

# GROUP CONSOLIDATED FINANCIAL STATEMENTS

## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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

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

To the shareholders,

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

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

### **I - Opinion on the consolidated financial statements**

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

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

### **II - Justification of our assessments**

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

- Note 1 j) to the consolidated financial statements describes the methods used to account for revenue. As part of our

assessments of the accounting rules and principles adopted by the Group, we verified whether the methods used to account for revenue were appropriate and obtained assurance of their correct application and that the estimates used were reasonable.

- A deferred tax asset of €653 million is recorded in the consolidated balance sheet. Note 20 to the consolidated financial statements describes the methods used to calculate this asset. As part of our assessments, we verified the overall consistency of the information and assumptions used to calculate this deferred tax asset.
- Net intangible assets carried in the consolidated balance sheet include €1,781 million in unamortized market share and goodwill amortized over a maximum period of 40 years. The accounting principles used and the methods applied to determine the value in use of these assets are described in notes 1 d) and 9 to the consolidated financial statements.

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

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

### **III - Specific verifications**

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

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

Paris, February 24, 2005

*The Statutory Auditors*

**PricewaterhouseCoopers Audit**

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, 2002, 2003 AND 2004

<i>in millions of euros</i>	Notes	2002		2003 (1)		2004	
		Amount	%	Amount	%	Amount	%
<b>OPERATING REVENUE</b>	3	7,047	100.0	5,754	100.0	6,291	100.0
Cost of services rendered	4	4,742	67.3	3,934	68.4	4,607	73.2
Selling expenses	4	892	12.7	662	11.5	603	9.6
General and administrative expenses	4	1,299	18.4	1,003	17.4	1,023	16.3
<b>OPERATING INCOME</b>		<b>114</b>	<b>1.6</b>	<b>155</b>	<b>2.7</b>	<b>58</b>	<b>0.9</b>
Interest income and expense (net)	5	(1)	0.0	(14)	(0.2)	(24)	(0.4)
Other revenues and expenses (net)	6	(503)	(7.1)	(251)	(4.4)	(217)	(3.4)
<b>INCOME/(LOSS) OF FULLY CONSOLIDATED COMPANIES BEFORE TAX</b>		<b>(390)</b>	<b>(5.5)</b>	<b>(110)</b>	<b>(1.9)</b>	<b>(183)</b>	<b>(2.9)</b>
Income tax	7	(6)	(0.1)	(47)	(0.8)	(125)	(2.0)
<b>NET INCOME/(LOSS) OF FULLY CONSOLIDATED COMPANIES BEFORE AMORTIZATION OF GOODWILL AND WRITE-DOWN OF MARKET SHARE</b>		<b>(396)</b>	<b>(5.6)</b>	<b>(157)</b>	<b>(2.7)</b>	<b>(308)</b>	<b>(4.9)</b>
Equity in net results of affiliates		(2)	0.0	(1)	(0.0)	-	-
Minority interests		7	0.1	(1)	(0.0)	-	-
<b>NET INCOME/(LOSS) BEFORE AMORTIZATION OF GOODWILL AND WRITE-DOWN OF MARKET SHARE</b>		<b>(391)</b>	<b>(5.5)</b>	<b>(159)</b>	<b>(2.7)</b>	<b>(308)</b>	<b>(4.9)</b>
Amortization of goodwill and write-down of market share	8	(123)	(1.8)	(38)	(0.7)	(51)	(0.8)
<b>NET INCOME/(LOSS)</b>		<b>(514)</b>	<b>(7.3)</b>	<b>(197)</b>	<b>(3.4)</b>	<b>(359)</b>	<b>(5.7)</b>

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

(1) The consolidated statement of income does not include the activities of Transiciel which was fully consolidated at December 31, 2003.

(2) Earnings/(loss) per share based on average number of shares.

(3) Earnings/(loss) per share based on adjusted average number of shares, or primary earnings per share if diluted earnings per share is negative.

(4) Earnings/(loss) per share based on number of shares as of December 31.

