital requirements in an amount of €298 million, attributable to an increase in operating payables (comprising trade payables and personnel);
- conversely the payment of income taxes in an amount of €36 million.

- €78 million in net cash from investing activities, comprising:
  - inflows from the disposal of assets totaling €215 million, essentially relating to the North America Healthcare activity (€143 million), and the Group's interests in the Capgemini Japan subsidiary (€30 million) and IS Energy in Germany (€21 million);
  - the acquisition of (i) intangible assets and property, plant and equipment for a total of €106 million and (ii) financial assets amounting to €39 million.

III. COMMENTS ON THE CAP GEMINI SA FINANCIAL STATEMENTS

3.1 Income statement

The Company's operating revenue for the year ended amounted to €162 million (including €160 million in royalties received from subsidiaries) compared with €130 million for 2004 (including €126 million in royalties). This increase in operating revenue for 2005 was attributable to the Group methodology user royalties billed to the new Sogeti Transiciel sub-group, in addition to the increase in the Group's revenue.

Operating income came in at €133 million compared to the year-earlier figure of €88 million. The improved performance stems from the cumulative effect of increased royalties and a reduction of approximately €13 million in expenditures, particularly in advertising.

Net interest income stood at €28 million, compared to substantial net interest expense the previous year following the recognition of provisions for impairment in value of investments in several subsidiaries and affiliates. This result reflects:

- €263 million in dividend income, of which nearly the entire amount (€258 million) corresponds to an exceptional dividend paid by our Dutch subsidiary Capgemini NV following the reorganization of Sogeti in the Benelux region;
- €322 million in additions to the provision for the impairment of interests held in certain subsidiaries (in the Netherlands, UK, and Italy), partially counterbalanced by €76 million in reversals from provisions following the liquidation of the New Zealand subsidiary and the restructuring of our telecoms activities in Spain and the UK; and
- €11 million in financial income on cash investments net of the financial expense incurred with respect to the Company's debt.

The Company once again had net other expense of €9 million (compared with other expense of €324 million in 2004), chiefly due to the expense recognized with respect to internal reorganization operations during the year.

After accounting for a tax benefit of €21 million (€43 million in 2004), the Company posted a profit of €173 million, compared with a €949 million loss in 2004.

3.2 Balance sheet

Net investments fell to €6,009 million at December 31, 2005 from €6,245 million a year earlier. This €236 million decrease can be mainly attributed to:

- additional provisions recognized for the impairment of investments in certain subsidiaries for a total of €306 million;
- increases in the share capital of several subsidiaries in an amount of €385 million, including €336 million for Sogeti-Transiciel SAS;
- a €282 million net reduction in loans granted to certain subsidiaries, including a loan of €162 million to Sogeti-Transiciel SAS; and
- a €35 million reduction in the net carrying value of shares in companies sold or liquidated as part of internal restructuring operations.

Shareholders' equity stood at €6,611 million, reflecting an increase of €178 million compared to the previous year, with substantially all of the difference corresponding to the profit for 2005.

Debt increased from €666 million to €1,148 million, essentially reflecting the recognition of the 2005 OCEANE bonds for an amount of €437 million (to which is added €58 million in redemption premiums) and the increase in accrued debts with respect to investments in subsidiaries and affiliates, for an amount of €140 million. Net cash and cash equivalents as of December 31, 2005 came to €271 million, versus €249 million a year earlier.

3.3 Reallocation to the legal reserve of part of the amounts from the former long-term capital gains reserve

The Board of Directors has noted that the 2004 Ordinary Shareholders' Meeting adopted a resolution that decided the trans-

fer of the special long-term capital gains reserve account to the "other reserves" account. The Board of Directors now recommends retransferring from the "other reserves" account to the legal reserve the amount of €19,564,446.76, which corresponds to the fraction of the legal reserve funded during previous fiscal years with respect to the special long-term capital gains reserve account, thereby increasing this reserve to €99,444,435.20.

3.4 Results appropriation

The Board of Directors recommends, as a sign of Cap Gemini's return to profitability and the Board's confidence in the future of the Group, departing from the traditional practice of distributing to shareholders one-third of the profit for the year and instead distributing one-half. As the consolidated profit amounts to €141 million, if this recommendation is accepted it would result in the payment to each of the 131,581,978 shares making up the share capital at December 31, 2005 of a dividend of €0.50, for a total amount of €65,790,989, representing close to 47% of Group profit. As the income distributable by the parent company amounts to €173,440,186.21, the balance would be allocated to:

- the legal reserve in the amount of €5,821,147.20 (in addition to the €19,564,446.76 previously reallocated), bringing the total legal reserve to 105,265,582.40 and thereby entirely funded;
- the remaining amount of €101,828,050.01 to retained earnings.

The dividend would be paid from a date that the Board of Directors recommends setting at May 16, 2006. This dividend will be eligible for the 40% tax rebate referred to in sub-paragraph 2° of paragraph 3 of article 158 of the French Tax Code for individuals subject to personal income tax in France.

Moreover, pursuant to article 243 bis of the French General Tax Code, the General Shareholders' Meeting is reminded that no dividend has been distributed for the previous three fiscal years (2004, 2003 and 2002).

3.5 Share capital and ownership structure

The exercise of stock options previously granted to Group employees resulted in the issuance of 198,800 new shares thereby increasing the Company's share capital by 198,800 x 8 = €1,590,400 (from €1,051,065,424 to €1,052,655,824.)

Moreover, pursuant to article L. 233-13 of the French Commercial Code, the Board of Directors informs shareholders that during the fiscal year Serge Kampf reduced his interest below the legal disclosure threshold of 5% and that to the best of the Company's knowledge, as of December 31, 2005, no shareholder held over 5% of the Company's capital or voting rights.

3.6 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 foreign 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. The Board of Directors used this authorization to set up the Fifth Stock Option Plan. On April 1, 2005, the Board of Directors used this authorization for the last time to grant options on 1,623,000 shares to 351 employees. The option exercise price was set at €27, representing the average of the prices quoted for the Company's shares over the 20 trading days preceding the date of grant.

The Extraordinary Shareholders' Meeting of May 12, 2005 authorized the Board of Directors to grant stock options to certain employees of the Company and its French and foreign subsidiaries. The authorization was given for a period of 38 months commencing May 12, 2005 and the number of shares to be subscribed on exercise of the options was limited to 6 million. The Board of Directors used this authorization to set up the Sixth Stock Option Plan and on October 1, 2005 granted options on 1,915,500 shares to 650 employees. The option exercise price was set at €30, representing 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 the Company's shares published by Euronext, option holders would be entitled 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 2005, 198,800 shares were subscribed on exercise of options granted under the Fifth Plan (equal to 0.15% of the share capital on December 31, 2005). 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.

3.7 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 5,042 Capgemini shares were returned to the Company between February 23, 2005 and February 22, 2006: The Board recommends, as was the case last year, that these shares be sold on the market rather than being cancelled.

3.8 Exercise of equity warrants issued within the framework of the alternative public exchange offer for Transiciel shares

The public exchange offer filed on October 20, 2003 for Transiciel shares provided the following two 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 equity 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 entity attaining certain earnings targets in 2004 and 2005. This earn-out mechanism is described in the prospectus which was approved by the "Commission des Opérations de Bourse" under reference no. 03-935 on October 29, 2003. As of December 31, 2005, the application of the methods for calculating the "earn-out" component would result in the issuance of 315,790 new Cap Gemini shares to holders of warrants against a total of 508,600 shares. The amount of new shares to be issued will be submitted for the approval of the independent arbitrator within 30 days of the General Shareholders' Meeting of May 11, 2006, in accordance with article 1.4.13.10. of the information memorandum.

3.9 Compensation of directors

- **Compensation of managing directors**

The total gross compensation (fixed + variable) paid to the two managing directors in 2005 breaks down as follows:

(euros)	Amount paid in 2005 and 2006 for 2005	Amount paid in 2005 (fixed 2005 and variable 2004)
Serge KAMPF		
Fixed	720,000	720,000
Variable	467,712	386,593
Total	**1,187,712**	**1,106,593**
Paul HERMELIN		
Fixed	900,000	900,000
Variable	738,000	537,788
Total	**1,638,000**	**1,437,788**
TOTAL OF THE TWO	**2,825,712**	**2,544,381**

As is the case for all the Group's managers and in accordance with a formula that has been applied in Cap Gemini for more than 30 years, the variable portion of the two managing directors' compensation consists of two equal halves, V1 based on the Group's consolidated results and V2 based on the attainment of several personal objectives that have been set for them for the fiscal year in question.

For 2004 (variable part paid in April 2005):

1) for Serge Kampf, these two portions, V1 and V2, were each for a theoretical amount (i.e., for objectives fully attained) of €252,000.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, operating margin, costs of shared services) resulted in a combined total of 33.41%, which led to a V1 portion for Serge Kampf of €252,000 x 0.3341 = €84,193;
- for the V2 portion, the calculation of the degree of attainment of each of the seven personal objectives that had been set for him for the fiscal year resulted in a total of 120/100, corresponding to a V2 portion of €252,000 x 1.2 = €302,400.

His total actual variable compensation was therefore €386,593, i.e., 76.7% of his theoretical variable compensation (€504,000).

2) for Paul Hermelin, both V1 and V2 were for a theoretical amount (i.e., for objectives fully attained) of €375,000.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, operating margin, costs of shared services) resulted in a combined total of 33.41%, which led to a V1 portion for Paul Hermelin of €375,000 x 0.3341 = €125,288;
- for the V2 portion, the calculation of the degree of attainment of each of the six personal objectives that had been set for him for the fiscal year resulted in a total of 110/100, corresponding to a V2 portion of €375,000 x 1.1 = €412,500.

His total actual variable compensation was therefore €537,788, i.e., 71.7% of his theoretical variable compensation (€750,000).

For 2005 (variable portion paid in March 2006):

1) for Serge Kampf, these two portions, V1 and V2, were each for a theoretical amount (i.e., for objectives fully attained) of €201,600.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, operating margin, costs of shared services) resulted in a combined total of 115%, which led to a V1 portion for Serge Kampf of €201,600 x 1.15 = €231,840;
- for the V2 portion, the calculation of the degree of attainment of each of the three personal objectives that had been set for him for the fiscal year resulted in a total of 117/100, corresponding to a V2 portion of €201,600 x 1.17 = €235,872.

His total actual variable compensation was therefore €467,712,

i.e., 116% of his theoretical variable compensation (€403,200).

2) for Paul Hermelin, both V1 and V2 were for a theoretical amount (i.e., for objectives exactly attained) of €300,000.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, operating margin, costs of shared services) resulted in a combined total of 115%, which led to a V1 portion for Paul Hermelin of €300,000 x 1.15 = €345,000;
- for the V2 portion, the calculation of the degree of attainment of each of the six personal objectives that had been set for him for the fiscal year resulted in a total of 131/100, corresponding therefore to a V2 portion of €300,000 x 1.31 = €393,000.

His total actual variable compensation was therefore €738,000, i.e., 123% of his theoretical variable compensation (€600,000). It should also be noted that:

- Serge Kampf and Paul Hermelin's performance appraisals for 2004 and 2005 were discussed within the Selection, Compensation and Corporate Governance Committee, which submitted its recommendations to the Board of Directors where they were debated, approved and adopted;
- Serge Kampf and Paul Hermelin did not receive any fringe benefits (medical assistance, housing, company car, cell phone, products or services free of charge, etc.) during the 2005 fiscal year, as was already the case in previous fiscal years, nor did they benefit from any specific retirement plan, or any provision related to indemnities for termination for any reason whatsoever (removal from office, retirement, etc.);
- for the 17th straight year, Serge Kampf decided not to ask the Company to reimburse the expenses he incurred in the performance of his duties (business travel, invitations, etc.) with the exception of TGV train travel between Paris and Grenoble, the historical headquarters of Cap Gemini, where he has kept his main office and where a part of corporate functions is still located.

Directors' fees for the year 2004 paid to directors in 2005

(in euros)	**Amount paid in 2005**	2004 amount
Serge KAMPF	56,500	58,000
Ernest-Antoine SEILLIERE	52,500	64,333
Christian BLANC	27,500	26,000
Yann DELABRIERE	29,000	-
Jean-René FOURTOU	39,000	36,167
Paul HERMELIN	31,500	33,000
Michel JALABERT	34,500	34,500
Phil LASKAWY*	42,000	39,000
Ruud van OMMEREN*	44,500	39,500
Terry OZAN*	34,500	30,000
Bruno ROGER	29,000	33,000
Sub-total	**420,500**	**393,500**
+ (until 25 February 2004)		
Jean-Bernard LAFONTA	-	29,500
TOTAL	**420,500**	**423,000**

* the amounts actually paid to these three non residents were subject to withholding tax as required by law.

Directors' fees for the year 2004 paid to non-voting directors in 2005

(in euros)	**Amount paid in 2005**	2004 amount
Pierre HESSLER	32,000	34,500
Geoff UNWIN*	33,000	27,500
TOTAL	**65,000**	**62,000**

* the amount actually paid to this non resident was subject to withholding tax as required by law.

The total amount of directors' fees for the year 2004 paid in 2005 to the directors and non-voting directors represents €420,500 + €65,000 = €485,500 (€447,000 after deduction of withholding tax for non resident recipients).

Stock options

Pursuant to a decision by the Board of Directors, Paul Hermelin was granted 50,000 stock options on October 1, 2005, which can be exercised in four annual installments at a price of €30. It should also be noted that:
- Serge Kampf has never requested and has never been granted any stock options,
- that none of the options previously granted to directors were exercised during the 2005 fiscal year.

3.10 Directorships and other functions held by directors

The Board of Directors draws shareholders' attention to the fact that the "Reference Document" attached to the Annual Report given to each shareholder upon entering the meeting specifies the list of directorships and other functions held by each of the directors in other companies.

IV - ENVIRONMENTAL AND SOCIAL IMPACT OF THE GROUP'S OPERATIONS

A specific section of the Reference Document (see page 12), entitled Corporate Social Responsibility, Sustainability and Social Stewardship, explains the Group's human resources policy (changes in headcount, career development, role of the Capgemini University) and its relations with external business partners, namely customers, suppliers and the general public at large.

V - FINANCING POLICY AND MARKET RISKS

Detailed information relating to cash and cash equivalents at year end and Capgemini's debt as well as the Group's use of derivative instruments as part of its management of interest rate and currency risks are provided in notes 18 and 19 respectively of Capgemini's consolidated financial statements for the period ended December 31, 2005.

5.1. Financing policy

Cap Gemini's financing policy is intended to provide the Group with adequate financial flexibility and is based on the following main criteria:

- A moderate use of debt leveraging: over the last ten years Cap Gemini has strived to maintain a limited level of net debt and even achieve a positive net cash position, including with respect to financing external growth. Through the granting of shares, Cap Gemini has, as far as possible, attempted to involve employees who joined it in the success of these link-ups. This financing policy, which could be deemed conservative, has also aimed to maintain a solid financial structure, enabling it to withstand the crisis that hit the industry between 2001 and 2004 more successfully than it did at the beginning of the 1990's.
- A high degree of financial flexibility: Cap Gemini aims to ensure a good level of liquidity as well as consistent financial resources, which means maintaining:
  - a high level of available funds (€2,136 million as of December 31, 2005) as well as a €500 million multi-currency syndicated line of credit, renewed on November 14, 2005 for a 5-year period and not used since, and a €550 million commercial paper program;
  - consistent financial resources: as of December 31,2005, 90% of its debt was medium to long-term (more than two years).
- Diversified financing sources adapted to the Group's financial profile: by carrying out two issues of OCEANE (bonds convertible/exchangeable for new or existing shares) - in 2003 for €460 million, maturing on January 1, 2010, and then in 2005 for €437 million, maturing on January 1, 2012 - Cap Gemini has chosen to strike a balance between market financing and bank financing (including the use of leasing to finance equipment and property). Lastly, the appropriate balance between the cash cost of financing and the return on cash investments, including the corresponding tax treatment, as well as the potential dilutive impact for Cap Gemini's shareholders, are determining factors for the Group in its choice of financing sources. In this regard, with the issue of the 2005 OCEANE bonds, Cap Gemini decided to neutralize the potential dilutive impact of the OCEANE bonds issued in June 2003 via the purchase of call options on 9,019,607 of its own shares (see paragraph XII below).

5.2. Market risks

- **Counterparty risk:** the financial assets which could potentially give rise to counterparty risk essentially consist of financial investments. These investments mainly comprise money market securities managed by leading financial institutions and, to a lesser degree, negotiable debt instruments issued by companies or financial institutions with a high rating from a recognized rating agency. There is therefore no significant counterparty risk for the Group on these short-term investments.
  Moreover, in line with its policy for managing currency and interest rate risks (see below), Cap Gemini enters into hedging agreements with leading financial institutions; counterparty risk can therefore be deemed negligible.
- **Liquidity risk:** the principle financial liabilities whose early repayment could expose the Group to liquidity risk are the

two convertible bonds mentioned above (OCEANE 2003 and OCEANE 2005) and the €500 million multicurrency syndicated line of credit renewed on November 14, 2005 for five years. The OCEANE documentation contains the usual provisions relating to early repayment at the initiative of bondholders in the event of pre-defined occurrences. The documentation relating to the syndicated line of credit stipulates, in addition to the usual early repayment events in this type of agreement, the obligation for Cap Gemini to comply with certain financial ratios. This obligation had been complied with as of December 31, 2005.
It is also stipulated that a change in the credit rating attributed by Standard & Poor's to Cap Gemini would not affect the availability of these sources of financing and would therefore not expose the Group to liquidity risk. However, the cost of financing the syndicated line of credit could be increased or decreased.

- **Interest rate risk:** Cap Gemini's exposure to interest rate risk can be analyzed in terms of (i) its cash position: as of December 31, 2005 the Group had €2,136 million in liquid assets invested at market rates compared to gross borrowing costs of €1,232 million and (ii) the Group's conservative policy with respect to management of interest rate risk: the uncapped variable portion of gross borrowing costs was limited to 7% (capped and uncapped variable rate debt combined accounted for 41% of the total). As a consequence, an increase in interest rates would have a negligible (and possibly positive) impact on Cap Gemini's net finance costs. Conversely, a low interest rate environment (below 2%) would expose the Group to an increase in its net finance costs.
- **Currency risk:** Cap Gemini's exposure to currency risk is low due to the fact that the bulk of its revenue is generated in countries where operating expenses are also incurred. However, the growing use of offshore production centers in Poland, India and China exposes Cap Gemini to currency risk with respect to a portion of its output costs. The amounts in question are still relatively immaterial but given that this trend is set to increase in the future, Cap Gemini has already defined and implemented an overall policy to minimize exposure to exchange rates and manage the resulting risk, particularly through systematic hedging of the corresponding intercompany flows. These hedges mainly take the form of forward purchases and sales of currency.
- **Financial instruments:** Financial instruments are used in particular to hedge interest rate and currency risks. All hedging positions relate to existing assets or liabilities and/or business or financial transactions. Gains and losses on financial instruments designated as hedges 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 banks.

VI - OUTLOOK

Basing its budget on assumptions that combine sustained growth in demand and price stability, Capgemini Group has set the following priorities for 2006:

- reinforcing its leading position in Europe particularly by repositioning its offering towards higher added-value services (such as services-oriented architectures) and greater use of the Group's Rightshore™ resources;
- continuing to improve the profitability of its American activities;
- attaining greater profitability from Outsourcing.

The strong upturn witnessed in the second half of 2005 should enable the Group to achieve 6% to 7% growth in revenue on a like-for-like basis in 2006 and a significantly higher operating margin than that attained in 2005.

VII - REDUCTION OF THE LENGTH OF THE TERMS OF OFFICE OF DIRECTORS FROM SIX TO FOUR YEARS

The Board of Directors reminds the shareholders that pursuant to French law the length of the terms of office of a company's directors is defined by its bylaws, but may not exceed six years. Article 11 of the Company's bylaws, as adopted on May 23, 2000, confirms that the "length of the terms of office of the directors shall be six years".
Taking into consideration recent changes in opinion and in rules with respect to corporate governance, the Board of Directors is asking the shareholders to reduce the length of the terms of office of the Company's directors from six to four years, with the aim of providing the shareholders with more opportunities to confirm their trust (or lack thereof) in the directors in office as well as giving the Board of Directors more opportunities to consider its composition and prepare changes that appear necessary or desirable.
If this measure is approved, the Board of Directors recommends that it be immediately applicable to all the terms of office in progress, in other words:

- that the terms of office of the directors that are to be renewed as of the date hereof will expire at the General Shareholders' Meeting that will be called in the spring of 2010 to approve the 2009 financial statements;
- that the terms of office of the two directors appointed last year for a term of six years will expire at the General Shareholders' Meeting that will be called in the spring of 2009 to approve the 2008 financial statements.

VIII - REDUCTION OF THE LENGTH OF THE TERMS OF OFFICE OF NON-VOTING DIRECTORS FROM SIX TO TWO YEARS

In the same vein and in the interests of greater flexibility in the composition of the body of non-voting directors, the Board of Directors is asking the shareholders to reduce the length of the terms of office of the non-voting directors from six to two years, this measure being immediately applicable to all the terms of office in progress. If this measure

is approved, the terms of office of the non-voting directors that are to be renewed as of the date hereof will expire at the General Shareholders' Meeting that will be called in the spring of 2008 to approve the 2007 financial statements, and the term of office of the non-voting director appointed last year for a term of office of six years will expire at the General Shareholders' Meeting that will be called in the spring of 2007 to approve the 2006 financial statements.

IX - DIRECTORS

The terms of office of 11 of the 13 directors making up the current Board of Directors expire today; these directors were either appointed by the General Shareholders' Meeting of May 23, 2000, or replaced one of the directors appointed by this same General Shareholders' Meeting during their term of office.
Among these 11 outgoing directors, two have decided not to request renewal of their term of office for personal reasons:

- Christian Blanc because he considers that the performance of his duties as a member of the French Parliament could lead him to take positions or make statements that might in certain cases be a hindrance to the Company's commercial actions;
- Ernest-Antoine Seillière because he believes that after having served as a director of Cap Gemini for 24 years in a row, it is time for him to "turn the page", all the more so since the company whose interests he represents on the Board of Directors may have disposed of the final tranches of its interests in the Company in the weeks following this General Shareholders' Meeting.

The shareholders are therefore asked to renew the terms of office of the nine other directors for a period of four years by successively adopting the nine separate resolutions that will be submitted in alphabetical order shortly hereafter.

X - NON-VOTING DIRECTORS

The General Shareholders' Meeting of May 7, 2003 ratified the appointments of Pierre Hessler and Geoff Unwin (who were previously Company directors) as non-voting directors. These appointments were made provisionally by the Board of Directors at its meeting of July 24, 2002 for the remaining terms of office of Mr. Hessler and Mr. Unwin's predecessors (Phil Laskawy, who had been appointed director and Chris van Breugel, who had resigned), i.e., for the period ending with the close of the General Shareholders' Meeting called to approve the 2005 financial statements.

The Board of Directors wishes to retain three non-voting directors in order to be able to appoint one of them to each of its three specialized committees and is asking the shareholders to approve the renewal of the terms of office of Pierre Hessler and Geoff Unwin for a period of two years.
If this measure is approved, the appointment to the three committees will be as follows:

- Marcel Roulet: Audit Committee
- Pierre Hessler: Selection, Compensation and Corporate Governance Committee
- Geoff Unwin: Strategy and Investments Committee

XI - REVISION OF THE TOTAL AMOUNT OF DIRECTORS' FEES

The General Shareholders' Meeting of May 23, 2000 had set the total annual amount of directors' fees allocated to the Board of Directors at €500,000.
Since this date (i.e., for the last six years) the Board of Directors has never asked for this ceiling to be revised despite the fact that, in the interim:

- the number of directors has increased from 11 to 13;
- the number of non-voting directors (which the Board of Directors had decided to compensate in the same way as directors) has increased from 2 to 3;
- the annual number of attendances for all directors and non-voting directors combined at the meetings of the Board of Directors and its three specialized committees has increased by 81%;
- in total, the amount of time given over by directors and non-voting directors for Board of Directors or Committee meetings is more than twice what it was six years ago.

In addition, the time required from the directors and non-voting directors between each meeting of the Board or of the specialized committees is much greater than was the case six years ago. Lastly, it should be noted that legislation has significantly increased the responsibility of the directors, which means that there are far fewer candidates for these functions than before and that, as a consequence, the average amount of directors' fees paid by European listed companies has increased considerably in the last few years. This is not to say that these fees are commensurate with the responsibilities involved but that their amount is a factor in candidates' decisions when they have several offers to choose from.

The Shareholders are therefore asked to approve an increase in the ceiling that has been in effect for the last six years to €700,000 per year.

XII - AUTHORIZATION TO BUY BACK THE COMPANY'S SHARES

The shareholders are reminded that the 2004 Ordinary Shareholders' Meeting renewed the authorization already granted several times in the past for the Company to buy back its shares under certain conditions. This authorization was used twice in 2005:

- On June 27, 2005, Cap Gemini SA purchased a call option on 9,019,607 of its own shares from Société Générale with the aim of neutralizing the potential dilutive impact of the convertible/exchangeable bonds issued on June 24, 2003 and maturing on January 1, 2010. These options may be exercised at any time, at a price of €51, and at the latest between December 10, 2009 and January 4, 2010. The purchase of these options, at a cost of approximately €16 million, enabled Cap Gemini SA to "synthetically" transform OCEANE 2003 into a bond debt under more attractive financial conditions than those it would have had if it had issued a bond in June 2003 with a maturity of six and a half years. As of December 31, 2005, Cap Gemini SA had not exercised any of its call options on its own shares;
- On September 15, 2005, Cap Gemini mandated Crédit Agricole Cheuvreux to set up a liquidity agreement with a view to boosting the liquidity of Cap Gemini shares and stabilizing their listed price, in particular to avoid price fluctuations not justified by market trends. The agreement came into effect on September 30, 2005 and shall remain in force until September 15, 2006. It complies with the ethics charter drawn up by the French Association of Investment Firms (AFEI) and approved by the French Financial Markets Authority (AMF) pursuant to a decision of March 22, 2005. Cap Gemini decided to allocate €10 million to the liquidity account with respect to this agreement. Between September 30 and December 31, 2005, CA Cheuvreux purchased 545,252 Cap Gemini shares on behalf of Cap Gemini SA, at an average price of €31.95. These shares represented 0.41% of Cap Gemini SA's capital on December 31, 2005. During the same period, CA Cheuvreux also disposed of 460,252 Cap Gemini shares at an average price of €31.95. Negotiation fees relating to the sale and purchase of Cap Gemini shares over the period amounted to €34,265, excluding remuneration of CA Cheuvreux. As of December 31, 2005 Cap Gemini SA held 85,000 treasury shares within the scope of the liquidity agreement, representing 0.06% of its capital. These shares were worth €2,874,916 on the basis of their purchase price and €2,882,350 on the basis of the Cap Gemini share's closing price on December 30, 2005.

As this authorization is only legally valid for eighteen months, we are asking shareholders to replace the authorization granted last year with a similar 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;
- hedge the debt instruments that may be converted into Cap Gemini shares in accordance with the regulations in force, including the possibility of exercising the call options on its own shares acquired on June 27, 2005 – see above;
- purchase the shares to retain them with a view to remitting them subsequently in exchange or payment for potential external growth transactions;
- award the shares to employees and corporate officers in accordance with the terms and the methods provided for by law, including in connection with company stock option plans or a company savings plan;
- possibly cancel the shares purchased subject to adoption of the 23rd resolution of the Extraordinary Shareholders' Meeting to be held immediately after the Ordinary Shareholders' Meeting of May 11, 2006.

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 €60 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 that came into effect on October 13, 2004.

XIII - FINANCIAL AUTHORIZATIONS

The delegations of authority given to the Board of Directors by the Extraordinary Shareholders' Meeting of May 12, 2005 had authorized it, for the 26 months subsequent to this 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.

The overall limits on the amounts of the issues that could be decided pursuant to the delegations of authority gran-

ted to the Board by the resolutions were set at:

- 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 had been 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 million) 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 billion).

During 2005 the Board, within the context of a delegation of authority without pre-emptive subscription rights, decided to issue bonds convertible and/or exchangeable into new or existing Cap Gemini shares (OCEANE bonds), maturing on January 1, 2012. The effective issue and settlement date of the bonds was June 24, 2005. The total amount of the issue was €437 million, represented by 11,810,810 bonds with a nominal value of €37. The bonds bear interest at 1% per year and each bond may be converted into and/or exchanged for one Cap Gemini share. Non-converted bonds will be redeemed in full on January 1, 2012 (or on the first working day thereafter) at a price of €41.90 per bond, representing approximately 113.24% of their nominal value.
The Board of Directors has thus only used a little less than one-third (11,810,810 shares at a nominal value of €8 = €95 million nominal value) of the maximum nominal amount of €300 million set for capital increases in the event of elimination of the pre-emptive subscription right.

In order to ensure that the validity date of the authorizations is consistent – that the Board of Directors is always in a position to launch the issues that are considered best suited to the Company's needs as and when it deems appropriate, depending on market conditions – shareholders are asked to replace the existing delegations of authority with new delegations of authority of a similar nature with updated validity dates.

The overall limits on the amounts of the issues that may be decided pursuant to the delegations of authority granted to the Board would be unchanged and each of the amounts will be the same with the exception of the authorization eliminating the pre-emptive subscription right. In this case, the total nominal amount of capital increases may not exceed €200 million (instead of the €300 million limit set for the previous delegation) 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 be greater than €1.5 billion (instead of the €2 billion limit set for the previous delegation). In other words, in the event of the elimination of the pre-emptive subscription right, the total nominal amount of capital increases would be capped at 19% of the share capital on December 31, 2005. The "Greenshoe" option will naturally be maintained.

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%.
The Board of Directors retains the possibility of providing a non-transferable priority right for the shareholders with respect to 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 pages 146 and 147 of the Reference Document.

XIV - EMPLOYEE SHAREHOLDINGS

In order to comply with the requirements of French law on employee shareholdings, the Board of Directors is asking for authorization, in the event that it uses one of the authorizations enabling it to increase the share capital, to decide if it is necessary to reserve part of the increase for members of an employee savings plan put in place at this time, it being specified that a maximum of 3,500,000 new shares may be allocated with respect to such a plan.
Pursuant to article L. 225-102 of the French Commercial

Code, the Board of Directors informs the shareholders that as of December 31, 2005, the Transiciel investment fund held 0.07% of the Company's share capital following the contribution of all of its shares to the public exchange offer made by Cap Gemini on Transicel's shares in December 2003.

XV - AUTHORIZATION TO CANCEL SHARES ACQUIRED UNDER THE BUY BACK PROGRAM

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 paragraph 12 of this report), for up to 10% of its capital by 24-month period.

XVI - UPDATING OF THE BYLAWS WITH REGARD TO THE POSSIBILITY OF HOLDING BOARD OF DIRECTORS MEETINGS USING VIDEOCONFERENCE OR TELECOMMUNICATIONS FACILITIES

The Board of Directors is asking for authorization – in accordance with the possibility offered by the law of July 26, 2006 – to update the Company's bylaws in order to allow Board of Directors meetings to be held using videoconference or telecommunications facilities. It is hereby specified that the list of cases where these means cannot be used, namely the appointment, compensation or removal from office of the Chairman or Chief Executive Officer, the method of performance of the Senior Management, the closing of the annual financial statements or the drafting of the reports and resolutions to the General Shareholders' Meetings, shall not be modified.

For the Board of Directors
SERGE KAMPF, Chairman

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

- ON THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD
- ON THE LIMITATIONS PLACED BY THE BOARD ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER
- AND ON INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

I – 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, based on the recommendation of the Chairman and Chief Executive Officer, to separate the functions of Chairman and Chief Executive Officer further to the authorization granted to the Board by the General Shareholders' Meeting of April 25, 2002.

1.1. The Board of Directors

The Board currently comprises 13 Directors:

- **8** were elected by the General Shareholders' Meeting of May 23, 2000 for a period of six years and their terms of office will expire at the General Shareholders' Meeting to be held on May 11, 2006. The Directors in question are:

  - **Christian Blanc**
  - **Paul Hermelin**
  - **Michel Jalabert**
  - **Serge Kampf**
  - **Ruud van Ommeren**
  - **Terry Ozan**
  - **Bruno Roger**
  - **Ernest-Antoine Seillière**

- **3** were appointed subsequently to replace Directors who had been appointed Non-Voting Directors (see Section 1.2 below) or who had resigned before their term of office had expired. The Directors in question are:
  - **Jean-René Fourtou** and **Phil Laskawy,** who replaced Geoff Unwin and Pierre Hessler, respectively, who were appointed Non-Voting Directors on July 24, 2002;
  - **Yann Delabrière** who replaced Jean-Bernard Lafonta on February 25, 2004. Mr. LaFonta, who resigned as a Director, had replaced Guy de Wouters.

As these **3** Directors replaced those elected at the General Shareholders' Meeting of May 23, 2000 for a period of six years, their terms of office will also expire at the General Shareholders' Meeting to be held on May 11, 2006.

- The last **2** Directors were elected for a period of six years at last year's General Shareholders' Meeting and their term of office will expire at the General Shareholders' Meeting to be held in May 2011 (unless a resolution proposed by the Board of Directors to reduce the term of office of the Directors from six to four years is adopted by the shareholders). The Directors in question are **Daniel Bernard** and **Thierry de Montbrial**

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 Capgemini's business as a service provider.

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 2005 the Board met twice when it was composed of 11 Directors and on six occasions when it was composed of 13 Directors were present (following the election of Daniel Bernard and Thierry de Montbrial). This represents a total of 100 theoretical attendances for all Directors combined; there were only 15 absences, giving an overall attendance rate of 85%.
Within a reasonable period before these meetings, each Director is sent:

- a detailed agenda which has been approved by the Chairman in concertation with those Directors who have submitted items for inclusion on the agenda and Senior Managers responsible for preparing documentation concerning the items to be discussed;
- a summary report comparing the performance of Cap Gemini shares to that of various general and sector indexes and that of its main competitors;
- a table giving a breakdown of the last known consensus;
- and, if the agenda includes items requiring specific analysis or prior consideration, supporting documentation prepared by the Senior managers, supplying detailed, relevant information to the Directors, provided that the sending of such documentation will not imply the risk that sensitive informations, or informations that should remain confidential prior to the Board meeting, is discloses to anyone but the Board members.

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 (see Section 1.3);
- setting up three specialized Board Committees – the Audit Committee, the Selection, Compensation and Corporate Governance Committee and the Strategy and Investments Committee, each with a clearly defined role (see Section 1.4);
- linking the mayor portion of Directors' compensation (in the form of attendance fees) to actual attendance at Board and Committee meetings (see Section 1.5).

On three separate occasions the Board has also reviewed the personal situations of each Director in light of the definition of independence provided under French corporate governance guidelines ("a Director is independent when he/she has no relationship of any sort with the Company, the Group or its Management, that is likely to impair his/her judgment") and the numerous criteria applied in the different countries in which the Group operates. Based on the aforementioned reviews, 8 of the 13 Directors currently making up the Board are independent directors under French corporate governance guidelines (61%). The Directors in question are Christian Blanc, Daniel Bernard, Yann Delabrière, Jean-René Fourtou, Michel Jalabert, Phil Laskawy, Thierry de Montbrial and Ruud van Ommeren.

The Board has also implemented a self-assessment procedure. This involved commissioning one of the 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 completed questionnaires were then collated and analyzed and a summary presentation was submitted to the Board of Directors for discussion. 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.

A summary of the replies to this questionnaire was discussed at length during one of the Boards' meetings and proposed improvements have already been implemented, or are scheduled to be implemented following the appointment of the new Board of Directors at the forthcoming General Shareholders' Meeting.

