

Cap Gemini Group

1996 Financial results

6-year financial summary

| (in millions of French francs) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|-------------------|-------------------|----------------|------------------|---------------|---------------|
| CONSOLIDATED REVENUE | 10,028 | 11,884 | 11,028 | (a)10,176 | 11,329 | 14,820 |
| NET INCOME/(LOSS) before amortization of goodwill | 629 | 20 | (330) | 4 | 146 | 435 |
| NET INCOME/(LOSS) | 560 | (72) | (429) | (94) | 52 | 282 |
| Total dividend | 262 | - | - | - | - | 121 |
| NET MARGIN | 5.6 % | (0.6 %) | (3.9 %) | (0.9 %) | 0.5 % | 1.9 % |
| NUMBER OF SHARES as of December 31 | 37,472,775 (b) | 41,964,338 (c) | 42,431,755 | 53,068,478 | 53,073,228 | 60,356,666 |
| EARNINGS PER SHARE (based on number of shares outstanding as of December 31, in FF) | | | | | | |
| - before amortization of goodwill | 18 (b) | 0 (c) | (8) | 0 | 3 | 7 |
| - after amortization of goodwill | 15 (b) | (2) (c) | (10) | (2) | 1 | 5 |

| | | | | | | |
|--|---------------|-----------------------|-----------------------|---------------|---------------|---------------|
| AVERAGE HEADCOUNT for the period | 17,971 | 21,675 (d) | 20,900 (d) | 19,001 | 20,477 | 23,934 |
| TOTAL NUMBER OF EMPLOYEES as of December 31 | 16,892 | 21,374 (d) | 20,559 (d) | 19,823 | 22,079 | 25,950 |
| PROFESSIONAL STAFF | 14,012 | 17,932 (d) | 17,061 (d) | 16,717 | 18,834 | 21,937 |

(a) Excluding the revenue of CAP debis, Germany, which was deconsolidated as of January 1, 1994.

(b) Adjusted for the September 1991 1-for-10 bonus share issue.

(c) Adjusted for the September 1992 1-for-10 bonus share issue.

(d) Including 49% of the headcount of CAP debis, Germany, which was deconsolidated as of January 1, 1994.

Directoire

Serge Kampf, *Chairman*
Paul Hermelin
Pierre Hessler
Rudolf Molzahn
Geoff Unwin

Supervisory Board

Klaus Mangold, *Chairman*
Ernest-Antoine Seillière, *Vice-Chairman*
Chris van Breugel
Michel Jalabert
Bruno Roger
Jean-Pierre Tirouflet

Statutory Auditors

Cabinet Constantin
Coopers & Lybrand Audit

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Report of the Directoire to the Ordinary Shareholders' Meeting of May 7, 1997

Nineteen ninety-six was a particularly significant year for the group, with the merger of Sogeti and Skip into Cap Gemini Sogeti as of May 24, 1996. A new holding company, Cap Gemini, was subsequently created, uniting the Information Technology (IT) services and consulting business within a single entity and under a single corporate banner. A new two-tier management structure comprising a Directoire and a Supervisory Board was also adopted pursuant to the merger, together with a new Group worldwide logo.

Consolidated revenue rose 31% from FF 11.3 billion in 1995 to FF 14.8 billion. This growth was to a large extent due to the inclusion of Gemini Consulting's revenue for the seven months following the merger; excluding Gemini Consulting, the year-on-year increase was 17%. This nevertheless represented a laudable performance in an economic climate that was unfavorable to corporate capital spending. Although inflation was kept under control, remaining at the 1995 level in the United States and falling throughout the European Union, growth in gross domestic product (GDP) slowed in the countries where the group operates, with the exception of the United States. GDP in the European Union as a whole edged up a mere 1.7%, versus 2.5% in 1995, and the rate was even lower in a number of countries, including France and Germany. Against this backdrop, corporate capital spending declined in France and Germany and rose only modestly in other Western countries. The United States once again proved the exception, with capital spending up 6.8%, versus 6.1% in 1995.