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

## CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002, 2003 AND 2004

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

<i>in millions of euros</i>	<i>Notes</i>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Share capital		1,004	1,049	1,051
Additional paid-in capital		2,063	2,220	2,226
Retained earnings		438	82	(277)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14</b>	<b>3,505</b>	<b>3,351</b>	<b>3,000</b>
Minority interests	14	29	-	2
<b>SHAREHOLDERS' EQUITY, INCLUDING MINORITY INTERESTS</b>	<b>14</b>	<b>3,534</b>	<b>3,351</b>	<b>3,002</b>
Long-term debt	15	155	722	653
Provisions and other long-term liabilities	16	252	258	255
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>407</b>	<b>980</b>	<b>908</b>
Short-term debt and bank overdrafts	15	242	233	197
Accounts and notes payable, (net)	17	1,620	1,384	1,634
Other payables	18	59	83	89
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,921</b>	<b>1,700</b>	<b>1,920</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,862</b>	<b>6,031</b>	<b>5,830</b>
Commitments given to third parties	21	1,298	1,343	1,379
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>15</b>	<b>465</b>	<b>266</b>	<b>402</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

(1) See note 1.g.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 ~ ACCOUNTING POLICIES

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

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

##### **a) Consolidation methods**

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

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

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

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

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

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

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

Intercompany transactions are eliminated on consolidation.

The Group does not have any special purpose entities.

##### **b) Use of estimates**

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

##### **c) Foreign currency translation**

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

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

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

## GROUP CONSOLIDATED FINANCIAL STATEMENTS

### Capgemini

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

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

#### d) Intangible assets

##### MARKET SHARE

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

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

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

##### GOODWILL

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

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

The acquisition of the Ernst & Young consulting businesses on May 23, 2000 has been accounted for in the consolidated financial statements by the alternative method ("méthode

dérogatoire") provided for in section 215 of CRC standard 99-02. Consequently no goodwill is recorded under assets in respect of this acquisition.

##### VALUATION OF MARKET SHARE AND GOODWILL

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

##### COMPUTER SOFTWARE

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

#### e) Property, plant and equipment

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

The most commonly adopted useful lives are the following:

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

#### **f) Shares in non-consolidated companies**

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

#### **g) Treasury stock**

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

#### **h) Deferred taxes**

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

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

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

#### **i) Finance leases**

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

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

#### **j) Revenue recognition on long-term contracts**

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

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

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

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

#### **k) Marketable securities**

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

#### **l) Retirement benefits**

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

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

Defined benefit plans:

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

#### **m) Financial instruments**

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

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

#### **n) Statement of income**

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

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

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

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

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

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

#### **o) Earnings per share**

Net earnings per common share are calculated as follows:

- Primary earnings per share: on the basis of the average number of shares outstanding during the year, after deduction of treasury stock held as of December 31;
- Diluted earnings per share: on the basis of the average weighted number of shares outstanding during the year, after deduction of treasury stock, plus the number of potential dilutive shares related to options granted to employees of the Group (Note 14.b), OCEANE convertible/exchangeable bonds and equity warrants (see Note 21 "Commitments received from

and given to third parties"), calculated based on a fair value determined using the average share price for the year. The weighted average number of shares is calculated on the basis of the date of issue of shares during the year. The number of potential dilutive shares does not include those related to out-of-the money instruments. Net income is adjusted for the potential impact of these dilutive shares. If the Group makes a loss, diluted loss per share is considered to be the same as the primary loss per share;

- Earnings per share based on the number of shares as of December 31: on the basis of the number of shares outstanding as of December 31 (including treasury stock at that date).

#### **p) Net cash and cash equivalents**

Net cash and cash equivalents comprise cash and cash equivalents less short-term and long-term debt.

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

#### **q) Consolidated statement of cash flows**

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

#### **r) Segment information**

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

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

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

#### **a) 2002 and 2003**

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

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

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

## b) 2004

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

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

## NOTE 3 ~ OPERATING REVENUE

Operating revenue by geographic area can be analyzed as follows:

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

## NOTE 4 ~ OPERATING EXPENSES

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

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

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

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

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

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

- for over two-thirds of the difference, the interest expense arising from the consolidation of Transiciel's debt from January 1, 2004;

- for the balance, the effect of the reclassification as finance leases of equipment lease contracts in the United Kingdom, France and the United States (see Note 1.i, "Finance leases").