1.2. Non-Voting Directors

The board of Directors is assisted by 3 non-voting directors:

- **2** of these Non-Voting Directors were previously Directors and were appointed on July 24, 2002 to replace the two Non-Voting Directors elected by the General Shareholders' Meeting of May 23, 2000, for a period of six years. The Non-Voting Directors in question are:
  - **Pierre Hessler,** who replaced Phil Laskawy. Mr. Laskawy has been appointed a Director;
  - **Geoff Unwin**, , replacing Chris van Breugel, who resigned as a Non-Voting Director.

  The terms of office of these two Non-Voting Directors will expire on the same date as the terms of office of those they replaced, i.e., at the General Shareholders' Meeting to be held on May 11, 2006;

- **The third Non-Voting Director, Marcel Roulet,** was appointed for a period of six years at last year's General Shareholders' Meeting and his term of office will expire at the General Shareholders' Meeting to be held in May 2011 (unless a resolution proposed by the Board of Directors to reduce the term of office of the Non-Voting Directors from six to two years is adopted by the shareholders).

1.3. 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 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,
  - any specialized Committees created within 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 of 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 and Non-Voting Directors of Cap Gemini SA undertake to comply with throughout their term of office. These rules stipulate, for instance, that pursuant to current legal provisions, members of a Board of Directors may not trade in shares of companies in respect of which they have access to privileged information due to their functions, and recommend that Directors and Non-Voting Directors:
  - only buy or sell Cap Gemini S.A. shares in the two-month period following interim or full-year results announcements,
  - formally undertake not to buy or sell shares in the month preceding said announcements.

1.4. Board Committees

On May 23, 2000, the Board of Directors approved the recommendation of its Chairman to set up three specialized Committees (an Audit Committee, a Selection and Compensation Committee and a Strategy and Investments 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 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.
Following the appointment on May 12, 2005 of two new Directors (Daniel Bernard and Thierry de Montbrial) and a new Non-Voting Director (Marcel Roulet), on July 27, 2005 the Board of Directors decided to appoint a Non-Voting Director and four Directors to each of the three Committees, based on the recommendation of the Chairman. The Chairman of the Board of Directors did not wish to be appointed as a member of any of the three Committees and therefore allowed each Committee Chairman to invite him to attend the various meetings of their Committees at their own discretion. The Board also decided to enlarge the terms of reference of the Selection and Compensation Committee to include Group corporate governance and to change its name to the "Selection, Compensation and Corporate Governance Committee".

1.4.1. 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.
The composition of this Committee is currently as follows:
- Chairman: **Phil Laskawy**
- Members: **Daniel Bernard, Yann Delabrière, Michel Jalabert**
- Non-Voting Director: **Marcel Roulet.**

This Committee met five times in 2005, with an attendance rate of 91% (20/22). At the beginning of 2005, it reviewed the financial statements for the Group and the parent company for the year ended December 31, 2004 as well as the accounting treatment of significant events which took place during that year. It reviewed the interim consolidated financial statements at June 30, 2005 and focused in particular on the accounting treatment of major outsourcing contracts in light of the new International Financial Reporting Standards (IFRS). At year-end it reviewed the significant pre-closing issues. Finally, the Committee reviewed various proposals to recapitalize certain subsidiaries and gave its opinion concerning the appropriateness and methods of implementing such proposals.

1.4.2. Selection, Compensation and Corporate Governance Committee

This Committee is tasked with monitoring the human resources policy applied by Group companies to managerial posts (executive selection, career and succession planning, changes in theoretical and actual compensation policy, setting the objectives that will determine the variable portion of compensation, criteria applied for the granting of stock options, etc.) and making sure that this policy is both consistent – while respecting local particularities – and in phase with individual and collective performances in the Business Unit to which each manager belongs. 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 concerning the fixed and variable compensation of these same managers, including that of the Chairman and the Chief Executive Officer. It also has an ongoing remit to maintain an up-to-date list of one or more names of potential candidates for consideration by the Board of Directors in the event that 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, Thierry de Montbrial, Terry Ozan**
- Non-Voting Director: **Pierre Hessler.**

This Committee met six times in 2005, with an attendance rate of 85% (22/26). It reviewed the general compensation policy applied by the Group in previous years in light of a study carried out by an external firm. In particular, it reviewed the calculation of the variable portion of compensation (setting of objectives at the beginning of the year and measuring the degree to which they have been achieved at year-end) and highlighted the link – imperfect, but real nonetheless – between the Group's overall situation and the stringent controls applied to both the calculation of the variable portion of compensation and increases in fixed compensation. It reviewed, and occasionally modified or completed, and submitted for final approval by the Board of Directors,

the list of the beneficiaries of the 3,538,500 stock options granted on April 1 and October 1, 2005 to 1,001 Group managers.

At the beginning of 2005, the Committee recommended to the Board that two new Directors, Daniel Bernard and Thierry de Montbrial, be appointed at the General Shareholders' Meeting, following a request to increase the number of Directors from 11 to 13. The Board of Directors deliberated on this proposal endorsed it and the two candidates were duly appointed as Directors by the General Shareholders' Meeting of May 12, 2005. The Committee had previously examined the personal situation of each candidate in light of the definition of independence provided under French corporate governance guidelines adopted by the French organizations, MEDEF and AFEP. Both candidates qualified as independent Directors, thus avoiding any potential conflict of interest between the candidates and the Company.

In the last few months of the period, the Committee deliberated on proposals to be submitted at the forthcoming General Shareholders' Meeting concerning the reappointment (or replacement) of 11 of the 13 existing directorships. The Board unanimously approved the Committee's recommendation to entrust this task to anad hoc Committee made up of four people (the Chairmen of each of the three Committees and the Chairman of the Board of Directors). Finally, assisted by Towers Perrin, the Committee examined the possibility of granting retirement bonuses to senior executives who had made a major contribution to the Group's development over many years. However, the findings of this review were distorted by recent adverse publicity concerning abuses in relation to similar-type payments in France and in other countries and the Committee has delayed submitting its findings submissionto the Board of Directors is not expected before several months.

1.4.3. Strategy and Investments Committee

This Committee reviews the strategic options that the Group may adopt, calibrates the investment needs associated with each of these strategies, makes recommendations regarding the strategy that the management should subsequently implement, assesses potential or necessary alliances, and more generally, discusses any issue seen as crucial to the Group's strategic future and ensuring operating and financial stability.

The composition of this Committee is currently as follows:

- Chairman: **Jean-René Fourtou**
- Members: **Paul Hermelin, Bruno Roger, Ernest-Antoine Seillière**
- Non-Voting Director: **Geoff Unwin**.

The Committee met three times during 2005 with an 87% attendance rate (13/15). It reviewed the Group's overall strategic plan by geographical area, core business lines and sector and, in particular, analyzed the measures taken to relaunch the Group's US Business Unit. It organized and coordinated the program for the full-day Board session held on October 19, 2005, given over to setting the Group's strategic priorities for the next three years in light of available information concerning market trends, customer needs, the stated intentions of its competitors and the Group's own strategic imperatives: safeguarding financial flexibility, boosting overall performance in terms of growth and, especially profitability, and optimizing the new production capacity in India, etc. The Committee also carried out a detailed review of several investment and divestment opportunities and set down limits to be applied in any ensuing negotiations.

1.5. 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 was authorized by the Ordinary Shareholders' Meeting of May 23, 2000 to pay attendance fees to its Directors within an overall ceiling of €500,000 per year.

For 2005, the Committee noted that the rules for allocating attendance fees applied to date would have automatically resulted in the payment of €598,000, which is considerably in excess of the ceiling established six years ago and which has remained unchanged since. This increase is due to the greater number of Directors and Non-Voting Directors (which increased from 13 to 16 in 2005) and to the increase in the number of Board meetings (up from 6 to 8) and Committee meetings (up from 10 to 14).

Therefore, the Committee reviewed several possible solutions that would enable it to keep within the ceiling in 2005 and has suggested recommending, at the next General Shareholder' Meeting, a raise in the annual ceiling for future periods to €700,000. The Board of Directors acted on these recommendations and fixed the amounts to be paid to the Directors and Non-Voting Directors for the year ended December 31, 2005 as follows:

(euros)		**amount for 2005**	**amount for 2004**	**difference**
	Member	8,000	10,000	-2,000
Board	Chairman / Vice-Chairman	18,000	25,000	-7,000
	Per meeting	2,000	2,500	-500
	Member	3,000	3,500	-500
Committees	Chairman	9,000	10,000	-1,000
	Per meeting	1,500	1,500	unchanged
Total amount paid		**497,500**	**485,500**	**NM**

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

On the recommendation of Serge Kampf, 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, detailed the functions and characteristics of the Board, its Chairman and Chief Executive Officer, established the modus operandi 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

Although the Company's internal control procedures were already described at length in last year's Annual Report, they have since been modified or rounded out within the scope of the Group-wide initiative, under the aegis of the Group Chief Financial Officer. The aim of the initiative is to put in place a strategic transformation program, known internally as the "Green project", concerning mainly the Group's rules and procedures, organization and information systems:

- Updating the Group's "accounting rules and procedures" mainly involved integrating new international accounting standards (IFRS) and gave rise to the publication of a new version of a document known as "TransFORM", available to all of the Group's 61,000 employees, that lists not only the applicable accounting principles and methods, but also the Group's main obligations with regard to internal control. These updated procedures are also disseminated via a training module provided not only to financial, accounting but also to operational teams. In order to ensure uniform interpretation of accounting rules, the procedures are regularly supplemented by replies to frequently-asked questions as well as by procedural memorandums in respect of specific issues, such as managing foreign exchange risk within the scope of projects using resources located in several different countries.

- As regards organization, the methods used to prepare the financial statements of subsidiaries, the allocation of tasks within the finance function as well as cost controls for support functions, were all clarified or enhanced. Treasury management is currently being centralized and the set-up of a Group-wide netting procedure for intercompany transactions represented a major first step in this direction. The transfer of the administrative and accounting functions to shared service centers that has already taken place in most of the Group's subsidiaries (US, UK, Holland and Scandinavia), has also been completed in France. It should be noted that the expected benefits of such pooling of services – productivity, standardization and therefore higher quality – are only achieved thanks to the concerted efforts of the teams concerned and that the set-up of a shared service center in France resulted in delays in the year-end accounts close. It should also be noted that the transfer of certain tasks to our delocalized centers in Poland and India has been a success and that such transfers, if they are carefully prepared and executed, bring real professionalism to the functions in question.

- As regards systems, the Group deployed the same financial reporting system in most of its subsidiaries. This system had already been in use for a number of years in France, Italy, Spain and Portugal and roll out was achieved by either integrating – or conversely, overlooking – certain local particularities. In the first six months of 2006, this system, known internally as "NOP", and which has already been deployed in Belgium, will be

used in the Netherlands and the US, as well as in France for activities in the ex. Transiciel scope. This will be accompanied by the deployment of other peripheral systems such as a procurement management application.

To help the Group prepare to meet the new legal and regulatory obligations with regard to financial reporting, a program to implement shorter closing deadlines was launched at the end of 2005 and certain procedures already used to close off the half-yearly and yearly accounts will now also be used at quarterly closings.

These changes aim to further improve the various internal control procedures set up over the past ten years in the Capgemini Group. We set out below the objectives of these procedures.

3.1. Objectives of internal control procedures

The Group's internal control procedures comprise a set of rules, guidelines 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 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 the exact situation of the Group formed by Cap Gemini SA and its subsidiaries.

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

- 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 employees of all Business Units. This Blue Book restates and explains Capgemini's seven 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 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, is tasked with reviewing the internal control procedures set up within the Business Units to ensure that these comply with the principles and rules laid down by the Group and checking the use to which these procedures are put. It 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 – and not an absolute guarantee – against all risks. Each Business Unit is audited in line with a bi-annual program that the Chairman or the Chief Executive Officer reserves the right to modify in light of emergency situations or delays in fulfilling budgetary commitments. The Internal Audit team comprised on average 17 members in 2005 and carried out 1,450 days of field audits throughout the Group's various 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, clear lines of organization at operational level and 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 decisions and strategy defined by the Board of Directors. This structure is built around:

- The Executive Committee of 13 members: chaired by the Chief Executive Officer, it consists of the Chief Financial Officer, the General Secretary, the managers of each of the six strategic business units and the four Group Directors (the Sales, Production, Strategy and Communications Directors). It meets once a month to discuss an agenda prepared by the Chief Executive Officer; however, informal conference calls may be held to provide updates on implementation of the measures decided upon in previous meetings. The Executive Committee's task is to discuss and decide on measures to be taken to ensure that the Group's businesses run smoothly, verify that the decisions taken are actually applied, 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, if necessary, the Executive Committee will implement actions to remedy immediately any failures to deliver on the commitments made and the objectives set.

- The Group Finance Department, which is mainly tasked with:
  - preparing budgets and monitoring performances,
  - business control,
  - operational reporting,
  - consolidation,
  - accounting and accounting standards,
  - treasury management,
  - tax planning,
  - financial communication.

This Department also handles procurement, internal information systems and risk management, and analyzes M&A files entrusted to it by the Chief Executive Officer.

- The Risks and Major Commitments Committee: this Committee is chaired by the Chief Executive Officer and its members are the Chief Financial Officer and the General Secretary. Its task is to review – within the scope of the limitations placed on the powers of the Chief Executive Officer:
  - current major business opportunities and proposals for strategic alliances and master contracts with clients or suppliers that meet a certain number of specific criteria, in conjunction with the Director of Risk Management and the Director of International Legal Affairs;
  - current plans for acquisitions or disposals, in conjunction with the Group Director in charge of strategy and the Director in charge of implementing mergers and acquisitions.

The Committees' decisions are based on risk analysis and on recommendations presented by the Directors of the operational Units concerned and their financial controllers, and on the express condition that the International Legal Affairs and Risk Management Departments have been kept informed of discussions or negotiations in progress on a regular basis, and of the terms of commitments that would be entered into by the Group and/or one or more of its subsidiaries.

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

- The General Secretariat, which has overall responsibility for:
  - legal affairs, split into two departments: one dealing with problems encountered in international operations and all legal matters related to the Group's operating activity, and the other concerned with the functioning of the Group's governing bodies and changes made to the Group's overall structure;
  - the Department of Human Resources which is tasked with coordinating policies in this sphere throughout the Group and monitoring the performance of managers with high potential;
  - Capgemini University which provides Group and staff managers with the additional training they require (in new technologies, assuming commercial functions, enhancing ability to handle large projects, personal leadership development, etc.) and creates a natural and convivial "meeting point";
- The Department in charge of strategy, whose main role is to provide input and documentation for the deliberations on strategic issues by the Senior Management 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 Global Sales and Alliances Department, which is in charge of coordinating the Groups' sales policy, monitoring the management of major accounts and facilitating contacts with the Group's partners;
- The Production and Quality Department, which is tasked with designing and disseminating proprietary production methodologies in use within the Group, providing certification for certain categories of staff (project leaders, architects, etc.), overseeing the functioning and development of the Group's delocalized production centers and performing audits of "at-risk" projects; these audits are entrusted to specialized teams known as flying squads (80 audits of this type were carried out in 2005).

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. Two of these Units are each responsible for managing one of the Group's four worldwide core businesses operations (one is responsible for Outsourcing and the other for Local Professional Services). The Group's two remaining activities are organized by geographical area: North America, Northern Europe (which also includes the Asia-Pacific region), France and the Rest of Europe (consisting of Germany, Switzerland, Austria, other Central and Eastern European countries, Italy, Spain and Portugal).
Within each of these six SBUs, the basic operating entity is the Business Unit ("BU"). These units, which are kept manageably small so that the manager has close relations with his or her staff, each have an operating methodology similar to that of a small business and have management and operating tools which allow them to remain in front-line contact and to participate fully in the Group's results and development. The Business Unit manager is responsible for the Unit meeting measurable targets relating to financial performance (growth, profitability, etc.), business development, the quality of management and the level of satisfaction for the BU's clients.

3.2.3. Clearly defined processes and methods

The proper functioning of the Group's executive management structure and its Business Units is rooted in 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 subsi-

diarity and define three levels of decision-making depending on the issues involved, corresponding to the three layers of the Capgemini organization:

- the Business Unit for everything within its area of responsibility,
- the SBU for everything that concerns several business units under its authority,
- finally, the Group (CEO, Executive Committee, etc.) for everything outside the scope of responsibility of a single SBU, for decisions which, by their nature, should be taken at Group level (acquisitions, divestments, etc.) or for major operations with a material financial impact.

This process has been formalized in an “authorization matrix”. It requires prior consultation and the provision of sufficient information to those involved. When recommendations are made to the ultimate decision-maker, they must cover the views of all interested parties and include a fair assessment of the advantages and drawbacks 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,
- procurement organization and controls,
- the Group’s information and communication systems,
- business knowledge management and protection sharing,
- production of services in a multinational context,
- project management (sales, technical and financial aspects).

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 sold to clients (subsequently referred to as the “Projects”), from pre-sale to acceptance and payment by the client of the last invoice for the project. This process differentiates between:

- pre-sale controls,
- technical controls during the project execution phase,
- financial controls of these same projects.

a) Pre-sale controls:

Projects are becoming ever more complex, in terms not only of size but also technical specifications, especially in outsourcing (long-term commitments, sometimes involving the transfer of assets as well as transfers of staff and the related obligations). 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 to consolidate the data relating to these opportunities at international level;
- a methodology for monitoring business opportunities consisting of breaking down each business opportunity into intermediate phases. This approach provides the best means of weighing up 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 close 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 up-front 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 needs 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, estimation of costs to completion, joint oversight arrangements with the client, etc.;
- use of proprietary production methodologies on a worldwide basis;
- calling upon the expertise of Capgemini’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 “quality audits” independent of the teams in charge of the projects in question 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 Operational 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 periodic analysis 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 financial functions 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 (SBUs) 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 Business Unit 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 testify 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 financial controllers apply the Group's accounting procedures and policies contained in the TransFORM manual which sets out:
- the “musts” of internal control,
- what information must be reported, and how often,
- management rules and procedures,
- applicable accounting rules,
- performance indicators.

3.3.2. Financial processes

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

- **Budget and forecasting process**: The budget is the fundamental management control tool: drawn up by both the Company and 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 point 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 unit they manage as well as those of the higher level unit to which their Unit belongs. Finally, a forecast income statement (for a rolling 7-month period, i.e., the current month and the next six months, and for the entire year) 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 and to measure performance indicators against budget, the latest forecast and the same figures for the prior year, and to provide analyses of balance sheet items (on a quarterly basis only). A reconciliation is performed to ensure that financial information derived from the operational reporting system is consistent with the consolidated financial information provided by 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. Income statements, balance sheets and other key management indicators required for subsequent analysis are stored in a single database maintained at Group level. Access to this information system is strictly controlled. A monthly management report is prepared for each Strategic Business Unit jointly by the manager and financial controller of the Unit. This report is designed to give an explanation of performance figures,

forecasts for the next six months and actions taken in the event of material variances with budget.

- **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 Legal Affairs Department of all material operations and transactions occurring during the period,
  - a procedure to identify, collate and report off-balanc sheet commitments and any other information liable to have significant repercussions on the financial position of the Group or one of its subsidiaries at the end of the period,
  - a review of the tax position of each of the Group's legal entities,
  - a review of the value of intangible assets,
  - 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 work of two bodies that are independent of the Finance Department and that are tasked with carrying out checks on the internal control environment and verifying 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 (as it reports to both directly), the Internal Audit function is responsible for carrying out controls to ensure that procedures relating to the safeguarding of assets, the valuation of work in-progress and 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, Internal Audit is asked to pay special attention to methods for recognizing revenue and controlling 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 brief also includes a review of the procedures and controls in place within the Unit concerned 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 preparation and 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 report financial information:
  - the Annual Report (and the attached Reference Document),
  - financial press releases,
  - documents prepared for meetings with analysts and investors.

The Annual Report has traditionally played the predominant role in the Group's financial communications since 1975. The preparation of the report, its content, illustrations, production and distribution are therefore subject to particular attention on the part of the Senior Management and, above all, the Chairman. All the sections of 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 designing and setting out a chapter of this Annual Report within the scope of a general outline proposed by the Com¬munications Department. Inserted into the Annual Report, the Reference Document combines all the information that must be provided pursuant to all legal and regulatory requirements and is drawn up under the responsibility of Group Finance Department.

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.

The documents prepared for 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. Rules governing share trading

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

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), 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 SA and in accordance with article L.225-235 of the French Commercial Code (Code de commerce), 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, 2005.

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 22, 2006

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG SA

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

GROUP CONSOLIDATED FINANCIAL STATEMENTS

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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 SA and subsidiaries, for the year ended December 31, 2005.

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.
These financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. They include comparative information restated in accordance with the same standards in respect of financial year 2004.

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 IFRS as adopted for use by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 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 f) to the consolidated financial statements describes the methods used to account for revenues and costs related to long-term services rendered. As part of our assessments of the accounting rules and principles adopted by the Group, we verified whether the methods used to account for revenues and costs related to long-term services rendered were appropriate, and obtained assurance of their correct application and that the estimates used were reasonable.
- A deferred tax asset of €811 million is recorded in the consolidated balance sheet. Note 13 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 €1,809 million in unamortized goodwill. The accounting principles used and the methods applied to determine the value in use of these assets are described in notes 1 i) and 10 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 - Specific verifications

In accordance with professional standards applicable in France, 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.

Paris, February 22, 2006

The Statutory Auditors

PricewaterhouseCoopers Audit

Bernard RASCLE

KPMG Audit
Department of KPMG S.A.

Jean-Luc DECORNOY – Frédéric QUÉLIN
Partner Partner

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2005

in millions of euros	*Notes*	2004 Amount	2004 %	2005 Amount	2005 %
Revenues	3	**6, 235**	**100**	**6, 954**	**100**
Cost of services rendered	4	4,712	75.6	5,377	77.3
Selling expenses	4	611	9.8	524	7.6
General and administrative expenses	4	936	15.0	828	11.9
Operating margin		**(24)**	**(0.4)**	**225**	**3.2**
Other operating income	5	6	0.1	175	2.5
Other operating expense	5	(263)	(4.2)	(186)	(2.6)
Operating profit/(loss)		**(281)**	**(4.5)**	**214**	**3.1**
Finance costs, net	6	(28)	(0.5)	(24)	(0.4)
Other financial income and expense, net	7	1	-	(14)	(0.2)
Finance expense, net		**(27)**	**(0,5)**	**(38)**	**(0.6)**
Income tax expense	8	(226)	(3.6)	(35)	(0.5)
Profit/(loss) for the period		**(534)**	**(8.6)**	**141**	**2.0**
Attributable to:					
Equity holders of the parent		(534)	(8.6)	141	2.0
Minority interests		-	-	-	-

	Note	2004	2005
Weighted average number of ordinary shares		**131,292,801**	**131,391,243**
Basic earnings/(loss) per share (in euros)	9	(4.07)	1.07
Weighted average number of ordinary shares (diluted)		**132,789,755**	**138,472,266**
Diluted earnings/(loss) per share (in euros)	9	(4.02)	1.06

CONSOLIDATED BALANCE SHEETS

AT DECEMDER 31, 2004 AND DECEMBER 31, 2005

in millions of euros	*Notes*	2004	2005
ASSETS			
Intangible assets	10	1,963	1,951
Property, plant and equipment	11	449	399
Financial assets	12	64	48
TOTAL FIXED ASSETS AND INVESTMENTS		**2,476**	**2,398**
Deferred tax	13	775	811
Non current receivables	14	124	127
TOTAL NON-CURRENT ASSETS		**3,375**	**3,336**
Accounts and notes receivable	15	1,814	1,868
Other receivables	16	178	180
Assets held for sale	17	17	-
Short-term investments	18-19	1,001	1,805
Cash	18	251	416
TOTAL CURRENT ASSETS		**3,261**	**4,269**
TOTAL ASSETS		**6,636**	**7,605**

in millions of euros	*Notes*	2004	2005
EQUITY AND LIABILITIES			
Share capital		1,051	1,053
Additional paid-in capital		2,226	2,229
Retained earnings and other reserves		45	(431)
Profit/(loss) for the period		(534)	141
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		**2,788**	**2,992**
Minority interests		-	-
TOTAL EQUITY		**2,788**	**2,992**
Long-term financial debt	18-19	768	1,145
Deferred tax	13	95	121
Provisions for pensions and other post-retirement benefits	20	426	448
Non-current provisions	21	19	14
Other non current liabilities	22	145	138
TOTAL NON-CURRENT LIABILITIES		**1,453**	**1,866**
Short-term financial debt and bank overdrafts	18-19	200	171
Accounts and notes payable	23	2,082	2,490
Current provisions	21	20	20
Current income tax liabilities		56	47
Other payables	24	37	19
TOTAL CURRENT LIABILITIES		**2,395**	**2,747**
TOTAL EQUITY AND LIABILITIES		**6,636**	**7,605**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2005

in millions of euros	*Note*	2004	2005
Profit/(loss) for the period		**(534)**	**141**
Impairment of goodwill	5	19	6
Depreciation, amortization and write-downs of fixed assets	10-11	213	200
Net additions to provisions (excluding current assets)		24	28
(Gains)/losses on disposals of assets	5	(14)	(166)
Expense relating to stock options and share grants	5	4	12
Finance costs, net	6	28	24
Income tax expense	8	226	35
Cash flows from operations before finance costs, net and income tax (A)		**(34)**	**280**
Income tax paid (B)		4	(36)
Change in accounts and notes receivable, net		(29)	(39)
Change in accounts and notes payable, net		295	244
Change in other receivables and payables, net		82	93
Change in operating working capital (C)		**348**	**298**
NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)		**318**	**542**
Acquisitions of property, plant and equipment and intangible assets	10-11	(125)	(106)
Proceeds from disposals of property, plant and equipment and intangible assets		24	14
		(101)	**(92)**
Acquisitions of financial assets		(73)	(39)
Proceeds from disposals of businesses and consolidated companies	5	18	194
Proceeds from disposals of non-consolidated companies	7	70	5
Proceeds from disposals of other financial assets		8	16
		23	**176**
Effect of changes in Group structure		(5)	(6)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES (E)		**(83)**	**78**
Increase in share capital		-	5
Proceeds from borrowings		43	474
Repayments of borrowings		(199)	(183)
Finance costs, net	6	(28)	(24)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES (F)		**(184)**	**272**
NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)		**51**	**892**
Effect of exchange rate movements on cash and cash equivalents (H)		(9)	12
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	**18**	**1,190**	**1,232**
CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)	**18**	**1,232**	**2,136**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2005

in millions of euros	Number of shares	Share capital	Additional paid-in capital	Treasury stock (1)	Retained earnings and other reserves	Deferred taxes recognized in equity	Re-measurement of available-for-sale financial instruments	Effective portion – hedging instruments	Translation adjustments	Total equity (2)
At January 1, 2004	**131,165,349**	**1,049**	**2,220**	**(5)**	**43**	**-**	**-**	**-**	**-**	**3,307**
Increase in share capital upon exercise of options (3)	6,700	-	-	-	-	-	-	-	-	-
Net increase in share capital for the acquisition of Transiciel	211,129	2	5	-	-	-	-	-	-	7
Disposal of treasury stock (209,477 shares) returned to the Company in 2003	-	-	1	5	-	-	-	-	-	6
Translation adjustments	-	-	-	-	-	-	-	-	(11)	(11)
Valuation of stock options (3)	-	-	-	-	4	-	-	-	-	4
Transiciel earn-out payment (4)	-	-	-	-	9	-	-	-	-	9
Loss for the period	-	-	-	-	(534)	-	-	-	-	(534)
At December 31, 2004	**131,383,178**	**1,051**	**2,226**	**-**	**(478)**	**-**	**-**	**-**	**(11)**	**2,788**
Increase in share capital upon exercise of options (3)	198,800	2	3	-	-	-	-	-	-	5
Issue of "OCEANE 2005" convertible/exchangeable bonds (June 16, 2005) (5)	-	-	-	-	40	(14)	-	-	-	26
Purchase of a call on Capgemini shares to neutralize the dilutive impacts of the "OCEANE 2003" convertible/exchangeable bonds issued on June 24, 2003 (6)	-	-	-	-	(16)	6	-	-	-	(10)
Translation adjustments	-	-	-	-	-	-	-	-	29	29
Valuation of stock options (3)	-	-	-	-	11	-	-	-	-	11
Consolidation and elimination of 576,438 shares attributed or attributable to employees of the Capgemini Group (7)	-	-	-	(16)	19	-	-	-	-	3
Elimination of 85,000 treasury shares purchased under the share buyback program (8)	-	-	-	(2)	-	-	-	-	-	(2)
Impact of measuring shares ` in non-consolidated companies at fair value (9)	-	-	-	-	-	-	2	-	-	2
Change in reserves relating to hedging instruments	-	-	-	-	-	-	-	(1)	-	(1)
Transiciel earn-out payment (4)	-	-	-	-	2	-	-	-	-	2
Other changes (10)	-	-	-	-	(2)	-	-	-	-	(2)
Profit for the period	-	-	-	-	141	-	-	-	-	141
At December 31, 2005	**131,581,978**	**1,053**	**2,229**	**(18)**	**(283)**	**(8)**	**2**	**(1)**	**18**	**2,992**

(1) See Note 1.K.

(2) At December 31, 2005, minority interest amounted to €0.1 million.

(3) The method for measuring and recognizing stock options is described in Note 9.A. – "Stock option plans and shares grants", as well as in Note 31.IV.F. "Share-based payment: stock options" concerning the transition to IFRS.

(4) The second tranche of the alternative public exchange offer for Transiciel shares launched by Cap Gemini S.A. on October 20, 2003, contains an earn-out mechanism. Based on 2004 and 2005 earnings, additional purchase consideration was estimated at €11 million at December 31, 2005 (subject to validation by the third-party mediator as provided for by article 1.4.13.10 of the alternative public exchange offer) €2 million higher than the previous year's valuation.

(5) On June 16, 2005, Cap Gemini S.A. issued bonds convertible and/or exchangeable into existing or new Cap Gemini shares ("OCEANE"), due January 1, 2012, for a nominal value of €437 million (see Note 18 – "Net cash and cash equivalents"). The after-tax difference (€26 million) between the nominal value of the bonds and the fair value of the liability component at issue is recognized in equity.

(6) Simultaneously to the above mentioned "OCEANE" issue, the Group decided to neutralize in full the potential dilutive impact of the "OCEANE 2003" convertible bonds issued on June 24, 2003, for a nominal amount of €460 million and due January 1, 2010, via the purchase for €16 million (before tax) of a call option on approximately 9 million Capgemini shares, equal to the number of underlying shares of the "OCEANE 2003" convertible bonds issue. This call option is recorded in equity, net of tax.

(7) As mentioned in Note 9.A. – "Stock option plans and shares grants", and pursuant to the amendment to Interpretation 12 of the Standing Interpretation Committee (SIC 12) issued in November 2004, the Capgemini shares and cash corresponding to the proceeds from the sale of Capgemini shares held in the trusts and bank accounts set up at the time of the May 2000 acquisition of Ernst & Young's consulting business were consolidated. These entities i) initially held a portion of the shares issued and granted to the owners of the Ernst & Young consulting business as consideration for their asset contributions (these Capgemini shares vested on a gradual basis), and ii) subsequently held a portion of the shares returned by former partners of Ernst & Young's consulting business who became employees of the Capgemini Group and who left the Group, in accordance with the agreements relating to the acquisition which provided for their subsequent reallocation to other employees within the country concerned. At December 31, 2005, these entities held a total of 576,438 Capgemini shares and €1.7 million in cash. The expense for the year 2005 concerning shares allocated amounted to €1.7 million.

(8) Within the scope of the share buyback program described in the information memorandum approved by the AMF under reference number 05.238 on April 8, 2005, the 85,000 treasury shares held at December 31, 2005 in connection with the liquidity contract implemented as from September 30, 2005 were deducted from consolidated equity for an amount of €2 million.

(9) The remaining 5% interest held in Zacatii Consulting Inc (formerly Capgemini Japan K.K.) following the Group's August 12, 2005 sale of a stake in this company (see Note 2 – "Changes in Group structure") were reassessed at fair value at December 31, 2005.

(10) A certain number of IFRS adjustments to transactions which took place prior to January 1, 2005 have been recognized in that statement of changes in equity in 2005. These adjustments concern non-material changes in accounting treatment compared to that applied in the IFRS transition financial statements presented Note 31 – "Impact of the transition to IFRS on the 2004 financial statements".

NOTE 1~ACCOUNTING POLICIES

Pursuant to European Commission Regulation No. 1606/2002 of July 19, 2002, the 2005 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including International Accounting Standards (IASs) and the related interpretations endorsed by the European Union at December 31, 2005 and published in the Official Journal of the European Union.

The Group has elected to apply from January 1, 2004, IAS 32 – "Financial Instruments: Disclosure and Presentation", IAS 39 –"Financial Instruments: Recognition and Measurement", and the amendment to IAS 39 relating to "Cash Flow Hedge Accounting of Forecast Intragroup Transactions".

The Group has not opted for early adoption of certain standards and interpretations issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union at December 31, 2005.
These include:

- IFRIC 4 – "Determining whether an Arrangement contains a Lease" which will be effective for accounting periods commencing on or after January 1, 2006. The Group is currently analyzing and calculating the estimated impact of IFRIC 4 on the consolidated financial statements.
- The Amendment to IAS 19 – "Employee Benefits", entitled "Actuarial Gains and Losses, Group Plans and Disclosures" which will be effective for accounting periods commencing on or after January 1, 2006. This amendment will principally lead to additional disclosures in the notes to the consolidated financial statements.

The Group has also not opted for early adoption of standards and interpretations issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) but not yet endorsed by the European Union at December 31, 2005. These include IFRS 7 – "Financial Instruments" and the amendment to IAS 1 – "Presentation of Financial Statements" concerning disclosures.

The financial statements for the year ended December 31, 2005 are the Group's first full set of accounts published in accordance with IFRS. They include comparative data consisting of the restated statement of income for the year ended December 31, 2004, the restated balance sheet at December 31, 2004, and the restated opening balance sheet at January 1, 2004 prepared in accordance with IFRS 1 – "First-time adoption of IFRS".

Note 31 – "Impact of the transition to IFRS on the 2004 financial statements" sets out the accounting principles used to restate the opening balance sheet at January 1, 2004 and provides a detailed evaluation of the impacts on the balance sheet captions at January 1, 2004 and December 31, 2004, as well as on the 2004 statement of income.

The consolidated financial statements and related notes for the year ended December 31, 2005 were approved by the Board of Directors on February 22, 2006.

The financial statements for 2004 and 2003 prepared according to French GAAP, as well as the Statutory Auditors' reports are available on pages 48 to 88 of the Group's 2004 Reference Document.

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

A) Consolidation methods

The accounts of companies which are directly or indirectly controlled by Cap Gemini S.A. are fully-consolidated. Cap Gemini S.A. is deemed to exercise control over an entity when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

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.

Details of the scope of consolidation are provided in Note 30 – "List of consolidated companies by country".

All consolidated and equity-accounted companies prepared their accounts at December 31, 2005 in accordance with the accounting policies and methods applied by the Group.

Intragroup transactions are eliminated on consolidation, as well as intercompany profits.

As mentioned in Note 9.A. – "Stock option plans and shares grants", and in application of the amendment to Interpretation 12 of the Standing Interpretation Committee (SIC 12) issued in November 2004, the Capgemini shares and cash corresponding to the proceeds from the sale of Capgemini shares held in the trusts and bank accounts set up at the time of the May 2000 acquisition of Ernst & Young's consulting business were consolidated as from January 1, 2005.

The Group does not have any special purpose entities.