Cap Gemini's organic revenue growth of 17%, which was clearly above that for the markets served by the group, represented the net result of contrasting performances from one country to another. Performance was strong in the UK and weak in France, for example, as shown in the table below:

| Country | 1996 revenue in millions of French francs (excl. Gemini Consulting) | Growth % |
|------------------|--|---------------------|
| United States | 1,585 | + 21 |
| United Kingdom | 2,417 | + 32 |
| Nordic countries | 2,024 | + 25 |
| Benelux | 2,927 | + 12 |
| France | 3,459 | + 6 |
| Other countries | 844 | + 20 |
| Total | 13,256 | + 17 |

The increase in consolidated revenue reflects strong growth in information systems management business, with revenue up 37% to FF 3.2 billion. Expanded sales of systems integration services also played a part, thanks to the success of the group's partnerships with major software publishers, which culminated in the signing of major contracts, for example, with British Petroleum and Essilor. Other contributing factors were the development of new business lines related to innovative technologies (electronic commerce, Internet, Intranet, etc.) and service packages combining the consulting and IT expertise of Gemini Consulting and Cap Gemini respectively, with new orders from customers such as ABN Amro, Atochem and Glaxo exceeding FF 1 billion. The IT services business alone had an order backlog of FF 8.8 billion as of December 31, 1996, up 17% on year-end 1995.

During 1996, the group continued its crossborder expansion, establishing a new Strategic Business Area (SBA) in Singapore and building up its consulting business in South Africa and Brazil. At the same time, further emphasis was placed on responding quickly and effectively to market needs. The drive toward globalization, initiated two years ago, led to the creation of four Global Market Units in telecommunications, pharmaceuticals, insurance and travel and transportation. Each Global Market Unit offers a consulting and IT services package, in line with the "Convergence" strategy launched at the beginning of 1995.

Detailed comments on the consolidated and company financial statements are provided below.

I. Comments on the Cap Gemini consolidated financial statements

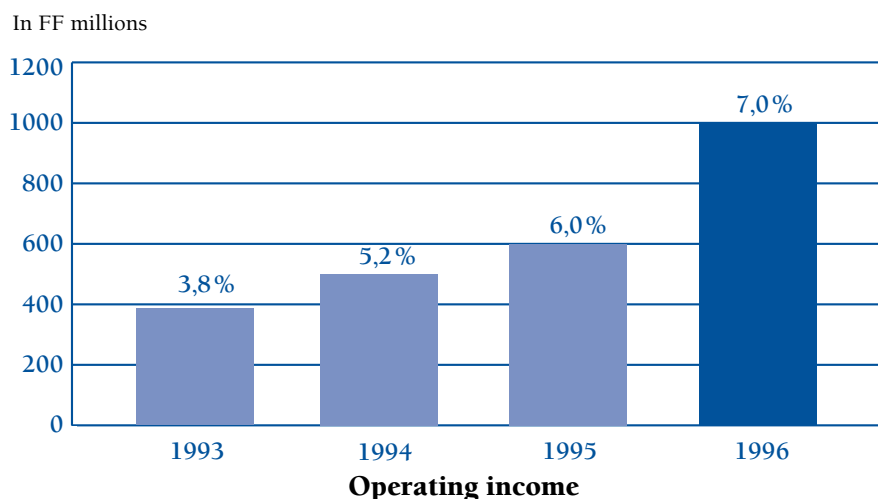
As a result of the merger referred to above, the 1996 consolidated financial statements include:

- 34% of Gemini Consulting's earnings for the first five months of the year, included in "Equity in net results of affiliates";
- 100% of the revenue and expenses of Gemini Consulting for the last seven months of the year.

The presentation of the statement of income has been enhanced, to provide clearer analyses of revenues and expenses which more closely reflect internal management data. Expenses have been reclassified by substance (cost of services rendered, general, administrative and selling expenses), and not by form as previously. Net debt is shown at the bottom of the balance sheet and changes in its composition are analyzed in the statement of cash flows.