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

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

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

**Restructuring costs comprise:**

2002:

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

2003:

- €141 million directly related to staff cutbacks (3,047 employees), carried out primarily in France, North America, the Nordic countries, Spain and Portugal, and the Benelux countries;

- €70 million in other costs, mainly relating to measures to streamline the Group's real estate assets. These costs involve the United Kingdom, France, Germany and Central Europe, North America, Spain and Portugal.

2004:

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

**Net impact of sale of carry-back tax credits:**

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

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

In November 2004, the Group sold its interest in the capital of Vertex to United Utilities Plc. for €70 million. The corresponding capital gain amounted to €18 million.

In December 2004, the Group sold its Swedish and

Norwegian infrastructure maintenance activities to the EDB group for €18 million. The corresponding capital gain amounted to €6 million.

**Write-down of property, plant and equipment:**

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

**NOTE 7 ~ INCOME TAX**

Income taxes can be analyzed as follows:

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

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

**Effective rate of income tax**

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

The Group operates in countries with different tax regimes and the effective rate of income tax therefore varies from one year to another, based on changes in each country's contribution to

consolidated earnings. The effective rate of income tax is also significantly affected by changes in deferred tax assets recognized in relation to tax loss carry-forwards available to the Group.

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

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

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

- the write-down of deferred tax assets as well as unrecognized deferred taxes, primarily in North America (€62 million), Southern Europe (€14 million), the United Kingdom (€12 million) and the Nordic countries (€5 million);
- €141 million (net of the €86 million positive discounting effect) recorded against deferred tax assets recognized in relation to the acquisition of Ernst & Young in North America;
- an additional deferred tax asset of €62 million recognized in France on the short-term capital loss related to the reorganization of the Group's North American operations. This amount is net of a €23 million positive discounting effect and of the €11 million impact of reductions in French income tax rates in 2005 and 2006.

- permanent differences and other items arising in 2004, including:
  - taxes not based on taxable income, mainly in North America and Italy;
  - permanent differences, arising mainly in North America, the Benelux countries, the Nordic countries and France.

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

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

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

<i>in millions of euros</i>	2002	2003	2004
Amortization of goodwill	(39)	(38)	(51)
Write-down of market share	(84)	-	-
<b>TOTAL</b>	<b>(123)</b>	<b>(38)</b>	<b>(51)</b>

In 2002, the €84 million in write-down of market share primarily related to an exceptional €81 million write-down in relation to the Group's Telecom operations in North America.

In 2004, the residual goodwill recognized in Italy (€7 million) and the Netherlands (€4 million) were written down in full.

## NOTE 9 ~ INTANGIBLE ASSETS

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

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

### a) Market share

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

The movement in market share during 2004 relates primarily to:

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

### b) Goodwill

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

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

- 2002:
  - goodwill recorded on the acquisition of the activities of the IT subsidiary of Werklinq in the Netherlands (€20 million increase);
  - amortization for the year (€39 million);
  - translation differences arising on goodwill denominated in foreign currencies (€36 million reduction).
- 2003:
  - goodwill recorded on the acquisition of Transiciel (€352 million increase);
  - amortization for the year (€38 million);
  - translation differences arising on goodwill denominated in foreign currencies (€35 million reduction);
  - in France, the sale of the shares held in APIS on November 27, 2003.

- 2004:

- revaluation of the identifiable assets and liabilities of Transiciel as of December 31, 2004, resulting in the recognition of market share instead of the goodwill provisionally recognized (€393 million);
- goodwill recorded on the acquisition in Germany of the IT services subsidiaries of the Drägerwerk AG group and the acquisition in Switzerland of Logimatik, the IT services subsidiary of the Georg Fischer group (total increase of €29 million);
- amortization for the year (€51 million);
- translation differences arising on goodwill denominated in foreign currencies (€9 million reduction).