B) Use of estimates

The preparation of financial statements involves the use of estimates and assumptions which may have an impact on the reported values of assets and liabilities at the period-end or on certain items of income and expense for the period. Estimates are based on economic data which are likely to vary over time and are subject to a degree of uncertainty. They mainly concern revenue recognition on contracts, the recognition of deferred tax assets, asset impairment tests, and current and non-current provisions.

C) Foreign currency translation

The consolidated financial statements presented in this report have been prepared in euros.

The balance sheets of foreign subsidiaries are translated into euros at year-end rates of exchange with the exception of equity accounts, which are kept at their historical values. Statements of income of foreign subsidiaries are translated into euros at the weighted average rates of exchange for the year. However, for certain material transactions, it may be relevant to use a specific rate of exchange. Differences arising from the translation of profit at different rates are directly recognized in equity under "Translation adjustments" and have no impact on profit.

Exchange differences arising on monetary items which form an integral part of the net investment in foreign subsidiaries are recognized in equity, under "Translation adjustments", for their net-of-tax amount.

Exchange differences on receivables and payables denominated in a foreign currency are recorded as operating income or expense or financial income or expense, depending on the type of transaction concerned.

The exchange rates used to translate the financial statements of the Group's main subsidiaries into euros are as follows:

	Average exchange rates			Rates at December 31		
	2003	2004	2005	2003	2004	2005
US dollar	0.88582	0.80512	0.80461	0.79176	0.73416	0.84767
Pound sterling	1.44597	1.47413	1.46235	1.41884	1.41834	1.45921
Canadian dollar	0.63237	0.61874	0.66459	0.61599	0.60916	0.72860
Swedish krona	0.10961	0.10960	0.10779	0.11013	0.11086	0.10651
Australian dollar	0.57592	0.59241	0.61292	0.59517	0.57277	0.62077
Norwegian krona	0.12519	0.11950	0.12485	0.11885	0.12141	0.12523
Indian rupee	0.01901	0.01777	0.01823	0.01745	0.01684	0.01867
Polish zloty	0.22770	0.22119	0.24873	0.21268	0.24483	0.25907
Japanese yen (100)	0.76413	0.74426	0.73081	0.74105	0.71607	0.71994

D) Statement of income

Income and expenses are analyzed in the consolidated statement of income by function, reflecting the specific nature of the Group's business, as follows: cost of services rendered (corresponding to the costs incurred for the execution of client projects), selling expenses and general and administrative expenses. These elements do not include the charge resulting from the deferral of the fair value of shares and stock options granted to employees.

These three captions together represent ordinary operating expenses which are deducted from revenues to obtain operating margin. This is the main Group business performance indicator.

Certain reclassifications have been made compared with the amounts originally reported for 2004 concerning cost of services rendered, selling expenses, and general and administrative expenses, to comply with the classification principles

applied in 2005. In order to provide more complete information, these operating expenses are analyzed by nature in Note 4 – "Operating expenses by nature".

Operating profit is obtained by deducting other operating income and expense from operating margin. These include the charge resulting from the deferral of the fair value of shares and stock options granted to employees and non-recurring revenues or expenses, such as provisions for impairment of goodwill, capital gains or losses on disposals of consolidated companies or businesses, restructuring costs incurred under a detailed formal plan approved by the Board of Directors, the main features of which have been announced.

Profit for the period is subsequently obtained by taking into account the following items:

- Finance cost, net which include interest on borrowings calculated based on the effective interest rate, less income from cash and cash equivalents.
- Other financial income and expense which primarily corresponds to the impact of measuring financial instruments at fair value, disposal gains and losses and impairment of investments in non-consolidated companies, net interest costs on defined benefit plans, exchange gains and losses when the underlying are included in the net cash and cash equivalents, and other financial income and expense on miscellaneous financial assets and liabilities calculated using the effective interest method.
- Current and deferred income tax expense.

E) Earnings per share

Earnings per share are measured as follows:

- Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average number of ordinary shares is adjusted by the number of ordinary shares bought back or issued during the period and is calculated by reference to the date of issue of shares during the year.

- Diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding, excluding treasury shares, both items being adjusted, if need be, for the effects of all dilutive potential ordinary shares corresponding to (i) options granted to employees of the Group (see Note 9.A. – "Stock option plans and shares grants"), (ii) bonds convertible and/or exchangeable into existing or new Capgemini shares and (iii) equity warrants (see Note 26 – "Commitments received from and given to third parties").

F) Revenue recognition and recognition of the cost of services rendered

The method for recognizing revenues and costs depends on the nature of the services rendered:

Time and materials contracts:
Revenues and costs relating to time and materials contracts are recognized as services are rendered.

Long-term fixed price contracts:
Revenues from long-term fixed price contracts, including systems development and integration contracts, are recognized under the "percentage-of-completion" method.
Costs related to long-term fixed price contracts are recognized as they are incurred.
When the projected cost of the contract exceeds contractual revenues, a provision is made for forecast losses on completion.

Outsourcing contracts:
Revenues from outsourcing agreements are recognized over the life of the contract as the services are rendered. When the services are made up of various different services which are not separately identifiable, the related revenue is recognized on a straight line basis over the life of the contract.

The related costs are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they relate directly to the specific contract, relate to future activity on the contract and/or will generate future economic benefits, and are recoverable. Any repayment is recorded as a deduction of the costs incurred.

Revenues receivable from these contracts are recognized in assets under "Trade accounts receivable" when invoiced to customers, and under "Accrued income" when they are not yet invoiced. Deferred costs relating to outsourcing contracts are recorded under "work-in-progress".

Advances received from customers are recognized in liabilities under "Accounts and notes payable".

G) Intangible assets

Goodwill
Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities

at the date of acquisition, which is generally the date on which control is acquired. Goodwill is not amortized.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is greater than the acquisition cost, the excess is recognized immediately in the statement of income.

The cost of a business combination is allocated by recognizing the identifiable assets acquired and liabilities and contingent liabilities assumed at their fair values at the acquisition date, except for non-current assets classified as held for sale, which are recognized at fair value less costs to sell.

Other intangible assets

Computer software and user rights acquired on an unrestricted ownership basis, as well as software developed for internal use, which have a positive, lasting and quantifiable effect on future results, are capitalized and amortized over three to five years.
The capitalized cost of software developed for internal use represents costs that directly relate to its production, i.e. the salary costs of staff that developed the software concerned, as well as a directly attributable portion of production overheads.

H) Property, plant and equipment

The net value of property, plant and equipment corresponds to the historical cost of these items, less accumulated depreciation and impairment. No items of property, plant and equipment have been revalued. Buildings owned by the Group are measured based on the components method.

The cost of property, plant and equipment does not include any borrowing costs.

Subsequent expenditure (replacement and compliance costs of property, plant and equipment) are capitalized and depreciated over the remaining useful life of the asset concerned.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets concerned. It is calculated based on the acquisition cost, less the residual value.
Property, plant and equipment are depreciated over the estimated useful lives of the assets concerned:

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

Residual values and estimated useful lives are reviewed at each period-end.

The sale of property, plant and equipment gives rise to disposal gains and losses corresponding to the difference between the selling price and carrying amount of the asset concerned.

I) Impairment of fixed assets

Fixed assets are tested for impairment when there is any indication at the period-end that their recoverable amount may be less than their carrying amount. Goodwill is tested for impairment at least once a year.
The impairment test consists of assessing the recoverable amount of each asset or group of assets whose continued use generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The assessment is performed using the discounted cash flows method and consists of assessing the recoverable amount of each Cash Generating Unit (CGU) within the Group, corresponding to a subsidiary or a geographic area where the Group has operations. Discounted cash flows are determined based on various parameters used in the budget procedure and on five-year projections, including growth and profitability rates considered reasonable. A standard discount rate and a standard long-term growth rate for the period beyond 5 years are applied to all valuations of CGUs. These rates are determined based on an analysis of the business segment in which the Group operates. When the recoverable amount of a CGU is less than its carrying amount, the impairment loss is deducted from goodwill to the extent possible and charged to operating profit under "Other operating expense".

J) 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, it is recognized as an asset at the lower of the fair value of the leased asset and the present value of future minimum lease payments, with the related obligation recorded as a liability. The asset is depreciated over its useful life in accordance with Group policy, the obligation is amortized over the lease term and deferred tax are recognized in accordance with accounting policy describe in Note 1.L "deferred tax".

K) Treasury stock

Cap Gemini S.A. shares held by the Company or any consolidated companies are shown as a deduction from equity, at cost. The proceeds from sales of treasury stock are allocated directly to equity, net of the tax effect, so that the gain or loss on the sale has no impact on profit for the period.

L) Deffered taxes

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

Deferred taxes are accounted for using the balance sheet liability method and are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates (or tax laws) previously recognized in the statement of income or in equity are recognized in the

statement of income or in equity, respectively, for the period in which these changes become effective.

Deferred tax is recognized in profit or loss for the period when the related transaction or other event is recognized in profit or loss, except to the extent that the tax arises from a transaction or event which is charged or credited directly to equity, in which case the related deferred tax is also recognized directly in equity.

Deferred tax assets are recognized when it is probable that taxable profits will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date. This amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are offset if, and only if, the subsidiaries have a legally enforceable right to set off current tax assets against current tax liabilities, and when the deferred taxes relate to income taxes levied by the same taxation authority at the same time.

Deferred tax assets and liabilities are not discounted.

M) Financial instruments

Financial instruments consist of:

- financial assets, which primarily include long-term investments, non current receivables, accounts and notes receivable, other receivables and short-term investments;
- financial liabilities, which include long-term financial debt, other non current liabilities, short-term financial debt and bank overdrafts, accounts and notes payable and other payables.

Financial instruments (assets and liabilities) are first booked in the balance sheet at their initial fair value.

The subsequent measurement of financial assets and liabilities, depending on their classification in the balance sheet, is based either on their fair value or amortized cost. Financial assets measured at amortized cost are subject to tests to assess their recoverable amount as soon as there are indicators of a loss in value and at least at each closing date. The loss in value is recognized in the statement of income.

The amortized cost corresponds to the initial carrying amount (net of transaction costs), plus/minus interest expenses calculated using the effective interest rate, and less cash outflows (interest payments and reimbursement of principal). Accrued interests (income and expense) are not recorded on the basis of the financial instrument's nominal interest rate, but on its effective rate (actuarial rate, including costs, commissions and any redemption premium).

Financial instruments (assets and liabilities) are derecognized when the related risks and rewards of ownership have been transferred, and when the Group no longer exercises control over the instruments.

a) Recognition and measurement of financial assets

Financial assets and non current receivables

Financial assets mainly consist of 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 represent long-term investments supporting strategic alliances with the companies concerned. The investments in non-consolidated companies are analyzed as available-for-sale financial assets and are thus recognized at fair value. For listed shares, fair value corresponds to the share price. If the fair value cannot be determined reliably, the shares are recognized at cost.

In the event of an objective indicator of a loss in the value of the financial assets (in particular, a significant and lasting decrease in the assets value), an impairment loss is recognized in the income statement.

Any increase in the fair value of shares in non-consolidated companies after initial recognition is recorded through equity and subsequently reclassified under financial income and expense on disposal of the shares concerned or where there is an objective indication that the value of the shares may be impaired (see above).

Financial assets also consist of “aides à la construction” (building aid program) loans, security deposits and guarantees and other long-term loans.

Non current receivables mainly include receivables due from the French Treasury resulting from an election to carry back tax losses, receivables which are expected to be settled beyond the normal operating cycle of the business to which they relate, and non-current derivative instruments.

Financial assets and non current receivables are recognized at amortized cost, with the exception of:

- shares in non-consolidated companies
- non-current derivative instruments recognized at their fair value (see below).

Accounts and notes receivable
Accounts and notes receivable mainly consist of trade receivables and correspond to the fair value of the expected consideration to be received. Where payment is deferred beyond the usual periods applied by the Group, the future payments concerned are discounted.

Short-term investments
Short-term investments are recognized in the balance sheet at their fair value at the year end. For listed securities, fair value corresponds to market price at the balance sheet date. Gains and losses from changes in fair value are recognized in the statement of income under "Income from cash and cash equivalents". Short-term investments mainly consist of mutual fund units and negotiable debt securities that can be rapidly converted into known amounts of cash that are not exposed to any material risk of impairment in value in the event of a change in interest rates.

Derivative instruments
Derivative instruments are initially recognized at fair value. Except as described below concerning hedging instruments, changes in the fair value of derivative instruments, estimated based on market rates or data provided by banks, are recognized in the statement of income at the balance sheet date.

Derivative instruments that qualify for hedge accounting are classified as fair value hedges or cash flow hedges in accordance with the criteria set out in IAS 39 "Financial Instruments: Recognition and Measurement".

The accounting treatment applied to these instruments is as follows:

- For fair value hedges of financial instruments recognized in the balance sheet, the change in fair value recognized in profit is offset by a symmetrical change in the fair value of the hedged instrument, to the extent that the hedge is effective.
- For cash flow hedges of future transactions, (i) the effective portion of the change in fair value of the derivative instrument is recorded directly in equity and taken to income when the hedged item affects profit, and (ii) the ineffective portion is recognized directly in income.

The effectiveness of a hedge is demonstrated by means of prospective retrospective tests performed at each balance sheet date. These tests are designed to validate whether the hedge qualifies for hedge accounting, by demonstrating that the hedging relationship is effective. The 80% to 125% range set in standard for retrospective tests is also used for the prospective tests.

b) Recognition and measurement of financial liabilities
Long-term financial debt
Long-term financial debt mainly consists of loans granted by banks, bonds and obligations under finance leases.

Loans granted by banks and bonds are initially recognized at fair value and are subsequently measured at amortized cost at each period-end up to maturity.
Fair value determined for the purpose of initial recognition corresponds to the present value of future cash outflows discounted at the market interest rate, minus transaction costs and any issue premiums.

Regarding convertible bonds, the difference between the nominal amount of convertible bonds and the fair value of the liability component as calculated above is recorded under equity.

In each subsequent period, the interest expense recorded in the statement of income corresponds to the theoretical interest charge calculated by applying the effective interest rate to the carrying amount of the loan. The effective interest rate is calculated when the loan is taken out and corresponds to the rate that exactly discounts estimated future cash payments through the expected life of the loan to the initial fair value of the liability component of the loan.
The difference between interest expense thus calculated and the nominal amount of interest is recorded in gross borrowings costs, with the corresponding adjustment posted to liabilities.

Other financial liabilities
With the exception of derivative instruments, other financial liabilities are measured at amortized cost, calculated in accordance with the principles set out above.
Derivative instruments are measured at fair value in accordance with the principles set out above - see a) Recognition and measurement of financial assets.

N) Net cash and cash equivalents
Net cash and cash equivalents comprise cash and cash equivalents less short-term and long-term financial debt. Cash and cash equivalents correspond to short-term investments and cash, less bank overdrafts and derivative instruments when the underlying elements to which these relate are included in net cash and cash equivalents.

O) Pensions and other post-retirement benefits
Defined contribution plans are funded by contributions paid by employees and Group companies to the organizations responsible for managing the plans. The Group's obligations are limited to the payment of such contributions which are recorded in the statement of income as incurred.

Defined benefit plans consist of either:

- Unfunded 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, 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.

Obligations under these plans are generally determined by independent actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each of these units is valued separately in order to obtain the amount of the Groups' final commitment.

The resulting obligation is discounted by reference to market yields on high quality corporate bonds, of a currency and term consistent with the currency and term of the post-retirement benefit obligation.
For funded plans, only the deficit is covered by a provision.

Current and past service costs – corresponding to an increase in the obligation – are respectively recorded in operating expense as incurred and over the residual vesting period of the rights concerned.

The impact during the year of discounting pension benefit obligations, as well as any changes in the expected return on plan assets, is recorded under "other financial income and expense".

Actuarial gains and losses correspond to the effect of changes in actuarial assumptions and experience adjustments (i.e. differences between previous actuarial assumptions and actual data) on the amount of the defined benefit obligation or the value of plan assets. They are recognized in operating profit based on corridor method, which consists of recognizing at each period-end over the average remaining service lives of plan participants, the portion of net cumulative unrecognized actuarial gains and losses that exceeds the greater of: (i) 10% of the present value of the defined benefit obligation at that date; and (ii) 10% of the fair value of any plan assets at that date.

P) Stock options granted to employees

Stock options may be granted to a certain number of Group employees entitling them to purchase Capgemini shares issued for this purpose within five or six years at an exercise price set when the options are granted.

Stock options are measured at fair value, corresponding to the value of the benefit granted to the employee on the grant date. It is recognized in "Other operating expense" in the statement of income on a straight-line basis over the option vesting period, with a corresponding adjustment to equity.

The fair value of stock options is calculated using the Black and Scholes option pricing model which incorporates assumptions concerning the option exercise price and the vesting period, the share price at the date of grant, implicit share price volatility, and the risk-free interest rate. The expense recognized also takes into account staff attrition rates for eligible employee categories.

In accordance with IFRS 1 – "First-time Adoption of International Financial Reporting Standards", only stock options granted after November 7, 2002 with a vesting date after January 1, 2005, are measured and recognized as "other operating expense". Recognition and measurement of stock options granted prior to November 7, 2002 is not required.

Q) Provisions

A provision is recognized in the balance sheet when the Group has a present obligation as a result of an event prior to the closing date, and when an outflow of resources embodying economic benefits that can be measured in a reliable manner is probable. Provisions are discounted when the impact of the time value of money is material.

R) Consolidated statement of cash flows

The consolidated statement of cash flows analyzes cash flows from operating, investing and financing activities.

S) Segment information

The Group manages its operations based on geographic areas, business segments and its clients' business lines. Only the geographic entities constitute profit centers for which detailed performance measurements exist. The primary reporting segment corresponds to the geographic areas housing the Group's operations. The secondary reporting segment corresponds to the Groups' business segments.
Costs relating to operations and incurred at Group level on behalf of geographic areas and business lines are attributed to the segments concerned either directly or on the basis of reasonable assumptions.
Items that have not been allocated correspond to *headquarters' expenses*. Inter-segment transfer prices are determined based on competitive market prices.

T) Exchange gains and losses on intragroup transactions

The incorporation of the results and financial position of a foreign subsidiary with those of the Group follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary. However, an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item

represents a commitment to convert one currency into another and exposes the Group to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements, such an exchange difference continues to be recognized in profit or loss or it is classified in equity if the underlying forms an integral part of the net investment in the foreign operation.

U) Non-current assets held for sale and discontinued operations

Non-current assets that meet the criteria to be classified as held for sale, and liabilities relating to discontinued operations are presented separately on the face of the balance sheet if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

These assets and liabilities are measured at the lower of carrying amount and fair value less costs to sell.

NOTE 2~CHANGES IN GROUP STRUCTURE

A) 2004

The main changes in the scope of consolidation during 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. At 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. At 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. At 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.

B) 2005

The main changes in the scope of consolidation during 2005 were as follows:

- At the end of 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 and Capgemini Outsourcing Services), via a succession of asset-for-share exchanges that took place early in 2005.

  Furthermore, Capgemini OS Electric, formerly Cap Sogeti France S.A.S., was utilized for the purpose of the Group's contract with Schneider. This company is wholly-owned by the Group and is fully consolidated.
- In January 2005, the activities of Sogeti/Transiciel (now known as Sogeti) were reorganized and some new entities were created as a result of mergers and asset-for-share exchanges.
- In January 2005, the Group sold its 25.22% stake in IS Energy for €21 million, further to the end-2004 exercise by E.ON of the call option it held in relation to IS Energy's shares.
- On June 16, 2005, the Group sold its US healthcare business to the Accenture Group for €143 million.
- On August 12, 2005, the Group entered into an alliance with the Japanese Group N.T.T. Data Corporation and sold its 95% stake in Capgemini Japan K.K. for €30 million.
- On December 22, 2005 the Group converted into preference shares half of the ordinary shares it held in the UK-based company, Working Links (Employment) Limited, representing 16.5% of interest. This company – which was previously proportionally consolidated – is now recorded under shares in non-consolidated companies.

NOTE 3~**REVENUES**

Revenues break down as follows by geographic area :

in millions of euros	2004		2005	
	Amount	**%**	**Amount**	**%**
North America	1,351	22	1,353	20
United Kingdom and Ireland	1,288	20	1,738	25
Nordic countries	391	6	415	6
Benelux countries	857	14	956	14
Germany and Central Europe	477	8	443	6
France	1,479	24	1,666	24
Southern Europe	299	5	310	4
Asia-Pacific	93	1	73	1
TOTAL	**6,235**	**100**	**6,954**	**100**

The year-on-year increase in revenues in 2005 is 11.5% on a current Group structure and exchange rate basis and 15.0% on a like-for-like basis (based on constant exchange rates and Group structure).

NOTE 4~**OPERATING EXPENSES BY NATURE**

The analysis of expenses by nature is as follows:

in millions of euros	2004	2005
Personnel costs	4,001	4,175
Travel expenses	309	309
	4,310	**4,484**
Purchases and sub-contracting	1,437	1,808
Rent and local taxes	282	240
Depreciation, amortization and provisions	230	197
TOTAL	**6,259**	**6,729**

Foreign currency gains and losses relating to operating items amounted to a net loss of €6 million in 2004 and a net gain of €0.3 million in 2005.

Personnel costs break down as follows:

in millions of euros	2004	2005
Wages and salaries	3,171	3,283
Payroll taxes	747	803
Pension costs related to defined benefit plans (1)	83	86
Other post-retirement benefit expenses	-	3
TOTAL	**4,001**	**4,175**

(1) See Note 20 – "Provisions for pensions and other post-retirement benefits".

NOTE 5~**OTHER OPERATING INCOME AND EXPENSE**

A) Other operating income

in millions of euros	2004	2005
Capital gains or losses on the sale of consolidated companies or businesses	6	166
Other	-	9
OTHER OPERATING INCOME	**6**	**175**

Other operating income mainly includes the following items:

- **Capital gains or losses on the sale of consolidated companies or businesses :**
  - In December 2004, the Group sold its Swedish and Norwegian infrastructure maintenance activities to the EDB group for €18 million, generating a €6 million gain.
  - In January 2005, the Group sold its 25.22% stake in IS Energy in Germany for €21 million, further to the end-2004 exercise by E.ON of the call option it held in relation to IS Energy's shares. This transaction generated a capital gain of €15 million.
  - On June 16, 2005, the Group sold its US healthcare business to the Accenture Group for €143 million, generating a capital gain of €123 million.
  - In August 2005, the Group sold 95% of its interest in Capgemini Japan K.K. to the Japanese group NTT Data Corporation for €30 million, generating a capital gain of €28 million.

- **Other income :**
  - In April 2005, the Group sold the finance lease on the property at Béhoust, which housed the Group University until the opening in 2003 of the new university at the "Les Fontaines" site located in Gouvieux. This transaction generated a net capital gain of €5 million.

B) Other operating expense

in millions of euros	2004	2005
Restructuring costs	(240)	(164)
Impairment of goodwill	(19)	(6)
Expenses relating to stock options and shares grants	(4)	(12)
Other	-	(4)
OTHER OPERATING EXPENSE	**(263)**	**(186)**

Other operating expense mainly includes the following items:

In 2004

- **Restructuring costs**
  - €153 million in costs directly related to workforce reduction measures involving 2,335 employees, mainly in France, the Benelux countries, the United Kingdom, Germany and Central Europe, and Italy.
  - €87 million in other costs, mainly relating to measures taken to streamline the Group's real estate assets. These costs concerned North America, the United Kingdom, the Nordic countries, France, the Benelux countries, and Germany and Central Europe.

- **Impairment of goodwill**

  In 2004, an impairment loss of €7 million was recorded relating to residual goodwill in Italy. Impairment losses relating to goodwill were also recognized in the following regions: €8 million for the Benelux countries; €2 million for the United Kingdom; and €2 million for Central Europe.

In 2005

- **Restructuring costs**
  - €83 million in costs directly related to workforce reduction measures, mainly in North America (€31 million), France (€12 million), the Nordic countries (€9 million), the Benelux countries (€8 million), the United Kingdom (€6 million) and Italy (€2 million).
  - €66 million in other costs, all of which relate to measures taken to streamline the Group's real estate assets in North America (€56 million), France (€3 million) and the United Kingdom (€2.5 million).
  - €15 million in costs related to the accelerated amortization of software in North America.

- **Expenses relating to stock options and shares grants**

  These expenses are determined as explained in Note 9.A. – "Stock option plans and shares grants".

- **Impairment of goodwill**

  In 2005, a €4 million impairment loss was recognized on residual goodwill in the Netherlands. An impairment loss of €2 million was also recognized on goodwill in the United Kingdom.

NOTE 6~FINANCE COSTS, NET

Finance cost, net can be analyzed as follows:

in millions of euros	2004	2005
Gross borrowings costs	(46)	(57)
Income from cash and cash equivalents	18	33
FINANCE COSTS, NET	**(28)**	**(24)**

• **Gross borrowings costs**

Gross borrowings costs can be broken down as follows:

in millions of euros	2004	2005
Interest on convertible bonds	(20)	(30)
Other interest expenses	(26)	(27)
TOTAL	**(46)**	**(57)**

The change in gross borrowings costs in 2005 is attributable to the interest expense on the €10 million related to the "OCEANE 2005" convertible bonds issued on June 16, 2005 (see Note 18 – "Net cash and cash equivalents").

Other interest expenses items mainly correspond to:
- €11 million in notional interest related to finance leases (mainly concerning the United Kingdom, the Netherlands and Canada),
- €4 million in notional interest related to the recognition (at amortized cost) of a financial debt following the reinstatement in the balance sheet of the carry back tax credits sold in 2003 and 2004. The recognition of a financial expense is offset by notional income related to the carry back tax credits and recorded in operating income (see Note 31.IV.E – "Taxes")
- €5 million in notional interest related to the recognition in financial debt of the present value of the put option held by the TXU group (see Note 31.IV.I – "Put Options on Minority Interests")

• **Income from cash and cash equivalents**

This mainly consists of income on investments.

NOTE 7~OTHER FINANCIAL INCOME AND EXPENSE, NET

Other financial income and expense, net consist of:

in millions of euros	2004	2005
Measurement of financial instruments at fair value	3	2
Gain on disposal of investments in non-consolidated companies	18	3
Exchange gains	2	2
Other	4	2
Total other financial income	**27**	**9**
Measurement of financial instruments at fair value	(3)	(2)
Impairment of investments in non-consolidated companies	-	(3)
Net interest cost on defined benefit plans	(9)	(8)
Expenses related to measurement of financial liabilities in accordance with the amortized cost method (1)	(5)	(4)
Exchange losses	(4)	(2)
Other	(5)	(4)
Total other financial expenses	**(26)**	**(23)**
Total other financial income and expense, net	**1**	**(14)**

(1) This item concerns financial liabilities which are not included in net cash and cash equivalents (see Note 1.N. – "Net cash and cash equivalents").

The change in other financial income and expense, net between 2004 and 2005 is primarily due to the €18 million net gain on the sale for €70 million of the Group's non-consolidated interest in Vertex that positively impacted 2004.

NOTE 8~**INCOME TAX EXPENSE**

Income tax expense can be analyzed as follows:

in millions of euros	2004	2005
Current income taxes	11	(34)
Deferred income taxes	(237)	(1)
TOTAL	**(226)**	**(35)**

Current income tax expense for 2005 mainly comprises:

- €21 million in income taxes on profits, especially relating to the Netherlands, Germany and Central Europe, and India.
- €11 million in taxes not based on taxable income mainly related to North America and Italy.

Deferred income tax expense for 2005 primarily corresponds to:

- €38 million related to the utilization of deferred tax assets on tax loss carry-forwards previously recognized due to taxable net income of the period. Of this amount, €33 million concerned the utilization of tax losses of the French tax group relief.
- €4 million related to the recognition of net deferred tax assets on temporary differences, mainly concerning Canada.
- €36 million related to the reassessment of deferred tax assets recognized in France further to the reorganization of the Group's North American operations (see Note 13 – "Deferred taxes").

In 2005, the Group's average effective rate of income tax was 19.9% of pre-tax profit. The Capgemini 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 profit. 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 effective tax rate of the Group can be analyzed as follows:

in millions of euros	2004	2005
STANDARD TAX RATE IN FRANCE (%)	**35.4**	**34.9**
Tax (expense)/income at the standard rate	**109**	**(61)**
Impact of:		
Deferred tax assets unrecognized or depreciated on tax loss carry-forwards and temporary differences	(117)	(16)
Impact of reassessment of deferred taxes related to the Ernst & Young acquisition	(226)	-
Impact of reassessment of deferred taxes recognized in France as the result of the reorganization of North American operations	36	36
Recognition of deferred tax assets on tax loss carry-forwards previously depreciated	-	10
Utilization of tax loss carry-forwards previously depreciated	-	4
Difference in tax rates between countries	3	1
Permanent differences and other items	(31)	(9)
Tax (expense)/income at the effective rate	**(226)**	**(35)**
EFFECTIVE RATE OF INCOME TAX (%)	**(73.4)**	**19.9**

In 2005, the Group's effective tax rate was principally due to the combined effect of:

- Unrecognized deferred tax assets totalling €11 million, mainly relating to North America, Central Europe, Italy and Asia-Pacific and the depreciation of deferred tax assets in France in the amount of €5 million, arising from the consolidation of the Transiciel group and the reorganization of the Local Professional Services business.
- The €36 million reassessment impact of deferred tax assets recognized in France in accordance with the procedures described in Note 13 – "Deferred taxes".
- The recognition of deferred tax assets on tax loss carry-forwards arisen prior to January 1, 2005, concerning Germany (€7 million) and Norway (€3 million).
- The utilization of previously depreciated tax loss carry-forwards relating to taxable profit for 2005, primarily concerning the United Kingdom (€4 million).
- Permanent differences and other items including:
  - €11 million in taxes not based on taxable income, of which €7 million related to North America and Italy,
  - €2 million in permanent differences and other items, mainly concerning Central Europe and France.

Deferred tax liabilities relating to the "equity" component of the "OCEANE 2005" convertible bonds issue of June 16, 2005, calculated in accordance with the method described in footnote 5 of the consolidated statements of changes in equity, were recorded through equity. In addition, the deferred tax assets relating to the purchase of a call option aimed at neutralizing the dilutive impact of the "OCEANE 2003" convertible bonds issued on June 24, 2003, were also recorded through equity (see footnote 6 of the consolidated statements of changes in equity).

NOTE 9~SHAREHOLDERS' EQUITY

A) Stock option plans and shares grants

At the May 24, 1996, May 23, 2000 and May 12, 2005 Annual Shareholders' Meetings, the Directoire and the Board of Directors, respectively, were given a five-year authorization in respect of the May 24, 1996 and May 23, 2000 plans, and an authorization period of 38 months in respect of the May 12, 2005 plan, to grant stock options to a certain number of Group employees on one or several occasions.

The main features of these plans and their bases of calculation are set out in the table below:

	1996 Plan	2000 Plan		2005 Plan	Total
Date of Shareholders' Meeting	May 24, 1996	May 23, 2000		May 12, 2005	
Maximum number of shares to be issued on exercise of options	6,000,000	12,000,000		6,000,000	
Date options first granted under the plan	July 1, 1996	September 1, 2000	October 1, 2001	October 1, 2005	
Deadline for exercising stock options after their grant date (based on progressive tranches)	6 years	6 years	5 years	5 years	
Exercise price as a % of the average share price over the twenty stock market trading days preceding the grant date	80%	80%	100%	100%	
Exercise price (per share and in euros) of the various stock option grants:					
Low	144.00	139.00	21.00	30.00	
High	161.00	161.00	60.00	30.00	
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2004	1,411,950	10,877,200		-	12,289,150
Number of new stock options granted during the year	Plan expired	1,623,000		1,915,500	3,538,500
Number of options forfeited or cancelled during the year	852,950	1,674,100		-	2,527,050
Number of options exercised at December 31, 2005	-	198,800 (1)		-	198,800
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2005	559,000 (2)	10,627,300 (3)		1,915,500 (4)	13,101,800
Residual weighted average life (in years)	0.65	2.57		4.75	

(1) At December 31, 2005, 170,000 stock options granted at a price of €24, and 28,800 stock options granted at a price of €21, had been exercised.
(2) Representing 293,000 shares purchased at a price of €161 and 266,000 shares purchased at a price of €144.
(3) Representing 776,100 shares purchased at a price of €161; 524,500 shares at €139; 1,770,500 shares at €60; 1,447,600 shares at €24; 1,020,000 shares at €40; 371,000 shares at €31; 3,255,600 shares at €21 and 1,462,000 shares at €27.
(4) Representing 1,915,500 shares purchased at a price of €30.

The Group has no contractual or implicit obligations to purchase or settle the options in cash.

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 so wish, to exercise all of their options immediately - or all of their remaining unexercised options.

Fair value of options granted and impact on the financial statements

In accordance with IFRS 1 – "First-time Adoption of International Financial Reporting Standards", only stock options granted after November 7, 2002 with a vesting date after January 1, 2005, are measured and recognized as other operating expenses. Recognition and measurement of stock options granted prior to November 7, 2002 is not required, thus they are not measured and recognized.

Summary	Plan no. 5 (5-year authorization)				Plan no. 6 (38-month authorization)
Dates of the stock option grants impacted by restatements in accordance with IFRS 2	October 1, 2003	April 1, 2004	October 1, 2004	April 1, 2005	October 1, 2005
Number of stock options initially granted	1,406,000	566,000	3,634,500	1,623,000	1,915,500
Exercise price (per share and in euros) of the various stock option grants	40	31	21	27	30
Share price at the grant date	35.88	31.19	19.09	27.06	32.59
Number of shares subscribed at December 31, 2005	-	-	28,800	-	-
Principal market conditions at the grant date:					
Volatility	*37-38%*	*38.1-38.8%*	*37.5-38.5%*	*32.4-33.8%*	*27.4-29.4%*
Average length of the option exercise period (years)	*3.5-4.25*	*3.5-4.25*	*3-4.25*	*3-4.25*	*3-4.25*
Risk-free interest rate	*2.7-3.1%*	*2.8-3%*	*3-3.3%*	*2.2-2.9%*	*2.3-2.7%*
Expected dividend rate	*1%*	*1%*	*1%*	*1%*	*1%*
Off-market conditions:					
Employee presence within the Group at the exercise date	*yes*	*yes*	*yes*	*yes*	*yes*
Other	*no*	*yes (1)*	*no*	*no*	*no*
Pricing model used to calculate stock option fair values	Black & Scholes model				
Range of fair values in euros	8.7-10.3	9.2-10.3	4.5-5.7	6.2-7.8	7.6-9.4
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2005	1,020,000	371,000	3,255,600	1,462,000	1,915,500

(1) Certain Transiciel employees were granted stock options that were subject to exercise conditions (based on the Sogeti/Transiciel entity attaining a target adjusted gross operating profit) set out in a prospectus which was approved by the *Commission des Opérations de Bourse* under reference no. 03-935 on October 29, 2003.

Based on the calculation parameters used to determine fair value under the Black & Scholes option pricing method (see Note 1.P – Stock options granted to employees), the expense to be recorded between 2006 and 2010 with respect to the five option grants falling within the scope of application of IFRS 2 totals €20.3 million. The expense recorded in 2005 in "other operating expense" amounts to €10.5 million.

Agreements signed on the May 2000 acquisition of Ernst & Young's consulting business

These agreements included an employee-retention scheme applicable over a maximum five-year period for the key employees of Ernst & Young's consulting business who have joined the Group. This scheme was based on the gradual acquisition of ownership of shares granted to the sellers of the Ernst & Young consulting business. If a person covered by this scheme left the Group he or she could be required to return a portion of the shares received in May 2000. The agreements also provided that ownership of a portion of the shares thus returned would automatically be transferred to Cap Gemini S.A. (to be subsequently cancelled or sold) with the balance to be held within the local entities to which employees are attached (trusts and bank accounts) as part of the employee-retention scheme in order to be subsequently reallocated to other employees in the countries concerned. As certain shares were sold, in accordance with the provisions of the agreements, prior to their ownership fully vesting in the beneficiaries concerned and which have left the Group, cash amounts were also paid into these entities. These cash amounts corresponded to the disposal gain on the shares returned, which could, where appropriate, be granted to employees in the countries concerned in the form of exceptional remuneration.