1. CONSOLIDATED STATEMENT OF INCOME

- Consolidated revenue rose 31% from FF 11,329 million in 1995 to FF 14,820 million. Excluding the impact of Gemini Consulting's revenues of FF 1,564 million for the last seven months of the year, the increase was 17%. Contrary to prior years, exchange rate fluctuations did not materially affect revenue growth.
- General, administrative and selling expenses increased by a much smaller 25.7%, falling to 22.5% of revenues, compared with 23.4% in 1995.
- With a gross margin of 7%, the group has established itself among the most efficient players in its European market. Operating income advanced 54% to FF 1,042 million, reflecting the benefits of efforts undertaken since 1993 to enhance profitability. The growth in operating income over the past four years is illustrated in the graph below.



The group has avoided sacrificing profitability for growth by positioning itself to compete effectively for high value-added contracts, for example, in "Applications Management". The popularity of such contracts with customers is reflected in the healthy 66% growth in revenues. At the same time, the group has taken steps to control costs arising from the sale and delivery of such integrated services by means of special tracking programs which have been installed in most operating units.

- Notwithstanding the May 1996 merger which had the effect of increasing net borrowings by over FF 700 million, net interest expense contracted 23% from FF 280 million to FF 215 million as interest rates fell sharply throughout Europe. With three-month French franc rates averaging 3.93%, compared with 6.58% one year earlier, the group switched from fixed-rate to variable-rate financing as from 1995 to benefit from the downturn.
- Equity in net results of affiliates included for the last time Cap Gemini's 34% pre-merger share of Gemini Consulting's net income, which was adversely affected by the restructuring costs incurred during the 1996 first half to restore Gemini Consulting group's profitability to an acceptable level.
- "Other (expenses) and revenues, net" made a positive contribution to consolidated income in 1996, reflecting the capital gains realized on the sale of Matra Cap Systèmes shares and of various minority shareholdings owned by Gemini Consulting group.

- Income tax more than doubled to FF 297 million, representing an unavoidable consequence of the group's return to profit in virtually all its geographic markets, especially France.
- Minority interests rose 39% to FF 129 million, testifying to the strong performance of Cap Gemini NV, the group's 57% owned subsidiary which is quoted on the Amsterdam stock exchange and serves the Benelux market.
- Goodwill amortization likewise increased sharply from FF 93 million to FF 153 million, reflecting primarily the inclusion in the 1996 consolidated financial statements of goodwill amortization relating to Gemini Consulting and an exceptional write-down of goodwill on the group's Italian operations.
- Consolidated net income increased more than fivefold from FF 52 million to FF 282 million in 1996.
- Net earnings per share rose from FF 0.99 to FF 4.67, taking into account the increased number of shares following the merger with Sogeti and Skip.

2. CONSOLIDATED BALANCE SHEET

The consolidated balance sheet reflects the impact of operations carried out in May 1996 to simplify the structure of the group, which was previously controlled by Sogeti.

- The FF 2,524 million increase in fixed assets is primarily due to the inclusion of Gemini Consulting group's fixed assets, the takeover of Sogeti's real estate assets, comprising mainly the group's Paris head office and the Université Cap Gemini building in Behoust, and the impact on intangible fixed assets of the year-end appreciation of the pound sterling against the French franc.
- Net accounts and notes receivable, totaling FF 4,433 million, include trade accounts and notes receivable up FF 865 million to FF 4,009 million, including an amount of FF 470 million resulting from the consolidation of Gemini Consulting. Trade accounts and notes receivable represented 99 days' revenue, compared with 101 days in 1995, an improvement that fell well short of the target set last year.
- Total shareholders' equity, including minority interests, amounted to FF 8,937 million, up from FF 6,713 million in 1995. The group's net debt-to-equity ratio was 3, compared with 2.5 as of December 31, 1995. The principal changes stemmed from:

| | |
|--|-----------------|
| ■ the impact of the merger operations | FF1,459 million |
| ■ net income for the year | FF 282 million |
| ■ the appreciation of certain currencies against the French franc | FF 355 million. |