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

### c) Impairment tests

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

### d) Other intangible assets

Other intangible assets are mainly purchased software and other licenses.

## NOTE 10 ~ PROPERTY, PLANT AND EQUIPMENT

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

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

The gross value of leased assets (lease qualifying as finance leases in Note 1.i, "Finance leases") was €384 million in 2004 (2003: €260 million; 2002: €220 million) and mainly relates to IT equipment in the United Kingdom (€134 million), the Benelux countries (€38 million), North America (€34 million) and France (€10 million), as well as to the former and new university buildings in Béhoust and "Les Fontaines" for

€39 million and €97 million respectively. The related accumulated depreciation was €185 million in 2004 (2003: €77 million; 2002: €48 million). Some leases that qualify as finance leases were recognized as such for the first time on December 31, 2004. The effect was a net change of the gross value and accumulated depreciation recorded in "Computer equipment" of €103 million and €56 million respectively.

**NOTE 11 ~ INVESTMENTS**

Investments can be analyzed as follows:

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

**a) Shares in non-consolidated companies**

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

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

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

**b) Related party transactions**

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

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

Transactions with other related companies were not material.

**c) Deposits and other long-term investments**

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

**NOTE 12 ~ ACCOUNTS AND NOTES RECEIVABLE (NET)**

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

All accounts and notes receivable are due within one year.

### a) Trade accounts and notes receivable (net)

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

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

### b) Other accounts and notes receivable

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

### NOTE 13 ~ OTHER RECEIVABLES

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

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

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

**NOTE 14 ~ SHAREHOLDERS' EQUITY**

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

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

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

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

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

**b) Stock option plans**

At the May 24, 1996 and May 23, 2000 Annual Shareholders' Meetings, the Directoire and the Board of Directors,

respectively, were given a five-year authorization to grant stock options to a certain number of Group employees on one or several occasions.

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

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

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

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

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

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

### c) Minority interests

Movements in minority interests can be analyzed as follows:

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

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

In 2003, Cap Gemini S.A. acquired a further 4.84% interest in Cap Gemini Telecom S.A., buying out the minority

interests of Cisco Systems, thus increasing the Group's stake in the company to 100%.

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

### NOTE 15 ~ NET CASH AND CASH EQUIVALENTS

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

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

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

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

### a) Cash and cash equivalents

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

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

**b) Long and short-term debt**

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

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

**Analysis by type of debt**

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

**“OCEANE” bond issue (convertible and/or exchangeable bonds)**

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

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

**Conversion and/or exchange of the bonds for shares**

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

**Redemption at maturity**

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

**Early redemption by repurchase or public offer**

The Company may redeem all or part of the bonds at any

time, without limitation on price or quantity, by repurchasing the bonds, either on or off the stock exchange or by means of a public purchase or exchange offer.

**Early redemption at the Company’s option**

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

**Early redemption at the option of bondholders**

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

**Early repayment**

The “OCEANE” documentation contains the usual provisions relating to early repayment at the initiative of a majority of

bondholders, particularly in the event of a failure to pay sums due or to comply with other obligations set out in the documentation (beyond any “grace periods”, if applicable), cross-default (in excess of a minimum threshold), liquidation, dissolution or sale of all of the Company’s assets, or delisting of the Company’s shares from the “Premier Marché” of Euro-next Paris S.A.

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

### **Pari passu status**

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

### **Drawdowns on bank and similar facilities**

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

### **Syndicated credit facility obtained by Cap Gemini S.A.**

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

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

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

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

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

- the consolidated net debt to equity ratio must at all times be less than 1;
- interest cover, i.e. the extent to which interest expense (as reported on the “Interest income and expense (net)” line in

the consolidated statement of income) is covered by consolidated operating income, must be at least 3.5x as of December 31 and June 30 of each year (based on the 12 months then ended).