The reallocations of Capgemini shares under this scheme are based on gradual acquisition of ownership of the shares – i.e. vesting conditions – which timeframe is similar to the one applicable to the stock options granted by Cap Gemini S.A.
In 2005, the above-mentioned entities granted 117,987 Capgemini shares to their respective employees (primarily in North America). In view of the vesting conditions applicable and the number of shares reallocated since November 7, 2002, i.e. in 2003 (126,299 shares) and 2004 (207,850 shares), the related expense for 2005 calculated in accordance with IFRS 2 amounts to €1.7 million.

B) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. The weighted average number of ordinary shares is adjusted by the number of ordinary shares bought back or issued during the period.

At December 31	2004	2005
Profit/(loss) for the period *(in millions of euros)*	(534)	141
Weighted average number of ordinary shares	131,292,801	131,391,243
Basic earnings/(loss) per share (in euros)	**(4.07)**	**1.07**

The increase in the number of shares in 2005 is due to the exercise of stock options held by employees.

Diluted earnings per share

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding at the balance sheet date.

The average share price in 2005 is €28.15.

At December 31, 2005, dilutive instruments include:

- Share warrants related to the acquisition of Transiciel that were granted to former shareholders of Transiciel who had opted for the second tranche of the offer. Subject to the earnings targets of the new Sogeti/Transiciel entity being reached, these warrants will entitle their beneficiaries to a number of new Capgemini shares, carrying rights from January 1, 2006.
- Employee stock options considered to be potentially dilutive when the average market price of ordinary shares during the period exceeds the exercise price of the option including its fair value.
- “OCEANE 2005” convertible bonds issued on June 16, 2005 as the €6 million interest expense recorded (net of taxes), is lower for each bond than basic earnings per share (see Note 18 – “Net cash and cash equivalents”).

The “OCEANE 2003” convertible bonds issued on June 24, 2003 are not deemed to be dilutive at December 31, 2004 or December 31, 2005, as the interest expense recorded (net of tax) on each bond exceeds basic earnings per share. Accordingly, the Group’s net profit has not been adjusted to include the impact of the interest expense on convertible bonds (net of taxes).

	2004	2005
Profit/(loss) for the period *(in millions of euros)*	**(534)**	**141**
Interest expense on “OCEANE 2005” convertible bonds (net of taxes)	-	6
Diluted profit/(loss) for the period *(in millions of euros)*	**(534)**	**147**
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	131,292,801	131,391,243
Adjustments:		
- conversion of “OCEANE 2003” convertible bonds	-	-
- conversion of “OCEANE 2005” convertible bonds (weighted average number)	-	5,905,405
- exercise of share warrants related to the acquisition of the Transiciel group	508,600	315,790(*)
- exercise of employee stock options	988,354	859,828
Weighted average number of ordinary shares (diluted)	**132,789,755**	**138,472,266**
DILUTED EARNINGS/(LOSS) PER SHARE *(in euros)*	**(4.02)**	**1.06**

(*) Subject to validation by the third-party mediator as provided for by article 1.4.13.10. of the alternative public exchange offer.

NOTE 10~**INTANGIBLE ASSETS**

Changes in intangible assets can be analyzed as follows by type of asset:

in millions of euros	Goodwill	Software	Internally generated intangible assets	Other	Total
GROSS VALUE					
AT JANUARY 1, 2004	**1,788**	**146**	**37**	**38**	**2,009**
Translation adjustments	(16)	(7)	-	(6)	(29)
Acquisitions/Increase	-	22	2	50	74
Disposals/Decrease	(14)	(29)	-	(14)	(57)
Changes in Group structure	35	2	-	85	122
Other movements	(7)	50	-	1	44
AT DECEMBER 31, 2004	**1,786**	**184**	**39**	**154**	**2,163**
Translation adjustments	41	10	-	13	64
Acquisitions/Increase	1	19	2	5	27
Disposals/Decrease	(5)	(20)	-	(13)	(38)
Changes in Group structure	4	(16)	-	(2)	(14)
Other movements	-	8	-	(16)	(8)
AT DECEMBER 31, 2005	**1,827**	**185**	**41**	**141**	**2,194**
ACCUMULATED AMORTIZATION					
AT JANUARY 1, 2004		**98**	**21**	**23**	**142**
Translation adjustments		(5)	-	1	(4)
Additions		33	7	12	52
Disposals		(22)	-	(13)	(35)
Changes in Group structure		-	-	8	8
Other movements		15	-	2	17
AT DECEMBER 31, 2004		**119**	**28**	**33**	**180**
Translation adjustments		7	-	2	9
Additions		44	7	16	67
Disposals		(19)	-	(12)	(31)
Changes in Group structure		(12)	-	(1)	(13)
Other movements		2	-	-	2
AT DECEMBER 31, 2005		**141**	**35**	**38**	**214**
IMPAIRMENT					
AT JANUARY 1, 2004	**-**	**4**	**-**	**-**	**4**
Translation adjustments	-	-	-	-	-
Additions	19	-	-	-	19
Changes in Group structure	-	-	-	-	-
Other movements	(7)	4	-	-	(3)
AT DECEMBER 31, 2004	**12**	**8**	**-**	**-**	**20**
Translation adjustments	-	-	-	-	-
Additions	6	3	-	-	9
Changes in Group structure	-	-	-	-	-
Other movements	-	-	-	-	-
AT DECEMBER 31, 2005	**18**	**11**	**-**	**-**	**29**
NET					
At January 1, 2004	1,788	44	16	15	1,863
At December 31, 2004	1,774	57	11	121	1,963
AT DECEMBER 31, 2005	**1,809**	**33**	**6**	**103**	**1,951**

Goodwill net value

Goodwill is allocated by geographic area. At December 31, 2005, goodwill net value primarily relates to France (€480 million, including €379 million in connection with the acquisition of Transiciel), the United Kingdom (€471 million), the Benelux countries (€438 million), North America (€222 million), and Germany and Central Europe (€95 million).

Changes in the net value of goodwill primarily reflect:

In 2004:

- measurement of the identifiable assets and liabilities of Transiciel at December 31, 2004, which leads to recognition of additional goodwill in an amount of €26 million;
- the sale of the Swedish and Norwegian infrastructure maintenance activities, formerly part of the Group's Outsourcing business, to the EDB group (€13 million);
- an impairment loss of €7 million recognized on residual goodwill in Italy and impairment losses relating to goodwill recognized in the following regions: €8 million for the Benelux countries; €2 million for the United Kingdom; and €2 million for Central Europe;
- translation differences arising on goodwill denominated in foreign currencies, amounting to €(16) million.

In 2005:

- an impairment loss for €4 million on residual goodwill in the Benelux countries, and €2 million in goodwill impairment in the United Kingdom;
- translation differences arising on goodwill denominated in foreign currencies, amounting to €41 million.

Goodwill impairment tests

The carrying amounts of goodwill at December 31, 2005 were tested for impairment in accordance with the Group's related specific procedure. Based primarily on the discounted cash flows method, this procedure consists of assessing the recoverable amount of each cash generating unit (CGU) within the Group. CGUs correspond either to subsidiaries or to geographic areas 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. Standard discount rates (based on the weighted average cost of capital) and a standard long-term growth rates for the period beyond 5 years are applied to all valuations of CGUs. These rates are determined based on business segment analyses in which the Group operates.

The Sogeti-Transiciel CGU was created following the January 2005 reorganization of Sogeti-Transiciel's businesses (see Note 2 – "Changes in Group structure"). In 2004, the Transiciel group – which was acquired by Capgemini in December 2003 – already constituted a CGU, whereas the operations of the cross-border entity Sogeti, which was set up further to an internal restructuring in 2002, formed part of the CGU corresponding to the geographic areas in which the Group is present.

Revenue and margin growth rates are based on past performance and the growth outlook for the Group's markets. They are consistent with the forecasts issued by the Group.

The main assumptions used to measure the recoverable amount of goodwill are as follows:

Cash Generating Units	North America	United Kingdom	Benelux countries	Sogeti-Transiciel	Other	**Total**
Net carrying amount of goodwill (in millions of euros)	222	471	321	458	337	**1,809**
Method used to measure the value of the CGU	Value in use					
Number of years over which cash flows are estimated	5 years					
Long-term growth rate	3%					
After-tax discount rate at December 31, 2005 (1)	10.5%	10.1%				
After-tax discount rate at December 31, 2004 (1)	10.1%					

(1) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of CGUs.

Impairment tests on software and other intangible assets

The carrying amount of software and other intangible assets (essentially rights of use acquired) was compared to their value in use at December 31, 2005. An impairment loss was recorded during the year for an amount of €3 million in Germany.

Reconciliation between the cost of acquisitions of intangible assets in the balance sheet and the cash flow statement

The cost of acquisitions of intangible assets set out in the balance sheet (€27 million) is different from the figure provided in the cash flow statement as the cash flow statement does not include transactions with no cash impact such as acquisitions of assets held under finance leases.

NOTE 11~**PROPERTY, PLANT AND EQUIPMENT**

Changes in property, plant and equipment break down as follows:

in millions of euros	Land, buildings, fixtures and fittings	Computer equipment	Other	Total
GROSS VALUE				
AT JANUARY 1, 2004	**456**	**579**	**126**	**1,161**
Translation adjustments	(6)	(4)	(1)	(11)
Revaluations	-	-	-	-
Acquisitions/Increase	32	98	11	141
Disposals/Decrease	(27)	(116)	(8)	(151)
Changes in Group structure	5	10	8	23
Other movements	1	(42)	(8)	(49)
AT DECEMBER 31, 2004	**461**	**525**	**128**	**1,114**
Translation adjustments	13	17	3	33
Revaluations	-	-	-	-
Acquisitions/Increase	16	89	10	115
Disposals/Decrease	(79)	(135)	(15)	(229)
Changes in Group structure	(2)	(54)	(1)	(57)
Other movements	19	(3)	(9)	7
AT DECEMBER 31, 2005	**428**	**439**	**116**	**983**
o/w finance leases	*107*	*211*	*10*	*328*
ACCUMULATED DEPRECIATION				
AT JANUARY 1, 2004	**180**	**375**	**90**	**645**
Translation adjustments	(4)	(4)	-	(8)
Revaluations	-	-	-	-
Additions	43	102	16	161
Reversals	(20)	(103)	(8)	(131)
Changes in Group structure	5	7	1	13
Other movements	-	(13)	(2)	(15)
AT DECEMBER 31, 2004	**204**	**364**	**97**	**665**
Translation adjustments	9	11	1	21
Revaluations	-	-	-	-
Additions	40	80	10	130
Reversals	(63)	(117)	(13)	(193)
Changes in Group structure	-	(39)	(1)	(40)
Other movements	5	(2)	(5)	(2)
AT DECEMBER 31, 2005	**195**	**297**	**89**	**581**
o/w finance leases	*25*	*142*	*8*	*175*
IMPAIRMENT				
AT DECEMBER 31, 2005	**3**	**-**	**-**	**3**
NET				
At January 1, 2004	276	204	36	516
At December 31, 2004	257	161	31	449
AT DECEMBER 31, 2005	**230**	**142**	**27**	**399**
o/w finance leases	*82*	*69*	*2*	*153*

Impairment tests
The carrying amount of property, plant and equipment was compared to their value in use at December 31, 2005. An impairment loss was recorded during the year for an amount of €3 million in Germany.

Reconciliation between the cost of acquisitions of property, plant and equipment in the balance sheet and the cash flow statement
The cost of acquisitions of property, plant and equipment set out in the balance sheet (€115 million) is different from the figure provided in the cash flow statement as the cash flow statement does not include transactions with no cash impact such as acquisitions of assets held under finance leases.

NOTE 12~FINANCIAL ASSETS

Financial assets can be analyzed as follows:

At December 31 *(in millions of euros)*	2004	2005
Shares in non-consolidated companies	5	5
Deposits and other long-term investments	59	43
TOTAL	**64**	**48**

A) Shares in non-consolidated companies

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

in millions of euros	2004	2005
At January 1	**55**	**5**
Translation adjustments	2	1
Acquisitions	-	3
Disposals	(52)	(1)
Impairment	-	(3)
At December 31	**5**	**5**

Shares in non-consolidated companies are classified as available-for-sale financial assets and are thus recognized at fair value.

In November 2004, the Group sold its 14.6% interest in Vertex to United Utilities, representing €52 million.

Further to the disposal of 95% of its stake in Zacatii Consulting Inc (formerly Capgemini Japan K.K.) on August 12, 2005, the Group's remaining 5% stake was measured at fair value at December 31, 2005 (see the consolidated statement of changes in equity).

No amounts were recorded in the income statement in 2005 in relation to the measurement of available-for-sale financial assets.

B) Deposits and other long-term investments

Deposits and other long term investments consist of "aides à la construction" (building aid program) loans, security deposits and guarantees and other long-term loans.

The value in use of deposits and other long-term investments is not materially different from their carrying amount.

NOTE 13~DEFERRED TAXES

I. RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

A) Analysis by recovery date

At December 31 *(in millions of euros)*	2004	2005
Deferred tax assets:		
- Deferred tax assets over one year	702	720
- Deferred tax assets within one year	73	91
Total deferred tax assets	**775**	**811**
Deferred tax liabilities:		
- Deferred tax liabilities over one year	75	105
- Deferred tax liabilities within one year	20	16
Total deferred tax liabilities	**95**	**121**

Deferred tax assets over one year primarily represent tax loss carry-forwards.
Deferred tax liabilities over one year primarily relate to goodwill which is deductible for tax purposes.

Deferred tax assets and liabilities within one year are generated by tax loss carry-forwards as well as temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax base.

B) Changes in recognized deferred taxes

in millions of euros	Deferred tax assets on tax loss carry-forwards	Deferred tax assets arising from the acquisition of the Ernst & Young consulting business	Deferred tax assets arising from temporary differences	**Total deferred tax assets**	**Total deferred tax liabilities (1)**	**Total Net**
At January 1, 2005	**586**	**123**	**66**	**775**	**(95)**	**680**
Changes in Group structure	-	-	-	**-**	**2**	**2**
Translation adjustments	(1)	19	7	**25**	**(7)**	**18**
Deferred taxes recognized in profit or loss	(2)	(2)	7	**3**	**(4)**	**(1)**
Deferred taxes recognized in equity	-	-	6	**6**	**(14)**	**(8)**
Other movements	-	-	2	**2**	**(3)**	**(1)**
At December 31, 2005	**583**	**140**	**88**	**811**	**(121)**	**690**

(1) Deferred tax liabilities relate to temporary differences.

The appreciation of the US and Canadian dollars against the euro during 2005 led to an increase in the deferred tax assets recognized in North America, particularly those relating to the acquisition of the Ernst & Young consulting business.

Deferred tax assets recognized in profit or loss represented a net expense of €1 million in 2005, primarily reflecting:

- the utilization of deferred tax assets on tax loss carry-forwards for a total of €38 million, essentially in France (€33 million).
- the recognition of net deferred tax assets on temporary differences in Canada in an amount of €4 million.
- the reassessment of deferred tax assets recognized in France further to the reorganization of the Group's North American operations, representing €36 million.

Deferred taxes recognized in equity during the year concern items which were directly credited to or deducted from equity during the same period (see the consolidated statement of changes in equity). They represent deferred tax liabilities of €14 million relating to the difference between the nominal value of the June 16, 2005 "OCEANE 2005" convertible bonds and the fair value of the liability component (see Note 18 – "Net cash and cash equivalents") and deferred tax assets of €6 million on the call option on Capgemini shares purchased in order to neutralize the potential dilutive impact of the "OCEANE 2003" convertible bonds issue of June 23, 2003 (see Note 18 – "Net cash and cash equivalents").

Deferred tax assets arising from the acquisition of Ernst & Young consulting business in North America

The USD 4,280 million difference between the acquisition price of the Ernst & Young consulting business in North America and the tax base of the assets and liabilities acquired is amortized over fifteen years for tax purposes, representing an income tax saving of around USD 1,669 million based on current tax rates. Over recent 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 has potential tax savings available in the form of tax losses and tax-deductible future amortization allowances that may be utilized up to 2035 under current regulations.
The value of the related deferred tax asset is reviewed in the light of certain tax planning opportunities – related mainly to the deferred payment of intra-group royalties – and based on an estimate of the taxable profit of the Group's North American operations over the next five years using growth and profitability rates considered reasonable.

At December 31, 2005, the value of the deferred tax asset recognized in relation with the acquisition of Ersnt & Young consulting business in North America is €140 million.

Deferred tax assets on tax loss carry-forwards 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. Since December 31, 2003, the corresponding tax loss may be carried forward without time limit against future taxable profit generated in France.

At each balance sheet date, this deferred tax asset is adjusted to reflect the estimated taxable profit of the Group's French operations over the next fifteen years. The calculation is based on growth and profitability assumptions considered as reasonable, using the following visibility 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% beyond the fifteenth year.

Basis for this calculation model is a progressive decline in visibility as regards the future realization of estimates, so that recognized deferred tax assets are utilized as follows:

- about 50% in the first five years,
- the remaining 50% between the sixth and fifteenth year.

At December 31, 2005, the corresponding deferred tax asset recognized in France amounts to €525 million (breaking down into a portion over one year of €467 million and a portion within one year of €58 million), compared with €522 million at December 31, 2004.

Other tax loss carry-forwards recognized

Tax loss carry-forwards recognized at Group level, apart from the deferred tax assets recognized in France further to the reorganization of North American operations, primarily relate to Central Europe and particularly Germany (€22 million), Belgium and the Netherlands (€15 million), the United Kingdom (€8 million), Norway and Sweden (€7 million), France (€2 million) and Spain (€2 million).

C) Analysis by type

Recognized deferred tax assets can be analyzed as follows by type:

in millions of euros	**At December 31, 2005**
Tax loss carry-forwards	525
Acquisition of the Ernst & Young consulting business	140
Post-retirement benefits	19
Revaluation of work in progress	11
Restructuring costs	7
Other	18
Total deferred tax assets over one year	**720**
Tax loss carry-forwards	58
Retirement bonuses	8
Miscellaneous provisions	6
Revaluation of work-in-progress	5
Employee profit-sharing	4
Restructuring costs	2
Other	8
Total deferred tax assets within one year	**91**
Total recognized deferred tax assets	**811**

Deferred taxes recognized on the acquisition of the Ernst & Young consulting business include tax-loss carry-forwards generated by tax-deductible amortization charges recorded against goodwill, as well as future amortization allowances.

Deferred tax liabilities can be analyzed as follows by type:

in millions of euros	**At December 31, 2005**
Tax deductible goodwill amortization	62
Equity component of “OCEANE 2003 and 2005” convertible bonds	26
Restatement of finance leases	8
Provisions	8
Other	1
Total deferred tax liabilities over one year	**105**
Revaluation of work-in-progress	9
Other	7
Total deferred tax liabilities within one year	**16**
Total deferred tax liabilities	**121**

II. UNRECOGNIZED DEFERRED TAX ASSETS

Unrecognized deferred tax assets can be analyzed as follows:

At December 31 *(in millions of euros)*	**2004**	**2005**
Tax loss carry-forwards	564	524
Acquisition of the Ernst & Young consulting business	1,067	1,183
Temporary differences	204	318
TOTAL	**1,835**	**2,025**

At December 31, 2005, unrecognized deferred tax assets essentially relate to North America (€1,485 million).

Unrecognized deferred tax assets relating to tax loss carry-forwards primarily concern France (€170 million) and North America (€168 million) at the year-end 2005.

Unrecognized deferred taxes on the acquisition of Ernst & Young consulting business include tax-loss carry forwards generated by tax-deductible amortization charges recorded against goodwill, as well as future amortization allowances.

At December 31, 2005, unrecognized deferred tax assets on temporary differences mainly relate to the following:

- Post-retirement benefits in the United Kingdom (€99 million).
- Differences in the methods used for capitalizing and amortizing fixed assets in various countries between the individual company accounts and the consolidated accounts (€48 million).
- Differences in revenue recognition between individual company accounts and the consolidated accounts in various countries (€58 million).
- Restructuring costs (€25 million), provisions (€32 million) and other miscellaneous items (€56 million) in various countries.

III. EXPIRY DATES OF TAX LOSS CARRY-FORWARDS

The expiry dates of tax loss carry-forwards are as follows:

At December 31 *(in millions of euros)*	**2004**		**2005**	
	Amount	**%**	**Amount**	**%**
y+1	4	0	3	0
y+2	3	0	69	2
y+3	52	1	48	1
y+4	37	1	43	1
y+5 and subsequent years	23	1	9	0
Without time limit	4,188	97	4,442	96
TOTAL	**4,307**	**100**	**4,614**	**100**

Tax loss carry-forwards do not include tax-deductible amortization charges recorded against goodwill arising from the acquisition of the Ernst & Young's consulting business, which have a tax effect of €791 million at December 31, 2005, compared with €804 million at December 31, 2004.

NOTE 14~NON CURRENT RECEIVABLES

Non current receivables break down as follows:

At December 31 *(in millions of euros)*	2004	2005
Carry-back tax credits	112	116
Derivative instruments	1	-
Other	11	11
TOTAL	**124**	**127**

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 (see Note 26 – "Commitments received from and given to third parties"). These receivables are measured at amortized cost.

NOTE 15~ACCOUNTS AND NOTES RECEIVABLE

At December 31 *(in millions of euros)*	2004	2005
Trade accounts and notes receivable	1,773	1,798
Receivables from social security	41	70
TOTAL	**1,814**	**1,868**

Trade accounts and notes receivable

Trade accounts and notes receivable can be analyzed as follows:

At December 31 *(in millions of euros)*	2004	2005
Trade accounts receivable	1,329	1,337
Accrued income	459	467
Work in-progress	22	27
Provisions for doubtful accounts	(37)	(33)
TOTAL	**1,773**	**1,798**

Advances received from customers, mainly arising from operations relating to projects, are recognized in "Accounts and notes payable" in accordance with the accounting principle whereby receivables and payables may not be netted off. However, accounts receivable and advances received from customers are netted when calculating the average customer settlement period.

At December 31 *(in millions of euros)*	2004	2005
Trade accounts and notes receivable	1,773	1,798
Advances received from customers	(538)	(609)
Total accounts receivable net of advances received from customers	**1,235**	**1,189**
In number of days of total sales	72	62

NOTE 16~**OTHER RECEIVABLES**

At December 31 *(in millions of euros)*	2004	2005
Recoverable income taxes	29	21
Prepaid expenses	139	134
Other	10	25
TOTAL	**178**	**180**

NOTE 17~**ASSETS HELD FOR SALE**

At December 31, 2004 this item corresponded to the value of the property located in Béhoust, which housed the Group University until the opening in 2003 of the new university at the "Les Fontaines" site, located in Gouvieux.
The Group sold the finance lease relating to this property in April 2005.

NOTE 18~**NET CASH AND CASH EQUIVALENTS**

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

At December 31 *(in millions of euros)*	2004	2005
Cash and cash equivalents	1,232	2,136
Financial debt	(948)	(1,231)
Derivative instruments	1	(1)
NET CASH AND CASH EQUIVALENTS	**285**	**904**

At December 31, 2005, derivative instruments recognized in liabilities are shown under "Other non current liabilities". These derivatives relate to two interest rate swaps (see Note 19 – "Derivative instruments").

Short-term financial debt (due within the next twelve months) and bank overdrafts break down as follows:

At December 31 *(in millions of euros)*	2004	2005
Short-term financial debt	180	86
Bank overdrafts	20	85
SHORT-TERM FINANCIAL DEBT AND BANK OVERDRAFTS	**200**	**171**

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the consolidated statement of cash flows correspond short-term investments and cash, less bank overdrafts.

At December 31 *(in millions of euros)*	2004	2005
Short-term investments	1,001	1,805
Cash	251	416
Bank overdrafts	(20)	(85)
CASH AND CASH EQUIVALENTS	**1,232**	**2,136**

Changes in short-term investments can be analyzed as follows:

in millions of euros	2004	2005
At January 1	**929**	**1,001**
Translation adjustments	(4)	17
Changes in Group structure	-	(4)
Increases	157	792
Decreases	(81)	(1)
At December 31	**1,001**	**1,805**

The increase in short-term investments primarily reflects the investment of the proceeds from the "OCEANE 2005" convertible bonds issued on June 16, 2005.

The cash available is being invested in SICAV funds and other traditional money-market funds.

II. SHORT AND LONG-TERM FINANCIAL DEBT

Financial debt is broken down into long and short-term financial debt, with short-term financial debt referring both to the current portion of long-term financial debt and those originally due within one year.

At December 31 *(in millions of euros)*		2004	2005
"OCEANE 2003 and 2005" convertible and/or exchangeable bonds	(A)	408	814
Obligations under finance leases	(B)	164	124
Other financial debt	(C)	196	207
Long-term financial debt		**768**	**1,145**
Obligations under finance leases	(B)	64	50
Drawdowns on bank and similar facilities	(D)	46	8
Commercial paper		-	15
Other financial debt	(C)	70	13
SHORT-TERM FINANCIAL DEBT		**180**	**86**
TOTAL FINANCIAL DEBT		**948**	**1,231**

A) Bonds convertible and/or exchangeable into new or existing Cap Gemini S.A. shares ("OCEANE")

"OCEANE 2005" convertible bonds issued on June 16, 2005

On June 16, 2005, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing Cap Gemini shares, maturing on January 1, 2012 ("OCEANE 2005"). The effective issue and settlement date of the bonds was June 24, 2005. The total amount of the issue was €437 million, represented by 11,810,810 bonds with a nominal value of €37 each. The bonds bear interest at 1% per year. The terms and conditions of this issue are set out in the information memorandum approved by the AMF under the reference number n°05-564 on June 16, 2005.

MAIN TERMS AND CONDITIONS OF THE "OCEANE 2005"

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 the settlement date (June 24, 2005), and the seventh business day preceding the normal or early redemption date, subject to the adjustments provided for. The Company may choose to issue new shares or allocate existing shares.

Redemption at maturity

The bonds will be redeemed in full on January 1, 2012 (or the first business day following this date if this is not a

business day) at a price of €41.90 per bond, representing a premium of 13.2% over the bonds' nominal value.

Early redemption at the Company's option

The Company may redeem all or some of the bonds in advance of maturity as follows:

- At any time, without limitation on price or quantity, by buying back all or some of the bonds either on or off market or by means of a public buyback or exchange offer.
- Between June 24, 2009 and December 31, 2011, subject to a 30-day notice period, all outstanding bonds may be redeemed at an early redemption price calculated in such a way that the resulting yield to maturity is equal to that which would have been obtained at maturity, i.e., a rate of 2.875%, plus accrued interest, if the product of (i) the then current conversion/exchange ratio and (ii) the arithmetic average of the opening prices quoted for the Company's ordinary shares on the Eurolist market of Euronext Paris S.A. over a period of 20 trading days selected by the Company from among the 40 trading days immediately preceding the date of publication of the early redemption announcement, exceeds 130% of such early redemption price.
- At any time, for all outstanding bonds, if less than 10% of the bonds are still outstanding.

Early redemption at the option of bondholders

Bondholders may request the early redemption of all or some 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 any early redemption event and would not have any impact on the applicable interest rate.

RECOGNITION OF THE "OCEANE 2005" BOND ISSUE AT FAIR VALUE

In accordance with the accounting principle set out in Note 1.M.b "Long-term financial debt", the fair value of the corresponding financial debt carried in liabilities, as well as the embedded option recognized in equity, were calculated at the date of issue of the "OCEANE 2005" convertible bonds on June 16, 2005.

The fair value of financial debt in the balance sheet, recognized in long-term financial debt, was calculated based on the implied interest rate for an issue of straight bonds at the same date as the "OCEANE 2005" convertible bond issue (i.e., 4.5%). The difference between the nominal value of the "OCEANE 2005" convertible bonds and the fair value of the liability component was recognized in equity, under "Other reserves", net of deferred taxes.

At December 31, 2005, the liability component of the "OCEANE 2005" convertible bond issue amounts to €396 million.

Based on the effective interest rate of 4.5% (4.8% including issue costs), the interest charge for the second half year is €9.6 million, compared with a coupon of €2.2 million calculated on the basis of the convertible bonds' nominal interest rate of 1% per annum.

"OCEANE 2003" convertible bonds issued on June 24, 2003

On June 24, 2003, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing shares, maturing on January 1, 2010. The effective issue and settlement date of the bonds was July 2, 2003 ("OCEANE 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 to convert interest on the convertible bonds from fixed to variable rate (see Note 19 below – "Derivative instruments").

The terms and conditions of this issue are set out in the information memorandum approved by the AMF under the reference number n°03-607 on April 24, 2003.

Simultaneously to the "OCEANE 2005" convertible bond issue of June 16, 2005, Capgemini decided to neutralize in full the potential dilutive impact of the "OCEANE 2003" convertible bonds issued on June 24, 2003 and maturing on January 1, 2010 by purchasing from Société Générale at a cost of €16 million a call option on approximately 9 million Cap Gemini shares, corresponding to the number of shares to be delivered assuming that all the bonds in the "OCEANE 2003" convertible bond issue are converted/exchanged. The option's strike price and maturity correspond to those of the "OCEANE 2003" convertible bond issue.

RECOGNITION OF THE "OCEANE 2003" BOND ISSUE AT FAIR VALUE

In accordance with the accounting principle set out in Note 1.M.b "Long-term financial debt", the fair value of the corresponding financial debt carried in liabilities, as well as the embedded option recognized in equity, were calculated at the date of issue of the "OCEANE 2003" convertible bonds on June 24, 2003.

The fair value of financial debt in the balance sheet, recognized in long-term financial debt, was calculated based on the implied interest rate for an issue of straight bonds at

the same date as the "OCEANE 2003" convertible bond issue (i.e., 4.8%). The difference between the nominal value of the "OCEANE" convertible bonds and the fair value of the liability component was recognized in equity, under "Other reserves", net of deferred taxes.

At December 31, 2005, the liability component of the "OCEANE 2003" convertible bond issue amounts to €418 million.
Based on the effective interest rate of 4.8% (5.1% including issue costs), the interest charge for the year ended December 31, 2005, is €20.9 million, compared with a coupon of €11.5 million, calculated on the basis of the convertible bonds' nominal interest rate of 2.5% per annum.

B) Obligations under finance leases

The amount reported under this caption at December 31, 2005 corresponds mainly to the finance lease relating to the "Les Fontaines" site of the Group University located at Gouvieux and investments in IT equipment made by Capgemini UK Plc and New Horizons Systems Solutions LP (Canada).

in millions of euros	Earliest start date of leases	Latest expiry date of leases	Rate	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005
Capgemini University (Béhoust) (1)	-	-	-	27	-
Capgemini University (Les Fontaines)	Dec. 2002	July 2014	3-Month Euribor +0.75%	80	74
Capgemini UK Plc	Aug. 2000	July 2010	Fixed rates (5.29% to 11.05%)	58	43
Capgemini Outsourcing B.V.	June 2003	June 2008	Fixed rates (2.33% to 6.31%)	19	9
New Horizons Systems Solutions LP	Feb. 2003	Oct. 2010	Fixed rates (6.0% to 7.0%)	13	19
Capgemini Outsourcing Services S.A.S.	Aug. 2001	March 2009	Fixed rates (5.26% to 9.01%)	3	5
Capgemini Systems GmbH	July 2003	July 2008	Fixed rate 4.0%	4	4
Sogeti-Transiciel S.A.S.	April 1999	April 2011	Eonia +0.8%	5	3
Capgemini Finland O.Y.	Oct. 2003	Oct. 2009	Fixed rates (0.01% to 4.56%)	2	4
Capgemini Est S.A.S.	July 2003	Jan. 2008	Fixed rate 2.6%	2	1
Other	July 2001	June 2016	Fixed rates (0.3% to 7%)	15	12
TOTAL				**228**	**174**

(1) In April 2005, the Group disposed of its finance lease on the property located in Béhoust, which housed the Group University prior to the opening in 2003 of the new university at the "Les Fontaines" site, located in Gouvieux.

A certain number of leases included in the outsourcing contract signed with Schneider Electric on October 28, 2004 have not yet been transferred to the Group. These leases will be analyzed by reference to the criteria of IAS 17 – "Leases". Following this analysis, the restatement of finance leases may lead to the recognition of additional financial liabilities for an estimated maximum amount of €15 million, corresponding to the total lease commitments. At December 31, 2005, these commitments are included in "Commitments received from and given to third parties".

C) Other financial debt

At December 31, 2005, the €220 million in other financial debt mainly consist of:

- €116 million corresponding to €74 million and €33 million in tax credits arising from the carry back of 2002 tax losses in France that were sold on June 26, 2003 and June 28, 2004 respectively. The sold receivables were recognized in financial debt in the IFRS balance sheet at the transition date as explained in Note 31.IV – "Impact of the transition to IFRS on the 2004 financial statements",
- €66 million corresponding to the present value of the put option held by the TXU group in connection with the 10-year outsourcing contract signed on May 17, 2004. The put covers the TXU Group's 2.9% minority interest in Capgemini Energy LP and certain assets (essentially the IT platform owned by the TXU group and used by Capgemini Energy LP for the term of the contract) and is exer-

cisable by the TXU group during the ten years following the end of the contract. It has a total value of US$200 million (€169 million) and was initially recognized in the balance sheet at its present value of US$114 million based on a discount rate of 5.9%. The value of this put option is partially offset by the assets concerned which are valued at US$45 million.

In accordance with IAS 32 - "Financial Instruments: Disclosure and Presentation" a financial debt has been recognized in the balance sheet with the corresponding adjustment being the recognition of items described in Note 31.IV.I "Put options and minority interest".

The put option's carrying amount is reassessed at each period-end. The variance between December 31, 2004 and December 31, 2005 corresponds to the recognition of notional interest and the effect of the change in the USD/euro exchange rate. This expense, amounting to €5 million, is recorded in the 2005 income statement under gross borrowings costs.

- A €21 million financial debt owed to TXU under the terms of the contract;
- The €10 million balance due on the acquisition of the IT services subsidiaries of the Drägerwerk AG group, payable in February 2006.

D) Drawdowns on bank and similar facilities

The decrease in "Drawdowns on bank and similar facilities" between December 31, 2004 (€46 million) and December 31, 2005 (€8 million) is mainly due to the reduction in drawdowns by Group operating companies on lines of credit. 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 November 14, 2005, the Company signed a €500 million multi-currency credit facility with a syndicate of banks to replace the previous €600 million multi-currency five-year credit facility implemented on July 31, 2001 which was as a result cancelled in advance of its maturity. The syndicate is made up of BNP Paribas, Calyon and ING Bank N.V., acting as bookrunners and mandated lead arrangers, Crédit Mutuel - CIC, IXIS Corporate & Investment Bank, Natexis Banques Populaires and SG Corporate & Investment Banking, acting as mandated lead arrangers, and Caisse Régionale de Crédit Agricole Mutuel de Paris et d'Ile de France, Dresdner Bank AG in Frankfurt am Main, HSBC France SA, JP Morgan Chase Bank N.A., Paris Branch and Crédit du Nord, acting as co-arrangers.

The maturity of the new credit facility is November 14, 2010, unless Cap Gemini S.A. exercises the one-year extension option (subject to the agreement of the banks) at the end of the first year, in which case the maturity of the credit facility will be extended to November 14, 2011.