- Consolidated net debt, amounting to FF 3,027 million, can be analyzed as follows:

| As of December 31 | 1995 | 1996 | Change |
|--|---------|---------|--------|
| Financial receivable and short-term investments | 927 | 1,385 | + 458 |
| + Cash | 403 | 739 | + 336 |
| = Cash and short-term investments | 1,330 | 2,124 | + 794 |
| - Bank overdrafts | - 198 | - 377 | - 179 |
| = Cash and cash equivalents | 1,132 | 1,747 | + 615 |
| - Long-term borrowings | - 3,317 | - 3,988 | - 671 |
| - Short-term borrowings | - 499 | - 786 | - 287 |
| = Consolidated net debt | - 2,684 | - 3,027 | - 343 |

The increase in net debt primarily comprises:

- FF 595 million corresponding to the net debt of companies acquired during the year less the net debt of companies sold
- FF 604 million corresponding to net cash provided by operating activities;
- FF 349 million corresponding to net cash used by investing activities.

During December 1996, the group's debt was refinanced by means of a five-year FF 2.7 billion line of credit provided by a primarily European banking syndicate. The facility expires in December 2001.

II. Comments on the Cap Gemini S.A. financial statements

1. STATEMENT OF INCOME

The company's operating revenue, corresponding mainly to royalties, rose 21% to FF 408 million. The increase reflected the strong business growth achieved by subsidiaries. Operating income, net of operating expenses of FF 121 million, advanced 23% to FF 288 million.

Net interest expense at FF 54 million was down sharply from the FF 329 million charge for 1995. The FF 275 million reduction in interest expense is attributable to:

- a FF 62 million increase in investment income, primarily corresponding to dividends received from group companies;
- a FF 83 million decline in interest expense, resulting from generally lower interest rates and the hedging of debt primarily at 3-month rates;
- a sharp reduction in provision expense (FF 102 million), reflecting the recovery of certain subsidiaries' businesses;
- a FF 28 million increase in realized exchange gains.

Other income and expenses include the FF 47 million capital gain realized on the sale of Matra Cap Systèmes shares, less allocations to provisions for contingencies.

After income tax of FF 48 million, the company reported net income for the year of FF 190 million, compared with a net loss of FF 72 million in 1995.

2. BALANCE SHEET

Following the May 24, 1996 merger with Sogeti and Skip, shareholders' equity rose from FF 6,616 million to FF 8,291 million, including net income for the year. Fixed assets increased likewise, following Cap Gemini's S.A.'s assumption of full control of Gemini Consulting Holding S.A., the head of Gemini Consulting group, 100% of that group's real estate assets and 49% of Bossard group.

Borrowings, representing FF 4,371 million, include:

- the FF 34 million remaining balance of the 1990 convertible debentures;
- a FF 995 million debenture loan expiring in December 1999;
- the FF 256 million remaining balance of the debt issued by debis in 1991, after deduction of an amount of FF 900 million exchanged for Sogeti shares in May 1996;
- draw-downs totaling FF 1,813 million on various loans obtained from European banks;
- draw-downs on confirmed lines of credit obtained from European, Japanese and Canadian banks in an amount of FF 1,273 million.

3. APPROPRIATION OF NET INCOME

Distributable income, comprising net income for the year of FF 189,602,234.70 and retained earnings of FF 10,517,598.00, totals FF 200,119,832.70.