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

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

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

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

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

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

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

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

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

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

#### Obligations under finance leases

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

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

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

## Other debt

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

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

## Main characteristics of long and short-term debt

### Interest rates

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

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

## Maturities of debt

Maturities of debt are as follows:

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

## Breakdown by currency

The breakdown of debt by currency is as follows:

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

## Collateral

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

## Fair value of debt

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

### Movements in long and short-term debt

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

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

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

### NOTE 16 ~ PROVISIONS AND OTHER LONG-TERM LIABILITIES

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

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

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

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

The other movements in provisions for pensions and other post-retirement benefits are mainly due to recognition of pension obligations relating to the acquisition of subsidiaries of the

Drägerwerk AG group (Germany) and Logimatik (Switzerland), and to the signature of an outsourcing contract in Sweden with ABB.

### Provisions for pensions and other post-retirement benefits

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

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

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

There are two categories of retirement plans

- Defined contribution plans  
These exist in most European countries (France, Benelux, Germany and Central Europe, the Nordic countries, Italy, Spain and Portugal), in the United States and in the Asia-Pacific region.

These plans are funded by contributions paid to authorized agencies, which are booked as an expense.

- Defined benefit plans

These can be either:

- Funded defined benefit plans:

These plans exist in the United States, Canada, the United Kingdom, Ireland, Germany, Switzerland and in France (Transiciel).

- Unfunded defined benefit plans:

Obligations under unfunded retirement and other post-retirement benefit plans are covered by provisions recorded in the balance sheet under "Provisions for pensions and other post-retirement benefits". The main countries concerned are France, Italy, Germany and Central Europe, the Nordic countries, and North America.

#### a) Provisions for funded defined benefit plans

Employees

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

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Actuarial assumptions

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

Breakdown of obligation

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

Breakdown of movements in obligation

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

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

## b) Provisions for unfunded defined benefit plans

Employees

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

Actuarial assumptions

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

Breakdown of obligation

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

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Breakdown of movements in obligation

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

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

**c) United Kingdom and Ireland**

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

members (approximately 12 years). The annual charge includes the annual amortization of this deficit and the service cost for the year.

Employees

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

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

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

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

(€11 million of contributions and €4 million in respect of the amortization of the deficit).

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

#### Actuarial assumptions

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

#### Breakdown of obligation

*in millions of euros*

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

#### Breakdown of movements in obligation

*in millions of euros*

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

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

#### Employee profit-sharing reserve

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

**NOTE 17 ~ ACCOUNTS AND NOTES PAYABLE**

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

**NOTE 18 ~ OTHER PAYABLES**

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

**NOTE 19 ~ FINANCIAL INSTRUMENTS**

**Interest rate hedges**

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

- Firstly, a €40.2 million interest rate swap contract over a remaining period of 10 years, covering 50% of the finance lease taken out by S.A.R.L Immobilière Les Fontaines (Capgemini University) in December 2002. Under the terms of the swap contract, S.A.R.L. Immobilière Les Fontaines pays a fixed rate of 3.51% and receives 3-month Euribor. The market value of this hedging instrument as of December 31, 2004 shows an unrealized loss of €0.4 million (compared with an unrealized gain of €0.6 million at December 31, 2003).
- Secondly, an additional interest rate swap contracted by the Company on October 28, 2004 relating to the "OCEANE" bonds convertible and/or exchangeable into Cap Gemini S.A. shares, issued by the Company on June 24, 2003. This swap covers a total amount of €460 million over a remaining period of 5 years. Under the terms of the swap contract, the Company pays variable rate (12-month post-fixed Euribor less 0.59%) against the fixed rate of the OCEANE bonds (2.5%). The variable rate is capped at 3.41% and has a floor of 1.41%. This interest rate swap also contains a zero-cost automatic desac-

tivation clause in the event that the Company exercises its right (under certain conditions) to redeem the bonds early (see Note 15, section "Analysis by type of debt"). The market value of this hedging instrument as of December 31, 2004 shows an unrealized gain of €1.4 million. This contract increases the Company's sensitivity to changes in interest rates, but caps its exposure to the risk of higher interest rates.