Use of this credit facility is subject to the following conditions:

- An initial margin of 0.50% (above Euribor or Libor 1 to 12 months). In addition, a utilisation fee of 0.025% to 0.050% may apply for drawdowns in excess of certain amount of the credit facility. The margin may be adjusted according to the Company's credit rating;
- A fee on undrawn amounts initially set at 35% of the margin (i.e. currently 0.175%) that may be reduced to 30% if Cap Gemini S.A.'s rating improves.

Any upgrading or downgrading of Cap Gemini S.A.'s credit rating would not have any impact on the availability of this credit line.

The Company has agreed to comply with the following covenants regarding financial ratios (as defined in IFRS):

- the net financial debt to consolidated equity ratio must at all times be less than 1;
- interest cover – i.e. the extent to which net finance costs adjusted for certain items are covered by consolidated operating margin – must be equal to or higher than 3x at December 31 and June 30 of each year (based on the 12 months then ended).

At December 31, 2005, the Group complied with these financial ratios. The net financial debt to consolidated equity ratio stood at 0 and the interest cover was 15.7.

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

- pledging certain assets as collateral,
- substantially modifying the general nature of a company's operations,
- asset sales, mergers or 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 control, or changes which would have a significant negative impact on the financial position of the Group.

At the date of this report, no drawdowns had been made on this credit facility.

III. MAIN CHARACTERISTICS OF FINANCIAL DEBT

A) Interest rates

Average interest rate paid on Group financial debt

In 2005, the average interest rate on the Group's financial debt was 5.2%.

Fixed rates/variable rates

At December 31, 2005, 41% of Group financial debt is at variable rates, of which 34% is capped (respectively 60% and 43% at December 31, 2004), and 59% at fixed rates (40% at December 31, 2004).

The change in these proportions between December 31, 2004 and December 31, 2005 was primarily due to the impact of the June 16, 2005 issuance of "OCEANE 2005" convertible bonds, which increased the relative weight of fixed rate financial debt.

Analysis of the sensitivity of net finance costs to an increase in interest rates

The impact on gross finance costs of a theoretical annual average increase of 1% in interest rates, based on an annual average financial debt position, is an estimated €6 million.

The impact on income from cash and cash equivalents of a theoretical annual average 1% increase in interest rates, based on an annual average cash and cash equivalents position, is an estimated €14 million.

Accordingly, a 1% increase in interest rates would have an estimated €8 million positive impact on net finance costs.

Effective interest rates and maturities of financial debt

At December 31 *in millions of euros*	2004 Effective interest rate	Total	Within 1 year	1 to 2 years	2 to 5 years	Beyond 5 years	2005 Effective interest rate	Total	Within 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
Short-term investments	2.2%	**1,001**	1,001	-	-	-	2.5%	**1,805**	1,805	-	-	-
Cash	1.9%	**251**	251	-	-	-	1.9%	**416**	416	-	-	-
Bank overdrafts	2.6%	**(20)**	(20)	-	-	-	2.8%	**(85)**	(85)	-	-	-
CASH AND CASH EQUIVALENTS		**1,232**	**1,232**	**-**	**-**	**-**		**2,136**	**2,136**	**-**	**-**	**-**
"OCEANE 2003" convertible bonds	5.1%	**408**	-	-	-	408	5.1%	**418**	-	-	418	-
"OCEANE 2005" convertible bonds	-	**-**	-	-	-	-	4.8%	**396**	-	-	-	396
Drawdowns on bank and similar facilities	2.8%	**46**	46	-	-	-	6.1%	**8**	8	-	-	-
Obligations under finance leases	4.9%	**228**	64	42	67	55	4.3%	**174**	50	34	55	35
Other financial debt	3.7%	**266**	70	12	3	181	4.4%	**220**	13	2	117	88
Commercial paper	-	**-**	-	-	-	-	2.65%	**15**	15	-	-	-
TOTAL FINANCIAL DEBT		**948**	**180**	**54**	**70**	**644**		**1,231**	**86**	**36**	**590**	**519**

Effective interest rates by currency

At December 31 *(%)*	2004 Euro	2004 US Dollar	2004 Pound Sterling	2005 Euro	2005 US Dollar	2005 Pound Sterling
"OCEANE 2003" convertible bonds	5.1%	-	-	5.1%	-	-
"OCEANE 2005" convertible bonds	-	-	-	4.8%	-	-
Drawdowns on bank and similar facilities	-	2.8%	-	-	-	-
Obligations under finance leases	2.9%	6.0%	8.2%	2.3%	6.0%	8.2%
Other financial debt	3.2%	5.4%	-	3.8%	5.3%	-
Commercial paper	-	-	-	2.65%	-	-

B) Fair values

At December 31 *(in millions of euros)*	2004		2005	
	Carrying amount	Fair Value	Carrying amount	Fair Value
ASSETS				
Short-term investments	1,001	1,001	1,805	1,805
Cash	251	251	416	416
Bank overdrafts	(20)	(20)	(85)	(85)
LIABILITIES				
"OCEANE 2003" bonds (1)	408	406	418	419
"OCEANE 2005" bonds (2)	-	-	396	387
Drawdowns on banks and similar facilities	46	46	8	8
Obligations under finance leases	228	(3) -	174	(3) -
Other financial debt	266	267	220	220
Commercial paper	-	-	15	15

(1) On June 24, 2003 the fair value of the financial instrument amounted to €460 million, compared to respectively €465 million and €456 million as of December 31, 2005 and 2004.
(2) On June 16, 2005 the fair value of the financial instrument amounted to €495 million, compared to €496 million as of December 31, 2005.
(3) In view of the number and diverse forms and maturities of finance leases, this information is not deemed to be relevant.

C) Analysis by currency

The breakdown of financial debt by currency is as follows:

At December 31 *(in millions of euros)*	2004 Amount	2004 %	2005 Amount	2005 %
Euro	747	78.8	1,063	86.3
US dollar	103	10.9	94	7.7
Pound sterling	58	6.1	43	3.5
Other currencies	40	4.2	31	2.5
TOTAL	**948**	**100**	**1,231**	**100**

D) Collateral

At December 31, 2005, borrowings were secured by collateral totalling €400 million (€526 million at December 31, 2004), including €174 million relating to obligations under finance leases.

E) Movements in financial debt

Movements in financial debt can be analyzed as follows:

in millions of euros	2004	2005
At January 1	**1,005**	**948**
Translation adjustments	(10)	20
Changes in Group structure	5	-
New borrowings	158	514
Repayments	(237)	(210)
Net change in drawdowns on lines of credit	(7)	(43)
Other movements	34	2
At December 31	**948**	**1,231**

NOTE 19~DERIVATIVE INSTRUMENTS

A) Interest rate hedges

At December 31, 2005, two interest rate hedges were outstanding in the form of swaps and options (caps and floors) on a total amount of €496.8 million (versus €500.2 million at December 31, 2004), for periods ranging from 4 to 9 years, as follows:

- An interest rate swap contracted by the Company on October 28, 2004 as a hedge of the "OCEANE 2003" 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 4 years. Under the terms of the swap contract, the Company pays a variable rate (12-month post-fixed Euribor less 0.59%) against the fixed rate of the OCEANE convertible 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 deactivation clause in the event that the Company exercises its right (under certain conditions) to redeem the bonds early (see "Early redemption at the Company's option" in Note 15 of the Reference Document at December 31, 2004).
  The measurement of this contract at market value at December 31, 2005 led the Group to record income of €1.4 million under "Other financial income and expense".

- €36.8 million interest rate swap contract over a remaining period of 9 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, S.A.R.L. Immobilière Les Fontaines pays a fixed rate of 3.51% and receives the 3-month Euribor.
  The measurement of this contract at market value at December 31, 2005 led the Group to record a loss of €0.2 million under "Other financial income and expense" (compared with a loss of €0.4 million at December 31, 2004).

B) Currency hedges

In 2005, the Group hedged certain risks of exposure to variability in cash flows related to forecast transactions (see below) in connection with its outsourcing activities in India and Poland (Business Process Outsourcing).

The implementation of hedge accounting (see Note 1.M – "Financial Instruments"), led to the following:

- the effective portion of the change in fair value of the derivatives qualifying for hedge accounting was recorded in equity if the forecast transaction had not occurred at December 31, 2005 or in operating margin for the year if the transaction had occurred.
- the ineffective portion of the change in fair value of the derivatives qualifying for hedge accounting was recorded in "Other financial income and expense".

At December 31, 2005, currency hedges totalled €206.5 million, as follows:

- Hedges of commercial transactions expiring in 2006 and 2007 in the form of currency swaps for a total equivalent value of €74 million and relating to amounts denominated in euros, US dollars, Pounds sterling, Polish zlotys, Indian rupees, Australian dollars, and Swedish and Danish krona.

- Currency swaps expiring in 2006, acquired as hedges of intercompany financing transactions, including:
  - GBP 85 million, for an equivalent value of €124.6 million,
  - HKD 25 million, for an equivalent value of €2.7 million,
  - SEK 40 million, for an equivalent value of €4.2 million,
  - CHF 1.5 million, for an equivalent value of €1 million.

The market value of these hedging instruments at December 31, 2005 was €1 million lower than their carrying amount.

NOTE 20~**PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS**

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

in millions of euros	At January 1, 2005 (1)	Changes in Group structure	Increases	Reversals	At Decembre 31, 2005
Current and non-current provisions for pensions and other post-retirement benefits	427	(11)	99	(67)	448
TOTAL	**427**	**(11)**	**99**	**(67)**	**448**

(1) Including current provisions of €1 million.

Changes in Group structure during the year reflect the January 2005 sale of the Group's 25.22% stake in IS Energy, and the August 2005 divestment of 95% of its interest in Capgemini Japan K.K.

There are two categories of retirement plans:

Defined contribution plans

Defined contribution plans exist in the majority of European countries in which the Group has operations – including France, the Benelux countries, Germany and Central Europe, the Nordic countries, Italy, Spain and Portugal – as well as in the United States and the Asia-Pacific region. These plans are funded by contributions paid to authorized agencies, which are expensed as incurred. The Group's obligation under these plans is recorded in "Accounts and notes payable".

Defined benefit plans

Two types of defined benefit plans are recognized in provisions for pensions and other post-retirement benefits:

- Funded defined benefit plans. These plans exist in the United Kingdom and Canada, as well as in other regions (the United States, Ireland, Sweden, the Benelux countries, Germany, Switzerland and France).
- Unfunded defined benefit plans. These plans correspond to retirement bonuses and medical coverage. The main countries concerned are Canada, France, Central Europe and Italy.

A) Provisions for funded defined benefit plans

Analysis of obligation

	2004				2005			
At December 31 *(in millions of euros)*	United Kingdom	Canada	Other	Total	United Kingdom	Canada	Other	Total
Present value of obligation	993	138	72	**1,203**	1,572	212	104	**1,888**
Fair value of plan assets	673	132	52	**857**	1,045	182	76	**1,303**
Gross benefit obligation	**320**	**6**	**20**	**346**	**527**	**30**	**28**	**585**
Unrecognized actuarial gains and losses	(24)	(6)	(3)	**(33)**	(198)	(33)	(13)	**(244)**
Unrecognized past service costs	-	-	-	-	-	-	-	-
NET BENEFIT OBLIGATION IN BALANCE SHEET	**296**	**-**	**17**	**313**	**329**	**(3)**	**15**	**341**
Assets (1)	-	(16)	-	**(16)**	-	(11)	-	**(11)**
Liabilities	296	16	17	**329**	329	8	15	**352**
NET BENEFIT OBLIGATION IN BALANCE SHEET	**296**	**-**	**17**	**313**	**329**	**(3)**	**15**	**341**

(1) The €11 million worth of assets in Canada correspond to surplus coverage for one of the Canadian plans. This surplus amounted to €16 million at December 31, 2004.

The net benefit obligation for other regions, amounting to €15 million, primarily concerns the United States (€9 million), the Benelux countries (€3 million), Ireland (€2 million) and Central Europe (€1 million).

Analysis of movements in obligation

in millions of euros	Present value of obligation	Fair value of plan assets	Unrecognized actuarial gains and losses	Net benefit obligation in balance sheet
At January 1, 2005	**1,203**	**(857)**	**(33)**	**313**
Net expense for the year:				
- Service cost	78	-	-	78
- Interest cost	73	-	-	73
- Expected return on plan assets	-	(68)	-	(68)
- Net actuarial loss/(gain) recognized	-	-	-	-
- Recognized past service cost	-	-	-	-
Benefits paid to employees	(31)	28	-	(3)
Contributions paid	-	(57)	-	(57)
Changes in actuarial gains and losses	313	(120)	(193)	-
Translation adjustments	63	(50)	(5)	8
Aspire Plan at transfer date	178	(165)	(13)	-
Other movements	11	(14)	-	(3)
At December 31, 2005	**1,888**	**(1,303)**	**(244)**	**341**

Service cost for the period amounts to €78 million and mainly concerns the United Kingdom (€59 million) and Canada (€10 million).

Interest cost for the period corresponds to the discounting of the obligation for an amount of €73 million, which primarily concerns the United Kingdom (€54 million).

Expected return on plan asset primarily concerns the United Kingdom and relates to the return on funds invested at rates specific to each of the countries concerned, as detailed below under “Actuarial assumptions”.

Benefits paid to employees, totalling €31 million, relate to the United Kingdom (€14 million), Canada (€8 million) and other countries (€9 million).

Changes in actuarial gains and losses for the year arise essentially from the decrease in rates used to discount obligations in the United Kingdom and Canada (see “Actuarial assumptions” below), and also from the adoption of a new mortality table in the United Kingdom.

In 2005, commitments related to the signing of the Aspire contract in the UK were transferred, as the voluntary subscription period open to employees in respect of Capgemini UK Plc’s retirement plan expired during the first half of 2005. At the transfer date, the previous service provider undertook to refinance the plan, concerning 1,530 employees, based on a valuation performed by actuaries.

Contributions to plan assets totalled €57 million during the year. The main contributors were the United Kingdom (€40 million) and Canada (€12 million).

Employees

	2004				2005			
	United Kingdom	Canada	Other	Total	United Kingdom	Canada	Other	Total
Current employees	4,110	1,308	573	**5,991**	5,100	1,348	4,491	**10,939**
Former employees	5,215	16	420	**5,651**	5,510	29	768	**6,307**
Retirees	751	50	10	**811**	865	55	16	**936**
TOTAL	**10,076**	**1,374**	**1,003**	**12,453**	**11,475**	**1,432**	**5,275**	**18,182**

The total relating to other employees primarily concerns India (3,489 employees in 2005), and the related discounted benefit obligations amounted to €1 million in 2005. In India, the Group has taken out an insurance contract to cover its obligation to pay leaving bonuses to employees with at least two years' service who leave the Group.

Actuarial assumptions

	2004			2005		
	United Kingdom	Canada	Other	United Kingdom	Canada	Other
Pension obligation discounting rate (%)	5.4	6.0	3.5 - 7.0	4.8	5.25	2.6 - 7.4
Salary inflation rate (%)	3.5	3.3	1.5 - 6.0	3.5	3.0 - 3.3	1.5 - 6.0
Expected return on plan assets (%)	7.0	7.0	1.5 - 8.5	6.9	7.0	3.3 - 8.5

b) Provisions for unfunded defined benefit plans

Analysis of obligation

At December 31 *(in millions of euros)*	France	Canada	Sweden	Germany and Central Europe	Italy	2005 Total	2004 Total
Present value of obligation	31	34	13	24	14	**116**	**108**
Fair value of plan assets							
Gross benefit obligation	**31**	**34**	**13**	**24**	**14**	**116**	**108**
Unrecognized actuarial gains and losses	(4)	(3)	(3)	(5)	-	**(15)**	**(5)**
Unrecognized past service costs	(5)	-	-	-	-	**(5)**	**(5)**
Net benefit obligation in balance sheet	**22**	**31**	**10**	**19**	**14**	**96**	**98**
Assets							
Liabilities	22	31	10	19	14	**96**	**98**
Net benefit obligation in balance sheet	**22**	**31**	**10**	**19**	**14**	**96**	**98**

In France and Italy, the defined benefit plan concerns retirement bonuses. In Canada, it mainly relates to medical coverage, and in Germany and Central Europe, it primarily concerns supplementary pension plans provided in addition to the statutory scheme.

Analysis of movements in obligation

in millions of euros	Present value of obligation	Fair value of plan assets	Unrecognized actuarial gains and losses	Unrecognized past service costs	Net benefit obligation in balance sheet
At January 1, 2005	**108**		**(5)**	**(5)**	**98**
Changes in Group structure	(11)		-	-	**(11)**
Net expense for the year:					
- Service cost	11		-	-	**11**
- Interest cost	3		-	-	**3**
Benefits paid to employees	(5)		-	-	**(5)**
Changes in actuarial gains and losses	10		(10)	-	**-**
Translation adjustments	3		-	-	**3**
Other movements	(3)		-	-	**(3)**
At December 31, 2005	**116**		**(15)**	**(5)**	**96**

Service cost for the year, amounting to €11 million, relates to France (€4 million), Canada (€3 million), Italy (€3 million) and Central Europe (€1 million).

Benefits paid to employees mainly concern Italy (€3 million).

Translation adjustments mainly concern Canada.

Employees

	France	Canada	Sweden	Germany and Central Europe	Italy	2005 Total	2004 Total
Current employees	16,894	1,348	37	432	1,278	**19,989**	**23,767**
Former employees	-	29	1,053	66	-	**1,148**	**986**
Retirees	-	55	8	57	-	**120**	**116**
TOTAL	**16,894**	**1,432**	**1,098**	**555**	**1 278**	**21,257**	**24,869**

Actuarial assumptions

	2004					2005				
	France	Canada	Sweden	Germany and Central Europe	Italy	France	Canada	Sweden	Germany and Central Europe	Italy
Pension obligation discounting rate (%)	4.7 - 5.0	6.0	4.4	5.0 - 6.0	4.8	4.2	6.0	4.4	3.7 - 5.5	4.0
Salary inflation rate (%)	1.5 - 2.0	3.3	2.0	2.0 - 2.8	4.8	2.0	3.3	2.0	2.0 - 2.8	4.5

NOTE 21~CURRENT AND NON-CURRENT PROVISIONS

Changes in current and non-current provisions can be analyzed as follows:

in millions of euros	Current and non-current provisions
At January 1, 2005	**39**
Additions	18
Reversals (utilization of provisions)	(18)
Reversals (surplus provisions)	(10)
Other	5
At December 31, 2005	**34**

At December 31, 2005, current and non-current provisions mainly concerned risks relating to projects (€28 million) and risks relating to employee litigation (€6 million).

NOTE 22~OTHER NON CURRENT LIABILITIES

Other non current liabilities primarily relate to restructuring costs concerning the real estate streamlining measures implemented during the year in the United States and in previous years in the United Kingdom, as well as the non current portion of the special employee profit-sharing reserve in France.

NOTE 23~**ACCOUNTS AND NOTES PAYABLE**

Accounts and notes payable break down as follows:

At December 31 *(in millions of euros)*	2004	2005
Trade accounts payable	534	735
Advances received from customers	538	609
Accrued taxes other than on income	251	294
Accrued personnel costs	697	787
Other	62	65
TOTAL	**2,082**	**2,490**

Changes in trade accounts payable over the periods presented is directly in line with movements in "Purchases and sub-contracting" over the same periods, and mainly reflect the increasing importance of major outsourcing contracts to the Group's business.

NOTE 24~**OTHER PAYABLES**

Other payables include the special employee profit-sharing reserve, deferred income and other current liabilities amounting to €19 million at December 31, 2005 and €37 million at December 31, 2004. Year-on-year changes reflect the payment in France of employee profit-sharing on earnings for 1999.

NOTE 25~**GROUP MANAGEMENT COMPENSATION**

The table below provides a breakdown of compensation due to members of the Group Management team at December 31, 2005 (20 people).

in thousands of euros	2005
Short-term benefits excluding employer payroll taxes (1)	14,632
Short-term benefits: employer payroll taxes	2,451
Post-employment benefits (2)	504
Share-based payment (3)	973

(1) Includes gross wages and salaries, bonuses, profit-sharing, directors' fees and advantages in kind.
(2) This amount mainly includes statutory retirement indemnities.
(3) This amount corresponds to the annual expense relating to the award of stock options

NOTE 26~**COMMITMENTS RECEIVED FROM AND GIVEN TO THIRD PARTIES**

A) Commitments received

At December 31 *(in millions of euros)*	2004	2005
Commitments received from third parties:		
- on contracts	7	11
- other	4	4
TOTAL	**11**	**15**

B) Commitments given

At December 31 *(in millions of euros)*	2004	2005
Commitments given to third parties:		
- on non-cancellable leases	1,078	1,046
- on contracts	79	96
- other	75	44
TOTAL	**1,232**	**1,186**

- At December 31, 2005, the Group's commitments under non-cancellable leases by type and maturity are as follows:

in millions of euros	Computer equipments	Offices	Cars	Other	Total
y+1	56	173	47	5	**281**
y+2	27	151	37	4	**219**
y+3	14	133	24	3	**174**
y+4	3	104	8	-	**115**
y+5	-	83	1	-	**84**
y+6 and subsequent years	-	173	-	-	**173**
Total at December 31, 2005	**100**	**817**	**117**	**12**	**1,046**
Total at December 31, 2004	**69**	**888**	**112**	**9**	**1,078**

Year-on-year changes in obligations under non-cancellable office leases essentially relate to the streamlining of the property portfolio (see Note 5 "Other operating income and expense").
Year-on-year changes in obligations under leases of IT equipment primarily reflect the recognition of the entire obligation under certain lease agreements included in the outsourcing contract signed with Schneider Electric (see Note 18 – "Cash and cash equivalents").

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-cancellable leases are mainly given in North America (€231 million), the United Kingdom (€198 million), the Benelux countries (€157 million), France (€148 million), and Germany and Central Europe (€120 million). Lease payments recognized in the income statement during the year totalled €212 million.

- Commitments given on contracts primarily represent purchase orders to be issued under global purchase contracts and bank guarantees given to clients in connection with projects.

- Other commitments relate mainly to:
  - guarantees given to the tax authorities in connection with tax disputes in France and Spain;
  - commitments relating to employees in the Netherlands and Sweden.

c) Other commitments

Under the terms of the agreements signed in connection with the acquisition of the Ernst & Young consulting business, former partners of Ernst & Young who worked in the consulting business became employees of the Capgemini Group and as such have employment contracts. If any of these employees leaves the Group within a specified period – and by March 23, 2005 at the latest – they are required to return all or some of the shares received at the time of sale of the Ernst & Young consulting business 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.
€30 million of this program (compared with €20 million until October 15, 2005) is covered by a fully-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 tax receivable of €90 million and an additional tax 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 credits sold and the amount effectively recoverable from the French Treasury. This undertaking expires on June 30, 2011.

Under IFRS, the sale of carry-back tax credits is treated as a guaranteed financing transaction. Further to an analysis of the risks and rewards related to these carry-back tax credits, they have been taken back to the consolidated balance sheet at present value, with a corresponding adjustment to financial debt. The related financial debt and carry-back credits should be derecognized in 2011, when the effective amount of payments due by the French Treasury in 2008 and 2009 to the buyer of the carry-back credits is known.

On October 20, 2003 Cap Gemini S.A. 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 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 in 2004 and 2005. This earn-out mechanism is described in the prospectus which was approved by the "Commission des Opérations de Bourse" under reference no.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. At December 31, 2005, the resulting additional purchase consideration was estimated at €11 million, i.e. 315,790 new shares (subject to validation by the third-party mediator as provided for by article 1.4.13.10 of the alternative public exchange offer) valued at €35.44 each (market price on December 18, 2003, the date of the Extraordinary Shareholders' Meeting which approved the transaction). The goodwill relating to Transiciel was adjusted to reflect this additional purchase consideration, with a corresponding adjustment to equity.

On April 12, 2005, the Group entered into an alliance with the Japanese Group N.T.T. Data Corporation providing for the sale of 95% of its stake in Capgemini Japan K.K. for €30 million. The sale agreement included a put option for the Capgemini Group in relation to its 5% residual interest in Zacatii Consulting Inc (formerly Capgemini Japan K.K.) and a call option for the N.T.T. Data Corporation in relation to the same shares. These options are exercisable for a period of two years as from July 14, 2008 at the higher of the market value of the shares at the exercise date and the valuation of the shares as determined based on the initial transaction cost (i.e. €1.6 million for the residual 5% stake in Zacatii Consulting Inc).

For various large contracts signed by Group entities (in particular the "ASPIRE" contract signed with the UK Inland Revenue on January 5, 2004 for an estimated amount of £3 billion, the TXU contract signed on May 17, 2004 for US$3.5 billion and the Schneider Electric Industries SAS contract signed on October 28, 2004 for €1.6 billion), the Group has provided a performance and/or a financial guarantee. In addition to the standard clauses, the outsourcing contract signed with TXU Energy Company LLC and TXU Electric Delivery Company (formerly named Oncor Electric Delivery Company) provides the TXU group with a right to terminate the contract if the Group's corporate credit rating is downgraded to below investment grade. The contract continued to remain in force following the downgrade of the Group's credit rating by Standard & Poor's on January 7, 2005.

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 amounted to €19.8 million at December 31, 2005.

NOTE 27~SEGMENT INFORMATION

I. SEGMENT REPORTING BY GEOGRAPHIC AREA

At December 31, 2005 the Group had operations in the following eight geographic areas:

GEOGRAPHIC AREA	COUNTRIES
North America	Canada, United States, Mexico
United Kingdom and Ireland	United Kingdom, Ireland
Nordic countries	Sweden, Finland, Denmark, Norway
Benelux countries	Netherlands, Belgium, Luxembourg
Germany and Central Europe	Germany, Austria, Switzerland, Hungary, Poland, Czech Republic, Slovakia, Serbia
France	France
Southern Europe	Spain, Portugal, Italy
Asia-Pacific	Australia, China, India, Indonesia, Japan, Malaysia, Singapore

A) Analysis of segment profit/(loss)

Segment profit/(loss) for the year 2005 breaks down as follows:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Not allocated (1)	Éliminations	Total
REVENUES											
External revenue	1,353	1,738	415	956	443	1,666	310	73	-	-	**6,954**
Inter-segment revenue	17	50	17	49	42	67	22	70	-	(334)	-
Revenues	**1,370**	**1,788**	**432**	**1,005**	**485**	**1,733**	**332**	**143**	**-**	**(334)**	**6,954**
OPERATING MARGIN											
Operating margin	(26)	67	24	101	36	44	9	9	(39)	-	**225**
%	*(1.9)*	*3.8*	*5.9*	*10.6*	*8.2*	*2.6*	*2.9*	*12.1*	-	-	**3.2**
OPERATING PROFIT/(LOSS)											
Operating profit/(loss)	20	56	14	85	50	16	5	8	(40)	-	**214**
Finance costs, net											**(24)**
Other financial income and expense, net											**(14)**
Income tax expense											**(35)**
Profit for the period											**141**
Profit attributable to equity holders of the parent											**141**

(1) Items not allocated correspond to headquarters' expenses.

The operating margin reported by France in 2005 was hit by the negative results generated over the period on the Schneider contract. This contract, begun at the end of 2004, represents an ambitious and complex transformational process leading the Group to reschedule the timeframe of the project and renegotiate certain aspects of the contract, with the client's agreement.

Segment profit/(loss) for the year 2004 breaks down as follows:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Not allocated (1)	Éliminations	Total
REVENUES											
External revenue	1,351	1,288	391	857	477	1,479	299	93	-	-	**6,235**
Inter-segment revenue	13	35	12	45	23	64	12	50	-	(254)	-
REVENUES	**1,364**	**1,323**	**403**	**902**	**500**	**1,543**	**311**	**143**	**-**	**(254)**	**6,235**
OPERATING MARGIN											
Operating margin	(108)	8	1	46	15	54	(10)	3	(33)	-	**(24)**
%	*(8.0)*	*0.6*	*0.3*	*5.4*	*3.1*	*3.6*	*(3.3)*	*3.2*	-	-	**(0.4)**
OPERATING PROFIT/(LOSS)											
Operating profit/(loss)	(149)	(26)	(15)	(2)	(6)	(10)	(41)	1	(33)	-	**(281)**
Finance cost, net											**(28)**
Other financial income and expense, net											**1**
Income tax expense											**(226)**
Profit/(loss) for the period											**(534)**
Profit/(loss) attributable to equity holders of the parent											**(534)**

(1) Items not allocated correspond to headquarters' expenses.

B) Analysis of depreciation, amortization and expenses with no cash impact

Depreciation, amortization and expenses with no cash impact break down as follows for the year 2005:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Non allocated	Total
Depreciation and amortization expense	(47)	(47)	(8)	(25)	(24)	(25)	(4)	(5)	(1)	(186)
Additions to/reversals from provisions (1)	1	(1)	-	(1)	-	(10)	(1)	1	-	(11)
Unrealized exchange gains and losses	-	-	-	-	-	-	-	-	-	-
TOTAL	**(46)**	**(48)**	**(8)**	**(26)**	**(24)**	**(35)**	**(5)**	**(4)**	**(1)**	**(197)**

(1) This item includes net movements in provisions for doubtful accounts and current and non-current provisions.

Depreciation, amortization and expenses with no cash impact break down as follows for the year 2004:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Non allocated	Total
Depreciation and amortization expense	(49)	(60)	(9)	(28)	(32)	(27)	(5)	(4)	(1)	(215)
Additions to provisions	(2)	(1)	-	(2)	(3)	(3)	(1)	(3)	-	(15)
Unrealized exchange gains and losses	-	-	-	-	-	-	-	-	-	-
TOTAL	**(51)**	**(61)**	**(9)**	**(30)**	**(35)**	**(30)**	**(6)**	**(7)**	**(1)**	**(230)**

C) Analysis of segment assets and liabilities

The location of assets corresponds to the location of the Group's clients, except for those concerning outsourcing centers such as in India.

Segment assets and liabilities broke down as follows at December 31, 2005:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Non allocated	Elimination	Total
Segment assets (external)	685	981	257	899	348	1,348	201	71	178	-	4,968
Inter-segment assets	22	22	9	19	15	65	9	18	36	(215)	-
Total segment assets	**707**	**1,003**	**266**	**918**	**363**	**1,413**	**210**	**89**	**214**	**(215)**	**4,968**
Deferred income tax assets											811
Recoverable income tax											21
Short-term investments											1,805
Derivative instruments (1)											-
TOTAL ASSETS											**7,605**
Segment liabilities (external)	601	901	155	321	165	861	143	38	28	-	3,213
Inter-segment liabilities	41	46	11	32	18	45	10	(1)	10	(212)	-
Total segment liabilities	**642**	**947**	**166**	**353**	**183**	**906**	**153**	**37**	**38**	**(212)**	**3,213**
Total equity											2,992
Deferred income tax liabilities											121
Current income tax liabilities											47
Financial debt and bank overdrafts											1,231
Derivative instruments (1)											1
TOTAL EQUITY AND LIABILITIES											**7,605**

(1) Interest rate hedges (see Note 19 – "Derivative instruments").

Segment assets and liabilities broke down as follows at December 31, 2004:

in millions of euros	North America	United Kingdom & Ireland	Nordic countries	Benelux countries	Germany & Central Europe	France	Southern Europe	Asia-Pacific	Non allocated	Elimina-tion	**Total**
Segment assets (external)	690	1,010	299	814	383	1,210	209	57	158	-	4,830
Inter-segment assets	29	23	6	21	11	35	6	15	21	(167)	-
Total segment assets	**719**	**1,033**	**305**	**835**	**394**	**1,245**	**215**	**72**	**179**	**(167)**	**4,830**
Deferred income tax assets											775
Recoverable income tax											29
Short-term investments											1,001
Derivative instruments (1)											1
TOTAL ASSETS											**6,636**
Segment liabilities (external)	464	731	176	225	200	756	161	34	2	-	2,749
Inter-segment liabilities	36	23	7	23	31	23	8	9	3	(163)	-
Total segment liabilities	**500**	**754**	**183**	**248**	**231**	**779**	**169**	**43**	**5**	**(163)**	**2,749**
Total equity											2,788
Deferred income tax liabilities											95
Current income tax liabilities											56
Financial debt and bank overdrafts											948
Derivative instruments (1)											-
TOTAL EQUITY AND LIABILITIES											**6,636**

(1) Interest rate hedges (see Note 19 – "Derivative instruments").

D) Analysis of acquisitions of intangible assets and property, plant and equipment

Acquisitions of intangible assets and property, plant and equipment can be analyzed as follows:

At December 31 *(in millions of euros)*	2004	2005
North America	35	38
United Kingdom and Ireland	61	27
Nordic countries	8	8
Benelux countries	20	9
Germany and Central Europe	54	20
France	29	24
Southern Europe	2	8
Asia-Pacific	7	8
TOTAL	**216**	**142**

The acquisition cost of intangible assets and property, plant and equipment set out in the table above (€142 million) is different from the figure provided in the cash flow statement as the cash flow statement does not include transactions with no cash impact such as acquisitions of assets held under finance leases.

II. SEGMENT REPORTING BY BUSINESS SEGMENTS

At December 31, 2005, the Group's services were organized into four businesses:

Consulting Services, which involves helping to enhance the performance of organizations, based on in-depth knowledge of client industries and processes.

Technology Services, which involves integrating IT systems and applications, enabling the planning, design, management and development of IT systems and applications.

Outsourcing Services, which involves the Group taking charge of clients' transformation and outsourcing of support functions and includes a Business Process Outsourcing offering.

Local Professional Services, which involves providing IT assistance and expertise within client companies.

Revenue breaks down as follows by business segment:

	2004		2005	
in millions of euros	**Amount**	**%**	**Amount**	**%**
Consulting Services	1,027	16	918	13
Technology Services	2,163	35	2,307	33
Outsourcing Services	2,034	33	2,611	38
Local Professional Services	1,011	16	1,118	16
TOTAL	**6,235**	**100**	**6,954**	**100**

Operating margin breaks down as follows by business segment:

	2004		2005	
in millions of euros	**Amount**	**%**	**Amount**	**%**
Consulting Services	10	1.1	41	4.5
Technology Services	(44)	(2.0)	118	5.1
Outsourcing Services	(40)	(2.0)	3	0.1
Local Professional Services	83	7.8	102	9.1
Unallocated	(33)	-	(39)	-
TOTAL	**(24)**	**(0.4)**	**225**	**3.2**

NOTE 28~**NUMBER OF EMPLOYEES**

A) Average number of employees

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

	2003		2004		2005	
	Employees	**%**	**Employees**	**%**	**Employees**	**%**
North America	8, 832	18	8, 338	15	7, 381	12
United Kingdom and Ireland	6, 651	14	7, 471	13	8, 668	15
Nordic countries	3, 926	8	3, 652	6	3, 439	6
Benelux countries	8, 098	16	8, 356	15	8, 402	14
Germany and Central Europe	3, 026	6	3, 256	6	3, 487	6
France	12, 905	26	18, 443	32	19, 196	32
Southern Europe	4, 563	9	5, 210	9	5, 246	9
Asia-Pacific	1, 655	3	2, 509	4	3, 762	6
Not allocated	149	-	152	-	153	-
TOTAL	**49 805**	**100**	**57 387**	**100**	**59 734**	**100**

B) Number of employees at December 31

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

At December 31	2003		2004		2005	
	Employees (*)	%	Employees	%	Employees	%
North America	7, 914	14	8, 893	15	6, 351	10
United Kingdom and Ireland	6, 496	12	8, 534	14	8, 826	15
Nordic countries	3, 672	7	3, 485	6	3, 429	6
Benelux countries	8, 540	15	8, 306	14	8, 613	14
Germany and Central Europe	3, 055	5	3, 390	6	3, 732	6
France	18, 301	33	18, 508	31	19, 714	32
Southern Europe	5, 404	10	5, 151	9	5, 591	9
Asia-Pacific	2, 053	4	2, 901	5	4, 628	8
Not allocated	141	-	156	-	152	-
TOTAL	**55 576**	**100**	**59 324**	**100**	**61 036**	**100**

(*) includes Transiciel (7,272 employees), acquired end of 2003.