Your Directoire proposes to resume payment of dividends, which had been suspended due to three consecutive years of losses. We therefore propose the following appropriation of net income for the year:

| | | |
|---|----|----------------|
| • legal reserve (10% of the capital) | FF | 705,780.00 |
| • dividend per share of FF 2 on the 60,356,666 shares outstanding as of December 31, 1996, i.e. total dividends of | FF | 120,713,332.00 |
| • other reserves | FF | 73,868,736.70 |
| • retained earnings | FF | 4,831,984.00 |
| Total | FF | 200,119,832.70 |

Following this appropriation, other reserves will stand at FF 707,891,870.37 and retained earnings at FF 4,831,984.00.

The dividend, if approved, will be payable as from May 9, 1997.

In accordance with the provisions of article 243.A of the French General Tax Code, we remind you that no dividend was paid in respect of the past three years. We further remind you that this report includes a five-year financial summary, in application of the provisions of article 148 of the Decree of March 23, 1967.

The Directoire further proposes that attendance fees awarded to the members of the Supervisory Board be maintained at their 1995 level of FF 750,000.

4. PURCHASE OF CAP GEMINI SHARES TO STABILIZE THE MARKET PRICE

As was the case last year, your Directoire proposes that pursuant to corporate legislation currently in force, you formally authorize the company to purchase its own shares on the open market in order to stabilize the market price. Purchases and sales of shares under the authorization would be subject to the following limitations:

- maximum number of shares that may be purchased: 3,000,000;
- maximum purchase price: FF 450/share;
- minimum sale price: FF 200/share.

In the event of a bonus share issue or a stock split, the limit on the number of shares that can be purchased, the maximum purchase price and the minimum sale price would be adjusted based on the ratio between the number of shares outstanding before and after these operations. The authorization is being sought for a period of 18 months from the May 7, 1997 Ordinary and Extraordinary Shareholders' Meeting, during which the Directoire would be empowered to buy and sell the company's shares on the Paris Stock Exchange and enter into any and all related agreements.

This new authorization will replace that granted by the Ordinary and Extraordinary Shareholders' Meeting of May 24, 1996, which was not used.

5. SHARE CAPITAL AND OWNERSHIP STRUCTURE

In 1996, the share capital was increased from FF 2,122,929,120 to FF 2,414,266,640, as follows:

- issuance of 7,106,993 shares pursuant to the capital increase following the May 24, 1996 merger with Sogeti and Skip;
- issuance of 30 shares upon conversion of 21 debentures;
- issuance of 41 shares in exchange for 32 warrants;
- issuance of 176,374 shares upon exercise of stock options.

In accordance with article 356-3 of corporate legislation, you are informed that as of December 31, 1996, pursuant to the May 24, 1996 merger with Sogeti and Skip, Daimler-Benz InterServices (debis) AG held more than 20% of the voting rights at General Shareholders' Meetings of the company. CGIP (Compagnie Générale d'Industrie et de Participations) likewise held directly or indirectly more than 20% of the voting rights at General Shareholders' Meetings of the company, while Mr. Serge Kampf held more than 10% of the voting rights.

6. STOCK OPTIONS

The Extraordinary Shareholders' Meeting of **June 3, 1993** gave your Board of Directors a five-year authorization commencing on July 1, 1993 to grant certain employees of the company, parent company and subsidiaries options to subscribe to four million shares in the company. That authorization led to the creation of the Third Stock Option Plan.

During 1996, the Board of Directors continued to use this authorization by granting stock options for a total of 1,098,525 shares to employees of the French and European companies with at least four years' seniority, as well as to certain managers and executives. The subscription price was set at 95% of the average quoted market price for the 20 days preceding the date of granting of the options, i.e. FF 134 per share as of January 1, FF 139 per share as of March 1 and FF 159 per share as of April 1. Unlike stock options granted by reference to seniority, options granted to management may be exercised only on a gradual basis: 10% of the number of shares at the end of the first year from the date of grant, 15% at the end of the second year, 20% at the

end of the third year, 25% at the end of the fourth year and 30% at the end of the fifth year. In recognition of the uncertainty to which this rule could give rise with respect to outstanding options in the event of a tender offer to acquire shares in the company, the Board of Directors of Cap Gemini Sogeti S.A. confirmed at its meeting of March 27, 1996 that in the event of such an authorized offer, all time restrictions on exercise would be lifted automatically and managers' outstanding stock options would become immediately exercisable.