- On October 30, 2004, the Group decided to cancel four interest rate swap and option contracts (caps, floors and tunnels) for a total amount of €159.1 million. These contracts were set up by Transiciel to hedge medium-term loans that were repaid early and in full on February 24, 2004. Cancellation of these swap contracts resulted in Transiciel recognizing a loss of €4 million in respect of their market value as of October 30, 2004 and a loss of €2 million for the cost of carrying the contracts from January 1, 2004 through October 30, 2004. A provision of €5.2 million in respect of these swap contracts had already been booked on the acquisition of Transiciel; an additional provision of €0.8 million was taken in the first half of 2004 following a review of the first-time consolidation balance sheet of Transiciel, taking the total provision for these swap contracts to €6 million.

**Currency hedges**

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

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

- USD 110.3 million, for an equivalent value of €80.9 million;
- SEK 203.1 million, for an equivalent value of €22.7 million.

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

## NOTE 20 ~ DEFERRED TAXES

### a) Changes in deferred taxes

Deferred tax assets and liabilities can be analyzed as follows:

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

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

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

#### 1. Deferred tax assets in North America

The US\$ 4,280 million difference between the acquisition price

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

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

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

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

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

Cap Gemini S.A. recognized a net short-term capital loss of

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

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

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

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

#### b) Tax losses and goodwill amortizable for tax purposes

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

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

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

- the amortization which the Group is able to apply for tax purposes as a result of the acquisition of the Ernst & Young consulting businesses in North America (€217 million);

- taxable losses generated in 2004, mainly in Germany and Central Europe (€21 million), Italy (€19 million), and Spain and Portugal (€17 million);
- a €108 million negative translation adjustment, principally on North American tax loss carry-forwards;
- recognition of a carry-back tax credit arising on French taxable losses (€101 million);
- all of these partially offset by taxable income generated in 2004, mainly in France (€44 million), the United Kingdom (€10 million) and Norway (€6 million).

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

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

## NOTE 21 ~ COMMITMENTS RECEIVED FROM AND GIVEN TO THIRD PARTIES

### a) Commitments received

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

### b) Commitments given

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

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- Commitments given on contracts mainly represent purchase orders to be issued under global purchase contracts, mainly in the United Kingdom.
- As of December 31, 2004, the Group's commitments under non-cancelable leases by type and maturity were as follows:

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

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

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

- The 10-year outsourcing contract signed with TXU Energy Company LLC and Oncor Electric Delivery Company provides, in favor of the TXU group, and besides the standard clauses, for a put option on its 2.9% interest in Capgemini Energy LP and certain related assets (essentially the IT platform owned by the TXU group and used by Capgemini Energy LP for the term of the contract), for an amount of US \$200 million (€147 million) subject to certain adjustments. This option is exercisable by the TXU group during the 10 years following the end of the contract.
- Other commitments relate mainly to:
  - guarantees given to the tax authorities in connection with tax disputes in France and Spain;
  - commitments to employees in the Netherlands and Sweden;
  - a guarantee relating to the sale of client receivables by Transiciel Benelux S.A. to a factoring company.

#### c) Other commitments

Under the terms of the agreements signed in connection with the acquisition of the Ernst & Young consulting businesses,

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

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

€20 million of this program is covered by a consolidated captive reinsurance entity whose commitments are totally covered or re-insured.

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

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

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

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

In various large contracts signed by Group entities (in particular the “ASPIRE” contract signed with Inland Revenue on

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

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

## NOTE 22 ~ EXCEPTIONAL EVENTS AND LITIGATION

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

## NOTE 23 ~ NUMBER OF EMPLOYEES

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

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

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

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

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

**NOTE 24 ~ GEOGRAPHIC SEGMENT INFORMATION**

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

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

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

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

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

## NOTE 25 ~ INTERESTS IN JOINTLY-CONTROLLED COMPANIES

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

## NOTE 26 ~ SUBSEQUENT EVENTS

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

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

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

## NOTE 27 ~ LIST OF CONSOLIDATED COMPANIES

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

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

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

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

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

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

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