NOTE 29~SUBSEQUENT EVENTS

On January 16, 2006, TXU Energy Company LLC notified our subsidiary Capgemini Energy LP of a failure to comply with its service obligations as a call center, based on satisfaction surveys conducted of customers referred to in the contracts. The response of Capgemini Energy LP, sent to TXU on February 2, formally contested this allegation and negotiations are currently in progress with a conclusion is expected to be reached shortly. Although TXU has not waived its contractual rights, it has not undertaken any steps to terminate all or part of the contract and it continues to speak positively of its beneficial relations with Capgemini in its various external financial communications, and of significant improvements in results and performance, including in the area of client relationships.

On February 2, 2006, as part of a bid initiated by General Motors (GM), Capgemini America Inc, Capgemini UK Plc, Capgemini Systems GmbH and Capgemini International B.V. jointly signed a five-year contract for over US$500 million covering several projects that are important to GM's shift to the "third-generation" outsourcing program.

On February 14, 2006, Cap Gemini S.A. was summoned to appear before the Paris Commercial Court by Georges Cohen, the former managing director of Transiciel (acquired by the Company in December 2003 through a public exchange offer), who is challenging both the exchange ratio applicable to this offer and the terms and conditions of his departure from the Group. The Group considers that Georges Cohen's claim is fully unfounded and no provision has therefore been raised in this respect in its 2005 consolidated financial statements.

At the Annual Shareholders' Meeting, the Board of Directors will recommend a dividend payment of €0.5 per share for 2005.

NOTE 30~**LIST OF CONSOLIDATED COMPANIES BY COUNTRY**

At December 31, 2005 a total of 108 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
	Software Design and Management AG (Munchen)	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
	Sogeti Belgium S.A.	100.0%	FC
	Sogeti-Transiciel International 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
	OneResource 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
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
	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. 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

FC = Fully consolidated; EQ = Accounted for by the equity method.

Country	Consolidated companies	% interest	Consolidation method
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
	Immobilière Les Fontaines S.A.R.L.	100.0%	FC
	SCI Béhoust	100.0%	FC
	SCI Paris Etoile	100.0%	FC
	Capgemini Consulting S.A.S.	100.0%	FC
	Capgemini Finance et Services S.A.S.	100.0%	FC
	Capgemini Industrie et Distribution S.A.S.	100.0%	FC
	Capgemini Est S.A.S.	100.0%	FC
	Capgemini Ouest S.A.S.	100.0%	FC
	Capgemini Sud S.A.S.	100.0%	FC
	Capgemini Outsourcing Services S.A.S.	100.0%	FC
	Capgemini OS Electric S.A.S.	100.0%	FC
	Cap Gemini Telecom & Media S.A.S	100.0%	FC
	Sogeti-Transiciel S.A.S.	100.0%	FC
	Sogeti-Transiciel Infrastructure Service S.A.S.	100.0%	FC
	Sogeti-Transiciel Application Service S.A.S.	100.0%	FC
	Sogeti-Transiciel Technology S.A.S.	100.0%	FC
	Sogeti-Transiciel Régions S.A.	100.0%	FC
	Sinfor Automation S.A.	100.0%	FC
	Sogeti-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
	Sogeti UK	100.0%	FC
HUNGARY	Capgemini Magyarorszag Kft	100.0%	FC
INDIA	Capgemini Consulting India Private Ltd.	100.0%	FC
IRELAND	Capgemini Ireland Ltd.	100.0%	FC
ITALY	Capgemini Italia S.p.A.	100.0%	FC
LUXEMBOURG	Sogeti Luxembourg S.A.	100.0%	FC
	Capgemini Reinsurance Company S.A.	100.0%	FC
	Sogeti PSF Luxembourg S.A.	100.0%	FC
MEXICO	Capgemini Mexico S. de R.L. de C.V.	100.0%	FC
NORWAY	Capgemini Norge AS	100.0%	FC

FC = Fully consolidated; EQ = Accounted for by the equity method.

Country	Consolidated companies	% interest	Consolidation method
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 Nederland B.V.	100.0%	FC
	Capgemini International 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
SERBIA	Capgemini d.o.o (Serbia and Montenegro)	100.0%	FC
SINGAPORE	Capgemini Asia Pacific Pte Ltd.	100.0%	FC
SLOVAKIA	Capgemini Slovensko, s.r.o.	100.0%	FC
SWEDEN	Capgemini AB	100.0%	FC
	Capgemini Sverige AB	100.0%	FC
	Sogeti Sverige AB	100.0%	FC
SWITZERLAND	Capgemini Suisse S.A.	100.0%	FC
	SD&M Schweiz AG	100.0%	FC
	Ad Hoc Management	100.0%	FC
	Sogeti Suisse S.A.	100.0%	FC

FC = Fully consolidated; EQ = Accounted for by the equity method.

NOTE 31~**IMPACT OF THE TRANSITION TO IFRS ON THE 2004 FINANCIAL STATEMENTS**

I. BACKGROUND

In compliance with European Commission Regulation no. 1606/2002 of July 19, 2002 on the application of international accounting standards, the consolidated financial statements of the Capgemini Group for the year ended December 31, 2005 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), applicable at December 31, 2005, as adopted by the European Union. Capgemini's first published IFRS consolidated financial statements were set out in the Group's Interim Report for the six months ended June 30, 2005. Comparative information was provided for first-half 2004, restated in accordance with the same standards.

For comparison purposes, the Group has prepared financial information for 2004 restated in accordance with IAS/IFRS, including:
- The balance sheet at the transition date (January 1, 2004);
- The Group's financial position at December 31, 2004 and its performance during the year then ended.

The 2004 financial information (restated in accordance with IFRS) concerning the expected impact of IFRS transition was presented in the Capgemini Group's Interim Report for first-half 2005 (see IV – "Main impacts on the consolidated financial statements as a result of adopting IAS/IFRS").
It was prepared by applying to 2004 data the IFRSs/IASs and interpretations that the Capgemini Group expected to be required to apply when preparing the comparative 2004 financial statements to be published with the IFRS financial statements for full-year 2005. The opening balance sheet used to prepare the 2005 consolidated financial statements presented in the 2005 Annual Report, is the same as that presented in the Capgemini Group's Interim Report for first-half 2005.

The 2004 financial information described in the notes has therefore been prepared on the basis of:
- The IFRSs/IASs and related interpretations whose application is compulsory at December 31, 2005;
- The options chosen and exemptions applied by the Group to prepare its first set of IFRS consolidated financial statements for the year ended December 31, 2005.

This information was subject to a review by the Audit Committee and to audit procedures by the Statutory Auditors.

II. STANDARDS AND INTERPRETATIONS APPLIED TO PREPARE THE FIRST IFRS FINANCIAL INFORMATION

A) Description of the standards applied

See Note 1 – “Accounting policies”.

B) Description of accounting treatments applied by the Group on first-time adoption of IFRS

Apart from the treatments applied on first-time adoption, the value of assets and liabilities in the opening balance sheet at January 1, 2004 has been restated retrospectively as if the Group had always applied IAS/IFRS.

As allowed under IFRS 1 – “First-time Adoption of International Financial Reporting Standards”, the Group has selected the following accounting treatments for first-time adoption:

Business combinations

The Group has elected not to restate business combinations carried out prior to January 1, 2004, as allowed under IFRS 3 – “Business Combinations”.

Actuarial gains and losses on employee benefits

The Group has elected to recognize in provisions for pensions and other post-retirement benefits all cumulative actuarial gains and losses on employee benefits at the date of transition to IFRS. This adjustment had a €9 million negative impact on consolidated equity (after tax) at January 1, 2004.

Cumulative translation adjustments

The Capgemini Group has reclassified under retained earnings the cumulative translation adjustment at January 1, 2004 relating to the conversion of the accounts of foreign subsidiaries. The total amount reclassified was €(236) million. This adjustment had no impact on total opening equity at January 1, 2004. The value of translation adjustments in the IFRS consolidated financial statements has therefore been set to zero as at January 1, 2004. If one of the subsidiaries concerned is subsequently sold, the gain or loss on disposal will not include the impact of any translation adjustments recorded prior to January 1, 2004.

Share-based payment

The Group has applied IFRS 2 – “Share-based Payment”, for stock options granted after November 7, 2002 which had not yet vested at January 1, 2005. This restatement had no impact on opening equity. The related expense recorded in the 2004 statement of income amounted to €4 million.

The Group has elected not to use the following exemptions provided for under IFRS 1 – “First-time Adoption of International Financial Reporting Standards”:

- Fair value or revaluation as deemed cost;
- Compound financial instruments;
- Assets and liabilities of subsidiaries, associates and joint ventures;
- Designation of previously recognized financial instruments;
- Insurance contracts;
- Decommissioning liabilities included in the cost of property, plant and equipment;
- Leases;
- Fair value measurement of financial assets or financial liabilities at initial recognition.

III. RECONCILIATIONS BETWEEN THE FRENCH GAAP AND IFRS BALANCE SHEETS AND INCOME STATEMENTS

A) Reconciliation between French GAAP and re-formatted IFRS consolidated balance sheets at January 1, 2004 (reclassifications)

ASSETS *in millions of euro*	French GAAP at Jan.1, 2004	Advances received from customers	Accounts and notes receivable	Deferred income taxes	Assets available for sale	Other	French GAAP re-formatted into IFRS format	ASSETS *(in millions of euros)*
Notes (section IV)		*(J)*						
Intangible assets	1,849	-	-	-	-	14	1,863	Intangible assets
Property, plant and equipment	471	-	-	-	(21)	(2)	448	Property, plant and equipment
Financial assets	88	-	-	-	-	-	88	Financial assets
Long-term deferred tax assets	671	-	-	103	-	-	774	Deferred tax assets
	-	-	7	-	-	(1)	6	Non current receivables
Total non-current assets	**3,079**	**-**	**7**	**103**	**(21)**	**11**	**3,179**	**Total non-current assets**
Accounts and notes receivable	1,411	343	(28)	-	-	12	1,738	Accounts and notes receivable
Other receivables	320	-	21	(103)	-	(6)	232	Other receivables
	-	-	-	-	21	-	21	Assets held for sale
Short-term investments	929	-	-	-	-	-	929	Short-term investments
Cash	292	-	-	-	-	-	292	Cash
Total current assets	**2,952**	**343**	**(7)**	**(103)**	**21**	**6**	**3,212**	**Total current assets**
Total assets	**6,031**	**343**	**-**	**-**	**-**	**17**	**6,391**	**Total assets**

EQUITY AND LIABILITIES *in millions of euros*	French GAAP at Jan. 1, 2004	Advances received from customers	Provisions for pensions and other post-retirement benefits	Provisions for other liabilities and charges	Other liabilities	Employee profit sharing reserve	Current income tax liabilities	Deferred income taxes	Other	French GAAP reformatted into IFRS format	EQUITY AND LIABILITIES *(in millions of euros)*
Notes (section IV)		*(J)*									
Share capital	1,049	-	-	-	-	-	-	-	-	1,049	Share capital
Additional paid-in capital	2,220	-	-	-	-	-	-	-	-	2,220	Additional paid-in capital
Retained earnings and other reserves	82	-	-	-	-	-	-	-	-	82	Retained earnings and other reserves
Shareholders' equity	**3,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,351**	**Capital and reserves attributable to equity holders**
Long-term debt	722	-	-	-	-	-	-	-	(3)	719	Long-term financial debt
	-	-	-	-	-	-	-	70	-	70	Deferred tax liabilities
	-	-	101	-	-	-	-	-	(1)	100	Provisions for pensions and other post-retirement benefits
Provisions and other long-term liabilities	258	-	(101)	(19)	-	(62)	-	(52)	-	24	Non-current provisions
	-	-	-	-	50	62	-	-	1	113	Other non-current liabilities
Total long-term liabilities	**980**	**-**	**-**	**(19)**	**50**	**-**	**-**	**18**	**(3)**	**1,026**	**Total non-current liabilities**
Short-term debt and bank overdrafts	233	-	-	-	-	-	-	-	3	236	Short-term financial debt and bank overdrafts
Accounts and notes payable	1,384	343	-	-	(50)	(13)	-	-	9	1,673	Accounts and notes payable
	-	-	-	19	-	-	-	-	-	19	Current provisions
	-	-	-	-	-	-	53	-	8	61	Current income tax liabilities
Other payables	83	-	-	-	-	13	(53)	(18)	-	25	Other payables
Total current liabilities	**1,700**	**343**	**-**	**19**	**(50)**	**-**	**-**	**(18)**	**20**	**2,014**	**Total current liabilities**
Total equity and liabilities	**6,031**	**343**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**6,391**	**Total equity and liabilities**

N.B : The columns entitled "Other" in Table A and the other tables below include an aggregate of adjustments which are non-material when taken individually.

B) Reconciliation between re-formatted IFRS and restated IFRS consolidated balance sheets at January 1, 2004 (restatements)

ASSETS *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Carry- back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Other	Restated under IFRS Jan. 1, 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(E)*	*(E)*	*(G)*	*(H)*		
Intangible assets	1,863	-	-	-	-	-	-	-	1	1,864
Property, plant and equipment	448	-	-	-	-	-	-	65	1	514
Financial assets	88	-	-	-	-	-	-	-	-	88
Deferred tax assets	774	-	9	7	-	218	-	-	6	1,014
Non current receivables	6	-	-	-	75	-	-	-	1	82
Total non-current assets	**3,179**	**-**	**9**	**7**	**75**	**218**	**-**	**65**	**9**	**3,562**
Accounts and notes receivable	1,738	12	-	-	-	-	-	-	-	1,750
Other receivables	232	-	(29)	-	-	-	(8)	-	2	197
Assets held for sale	21	-	-	-	-	-	-	-	-	21
Short-term investments	929	-	-	-	-	-	-	-	-	929
Cash	292	-	-	-	-	-	-	-	-	292
Total current assets	**3,212**	**12**	**(29)**	**-**	**-**	**-**	**(8)**	**-**	**2**	**3,189**
Total assets	**6,391**	**12**	**(20)**	**7**	**75**	**218**	**(8)**	**65**	**11**	**6,751**
Commitments received	9									

EQUITY AND LIABILITIES *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Carry- back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Other	Restated under IFRS Jan. 1, 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(E)*	*(E)*	*(G)*	*(H)*		
Share capital	1,049	-	-	-	-	-	-	-	-	1,049
Additional paid-in capital	2,220	-	-	-	-	-	-	-	-	2,220
Retained earnings and other reserves	82	12	(20)	(279)	-	218	33	(1)	(7)	38
Capital and reserves attributable to equity holders	**3,351**	**12**	**(20)**	**(279)**	**-**	**218**	**33**	**(1)**	**(7)**	**3,307**
Long-term financial debt	719	-	-	-	75	-	(61)	56	1	790
Deferred tax liabilities	70	-	-	-	-	-	20	-	4	94
Provisions for pensions and other post-retirement benefits	100	-	-	285	-	-	-	-	-	385
Non-current provisions	24	-	-	-	-	-	-	-	-	24
Other non current liabilities	113	-	-	-	-	-	-	-	10	123
Total non-current liabilities	**1,026**	**-**	**-**	**285**	**75**	**-**	**(41)**	**56**	**15**	**1,416**
Short-term financial debt and bank overdrafts	236	-	-	-	-	-	-	10	-	246
Accounts and notes payable	1,673	-	-	-	-	-	-	-	-	1,673
Current provisions	19	-	-	1	-	-	-	-	-	20
Current income tax liabilities	61	-	-	-	-	-	-	-	-	61
Other payables	25	-	-	-	-	-	-	-	3	28
Total current liabilities	**2,014**	**-**	**-**	**1**	**-**	**-**	**-**	**10**	**3**	**2,028**
Total equity and liabilities	**6,391**	**12**	**(20)**	**7**	**75**	**218**	**(8)**	**65**	**11**	**6,751**
Commitments given	1,343									

N.B : Off-balance sheet commitments are now disclosed in separate tables (see notes III-I and III-J) rather than at the foot of the balance sheet.

C) Reconciliation between French GAAP and re-formatted IFRS consolidated balance sheets at December 31, 2004 (reclassifications)

ASSETS *in millions of euros*	French GAAP at Dec. 31, 2004	Advances received from customers	Accounts and notes receivable	Deferred taxes	Assets held for sale	Other	French GAAP re-formatted into IFRS format	ASSETS *(in millions of euros)*
Notes (section IV)		*(J)*						
Intangible assets	1,884	-	-	-	-	2	1,886	Intangible assets
Property, plant and equipment	460	-	-	-	(17)	(3)	440	Property, plant and equipment
Financial assets	64	-	-	-	-	-	64	Financial assets
Long-term deferred tax assets	558	-	-	95	-	(5)	648	Deferred tax assets
	-	-	18	-	-	(9)	9	Non current receivables
Total non-current assets	**2,966**	**-**	**18**	**95**	**(17)**	**(15)**	**3,047**	**Total non-current assets**
Accounts and notes receivable	1,316	484	(18)	-	-	23	1,805	Accounts and notes receivable
Other receivables	296	-	-	(95)	-	10	211	Other receivables
	-	-	-	-	17	-	17	Assets held for sale
Short-term investments	1,001	-	-	-	-	-	1,001	Short-term investments
Cash	251	-	-	-	-	-	251	Cash
Total current assets	**2,864**	**484**	**(18)**	**(95)**	**17**	**33**	**3,285**	**Total current assets**
Total assets	**5,830**	**484**	**-**	**-**	**-**	**18**	**6,332**	**Total assets**

EQUITY AND LIABILITIES *in millions of euros*	French GAAP at Dec. 31, 2004	Advances received from customers	Provisions for pensions and other post-retirement benefits	Provisions for liabilities and charges	Other liabilities	Employee profit-sharing reserve	Current income tax liabilities	Deferred taxes	Other	French GAAP re-formatted into IFRS format	EQUITY AND LIABILITIES *(in millions of euros)*
Notes (section IV)		*(J)*									
Share capital	1,051	-	-	-	-	-	-	-	-	1,051	Share capital
Additional paid-in capital	2,226	-	-	-	-	-	-	-	-	2,226	Additional paid-in capital
Retained earnings and other reserves	82	-	-	-	-	-	-	-	-	82	Retained earnings and other reserves
Loss for the year	(359)	-	-	-	-	-	-	-	-	(359)	Profit/(loss) for the period
Shareholders' equity	**3,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,000**	**Capital and reserves attributable to equity holders**
Minority interest	2	-	-	-	-	-	-	-	-	2	Minority interest
Total equity	**3,002**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,002**	**Total equity**
Long-term debt	653	-	-	-	-	-	-	-	1	654	Long-term financial debt
	-	-	-	-	-	-	-	78	(4)	74	Deferred tax liabilities
	-	-	123	-	-	-	-	-	(3)	120	Provisions for pensions and other post-retirement benefits
Provisions and other long-term liabilities	255	-	(123)	(18)	-	(38)	-	(55)	(2)	19	Non-current provisions
	-	-	-	-	78	38	-	-	-	116	Other non-current liabilities
Total long-term liabilities	**908**	**-**	**-**	**(18)**	**78**	**-**	**-**	**23**	**(8)**	**983**	**Total non-current liabilities**
Short-term debt and and bank overdrafts	197	-	-	-	-	-	-	-	(1)	196	Short-term financial debt bank overdrafts
Accounts and notes payable	1,634	484	-	-	(78)	(23)	-	-	23	2,040	Accounts and notes payable
	-	-	-	18	-	-	-	-	4	22	Current provisions
	-	-	-	-	-	-	56	-	-	56	Current income tax liabilities
Other payables	89	-	-	-	-	23	(56)	(23)	-	33	Other payables
Total current liabilities	**1,920**	**484**	**-**	**18**	**(78)**	**-**	**-**	**(23)**	**26**	**2,347**	**Total current liabilities**
Total equity and liabilities	**5,830**	**484**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**6,332**	**Total equity and liabilities**

D) Reconciliation between re-formatted IFRS and restated IFRS consolidated balance sheets at December 31, 2004 (restatements)

ASSETS *in millions of euros*	French GAAP reformatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Impairment and amortization of goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Put options on minority interests	Other	Restated under IFRS Dec. 31, 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(G)*	*(H)*	*(I)*		
Intangible assets	1,886	-	(4)	-	26	(16)	-	-	-	-	71	-	1,963
Property, plant and equipment	440	-	-	-	-	-	-	-	-	7	-	2	449
Financial assets	64	-	-	-	-	-	-	-	-	-	-	-	64
Deferred tax assets	648	-	9	7	-	-	-	106	-	-	-	5	775
Non current receivables	9	-	-	-	-	-	112	-	-	-	-	3	124
Total non-current assets	**3,047**	**-**	**5**	**7**	**26**	**(16)**	**112**	**106**	**-**	**7**	**71**	**10**	**3,375**
Accounts and notes receivable	1,805	2	7	-	-	-	-	-	-	-	-	-	1,814
Other receivables	211	-	(26)	-	-	-	-	-	(6)	-	-	(1)	178
Assets held for sale	17	-	-	-	-	-	-	-	-	-	-	-	17
Short-term investments	1,001	-	-	-	-	-	-	-	-	-	-	-	1,001
Cash	251	-	-	-	-	-	-	-	-	-	-	-	251
Total current assets	**3,285**	**2**	**(19)**	**-**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**(1)**	**3,261**
Total assets	**6,332**	**2**	**(14)**	**7**	**26**	**(16)**	**112**	**106**	**(6)**	**7**	**71**	**9**	**6,636**
Commitments received	11												

EQUITY AND LIABILITIES *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement beneFIts	Impairment and amortization of goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	Stock options	OCEANE bonds	Finance leases	Put options on minority interests	Other	Restated under IFRS Dec. 31, 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(F)*	*(G)*	*(H)*	*(I)*		
Share capital	1,051	-	-	-	-	-	-	-	-	-	-	-	-	1,051
Additional paid-in capital	2,226	-	-	-	-	-	-	-	-	-	-	-	-	2,226
Retained earnings and other reserves	82	14	(20)	(278)	-	-	-	218	4	33	(1)	-	(7)	45
Profit/(loss) for the period	(359)	(55)	6	(19)	26	(16)	-	(112)	(4)	(5)	1	(2)	5	(534)
Capital and reserves attributable to equity holders	**3,000**	**(41)**	**(14)**	**(297)**	**26**	**(16)**	**-**	**106**	**-**	**28**	**-**	**(2)**	**(2)**	**2,788**
Minority interest	2	-	-	-	-	-	-	-	-	-	-	(2)	-	-
Total equity	**3,002**	**(41)**	**(14)**	**(297)**	**26**	**(16)**	**-**	**106**	**-**	**28**	**-**	**(4)**	**(2)**	**2,788**
Long-term financial debt	654	-	-	-	-	-	112	-	-	(52)	4	51	(1)	768
Deferred tax liabilities	74	-	-	-	-	-	-	-	-	18	-	-	3	95
Provisions for pensions and other post-retirement benefits	120	-	-	306	-	-	-	-	-	-	-	-	-	426
Non-current provisions	19	-	-	-	-	-	-	-	-	-	-	-	-	19
Other non current liabilities	116	-	-	-	-	-	-	-	-	-	-	24	5	145
Total non-current liabilities	**983**	**-**	**-**	**306**	**-**	**-**	**112**	**-**	**-**	**(34)**	**4**	**75**	**7**	**1,453**
Short-term financial debt and bank overdrafts	196	-	-	-	-	-	-	-	-	-	3	-	1	200
Accounts and notes payable	2,040	43	-	-	-	-	-	-	-	-	-	-	(1)	2,082
Current provisions	22	-	-	(2)	-	-	-	-	-	-	-	-	-	20
Current income tax liabilities	56	-	-	-	-	-	-	-	-	-	-	-	-	56
Other payables	33	-	-	-	-	-	-	-	-	-	-	-	4	37
Total current liabilities	**2,347**	**43**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**4**	**2,395**
Total equity and liabilities	**6,332**	**2**	**(14)**	**7**	**26**	**(16)**	**112**	**106**	**-**	**(6)**	**7**	**71**	**9**	**6,636**
Commitments given	1,379													

E) Reconciliation between French GAAP income statement and re-formatted IFRS income statement for the year ended December 31, 2004 (reclassifications)

in millions of euros	French GAAP 2004	Carry-back credit	Foreign exchange gains and losses	Restructuring costs	Discontinued operations	Disposal of Vertex	Goodwill impairment	Other income and expense	French GAAP reformatted into IFRS format 2004
Revenues	6,291	-	-	-	-	-	-	-	6,291
Cost of services rendered	(4,699)	-	-	-	-	-	-	-	(4,699)
Selling expenses	(610)	-	-	-	-	-	-	-	(610)
General and administrative expenses	(924)	(6)	(6)	-	-	-	-	(4)	(940)
Operating margin	**58**	**(6)**	**(6)**	**-**	**-**	**-**	**-**	**(4)**	**42**
Other operating income and expense, net	-	-	-	(220)	6	-	(11)	-	(225)
Operating profit/(loss)	**58**	**(6)**	**(6)**	**(220)**	**6**	**-**	**(11)**	**(4)**	**(183)**
Finance costs	(38)	-	-	-	-	-	-	(1)	(39)
Income from cash and cash equivalents	18	-	-	-	-	-	-	-	18
Finance costs, net	**(20)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(21)**
Other financial income and expenses, net	(4)	-	(1)	-	-	18	-	(3)	10
Other income and expense	(217)	6	7	220	(6)	(18)	-	8	-
Net income before taxes	**(183)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(194)**
Income tax expense	(125)	-	-	-	-	-	-	-	(125)
Net income before minority interests	**(308)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(319)**
Minority interest	-	-	-	-	-	-	-	-	-
Net income before amortization of goodwill	**(308)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(319)**
Goodwill amortization	(51)	-	-	-	-	-	11	-	(40)
Net income (Group share)	**(359)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(359)**

The main presentation change in relation to the income statement concerns the items "Operating margin" and "Operating profit/(loss)". The difference between the two headings is due to the fact that "Operating profit/(loss)" takes into account "Other operating income and expense, net". In accordance with the definition set out in Recommendation no. 2004-R.02 issued by the French National Accounting Board (*"Conseil National de la Comptabilité"*) on October 27, 2004, "Other operating income and expense" may include a very limited number of unusual items which occur infrequently and which represent particularly material amounts (see details at the foot of note F).

F) Reconciliation between re-formatted IFRS income statement and restated IFRS income statement for the year ended December 31, 2004 (restatements)

in millions of euros	French GAAP re-formatted into IFRS format 2004	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	Stock-options	OCEANE bonds	Other	Restated under IFRS 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(F)*	*(G)*		
Revenues	6,291	(56)	-	-	-	-	-	-	-	-	-	6,235
Cost of services rendered	(4,699)	-	6	(11)	(5)	-	-	-	-	-	(3)	(4,712)
Selling expenses	(610)	-	-	(1)	-	-	-	-	-	-	-	(611)
General and administrative expenses	(940)	-	-	(1)	-	-	4	-	-	-	1	(936)
Operating margin	**42**	**(56)**	**6**	**(13)**	**(5)**	**-**	**4**	**-**	**-**	**-**	**(2)**	**(24)**
Other operating income and expense, net (1)	(225)	-	-	-	(8)	(25)	-	-	(4)	-	5	(257)
Operating profit/(loss)	**(183)**	**(56)**	**6**	**(13)**	**(13)**	**(25)**	**4**	**-**	**(4)**	**-**	**3**	**(281)**
Finance costs	(39)	-	-	-	-	-	(4)	-	-	(9)	6	(46)
Income from cash and cash equivalents	18	-	-	-	-	-	-	-	-	-	-	18
Finance costs, net (2)	**(21)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**6**	**(28)**
Other financial income and expense, net (3)	10	-	-	(6)	-	-	-	-	-	-	(3)	1
Net income before taxes	**(194)**	**(56)**	**6**	**(19)**	**(13)**	**(25)**	**-**	**-**	**(4)**	**(9)**	**6**	**(308)**
Income tax expense	(125)	1	-	-	(1)	9	-	(112)	-	3	(1)	(226)
Net income before minority interests	**(319)**	**(55)**	**6**	**(19)**	**(14)**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income before amortization of goodwill	**(319)**	**(55)**	**6**	**(19)**	**(14)**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**
Goodwill amortization	(40)	-	-	-	40	-	-	-	-	-	-	-
Profit/(loss) for the period	**(359)**	**(55)**	**6**	**(19)**	**26**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**

(1) Other operating income and expense, net, primarily includes:
- restructuring costs in an amount of €240 million;
- a €19 million impairment loss recorded in relation to goodwill;
- a €4 million expense relating to stock options granted;
- a €6 million gain on business disposals.

(2) Finance costs, net, primarily include:
- €20 million in interest on "OCEANE 2003" convertible bonds;
- €14 million in interest on finance leases;
- €9 million in interest on other borrowings;
- €18 million in income from short-term investments.

(3) Other financial income and expense, net, primarily includes:
- an €18 million gain on the disposal of Vertex shares,
- €9 million in interest relating to pensions and other post-retirement benefit obligations;
- €4 million in notional interest on borrowings as a result of restating the carry-back tax credit;
- a €3 million expense relating to the recognition of employee profit-sharing obligations at amortized cost in France;
- €1 million in net foreign exchange losses

G) Reconciliation between French GAAP cash flow statement and re-formatted IFRS cash flow statement, for the year ended December 31, 2004 (reclassifications)

in millions of euros	French GAAP 2004	Finance costs, net	Current and deferred taxes	Denetting of financial debt	Goodwill amortization	Advances received from customers	Other	French GAAP re-formatted into IFRS 2004	
Notes (section IV)					*(D)*	*(J)*			
Net income/(loss)	**(359)**	**-**	**-**	**-**	**-**	**-**	**-**	**(359)**	**Profit/(loss) for the year**
		-	-	-	11	-	-	11	Impairment of goodwill
Depreciation, amortization and write-downs of fixed assets	256	-	-	-	(11)	-	-	245	Depreciation, amortization and write-downs of fixed assets
Net addition to provisions (excluding current assets)	13	-	-	-	-	-	(8)	5	Net addition to provisions (excluding current assets)
		-	-	-	-	-	-	-	Unrealized gains and losses on changes in fair value
(Gains)/losses on disposals of assets	(14)	-	-	-	-	-	-	(14)	(Gains)/losses on disposals of assets
Changes in deferred taxes	140	-	(140)	-	-	-	-		
		-	-	-	-	-	-	-	Expense relating to stock options
Other	(1)	1	-	-	-	-	-	-	Other
		21	-	-	-	-	-	21	Finance costs, net
		-	129	-	-	-	-	129	Income tax expense
Cash flows from operations after net interest & income tax	**35**	**22**	**(11)**	**-**	**-**	**-**	**(8)**	**38**	**Cash flows from operations before finance costs, net and income tax (A)**
		-	4	-	-	-	-	4	Income tax paid (B)
Changes in accounts and notes receivable, net	101	-	-	-	-	(149)	17	(31)	Changes in accounts and notes receivable, net
Changes in accounts and notes payable, net	108	-	-	-	-	114	32	254	Changes in accounts and notes payable, net
Changes in other receivables and payables, net	81	-	7	-	-	35	(26)	97	Changes in accounts and notes payable, net
Change in operating working capital	**290**	**-**	**7**	**-**	**-**	**-**	**23**	**320**	**Change in operating working capital (C)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**325**	**22**	**-**	**-**	**-**	**-**	**15**	**362**	**NET CASH GENERATED FROM OPERATING ACTIVITIES (D=A+B+C)**
Acquisitions of property, plant and equipment and intangible assets	(176)	-	-	-	-	-	1	(175)	Acquisitions of property, plant and equipment and intangible assets
Proceeds from disposals of property, plant and equipment and intangible assets	41	-	-	-	-	-	(18)	23	Proceeds from disposals of property, plant and equipment and intangible assets
	(135)	**-**	**-**	**-**	**-**	**-**	**(17)**	**(152)**	
Acquisitions of financial assets	(73)	-	-	-	-	-	-	(73)	Acquisitions of financial assets
Proceeds from disposals of financial assets	78	-	-	-	-	-	18	96	Proceeds from disposals of financial assets
	5	**-**	**-**	**-**	**-**	**-**	**18**	**23**	
Effect of changes in Group structure	(4)	-	-	-	-	-	-	(4)	Effect of changes in Group structure
NET CASH USED IN INVESTING ACTIVITIES	**(134)**	**-**	**-**	**-**	**-**	**-**	**1**	**(133)**	**NET CASH USED IN INVESTING ACTIVITIES (E)**
Increase in share capital	-	-	-	-	-	-	-	-	Increase in share capital
Net change in borrowings	(152)	-	-	234	-	-	(1)	81	Proceeds from borrowings
		-	-	(234)	-	-	-	(234)	Repayments of borrowings
		(21)	-	-	-	-	-	(21)	Finance costs, net
NET CASH USED BY FINANCING ACTIVITIES	**(152)**	**(21)**	**-**	**-**	**-**	**-**	**(1)**	**(174)**	**NET CASH USED IN FINANCING ACTIVITIES (F)**
CHANGE IN CASH AND CASH EQUIVALENTS	**39**	**1**	**-**	**-**	**-**	**-**	**15**	**55**	**NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)**
Effect of exchange rate movements and on cash and cash equivalents	3	(1)	-	-	-	-	(15)	(13)	Effect of exchange rate movements on cash cash equivalents (H)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	**1,190**	**-**	**-**	**-**	**-**	**-**	**-**	**1,190**	**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,232**	**-**	**-**	**-**	**-**	**-**	**-**	**1,232**	**CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)**

H) Reconciliation between re-formatted IFRS cash flow statement and restated IFRS cash flow statement, for the year ended December 31, 2004 (restatements)

in millions of euros	French GAAP re-formatted into IFRS format	Revenue recog-nition	Recog-nition of outsour-cing contract costs	Provisions for pen-sions	Finance leases	Cancella-tion of dis-counting of deferred taxes	OCEANE bonds	Carry-back credit	Stock options	Amort-ization of goodwill	Put option on minority interests	Conso-lidation of Transiciel	Non cash items: leases	Other	Restated under IFRS 2004
Notes (section IV)		*(A)*	*(B)*	*(C)*	*(H)*	*(E)*	*(G)*	*(E)*	*(F)*	*(D)*	*(I)*	*(D)*			
Profit/(loss) for the year	**(359)**	**(55)**	**6**	**(19)**	**1**	**(112)**	**(6)**	**-**	**(4)**	**26**	**(2)**	**(16)**	**-**	**6**	**(534)**
Impairment of goodwill	11	-	-	-	-	-	-	-	-	-	-	-	-	8	19
Depreciation, amortization and write-downs of fixed assets	245	-	-	-	2	-	-	-	-	(27)	3	-	-	(10)	213
Net addition to provisions (excluding current assets)	5	-	-	19	-	-	-	-	-	-	-	-	-	-	24
Unrealized gains and losses on changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Gains)/losses on disposals of assets	(14)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
Expense relating to stock options	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4
Other	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-
Finance costs, net	21	-	-	-	1	-	8	4	-	-	-	-	-	(6)	28
Income tax expense	129	-	-	-	-	112	(2)	-	-	1	-	(9)	-	(5)	226
Cash flows from operations before finance costs, net and income tax (A)	**38**	**(55)**	**6**	**-**	**4**	**-**	**-**	**4**	**-**	**-**	**-**	**(25)**	**-**	**(6)**	**(34)**
Income tax paid (B)	4	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Changes in accounts and notes receivable, net	(31)	8	(8)	-	-	-	-	-	-	-	-	-	-	2	(29)
Changes in accounts and notes payable, net	254	43	-	-	-	-	-	-	-	-	-	-	-	(2)	295
Changes in other receivables and payables, net	97	-	(3)	-	-	-	2	(36)	-	-	-	25	-	(3)	82
Change in operating working capital (C)	**320**	**51**	**(11)**	**-**	**-**	**-**	**2**	**(36)**	**-**	**-**	**-**	**25**	**-**	**(3)**	**348**
NET CASH GENERATED FROM OPERATING ACTIVITIES (D=A+B+C)	**362**	**(4)**	**(5)**	**-**	**4**	**-**	**2**	**(32)**	**-**	**-**	**-**	**-**	**-**	**(9)**	**318**
Acquisitions of property, plant and equipment and intangible assets	(175)	-	5	-	(3)	-	-	-	-	-	-	-	47	1	(125)
Proceeds from disposals of property, plant and equipment and intangible assets	23	-	-	-	1	-	-	-	-	-	-	-	-	-	24
	(152)	**-**	**5**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**1**	**(101)**
Acquisitions of financial assets	(73)	-	-	-	-	-	-	-	-	-	-	-	-	-	(73)
Proceeds from disposals of financial assets	96	-	-	-	-	-	-	-	-	-	-	-	-	-	96
	23	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23**
Effect of changes in Group structure	(4)	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(5)
NET CASH USED IN INVESTING ACTIVITIES (E)	**(133)**	**-**	**5**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**1**	**(83)**
Increase in share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	81	-	-	-	-	-	6	-	-	-	-	-	(47)	3	43
Repayments of borrowings	(234)	-	-	-	-	-	-	36	-	-	-	-	-	(1)	(199)
Finance costs, net	(21)	-	-	-	(1)	-	(8)	(4)	-	-	-	-	-	6	(28)
NET CASH USED IN FINANCING ACTIVITIES (F)	**(174)**	**-**	**-**	**-**	**(1)**	**-**	**(2)**	**32**	**-**	**-**	**-**	**-**	**(47)**	**8**	**(184)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)	**55**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51**
Effect of exchange rate movements on cash and cash equivalents (H)	(13)	4	-	-	-	-	-	-	-	-	-	-	-	-	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	**1,190**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,190**
CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)	**1,232**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,232**

I) Analysis of IFRS transition relating to off-balance sheet commitments at January 1, 2004

OFF-BALANCE SHEET COMMITMENTS (in millions of euros)	French GAAP re-formatted into IFRS format	Finance leases	Restated under IFRS Jan. 1, 2004
Notes (section IV)		(H)	
Commitments received	9	-	9
Commitments given	1,343	(66)	1,277

J) Analysis of IFRS transition relating to off-balance sheet commitments at December 31, 2004

OFF-BALANCE SHEET COMMITMENTS (in millions of euros)	French GAAP re-formatted into IFRS format	Finance leases	Put options on minority interests	Restated under IFRS Dec. 31, 2004
Notes (section IV)		(H)	(I)	
Commitments received	11	-	-	11
Commitments given	1,379	(8)	(147)	1,224

IV. MAIN IMPACTS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS A RESULT OF ADOPTING IAS/IFRS

A) Revenue recognition

Application of IAS 18 – "Revenue" resulted in a negative pre-tax impact of €56 million on 2004 profit and a positive impact of €12 million on equity at January 1, 2004.

