MANAGEMENT REPORT

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

I – GENERAL COMMENTS

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

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

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

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

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

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

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

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

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

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

To conclude these general remarks, although all the Group's operating units returned to revenue growth (with like-for-like growth standing at 12.4%, including 12% for the Europe/Asia-Pacific region and 14% for North America compared with the first half of the year), the situation is more uneven in terms of profitability. While all European operations witnessed a substantial improvement in operating income in the second half of the year and now seem to be well on their way to recovery, North American operations posted a big loss for the full year and, even though vigorous action has been undertaken in this region to close out longstanding contracts, due to the high-level cost structure, the Group considers that the situation there is still difficult. The recovery of the business in the United States is therefore the nº. 1 priority for Group Management in the first few months of 2005.

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

II - COMMENTS ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

2.1. Consolidated income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2. Consolidated balance sheet

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

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

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

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

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

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

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

2.3. Transition to IAS/IFRS

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

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

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

In addition, the Group has decided to apply IAS 32 and 39 as of January 1, 2004.
The Group subsequently restated its consolidated financial statements at June 30, 2004 in accordance with IFRS, which allowed the main differences with current GAAP to be tested and evaluated. Finally, in addition to the preparation of French GAAP accounts, the Group brought its 2004 consolidated financial statements into compliance with IAS/IFRS.

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

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

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

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

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

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

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

3.1. Income statement

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

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

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

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

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

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

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

3.2. Balance sheet

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

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

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

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

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

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

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

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

3.4. Share capital and ownership structure

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

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

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

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

3.5. Stock options

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

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

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

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

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

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

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

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

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

3.7. Returned shares

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

3.8. Directors and compensation

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

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

3.9. Appointment of two Directors

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

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

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

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

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

V – OUTLOOK

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

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

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

6.1. Authorization to cancel shares bought back

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

6.2. Financial authorizations

The delegations of authority given to the Board of Directors by the Extraordinary Shareholders' Meetings of May 7, 2003 and April 29, 2004 in order to:
- issue shares and share equivalents, with or without pre-emptive subscription rights, by any method of its choice,
- raise funds on the financial markets by issuing securities convertible, redeemable, exchangeable or otherwise exercisable for new shares, with or without pre-emptive subscription rights, have not yet been used and are therefore still valid.

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

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

These new delegations of authority which you are asked to give the Board of Directors would enable it, during the 26 months following today's Shareholders Meeting, to:
- increase the share capital by capitalizing reserves,
- issue new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments, with or without pre-emptive subscription rights,
- increase the amount of the issues if the requests for shares exceed the number of shares on offer, up to 15% of the initial issue at the same price as for the initial issue ("Greenshoe" options),
- finally, issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, as payment for shares tendered to a public exchange offer made by the Company or contributions in kind to the Company of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company.

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

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

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

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

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

6.3. Employee shareholdings

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

6.3.1. Stock options

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

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

6.3.2. Free grant of shares

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

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

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