The impact of IAS 18 on the Group's consolidated financial statements was mainly due to the following two effects:

Under French GAAP, revenues from outsourcing contracts were recognized based on the terms of the contract. Under IAS 18, revenues are recognized as the services are rendered. This new accounting treatment led to a €47 million decrease in 2004 revenues on the outsourcing contract signed with the U.S.-based companies TXU Energy Company LLC and TXU Electric Delivery Company (formerly named Oncor Electric Delivery Company).

Revenue recognition based on the percentage-of-completion method previously used by the Group under French GAAP for systems integration and consulting led to contract overruns being recognized more rapidly than recommended under IAS 18. As a result of adopting this standard, work-in-progress (services rendered but not yet invoiced) increased by €12 million at January 1, 2004, and €3 million at December 31, 2004, with corresponding adjustments to equity. The related impact on 2004 revenue was a negative €9 million.

B) Recognition of outsourcing contract costs

Under French GAAP, certain costs incurred in the initial phase of outsourcing contracts (transaction costs and/or costs of transformation) were either (i) expensed as incurred, (ii) capitalized and recognized over the term of the contract, with revenue recognized on a straight-line basis over the same period, or (iii) recognized as an expense and matched by revenue in accordance with the terms and conditions of the related contract. Under IFRS, a portion of these costs may be deferred when the costs relate directly to the specific contract, relate to activity on the future contract and/or will generate future economic benefits, and are recoverable.

Under French GAAP, according to the matching of revenue with expenses principle, operating costs for certain outsourcing contracts were deferred over the life of the contract. The amount of deferred costs was adjusted periodically based on forecast profit over the life of the contract. Conversely, under IFRS, operating costs may no longer be deferred and must be expensed as incurred.

These two differences resulted in a decrease in opening equity of €20 million corresponding to the neutralization of prepaid expenses at January 1, 2004, and a €6 million increase in profit related mainly to changes in 2004 prepaid expenses and the capitalization of the costs relating to the TXU contract, which were previously recognized as an expense but matched by the recognition of revenue under French GAAP (see A) above - Revenue recognition).

C) Employee benefits - pension obligations

The Group operates the following two types of pension plans:

Defined contribution plans

Defined contribution plans have been set up in the majority of European countries where the Group has operations – including France, Benelux, Germany and Central Europe, the Nordic countries, Italy, Spain and Portugal – as well as in the United States and the Asia-Pacific region.
These plans are funded by contributions paid to authorized agencies, which are booked as an expense. There are no differences between French GAAP and IFRS concerning

the accounting treatment of defined contribution plans.

Defined benefit plans
The Group operates both funded and unfunded defined benefit plans and records the related provision as a liability in the balance sheet under "Provisions for pensions and other post-retirement benefits". Funded defined benefit plans are in place in the United States, Canada, the United Kingdom, Ireland, Germany, Switzerland and France. Unfunded defined benefit plans mainly concern France, Italy, Germany and Central Europe, the Nordic countries and North America.

In the French GAAP accounts, the method used for calculating provisions for pensions and other post-retirement benefits was based on the regulations and practices in force in the countries in which the Group operates. The related liability mainly represented a portion of the difference between the projected benefit obligation and the fair value of any plan assets.

Measurement and recognition rules for pension obligations under IAS 19 – "Employee Benefits", do not differ significantly from those applied in accordance with the abovementioned local regulations and practices, except in the case of the United Kingdom. Under UK accounting rule SSAP 24, pension obligations were discounted based on the expected long-term rate of return on plan assets. In relation to Capgemini's UK plan, this return was set at 8% for equity-invested assets at December 31, 2003. Under IAS 19, the present value of pension obligations is determined by discounting the estimated future cash outflows using interest rates of corporate bonds, representing 5.5% at end-2003. In addition, under SSAP 24, any deficit arising where the fair value of plan assets was lower than the projected benefit obligation was not immediately recognized in the balance sheet but amortized through additional contribution payments, based on the expected average remaining working lives of employees. IAS 19, however, requires this deficit to be recorded under provisions. The differences between these two accounting treatments led the Group to book an additional €267 million provision for pensions and other post-retirement benefits at January 1, 2004, which was deducted from equity.

Furthermore, using the option available on first-time adoption of IFRS, the Capgemini Group has recognized cumulative unrealized actuarial gains and losses in equity, which explains most of the residual impact at January 1, 2004. This recognition resulted in a €14 million increase in provisions for pensions and other post-retirement benefits (primarily corresponding to North America) and a €9 million reduction in equity at January 1, 2004.

Overall, application of IAS 19 – "Employee Benefits", and IFRS 1 – "First-time Adoption of International Financial Reporting Standards", led to:

- a €286 million increase in provisions for pensions and other post-retirement benefits and a €7 million increase in deferred tax assets, representing a net €279 million decrease in equity at January 1, 2004.
- an additional expense of €19 million for the year ended December 31, 2004, primarily reflecting the difference between the rates used for discounting pension obligations in the United Kingdom before and after adopting IFRS (see above).

D) Goodwill

Goodwill represents the difference between the cost of shares in a consolidated company and the Group's equity in the fair value of the underlying net assets at the date it acquired control of the company, which is generally the acquisition date.

Under French GAAP, goodwill was amortized on a straight-line basis over a period not exceeding forty years. An impairment loss was recorded when events or circumstances indicated that the net book value of goodwill was higher than its value in use on an other-than-temporary basis. Value in use was calculated using the discounted cash flows method. Under IFRS 3 – "Business Combinations", goodwill is no longer amortized. Instead, it has to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment testing consists of comparing the carrying amount of the goodwill with its recoverable amount (corresponding to the higher of an asset's fair value less costs to sell and its value in use). Value in use is determined based on discounting future cash flows.
French GAAP allowed an enterprise to record negative goodwill as a liability in the balance sheet and to write it back to the income statement on a straight-line basis over a period not exceeding forty years, if the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeded the cost of the acquisition. IFRS 3, however, requires this excess to be recognized immediately as a gain in the income statement.

In application of IFRS 1 – "First-time Adoption of International Financial Reporting Standards", amortization carried in the balance sheet at January 1, 2004 has been deducted from the gross value of the goodwill recognized. This reclassification, which neutralized the goodwill amortization previously recognized, did not impact equity.
In the IFRS accounts, negative goodwill has been reversed against equity, resulting in a €5 million increase in opening

equity in the IFRS balance sheet at January 1, 2004.
Impairment tests required under IFRS 1 were carried out at January 1, 2004 and did not give rise to any additional goodwill impairment losses at that date.

Application of IFRS 3 – "Business Combinations", primarily resulted in the following impacts on the 2004 income statement:
- Cancellation of goodwill amortization of €40 million recognized under French GAAP;
- Recognition of an €8 million impairment loss on goodwill no longer amortized under IFRS, further to impairment testing at December 31, 2004;
- Recognition of €5 million in amortization relating to intangible assets acquired in 2004. In the French GAAP accounts, these assets were classified as goodwill and amortized over the term of the related contract. Under IFRS, as said assets can be identified separately from goodwill they have been recorded as intangible assets and continue to be amortized over the term of the contract. The goodwill amortization expense previously recorded has been reclassified as an operating expense in the IFRS financial statements;
- Recognition of restructuring costs totalling €16 million net of taxes. Whereas under French GAAP the Group was able to record under goodwill a fair value adjustment arising in 2004 relating to Transiciel (acquired in December 2003), in accordance with IFRS 3, this adjustment now has to be recognized directly in the income statement.

E) Taxes

a) Deferred taxes

Deferred taxes are recorded to take into account temporary differences between the carrying amount of certain assets and liabilities and their tax basis, and tax loss carry-forwards that the Group considers recoverable.

b) Deferred tax assets arising from the acquisition of Ernst & Young consulting business in North America and deferred tax assets on tax loss carry-forwards recognized in France further to the reorganization of the Group's North American operations.

As the Group is able to amortize the difference between the price of the Ernst & Young consulting business acquired in North America and the tax basis of the assets and liabilities acquired, over a period of fifteen years for tax purposes, the related deferred taxes recorded on the acquisition were determined based on a forecast of the taxable earnings of the North American business over a fifteen-year period. These earnings were subject to visibility parameters whereby probable recoveries were covered by provisions calculated at a rate of 35% as from the sixth year and increased to 70% in the thirteenth year.
At December 31, 2004, in light of its underperforming operations in the United States, particularly in 2004, the Group decided to take account of potential tax savings over a limited period of five years.

Given that tax losses can be carried forward indefinitely and in view of the Group's forecast taxable results in France, deferred tax assets recognized in France following the restructuring of the Group's North American operations in 2002 were calculated based on a period limited to 15 years, using the same visibility parameters as initially applied for the United States business as explained above.

c) Discounting deferred taxes

In the French GAAP accounts, deferred taxes were discounted when the impact of discounting was material and the timing of their utilization could be reasonably estimated. Under IAS 12 – "Income Taxes", deferred taxes may not be discounted. This difference in accounting treatment resulted in a revaluation of net deferred tax assets, with a corresponding adjustment to equity at January 1, 2004, as well as the cancellation in the 2004 income statement of the annual impact of discounting deferred taxes.

At January 1, 2004, the cancellation of the discounting effect led to a €218 million increase in deferred tax assets, which can be analyzed as follows:
- A €104 million increase from €248 million to €352 million in relation to the net deferred tax assets recognized in the U.S. at the time of the acquisition of the Ernst & Young consulting business.
- A €114 million increase from €421 million to €535 million, for the net deferred tax assets recognized in France following the restructuring of the Group's North American operations.

At December 31, 2004, the cancellation of the discounting effect led to a €106 million increase in deferred tax assets, breaking down as follows:
- An €18 million increase from €102 million to €120 million in relation to the net deferred tax assets recognized in the U.S. at the time of the acquisition of the Ernst & Young consulting business.
- An €88 million increase from €434 million to €522 million, for the net deferred tax assets recognized in France following the restructuring of the Group's North American operations.

IFRS restatements concerning the discounting effect also led to the cancellation in the income statement of a deferred tax benefit in the amount of €112 million, breaking down as €86 million relating to the U.S. and €26 million relating to France.

d) Sale of carry-back tax credits

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 tax receivable of €90 million and an additional tax 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, Capgemini 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 under-

taking expires on June 30, 2011.

Under French GAAP, sales of carry-back credits were recorded as sales with a guarantee. Under IFRS, this type of sale is treated as a guaranteed financing transaction. Further to an analysis of the risks and rewards related to these carry-back credits, they have been taken back onto the consolidated balance sheet at present value, with a corresponding adjustment to financial debt. As the carry-back credits correspond to long-term tax credits, they are not included when calculating net cash and cash equivalents, which in turn causes a decrease in the notional amount of net cash and cash equivalents. The related financial debt and carry-back credits should be derecognized in 2011, when the effective amount of payments due by the French Treasury in 2008 and 2009 to the buyer of the carry-back credits is known.

The carry-back credits and financial debt have been recorded at amortized cost in the consolidated balance sheet at January 1, 2004 and December 31, 2004 in amounts of €75 million and €112 million respectively, determined in accordance with the effective interest method. Until 2008 and 2009, the related notional income will be recorded as operating income with a corresponding increase in the carry-back credits. This recognition of income will be offset by notional interest expense recorded under finance costs, with a corresponding increase in financial debt.

F) Share-based payment: stock options

The Group has launched several stock option plans which allow a certain number of Group employees to purchase shares issued for this purpose, based on conditions relating to length of service and performance. The stock option plans entitle the grantees to purchase Capgemini shares for a period of five years at an exercise price set at the date of grant.

Under French GAAP, the Group did not record any related expense when the options were granted. Where the Group issued new shares on exercise of the options, the difference between the par value and the exercise price was recorded under additional paid-in capital.

IFRS measurement and recognition rules relating to stock options are described in IFRS 2 – "Share-based Payment". In accordance with this standard, stock options are measured at fair value at the date of grant, with fair value corresponding to the amount of the benefit granted to the employee. The Group uses the Black & Scholes option pricing model for measuring fair value, whereby calculations are performed based on criteria such as the exercise price of the options, the life of the options, the share price at the date of grant, the inherent volatility of the share price, and risk-free interest rates.

The fair value of the options granted is recognized in "Other operating income and expense, net" over the vesting period, with a corresponding impact in equity.

In accordance with IFRS 1 – "First-time Adoption of International Financial Reporting Standards", only stock options granted after November 7, 2002 with a vesting date after January 1, 2005, are measured and recognized in "Other operating expense". Recognition and measurement of stock options granted prior to November 7, 2002 is not required.

Application of IFRS 2 had no impact on the Group's opening IFRS equity, but it did have a €4 million negative impact on the 2004 income statement.

G) "OCEANE" bonds

On June 24, 2003, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing shares ("OCEANE 2003"), maturing on January 1, 2010. The effective issue and settlement date of the bonds was July 2, 2003. The terms and conditions of this issue are set out in the information memorandum approved by the AMF under the reference number n°03-607 on April 24, 2003.

In the French GAAP accounts, the bond issue was recorded under long-term financial debt at face value, representing €460 million. Interest expense for the year corresponded to actual interest paid on an annual basis, at the applicable fixed rate of 2.5%.

Under IAS 32 – "Financial Instruments: Disclosure and Presentation", and IAS 39 – "Financial Instruments: Recognition and Measurement", the following accounting treatment applies:

The liability recognized in relation to the bond issue is measured at the fair value of the bonds at the date the bond issue was set up. It is calculated by discounting the future cash outflows based on the market interest rate applicable to the Group at the date of subscription. Any issue costs are also deducted from the fair value of the bond issue.

For subsequent reporting periods, the liability is measured at amortized cost, calculated using the effective interest method. Under this method, the interest expense recorded in the income statement does not correspond to the interest actually paid but rather to the amount of the theoretical interest expense that arises as a result of applying the

effective interest rate to the carrying amount of the bonds. Applying the effective interest rate enables future cash flows to reflect the fair value of the liability component of the bonds (after deducting debt issuance costs).

The difference between the nominal value of the bonds and the fair value of the liability component as calculated above is recorded under equity.

Accounting for the "OCEANE" bonds at the date of transition to IFRS

The "OCEANE 2003" bonds were issued at an interest rate that was lower than the market rate (2.5% compared with 4.8%, respectively). Consequently, under IFRS, the original fair value of the liability component of the bond issue amounts to €395 million, after taking into account the relevant portion of debt issuance costs (€8 million for the whole "OCEANE 2003" bond issue), representing a €65 million reduction compared with the amount recorded in accordance with French GAAP.

The equity component has been recorded under equity in an amount of €57 million (after deducting the relevant portion of the debt issuance costs). The net impact on opening equity at January 1, 2004 of calculating the liability component at amortized cost was a negative €4 million before tax.

Movements during the year ended December 31, 2004

Based on an effective interest rate of 4.8% (5.1% taking into account bond issuance costs), the annual interest expense for 2004 on the "OCEANE" bonds came to €20 million, versus actual interest paid in the amount of €11 million. The income statement impact of applying IAS 39 – "Financial Instruments: Recognition and Measurement", for 2004 corresponded to an additional pre-tax expense of €9 million.

The impact on equity over the life of the bonds is neutral, as the additional expense recognized for notional interest offsets the initial impact on opening equity.

H) Finance leases

Under French GAAP, certain fixed assets were acquired under finance leases that transferred substantially all the risks and rewards incident to ownership of the asset to the Group. In these cases, the value of the leased item was restated as an asset and the present value of the obligation as a financial liability. The asset was depreciated over its economic life in accordance with Group policy and the obligation was amortized over the lease term.

The same accounting treatment is applicable to finance leases under IAS 17 – "Leases". However, the analysis carried out on the transition to IFRS identified certain leases – primarily relating to outsourcing contracts – which should be treated as finance leases rather than operating leases. These leases have been restated in the 2004 French GAAP balance sheet, and retrospectively restated in the opening IFRS balance sheet at January 1, 2004, in an amount of €65 million.

I) Put options on minority interests

The 10-year outsourcing contract signed with TXU Energy Company LLC and TXU Electric Delivery Company (formerly named Oncor Electric Delivery Company) provides for a put option in favour of the TXU group in relation to 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 subject to certain adjustments. This option is exercisable by the TXU group during the 10 years following the end of the contract and would bring the ownership of the Group in Capgemini Energy LP from 97.1% to 100%.

Under French GAAP, this option corresponded to an off-balance sheet commitment (see Note 21 – "Commitments received from and given to third parties" in the 2004 Reference Document). However, IAS 32 – "Financial Instruments": Disclosure and Presentation provides for recognition of a financial debt in the balance sheet.
Under IFRS the Group is considered to own 100% of the company Capgemini Energy LP at the acquisition date and the put option in favour of the TXU group is deemed exercised at that date. Therefore in the IFRS balance sheet a goodwill is recognized for €6 million and identifiable assets and liabilities of Capgemini Energy LP are recorded at fair value: intangible assets for €65 million, another long term debt for €24 million and a financial debt for €51 million.

J) Reclassification of advances received from customers

Under French GAAP, the Group presented accounts and notes receivable net of advances received from customers. Details of these two items were then disclosed in a specific note (see Note 12 of the 2004 Reference Document entitled "Accounts and notes receivable (net)"). The Group used this form of presentation to reflect the specific accounting treatment applied to long-term contracts which make up the bulk of the Group's business. As this presentation did not comply with IAS 1 – "Presentation of Financial Statements", advances received from customers have been restated in the IFRS balance sheet and reclassified under liabilities.

CAP GEMINI S.A. SUMMARIZED FINANCIAL STATEMENTS

The statutory's Auditors'reports of February 22, 2006 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, 2003, 2004 AND 2005

in millions of euros	2003	2004	2005
Operating revenue	136	130	162
Operating expenses	(24)	(42)	(29)
OPERATING INCOME	**112**	**88**	**133**
Interest income (expenses), net	(155)	(756)	(28)
Other income and expenses, net	(3)	(324)	(9)
Income tax	4	43	21
NET INCOME /(LOSSES)	**(42)**	**(949)**	**173**

SUMMARIZED BALANCE SHEETS

AS OF DECEMBER 31, 2003, 2004 AND 2005

in millions of euros	2003	2004	2005
ASSETS			
Non-current assets	7,036	6,251	6,013
Current assets	920	804	1,703
Other assets	9	7	81
TOTAL ASSETS	**7,965**	**7,062**	**7,797**
LIABILITIES AND SHAREHOLDERS'EQUITY			
Shareholders'equity	7,376	6,433	6,611
Provisions	17	10	11
Long and short term debt	476	482	1,148
Other liabilities	96	137	27
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	**7,965**	**7,062**	**7,797**

SUBSIDIARIES AND INVESTMENTS

in millions of euros	Capital	Other shareholders' equity (including net income for the year)	% Interest	Number of shares owned	Book Value of shares		Loans and advances granted	Guarantees given (1)	2005 Revenue	Dividends received
					Gross	Net				
SUBSIDIARIES										
Capgemini North America Inc	1	1,808	100.00%	982,000	5,509	1,241	-	-	-	-
CGS HOLDINGS Ltd	775	1	100.00%	558,777,061	721	721	-	-	-	-
Gemini Consulting Holding Ltd	0	11	100.00%	1,083	23	23	-	-	-	-
Capgemini Oldco Ltd	15	32	100.00%	1,033,938,857	801	203	-	-	-	-
Capgemini Old Ireland Ltd	0	0	100.00%	71,662	16	16	-	-	-	-
Capgemini AB (Sweden)	3	227	100.00%	24,714	352	352	4	9	-	-
Capgemini NV (Benelux)	2	166	100.00%	21,582,376	1,467	1,179	-	-	-	258
CGTMN Nederland BV	0	1	100.00%	18,000	5	5	-	-	5	-
Capgemini Deutschland Holding GmbH	92	35	94.40%	1	581	450	20	50	10	-
Capgemini Deutschland GmbH	12	62	2.90%	1	10	10	-	-	174	-
Cap Gemini Telecom Media & Networks Deutschland Gmbh	0	9	100.00%	1	16	6	37	-	27	-
Capgemini Consulting Österreich AG	0	3	100.00%	36,791	42	30	-	-	34	-
Capgemini Suisse AG	0	3	100.00%	500	39	32	-	49	43	-
Capgemini Polska Sp Z.o.o (Poland)	4	2	100.00%	129,111	24	16	1	8	24	-
Capgemini Magyarorszag Kft	0	5	100.00%	1	2	2	-	-	6	-
Capgemini France SAS	44	0	100.00%	2,845,000	487	487	-	21	138	-
Capgemimi Télécom & Media	17	27	100.00%	1,090,762	171	171	-	-	194	3
SOGETI S.A.	0	0	99.84%	619	0	0	-	-	-	-
SOGETI TRANSICIEL SAS	230	256	100.00%	45,916,400	613	613	-	-	28	-
Capgemini Italia S.p.A.	5	3	100.00%	1,038,575	475	-	9	8	70	-
Cap Gemini Telecom Media & Networks Italia S.p.A.	0	1	100.00%	20,000	14	-	-	-	22	-
Capgemini España S.L. (Sociedad Unipersonal)	10	-8	100.00%	103,935	186	122	16	-	164	-
Capgemini Portugal, Serviços de Consultoria e Informatica, SA	8	2	100.00%	1,698,842	44	44	-	-	25	-
Capgemini Asia Pacific Pte. Ltd. (Singapor)	116	-101	100.00%	227,251,000	130	82	-	-	-	-
Capgemini Australia Pty Ltd (Australia)	29	-26	100.00%	1,450,000	166	57	-	27	-	-
Capgemini Service S.A.S	2	0	100.00%	1,500,000	59	2	-	16	137	-
SCI Paris Etoile	0	2	99.99%	9,999	48	31	-	-	3	2
SCI du Château de Béhoust	0	-7	99.00%	99	0	0	-	-	0	-
Immobilière les Fontaines S.A.R.L	8	-14	99.80%	499,000	13	13	8	74	6	-
Capgemini Université SAS	0	0	100.00%	2,500	0	0	-	-	12	-
Capgemini Gouvieux SAS	0	0	100.00%	10,000	0	0	6	-	19	-
Other French Companies	nm	nm	nm	nm	3	3	nm	nm	nm	nm
Other foreign Companies	nm	nm	nm	nm	4	3	nm	nm	nm	nm

INVESTMENTS

As of December 31, 2005, investments held by Cap Gemini S.A. are not material

nm : non 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, 2005, the amount of guarantees and letters of comfort granted by the Company to its subsidiaries for financial facilities amounts to 301 million euros, of which 27 million euros have been used.

Cap Gemini S.A. is at the end of the French tax group made up of 26 companies. The impact of tax consolidation in 2005 is a benefit of 21 million euros.
The book value at year end is the fair value for the group. This value is mainly 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, 2004	net income appropriation 2004	Other changes	December 31, 2005
Share capital	1,051	-	2	1,053
Additional paid-in-capital	6,060	(991)	3	5,072
Legal reserve	100	-	(19)	81
Untaxed reserves	42	-	(42)	-
Other reserves	172	-	60	232
Retained earnings	(43)	42	1	-
Net income/(losses)	(949)	949	173	173
TOTAL	**6,433**	**-**	**178**	**6,611**

FIVE-YEAR FINANCIAL SUMMARY

in millions of euros	2001	2002	2003	2004	2005
I - SHARE CAPITAL YEAR-END					
Share capital	1,002	1,004	1,049	1,051	1,053
Number of common shares outstanding	125,244,256	125,479,105	131,165,349	131,383,178	131,581,978
Maximum number of future shares to be created					
- through exercise of equity warrants	10,463,754	10,951,340	10,004,465	12,289,150	13,101,800
- through conversion of convertible bonds	-	-	9,019,607	9,019,607	(1) 20,830,417
- through warrants related to Transiciel acquisition	-	-	503,602	508,600	(2) 315,790
II - OPERATIONS AND RESULTS OF THE CURRENT YEAR					
Operating revenue	184	162	136	130	162
Operating revenue and financial revenue	301	248	175	876	547
Income before taxes, amortization and provisions	264	(1,523)	108	(491)	395
Income tax	64	(92)	(4)	(43)	(21)
Net income / (losses)	(1,874)	(4,135)	(42)	(949)	173
Distributed income	50	0	0	0	(3) 66
III - EARNINGS PER SHARE *(in euros)*					
Earnings after taxes, but before amortization and provisions	1.60	(11.40)	0.86	(3.41)	3.16
Net earnings	(14.96)	(32.96)	(0.32)	(7.22)	1.31
Dividend per share, net	0.40	0	0	0	(3) 0.50
IV - EMPLOYEE DATA					
Average number of employee during the year	-	-	-	-	-
Total payroll	-	-	-	-	-
Total benefits	-	-	-	-	-

(1) Cap Gemini S.A. decided to neutralize in full the potential dilutive impact of the OCEANE bonds issued on June 24, 2003 and due January 1, 2010, through the aquisition from Société Générale in June 2005 of a call option on a number of shares equal to the underlying number of shares of this OCEANE, and with an exercise price and maturity matching those of the OCEANE.
(2) Subject to validation by the independent arbitrator as provided for by article 1.4.13.10 of the public exchange offer.
(3) Subject to approval by the Extraordinary Shareholers' Meeting of May 11, 2006.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS
(YEAR ENDED DECEMBER 31, 2005)

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 SA, we are required to report to you on related party agreements that have come to our attention. Our responsibility does not include identifying any undisclosed agreements.

We hereby inform you that we have not been informed of any agreement governed by article L. 225-38 of the French Commercial Code (Code de commerce).

Paris, February 22, 2006

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
(ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 11, 2006)
21ST 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 SA and pursuant to the provisions of article L.225-209, paragraph 7 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, under the 20th resolution.
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 22, 2006

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

(ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 11, 2006)
23RD, 24TH, 25TH AND 26TH 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 SA 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 23rd, 24th, 25th and 26th 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 24th resolution.

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

The 23rd and 24th 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 (23rd resolution) or €200 million (24th 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 (23rd resolution) or €1.5 billion (24th resolution).

The price of the shares or securities convertible, redeemable, exchangeable or otherwise exercisable for shares issued pursuant to the 24th 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 25th resolution, the number of shares to be issued in connection with the 23rd and 24th 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 26th resolution provides that the Board of Directors may issue shares and/or securities, on one or several occasions, 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 of the Company. These issues will be carried out within the limits provided for in the 24th resolution.

As regards shares tendered to public exchange offers, the price of shares or other securities issued pursuant to this delegation of authority will be set on the basis of applicable law.

Shares or securities issued as payment for contributions in kind may not exceed 10% of the Company's current share capital.

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 pay-

ment 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 23rd, 24th, 25th and 26th resolutions is set out in the 27th 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.

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 24th resolution.

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, and pursuant to the 24th resolution, 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 22, 2006

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 ISSUE OF SHARES IN CONNECTION WITH EMPLOYEE SHARE OWNERSHIP

(ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING HELD ON MAY 11, 2006)
28TH 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 SA 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), to be set up, where applicable, 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 a 26-month authorization to approve and set the terms and conditions of any such issue in accordance with article L.443-5 of the Labor Code. The shareholders are also informed that this authorization requires that they waive their pre-emptive right to subscribe for the 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.

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 22, 2006

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 OF MAY 11, 2006

I – RESOLUTIONS PRESENTED AT THE ORDINARY SHAREHOLDERS' MEETING

First resolution

Approval of the 2005 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 approves the financial statements for the year ended December 31, 2005, which show a net profit of €173 million and therefore gives discharge to the Board of Directors for its management of Company affairs during the year.

Second resolution

Approval of the 2005 consolidated financial statements

After hearing the following:

- the Group management report for the year ended December 31, 2005 presented by the Board of Directors,
- the report of the Statutory Auditors on their audit of these consolidated financial statements,

the General Shareholders' Meeting approves the consolidated financial statements for the year ended December 31, 2005, which show a net consolidated profit of €141 million.

Third resolution

Regulated agreements

After hearing the special report of the Statutory Auditors 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

Reallocation to the legal reserve of part of the amounts from the former long-term capital gains reserve

After hearing the report of the Board of Directors, the General Shareholders' Meeting resolves – to supplement the fourth resolution adopted by the Ordinary Shareholders'Meeting of May 12, 2005 that decided the transfer of the special long-term capital gains reserve account amounting to €61,345,008.61 to the "other reserves" account – to retransfer the amount of €19,564,446.76 from the "other reserves" account to the "legal reserve" account. Accordingly, the amount of the "legal reserve" account will be increased from €79,879,988.44 to €99,444,435.20.

Fifth resolution

Results appropriation and dividend

The General Shareholders' Meeting approves the recommendations of the Board of Directors with regard to the appropriation of distributable income for the fiscal year ended December 31, 2005 amounting to €173,440,186.21.

It resolves to appropriate this distributable income as follows:

- *To the legal reserve, which will therefore be set at €105,265,582.40, i.e. 10% of share capital at December 31, 2005, an amount of* *€5,821,147.20*
- *As a dividend, an amount of €0.50 per share, i.e.,* *€65,790,989.00*
- *With the balance being allocated to retained earnings, i.e.,* *€101,828,050.01*
- *Making a total of*.................... *€173,440,186.21*

The dividend is accordingly set at €0.50 for each of the 131,581,978 shares making up the share capital at December 31, 2005. This dividend, that is eligible for the 40% tax rebate referred to in sub-paragraph 2º of paragraph 3 of Article 158 of the French Tax Code for individuals subject to personal income tax in France shall be distributed as from May 16, 2006. In the event that the Company were to hold some of its own shares at the time of distribution of the dividend, the amount corresponding to the dividends that are not paid in respect of these shares shall be allocated to retained earnings.

Pursuant to article 243 bis of the French General Tax Code, the General Shareholders' Meeting records that no dividend has been distributed for the previous three fiscal years (2004, 2003 and 2002).

II – RESOLUTIONS PRESENTED AT THE EXTRAORDINARY SHAREHOLDERS'MEETING

Sixth resolution

Reduction of the length of the terms of office of the Directors from 6 to 4 years

After hearing the report of the Board of Directors, the General Shareholders' Meeting resolves to reduce the length of the terms of office of the directors from 6 to 4 years, this measure being immediately applicable to the terms of office in progress as of the date hereof. As a result, the 3rd point of Article 11 of the by-laws ("Board of Directors") shall start by: "*The length of the terms of office of the directors shall be four years.*"

Seventh resolution

Reduction of the length of the terms of office of the Non-Voting Directors from 6 to 2 years

After hearing the report of the Board of Directors, the Gene-

ral Shareholders' Meeting resolves to reduce the length of the terms of office of the non-voting directors (censeurs) from 6 to 2 years, this measure being immediately applicable to the terms of office in progress as of the date hereof. As a result, the second paragraph of Article 17 of the by-laws (Non-Voting Directors) shall henceforth read as follows: "*The length of the terms of office of the Non-Voting Directors shall be two years.*"

III – RESOLUTIONS PRESENTED AT THE ORDINARY SHAREHOLDERS'MEETING

Eighth resolution

Renewal of Yann Delabrière's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Yann Delabrière's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Delabrière's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Ninth resolution

Renewal of Jean-René Fourtou's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Jean-René Fourtou's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Fourtou's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Tenth resolution

Renewal of Paul Hermelin's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Paul Hermelin's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Hermelin's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Eleventh resolution

Renewal of Michel Jalabert's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Michel Jalabert's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Jalabert's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Twelfth resolution

Renewal of Serge Kampf's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Serge Kampf's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Kampf's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Thirteenth resolution

Renewal of Phil Laskawy's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Phil Laskawy's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Laskawy's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Fourteenth resolution

Renewal of Ruud van Ommeren's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Ruud van Ommeren's term of office as director, which expires as of the date hereof, for a term of four years. Mr. van Ommeren's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Fifteenth resolution

Renewal of Terry Ozan's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Terry Ozan's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Ozan's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Sixteenth resolution

Renewal of Bruno Roger's term of office as Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Bruno Roger's term of office as director, which expires as of the date hereof, for a term of four years. Mr. Roger's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2009 financial statements.

Seventeenth resolution

Renewal of Pierre Hessler's term of office as Non-Voting Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Pierre Hessler's term of office as non-voting director, which expires as of

the date hereof, for a term of two years. Mr. Hessler's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2007 financial statements.

Eighteenth resolution

Renewal of Geoff Unwin's term of office as Non-Voting Director

The General Shareholders'Meeting approves the recommendation of the Board of Directors to renew Geoff Unwin's term of office as non-voting director, which expires as of the date hereof, for a term of two years. Mr. Unwin's term of office will therefore expire at the General Shareholders'Meeting called to approve the 2007 financial statements.

Nineteenth resolution

Directors'fees to be paid to the Board of Directors

The General Shareholders'Meeting approves the recommendation of the Board of Directors to set the total directors' fees allocated to the Board of Directors at €700,000 per fiscal year.

Twentieth 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 that came into effect on October 13, 2004, and after hearing the report presented by the Board of Directors, the General Shareholders'Meeting authorizes the Board of Directors to buy back the Company's shares on the open market.

This authorization is given to allow the Company, in decreasing order of priority:

- to enter into a share management process with an investment services provider within the scope of a liquidity agreement in accordance with the 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 purchase shares to be retained with a view to remitting them in future in exchange or payment for potential external growth transactions,
- to award shares to employees and corporate officers (on the terms and by the methods provided for by law), in particular in connection with company stock option plans, plans involving the allocation of free shares or company savings plans,
- to possibly cancel the shares thus purchased subject to adoption of the twenty-first 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 marchés financiers.

The General Shareholders'Meeting resolves that the maximum purchase price may not exceed €60 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, 2005, corresponding to 13,158,197 shares; the total funds invested in the share buybacks may therefore not exceed €789,491,820 (€60 x 13,158,197 shares).

In the case of a capital increase paid up by capitalizing additional paid-in capital, reserves, income or other amounts by allocating free shares during the period of validity of this authorization, 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'Meeting gives full powers to the Board of Directors, including the power of delegation, to use this authorization to:

- decide on the implementation of this authorization,
- place any and all buy and sell orders and enter into any and all agreements, in particular for the keeping of registers of share purchases and sales, in accordance with the Stock Exchange regulations,
- carry out any and all filings and other formalities and generally do whatever is necessary.

The Board of Directors will be required to report to the shareholders at 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 May 12, 2005.

IV – RESOLUTIONS PRESENTED AT THE EXTRAORDINARY SHAREHOLDERS'MEETING

Twenty-first resolution

Authorization to cancel shares acquired under the buy-back program

After hearing the report of the Board of Directors and the special report of the Statutory Auditors, the General Shareholders'Meeting authorizes the Board of Directors, with the possibility of delegating such powers, to:

- cancel - in accordance with article L. 225-209 of the French 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 ninth resolution adopted by the Extraordinary Shareholders'Meeting of May 12, 2005.

Twenty-second 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 and replaces the delegation of authority given in the tenth resolution adopted by the Extraordinary Shareholders'Meeting of May 12, 2005.

Twenty-third resolution

Delegation of authority to the Board of Directors to issue shares and/or securities convertible, redeemable, exchan¬geable 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 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 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. In the case of a share issue by capitalizing additional paid-in capital, reserves, income or other amounts by allocating free shares during the period of validity of this delegation of authority, the maximum nominal amount (excluding share premiums) referred to above will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction
  - 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 delegation of authority given in the eleventh resolution adopted by the Extraordinary Shareholders' Meeting of May 12, 2005.

Twenty-fourth 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 €200 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 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 €1.5 billion. In the case of a share issue by capitalizing additional paid-in capital, reserves, income or other amounts by allocating free shares during the period of validity of this delegation of authority, the maximum nominal amount (excluding share premiums) referred to above will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction,

- 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, giving the Board of Directors the power, however, 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 issued, or the shares to which the securities convertible, redeemable, exchangeable or otherwise exercisable for shares which are issued in accordance with this authorization may give the right, 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 delegation of authority given in the twelfth resolution adopted by the Extraordinary Shareholders' Meeting of May 12, 2005.

Twenty-fifth 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 twenty-third and twenty-fourth 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.

Twenty-sixth 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:

- authorizes the Board of Directors to decide, on one or several occasions, on the issue of 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 (subject to the specifications of the paragraph

below), 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,

- resolves that 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 €200 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 €1.5 billion. In the case of a share issue by capitalizing additional paid-in capital, reserves, income or other amounts by allocating free share issues during the period of validity of this delegation or authority, the maximum nominal amount (excluding share premiums) referred to above will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction,

- resolves that the issue of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for shares or granting the right to allocation of debt instruments pursuant to this authorization shall be charged against the ceilings referred to in the second point of the twenty-fourth resolution above,

- notes that existing shareholders of the Company shall not have a pre-emptive right to subscribe for 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 the shares and other securities issued under this authorization will be set based on the laws applicable to public exchange offers.

- 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 and replaces the delegation of authority given in the fourteenth resolution adopted by the Extraordinary Shareholders'Meeting of May 12, 2005.

Twenty-seventh resolution

General ceiling on the delegations of authority resulting from the four previous resolutions

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 four previous resolutions (twenty-third, twenty-fourth, twenty-fifth, and twenty-sixth resolutions) shall be as follows, it being specified that this limit will not apply to capital increases by capitalizing additional paid-in capital, reserves, income or other amounts:

- 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; In the case of a share issue by capitalizing additional paid-in capital, reserves, income or other amounts by allocating free shares during the period of validity of this delegation of authority, the maximum nominal amount (excluding share premiums) referred to above will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction,

- the aggregate amount of the issue of securities convertible, redeemable, exchangeable or otherwise exercisable for new shares or granting a right to allocation of debt instruments may not exceed €3 billion.

Twenty-eighth 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 Company Savings Plans (PEE) to be set up at that time

In accordance with articles L. 225-129-6, L. 225-138 and L. 225-138-1 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 special report of

the Statutory Auditors, 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 Company Savings Plans (PEE) to be set up at that time, if the Board decides to use the authorizations granted in the twenty-third and twenty-fourth resolutions above as well as pursuant to the fifteenth resolution adopted by the Extraordinary Shareholders'Meeting of May 12, 2005 (stock options),

- 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 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 in general do whatever is necessary.

This delegation of authority is granted for a period of 26 months as from the date of this Shareholders'Meeting and replaces the delegation of authority given in the seventeenth resolution adopted by the Extraordinary Shareholders'Meeting of May 12, 2005.

Twenty-ninth resolution

Updating of the by-laws with regard to the possibility to hold Board of Directors meetings using videoconference or telecommunications facilities

After hearing the report of the Board of Directors, the General Shareholders' Meeting resolves to amend point 2) of article 12 of the by-laws (Deliberations of the Board) that shall henceforth be drafted as follows:

"*The Internal Regulations may provide that directors who participate in Board of Directors' meetings via videoconference or telecommunications facilities making it possible, under the conditions provided for by the regulations, for them to be identified and guaranteeing their effective participation, shall be deemed to be present for purposes of calculating the quorum and majority. However, this provision shall not apply to meetings of the Board of Directors where the agenda relates to the appointment, the compensation or the removal from office of the Chairman or the Chief Executive Officer, the basis of the Company's General Management, the closing of the annual financial statements (Company and consolidated), or the drafting of the reports and the resolutions submitted to the General Shareholders'Meetings.*"

Thirtieth 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 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 (Registre du Commerce et des Sociétés) 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, 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 double voting rights, or 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, 2005, the Company's capital amounted to 1,052,655,824, represented by 131,581,978 common shares with a par value of 8.
Shares may be issued in either registered or bearer form, at the shareholder's discretion.

Financial authorizations

Financial authorizations currently applicable

The Extraordinary Shareholders' Meeting of May 12, 2005 authorized the Board to issue various types of shares and share equivalents. Under the authorizations the Board may increase capital by a maximum nominal amount of €450 million (excluding capital increase through capitalization of retained earnings or reserved to employees) and carry out issues for an aggregate amount of €3 billion, subject to the following ceilings:

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)	05/12/2005	07/12/2007
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)	05/12/2005	07/12/2007
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)	05/12/2005	07/12/2007
Common shares without PSR (French law on employee savings plans)	28 million (par value)	05/12/2005	11/12/2006

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, or as payment for contributions in kind to the Company of shares and/or securities. Apart from the specific ceilings set out in the table above, capital increases carried out as payment for contributions in kind are also capped at 10% of the Company's current capital stock.

In the case of the issuance of securities without pre-emptive subscription rights, shareholders may be given a non transferable priority right to subscribe for the securities for a period and on terms to be determined by the Board of Directors.

During 2005 the Board, within the context of a delegation of authority without pre-emptive subscription rights, decided to issue bonds convertible and/or exchangeable into new or existing Cap Gemini shares (OCEANE), maturing on January 1, 2012. The effective issue and settlement date of the bonds was June 24, 2005. The total amount of the issue was 437 million, represented by 11,810,810 bonds with a nominal value of 37.

Pursuant to changes in the 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 bonds.

Proposed renewals to financial authorizations

At the Extraordinary Shareholders' Meeting of May 11, 2006, shareholders will be invited to replace the existing delegations of authority with new similar delegations of authority with updated validity dates. The amounts will be the same with the exception of the authorization eliminating the pre-emptive subscription right. The total nominal amount of capital increases shall therefore not be greater than 200 million (instead of 300 million) and the amount of issue of securities giving access to the Company's capital or conferring entitlement to debt instruments may not be greater than 1.5 billion (instead of 2 billion).

At the Extraordinary Shareholders' Meeting of May 11, 2006, the Board will request authorization to issue various types of shares and share equivalents. Under the authorizations the Board may increase capital by a maximum nominal amount of 450 million (excluding capital increase through capitalization of retained earnings or reserved to employees) and carry out issues for an aggregate amount of 3 billion, subject to the following ceilings:

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)	05/11/2006	07/11/2008
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)	05/11/2006	07/11/2008
Common shares and/or other securities giving access to the Company's capital or conferring entitlement to debt instruments, without PSR (3)	200 million (par value) (1) 1.5 billion (2)	05/11/2006	07/11/2008
Common shares without PSR (French law on employee savings plans)	28 million (par value)	05/11/2006	07/11/2008

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, or as payment for contributions in kind to the Company of shares and/or securities. Apart from the specific ceilings set out in the table above, capital increases carried out as payment for contributions in kind are also capped at 10% of the Company's current capital stock.

In the case of the issuance of securities without pre-emptive subscription rights, shareholders may be given a non transferable priority right to subscribe for the securities for a period and on terms to be determined by the Board of Directors.

Pursuant to changes in the 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 bonds.

Share equivalents

Stock options

At the May 24, 1996, May 23, 2000 and May 12, 2005 Annual Shareholders' Meetings, the Directoire and the Board of Directors were given a five-year authorization in respect of the May 24, 1996 and May 23, 2000 plans, and an authorization period of 38 months in respect of the May 12, 2005 plan, to grant stock options to a certain number of Group employees on one or several occasions.

Details of the three stock option plans in force at December 31, 2005 are summarized in the table below:

Summary presentation	1996 plan (plan no. 4)	2000 plan (plan no. 5)		2005 plan (plan no. 6)
Date of Shareholders' Meeting	May 24, 1996	May 23, 2000		May 12, 2005
Total number of stock options	6,000,000	12,000,000		6,000,000
First options granted on	July 1, 1996	September 1, 2000	October 1, 2001	October 1, 2005
Exercise period	6 years	6 years	5 years	5 years
Exercise price as a % of the average of prices quoted for Cap Gemini shares over twenty trading days preceding the date of grant	80%	80%	100%	100%
Exercise price per share in €:				
- Minimum	144.00	139.00	21.00	30.00
- Maximum	161.00	161.00	60.00	30.00
Number of shares subscribed at December 31, 2005	1,423,465	-	243,800	-
Potential number of shares to be created on exercise of options outstanding at December 31, 2005	559,000 (1)	1,300,600 (2)	9,326,700(3)	1,915,500 (4)
Of which options held by two members of the Board of Directors	70,000	-	165,000	50,000

(1) i.e., 293,000 shares at a price of €161 and €266,000 shares at a price of €144.
(2) i.e., 776,100 shares at a price of €161 and 524,500 shares at a price of €139.
(3) i.e., 1,770,500 shares at a price of €60, 1,447,600 shares at a price of €24, 1,020,000 shares at a price of €40, 371,000 shares at a price of €31, 3,255,600 at a price of €21, and €1,462,000 at a price of €27.
(4) i.e., 1,915,500 shares at a price of €30.

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, 2005 amounted to 13,101,800. If all of these options were exercised at December 31, 2005 – irrespective of whether the exercise price is higher than the market price – the dilutive effect would be 9.06%.

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 maturing on January 1, 2010 (OCEANE 2003). The 9,019,607 OCEANEs created on July 2, 2003 have a nominal value of 51 each. A prospectus concerning this bond issue was approved by the Commission des Opérations de Bourse on June 24, 2003 under number
03-607.

On June 16, 2005, Cap Gemini SA issued 437 million worth of bonds convertible into new shares and/or exchangeable for existing shares, maturing on January 1, 2012 (OCEANE 2005). The 11,810,810 OCEANEs created on June 24, 2005 have a nominal value of 37 each. A prospectus concerning this bond issuance was approved by the French Financial Markets Authority (AMF) on June 16, 2005 under number 05-564.
At December 31, 2005, if these bonds were converted into new Cap Gemini shares, the dilutive impact would be 13.67%. It should however be pointed out that the potential dilutive impact of the 2005 OCEANEs would be fully neutralized if the Company exercised its options acquired on June 27, 2005.

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 granting entitlement to 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 group 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.

Provided the operating performance targets defined by the Company for the Sogeti/Transiciel group under the term "ROBA", for "résultat opérationnel brut ajusté" (adjusted gross 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.

As of December 31, 2005, the resulting additional purchase consideration is estimated at 11 million, i.e., 315,790 new shares (subject to validation by the independent arbitrator as provided for by article 1.4.13.10 of the Alternative Public Exchange Offer). If the maximum number of shares was issued on the exercise of warrants, the dilutive impact would be 0.24%.

Other securities giving access to the Company's capital

As of December 31, 2005, if the maximum number of potential shares was issued through the exercise of stock options, the conversion of OCEANE bonds issued in 2003 and 2005, and the exercise of equity warrants issued under the terms of the public exchange offer for Transiciel, the dilutive impact would be 20.65%.

Changes in capital

	Number of shares	Share capital *(in euros)*	Additional paid-in capital *(in euros)*
AS OF JANUARY 1, 2001	**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 Groupe	(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)
Increase in share capital:			
- 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**
Increase in share capital:			
- 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**
Net loss for 2004 and losses for the prior year charged against additonal paid-in capital	-	-	(990,396,277)
Issuance of shares for cash:			
- shares issued upon exercise of stock options	198,800	1,590,400	3,094,400
AS OF DECEMBER 31, 2005	**131,581,978**	**1,052,655,824**	**5,073,735,944**

Current ownership structure

The ownership structure as of December31, 2005 is presented on page 34. 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, 884 Cap Gemini shares were returned to the Company between February 23, 2005 and December 31, 2005 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 31 December 2005, there were 1,518 holders of registered shares.

As far as the Company is aware, at that date no shareholder held 5% or more of the Company's capital or voting rights, either directly or indirectly, or acting in concert. During the year, Serge Kampf has notified the company he had reduced his interest to below the legal disclosure 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 2005 fiscal year:

- Société Générale Asset Management Alternative declared that it had fallen below the threshold of 1% of the Company's capital and voting rights;
- Arnhold and S. Bleichroeder Advisers, LLC declared that it had exceeded this same 1% threshold;
- UBS, AG declared that it had exceeded the threshold in respect of the Company's capital by 2%, then 3%, and finally 4%, and exceeded the threshold in respect of the Company's voting rights by 1%, then 2%, and finally 3%;
- UBS Investment Bank declared that it had exceeded the threshold of 1% of the Company's capital and voting rights;
- UBS Global Asset Management declared that it had exceeded the 1% threshold in respect of the Company's capital.

Shares held by members of the Board of Directors represent 4.8% of the Company's capital.

Changes in ownership structure over the last three years

	As of December 31, 2003			As of December 31, 2004			As of December 31, 2005		
	Number of shares	% interest	% voting rights	Number of shares	% interest	% voting rights	Number of actions	% interest	% voting rights
Wendel Investissement	5,566,014	4.2	4.3	3,118,514	2.4	2.4	2,068,514	1.6	1.6
Serge Kampf	7,069,947	5.4	5.4	6,819,947	5.2	5.2	6,121,641	4.6	4.6
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)	118,179,863	90.1	90.2	121,292,429	92.3	92.3	123,165,891	93.6	93.7
Treasury stock	209,477	0.2	0.0	12,240	0.0	0.0	85,884	0.1	0
Own shares	–	–	–	–	–	–	–	–	–
TOTAL	**131,165,349**	**100.0**	**100.0**	**131 383 178**	**100.0**	**100.0**	**131,581,978**	**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.

As of December 31, 2005, the Company held 884 shares returned by the former partners of Ernst & Young Consulting who had left the Group.

Based on a study carried out on September 30, 2005, the Company has 197,371 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 details and to avoid repetitions, please refer to Chapter 1 of the Chairman's Report.

Board of Directors

- **Formed of:** 13 Directors
  - Serge KAMPF, *Chairman*
  - Daniel BERNARD
  - Christian BLANC
  - Yann DELABRIERE
  - Jean-René FOURTOU
  - Paul HERMELIN, *CEO*
  - Michel JALABERT
  - Phil LASKAWY
  - Thierry de MONTBRIAL
  - Ruud van OMMEREN
  - Terry OZAN
  - Bruno ROGER
  - Ernest-Antoine SEILLIERE, *Vice-Chairman*

After extensive examination of their personal situations, the 8 directors whose names have been underlined were considered by the Board as being "independent".

- **Term of office: 6 years.**
  The appointments of 11 out of the full 13 directors forming the current Board – whether appointed at the General Shareholders' Meeting of May 23, 2000 or having replaced, during their terms of office, a director appointed at this same General Meeting (cf. Chairman's Report, paragraph 1.1) – expire on May 11, 2006, date of the General Shareholders' Meeting. This refers to Messrs. Serge Kampf, Christian Blanc, Yann Delabrière, Jean-René Fourtou, Paul Hermelin, Michel Jalabert, Phil Laskawy, Ruud van Ommeren, Terry Ozan, Bruno Roger and Ernest-Antoine Seillière. Of the 11 current, outgoing directors, 2 decided not to renew their terms of office for personal reasons: Messrs. Christian Blanc and Ernest-Antoine Seillière. Hence, it is **proposed** at the General Shareholders' Meeting held May 11, 2006 to renew the directorships of the 9 others for a **term reduced from 6 to 4 years**. The 2 other directorships held by Messrs. Daniel Bernard and Thierry de Montbrial, appointed at the General Shareholders' Meeting of May 12, 2005 for a term of 6 years, will expire (unless the shareholders adopt the resolution to shorten directors' terms of office from 6 to 4 years, as put to the vote by the Board) at the General Shareholders' Meeting to be held in May 2011.

- **Minimum number of shares:**
  Each director must personally hold at least 100 shares in the Company. Non-voting members are not subject to this obligation.

- **Meetings:**
  - 6 times a year at the registered office of the company in Paris (or at any other venue, as indicated in the invitation).
  - Attendance rate in 2005: 85% (it should be noted that the Board assembled 8 times in 2005).

Non-voting membership

- **Formed of:** 3 non-voting members
  - Pierre HESSLER
  - Marcel ROULET
  - Geoff UNWIN

- **Term of office: 6 years.**
  The offices of Messrs. Pierre Hessler and Geoff Unwin – previously directors and currently non-voting members for the remaining term of office of their predecessors, appointed at the General Shareholders' Meeting held May 23, 2000 (cf. Chairman's report – paragraph 1.2) – is due to expire at the General Shareholders' Meeting held May 11, 2006. Hence, it is **proposed** at this General Shareholders' Meeting to renew the offices of these two non-voting members for a **term reduced from 6 to 2 years**. The term of office of Mr. Marcel Roulet, appointed for a term of 6 years at the General Shareholders Meeting held May 12, 2005, will expire (unless the shareholders adopt the resolution to shorten non-voting members' terms of office from 6 to 2 years, as put to the vote by the Board) at the General Shareholders' Meeting to be held in May 2011.

Rules of Procedure

The Board has established Rules of Procedure, principally in order to lay down the breakdown of tasks between the Board itself, the Committees set up by (and within) the latter, the Chairman and the CEO. It also provides the list of obligations that directors and non-voting members shall undertake to abide by.

Specialized Committees

The general purpose of such Committees is to examine or to prepare certain resolutions involving their particular areas of expertise, to draft proposals and to transmit viewpoints or recommendations to the Board with regard to any decisions to be made. They have no decision-making authority – decisions being taken by the Board of Directors, assembled according to the requisite procedure – and may not treat subjects outside their own fields of competence. The Chairman of the Board has expressed the wish not to be appointed as a member of any Committee, leaving it to the Chairman of each Committee to invite him, as appropriate.
There are three such Committees:

- **Audit Committee**
  - Chairman: Phil Laskawy
  - Members: Daniel Bernard, Yann Delabrière, Michel Jalabert
  - Non-voting member: Marcel Roulet
  - Meetings: 5 in 2005, with an attendance rate of 91%
- **Appointments, Remunerations and Governance Committee**
  - Chairman: Ruud van Ommeren
  - Members: Christian Blanc, Thierry de Montbrial, Terry Ozan
  - Non-voting member: Pierre Hessler
  - Meetings: 6 in 2005, with an attendance rate of 85 %
- **Strategy & Investments Committee**
  - Chairman: Jean-René Fourtou
  - Members: Paul Hermelin, Bruno Roger, Ernest-Antoine Seillière
  - Non-voting member: Geoff Unwin
  - Meetings: 3 in 2005, with an attendance rate of 87%

List of Directorships and other offices held by members of the Board of Directors

Directorships and other offices held by the 13 voting members of the Board of Directors in 2005 are as follows:

	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2005 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Serge KAMPF	2000-2005	Principal office: **Chairman of the Board of Directors of:** • CAP GEMINI S.A Other offices : **Chairman of:** • Capgemini Service S.A.S. • Sogeti S.A.S. • Capgemini Suisse S.A. **Director of:** • Capgemini North America Inc. (U.S.A.) • SANOFI-AVENTIS S.A.	**Member of the Supervisory Board and Chairman of the Selection and Remuneration Committee of:** • AVENTIS
Ernest-Antoine SEILLIERE	2000-2005	Principal office: **Chairman of the Supervisory Board of:** • WENDEL Investissement Other offices: **Chairman and Chief Executive Officer of:** • STÉ 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 (Switzerland) • 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.	**Chairman and Chief Executive Officer of:** • WENDEL Investissement **Chairman of the Board of Directors of:** • MARINE WENDEL **Chairman of the Supervisory Board of:** • TRADER.COM N.V. **Vice-Chairman of the Supervisory Board of:** • BIOMERIEUX PIERRE FABRE **Director of:** • ERIDANIA BAGHIN SAY • SOCIÉTÉ GÉNÉRALE • VALEO • SOFISAMC
Daniel BERNARD	2005 -2010	Principal office: **Chairman of:** • PROVESTIS Other offices : **Director of:** • ALCATEL • SAINT-GOBAIN • CAP GEMINI S.A.	**Chairman and Chief Executive Officer of:** • Groupe CARREFOUR
Christian BLANC	2000-2005	Principal office: **Director of:** • CAP GEMINI S.A. Other offices: **Director of:** • COFACE • J.C. DECAUX • THOMSON	**Chairman of:** • MERILL LYNCH France **Director of:** • CARREFOUR

* At the date of the General Shareholders' Meeting held to approve the financial statments of the year ended.

	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2005 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Yann DELABRIÈRE	2004-2005	Principal office: **Member of the Executive Committee and Chief Financial Officer of:** • PSA PEUGEOT CITROËN Other offices: **Chairman and Chief Executive Officer of:** • BANQUE PSA FINANCE • CREDIPAR (Compagnie Générale de Crédit aux Particuliers) **Chairman of the Board of Directors of:** • PEUGEOT CITROËN ARGENTINA • PEUGEOT FINANCE INTERNATIONAL NV • PERGOLESE INVESTISSEMENTS **Director of:** • PSA INTERNATIONAL • PEUGEOT CITROËN AUTOMOBILES • AUTOMOBILES CITROËN • GEFCO • FAURECIA • CAP GEMINI S.A.	**Manager (Gérant) of:** • GIE PEUGEOT CITROËN Finance et Comptabilité (Belgium) • PSA Services S.R.L. (Italy)
Jean-René FOURTOU	2002-2005	Principal office: **Chairman of the Supervisory Board of:** • VIVENDI UNIVERSAL Other offices: **Chairman of the Supervisory Board of:** • GROUPE CANAL+ **Vice-Chairman and member of the Supervisory Board of:** • AXA **Member of the Supervisory Board of:** • MAROC TELECOM **Director of:** • CAP GEMINI S.A. • SANOFI-AVENTIS S.A. • AXA MILLESIMES S.A.S • NBC UNIVERSAL INC. (USA) • NESTLÉ (Switzerland) **Honorary Chairman of:** • THE INTERNATIONAL CHAMBER OF COMMERCE	**Vice-Chairman and Chief Executive Officer of:** • AVENTIS **Chairman and Chief Executive Officer of:** • VIVENDI UNIVERSAL **Director of:** • RHÔNE POULENC PHARMA • RHÔNE-POULENC AGRO Ltd • THE EQUITABLE LIFE ASSURANCE • E.A.D.S.

* At the date of the General Shareholders' Meeting held to approve the financial statments of the year ended.

	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2005 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Paul HERMELIN	2000-2005	Principal offices: **Director and Chief Executive Officer of:** • CAP GEMINI S.A. **Chairman of:** • Groupe CAPGEMINI Other offices : **Director of:** • Capgemini France S.A.S. • CAP SOGETI 2005 S.A.S. • CAP SOGETI FRANCE 2005 S.A.S. • SOGETI FRANCE 2005 S.A.S. • Capgemini North America Inc. (U.S.A.) • Capgemini Holding Inc. (USA) • Capgemini Energy GP LLC (USA) **Chief Executive Officer of:** • Capgemini Service S.A.S. **Director of:** • Capgemini America, Inc. (USA) • Capgemini US LLC (USA) • Cgs Holdings Ltd (UK) • Capgemini Australia Pty Ltd **Member of the Supervisory Board of:** • Capgemini N.V.	Nil
Michel JALABERT	2000-2005	Principal offices: **Director of:** • CAP GEMINI S.A. Other offices: None	Nil
Phil LASKAWY	2002-2005	Principal offices: **Director of:** • CAP GEMINI S.A. • GENERAL MOTORS CORPORATION Other offices: **Director of:** • HENRY SCHEIN, INC. • LOEWS CORPORATION • THE PROGRESSIVE CORPORATION	**Chairman and Chief Executive Officer of:** • ERNST & YOUNG **Director of:** • THE GOODYEAR TIRE & RUBBER Cie • HEIDRICK & STRUGGLES International, Inc
Thierry de MONTBRIAL	2005-2010	Principal offices: **Founder and Chief Executive Officer of:** • L'INSTITUT FRANÇAIS DES RELATIONS INTERNATIONALES (IFRI) Other offices: **Chairman of:** • CENTRE FRANCO-AUTRICHIEN POUR LE RAPPROCHEMENT ÉCONOMIQUE EN EUROPE **Professor of Applied Economics and International Relations at:** • CONSERVATOIRE NATIONAL DES ARTS ET METIERS **Member of:** • L'INSTITUT DE FRANCE (ACADEMIE DES SCIENCES MORALES ET POLITIQUES)	**Director of:** • la SOCIÉTÉ DU LOUVRE

* At the date of the General Shareholders' Meeting held to approve the financial statments of the year ended.

	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2005 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Ruud van OMMEREN	2000-2005	Principal office: **Director of:** • CAP GEMINI S.A. Other offices: **Chairman of the Supervisory Board of:** • CAP GEMINI N.V. • GAK ONROEREND GOED V.O.F. • DELFTS INSTRUMENTS NOV. **Member of the Supervisory Board of:** • ANWB • WILLEM VAN RIJN B.V. • KONINKLYKE GROLSCH N.V.	**Member of the Supervisory Board of:** • GTI N.V. **Member of:** • COMITÉ NATIONAL DE PROTECTION DES LIBERTÉS INDIVIDUELLES AUX PAYS-BAS
Terry OZAN	2000-2005	Principal office: **Director of:** • CAP GEMINI S.A. Other offices: **Director of:** • NOTEWORTHY MEDICAL SYSTEMS, INC. • COHESANT TECHNOLOGIES, INC. **Member of the Strategy Committee of:** • STATE INDUSTRIAL PRODUCTS	**Director of:** • KANISA Corporation
Bruno ROGER	2000-2005	Principal office: **Chairman of:** • LAZARD FRERES S.A.S. Other offices : **Chairman of:** • GLOBAL INVESTMENT BANKING **Director of:** • CAP GEMINI S.A. **Non-voting Director of:** • EURAZEO	**Member of the Supervisory Board of:** • AXA • PINAULT PRINTEMPS REDOUTE **Director of:** • COMPAGNIE DE SAINT-GOBAIN • THALÈS

* at the date of the General Shareholders' Meeting held to approve the accounts of the year concerned

As far as the Company is aware, none of the current members of the Board of Directors:
- Has been sentenced for fraud at any time during the last five years;
- Has been involved in bankruptcy, receivership or liquidation at any time during the last five years;
- Has been subject to any form of official public sanction and/or criminal liability, pronounced by a statutory or regulatory authority (including any form of professional organization, as designated);
- Has been prevented by the courts from acting as a member of a governing body, supervisory board or board of directors, or from acting for purposes of managing or leading the business of an issuer at any time during the last five years.

As far as the Company is aware, there has been no:
- Conflict of interest, among the members of the Board of Directors, between their duties towards Capgemini and their private interests and/or any other duties;
- Service contract binding the members of the Board of Directors of Cap Gemini S.A. or any of its subsidiaries whatsoever, granting any advantages at the term thereof.

DIRECTORS' INTERESTS

This information is provided in paragraph 3.9 of the Management Report presented to the Board of Directors at the Ordinary and Extraordinary Shareholders' Meeting of May 11, 2006.

Regulated agreements

No agreements within the meaning of article L.225-38 of the French Commercial Code were authorized by the Board of Directors during the year ended December 31, 2005.

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 SA and exercised by the top ten employee grantees (non-directors) are:

	Number of of options granted/ shares subscribed	Weighted average exercise price *(in euros)*	Plan
Options granted to the top ten employees, during the year, by the Company and other Group companies entitled to grant options	201 000	28,01	Plan n° 5 et n° 6
Options exercised during the year by the top ten employee grantees of the Company and other Group companies entitled to grant options	76 300	24,00	Plan n° 5

GROUP MANAGEMENT STRUCTURE

The Group's operational management structure is organized through several committees:

- **The Group Executive Committee has 13 members** (1)**:**

Paul Hermelin	Chief Executive Officer
Nicolas Dufourcq	Chief Financial Officer
Alain Donzeaud	General Secretary & Human Resources
Henk Broeders	Northern Europe & Asia-Pacific
Philippe Donche-Gay	France and TS (2) Global Coordination
Salil Parekh	North America
Antonio Schnieder	Central & Southern Europe and CS (3) Global Coordination
Luc-François Salvador	Local Professional Services (Sogeti)
Paul Spence	Outsourcing Services
Pierre-Yves Cros	Strategy
Philippe Grangeon	Communications
Patrick Nicolet	Sales
Gilles Taldu	Production and Quality

- **Other Group Directors**

Heads of Sectors:

Didier Bonnet	Telecommunication, Médias & Entertainment Sector
Stanislas Cozon	Public Sector
Bernard Helders	Manufacturing, Retail & Distribution Sector
Bertrand Lavayssière	Financial Services Sector
Colette Lewiner	Marketing and Energy & Utilities Sector

Others:

Philippe Christelle	Internal Audit
Jean-Pierre Durant des Aulnois	Operational Control

(1) The role and office of these various committees are provided in the Report of Chairman (section 3.2.1).
(2) TS : *Technology Services*
(3) CS : *Consulting Services*

PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

Statutory Auditors:

- PricewaterhouseCoopers Audit
  63, rue de Villiers, 92208 NEUILLY-SUR-SEINE,
  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. QUELIN
  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			
	Amount		%		Amount		%	
	2005	2004	2005	2004	2005	2004	2005	2004
Audit								
Statutory and contractual audits	2,154	1,903	65 %	59 %	3,433	2,945	67 %	71 %
Other engagements	495	693	15 %	21 %	688	959	12 %	23 %
SUB-TOTAL	**2,649**	**2,596**	**80 %**	**80 %**	**4,122**	**3,904**	**78 %**	**94 %**
Other services								
Legal and tax advisory services	491	439	14 %	14 %	244	267	4 %	6 %
Informatics audit	0	26	0 %	1 %	956	0	17 %	0 %
Internal audit	0	24	0 %	1 %	0	0	0 %	0 %
Other	190	165	6 %	5 %	0	0	0 %	0 %
SUB-TOTAL	**681**	**654**	**20 %**	**20 %**	**1,200**	**267**	**22 %**	**6 %**
TOTAL	**3,330**	**3,250**	**100 %**	**100 %**	**5,322**	**4,171**	**100 %**	**100 %**

PERSON RESPONSIBLE FOR INFORMATION

Nicolas DUFOURCQ
Chief Financial Officer
11, rue de Tilsitt, 75017 PARIS
Tel.: 01 47 54 50 00

2006 PROVISIONAL FINANCIAL CALENDAR

First quarter 2006 revenue announcement:	May 3, 2006
Second quarter 2006 revenue announcement:	July 27, 2006
First half 2006 results announcement:	September 7, 2006
Third quarter 2006 revenue announcement:	November 9, 2006
Fourth quarter 2006 revenue announcement:	February 15, 2007

This provisional calendar is given for information purposes only and is subject to subsequent amendments.

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the registration document and examined the information about the financial position and the historical accounts contained therein."

Paul Hermelin,
Chief Executive Officer

This registration document (document de référence) was filed with the Autorité des Marchés Financiers (AMF) on April 25, 2006, pursuant to article 212-13 of the AMF's General Regulations. It may not be used in connection with a financial transaction unless it is accompanied by an Information Memorandum approved by the AMF.
Copies of the registration document are available from Cap Gemini, 11 rue de Tilsitt, 75017 Paris, on the website: http://investor.capgemini.com and on the website of the AMF: www.amf-france.org.

In accordance with article 28 of European regulation no. 809/2004 of April 29, 2004, the following information is incorporated in this registration document by reference:

1. Relating to the year ended December 31, 2004:

- the management report, consolidated financial statements and Statutory Auditors' report on the consolidated financial statements, set out in the registration document filed on April 27, 2005 under no. D. 05-0562 (pages 27 to 36 and 48 to 88 respectively).
- the simplified parent company financial statements of Cap Gemini SA set out in the registration document filed on April 27, 2005 under no. D. 05-0562 (pages 89 to 91).
- the Statutory Auditors' special report on certain related party agreements, set out in the registration document filed on April 27, 2005 under no. D. 05-0562 on page 92.

2. Relating to the year ended December 31, 2003:

- the management report, consolidated financial statements and Statutory Auditors' report on the consolidated financial statements, set out in the registration document filed on May 23, 2004 under no. D. 04-0313 (pages 20 to 26 and 36 to 71 respectively).
- the simplified parent company financial statements of Cap Gemini SA set out in the registration document filed on May 23, 2004 under no. D. 04-0313 (pages 74 to 76).
- the Statutory Auditors' special report on certain related party agreements, set out in the registration document filed on May 23, 2004 under no. D. 04-0313 on page 73.

The information included in these two registration documents, other than that referred to above, has been replaced and/or updated where necessary, with information included in this registration document.

CROSS-REFERENCE TABLE

To facilitate reading the annual report filed as a registration document (document de référence), the table below provides the key information required under EC regulation no. 809/2004 of April 29, 2004.

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N/A : Not applicable