Taking into account the options already granted in 1993, 1994 and 1995 under the Third Stock Option Plan, the total number of options not yet granted following the allocations effected at the beginning of 1996 was only 32,058 (after adjustment to take account of the May 1994 issuance of shares for cash). Accordingly, at the Extraordinary Shareholders' Meeting of **May 24, 1996**, you were invited to authorize your Directoire to set up a Fourth Stock Option Plan. At that Meeting, your Directoire was authorized to grant to managers and employees of the group and its French and foreign subsidiaries options to subscribe to six million shares in the company, over a five-year period from June 1, 1996. Acting upon this authorization, your Directoire granted to certain group employees as of July 1, 1996 stock options to subscribe to 140,000 shares in the company, at a price equal to 80% of the average quoted market price for the 20 days preceding the date of granting of the options, i.e. FF 154 per share. A total of 5,860,000 options had not yet been granted under the plan as of December 31, 1996.

At the 1996 year-end, an amount of 153,108 shares had been subscribed under the second plan (the subscription period for the first plan having expired as of November 1, 1995), and 58,678 shares under the third plan, giving a total of 211,786 shares, representing the equivalent of 0.3% of current capital.

III. Outlook

For the first months of 1997, economic growth has been strong in the United States, while European economies are showing signs of recovery from the downturn experienced in 1996, particularly in France. The group is positioned to derive maximum benefits from the recovery in a number of its businesses:

- in consulting, the full consolidation of Bossard group, with its strong presence in France, Scandinavia and Southern Europe and its team of 750 consultants, has given a boost to the consulting business and should deliver powerful synergies with Gemini Consulting's disciplines and geographic distribution.
- the advent of the new millennium (as of May 7, the year 2000 is less than 1,000 days off) will provide the group with further opportunities for growth. Our "TransMillennium" product, designed by Cap Gemini America, has been rated no. 1 by the Gartner Group as a tailored solution. Its success is indisputable and we have already set up thirteen changeover centers to serve customers worldwide. To date, more than two billion code lines have been tested using "TransMillennium", which has been promptly rolled out to all group subsidiaries.
- the introduction of the euro, too, represents an opportunity to provide assistance primarily to banking and financial institutions with the IT upgrades and migrations necessary to deal with the single currency.
- another source of strong potential development in IT services is the increasing importance of networks (Internet, Intranet, etc.). The group is well placed to outdistance competitors, buoyed by its experience of the multi-applicational French "Minitel" system.
- the creation of the four Global Market Units in telecommunications, pharmaceuticals, insurance and travel and transportation should enable the group to win first-rate contracts which draw on a combination of its consulting and IT engineering skills.
- the January 1, 1997 merger of Cap Sesa's French companies has brought together approximately 6,000 people in a single entity, Cap Gemini France, to champion the group in one of our major markets.

In light of the above opportunities, the group's resources and orders totaling FF 8.8 billion for IT services alone as of January 1, nineteen ninety-seven promises to be another year of revenue growth, with revenues expected to reach as much as FF 18 billion. The outlook for the operating margin and consolidated net income is equally bright.

Report of the Directoire to the Extraordinary Shareholders' Meeting of May 7, 1997

Financial authorizations

- In the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, the Directoire was authorized to increase the capital of the company up to an authorized maximum of FF 4 billion (represented by 100 million shares with a par value of FF 40/share) by any method of its choice provided that in the case of a capital increase for cash, existing shareholders would have a pre-emptive subscription right. In particular, the capital may be increased by capitalizing all or part of the company's reserves, retained earnings, profits, or additional paid-in capital, including that represented by the merger premium, and either issuing bonus shares or raising the par value of existing shares. The share capital at December 31, 1996 amounted to FF 2,414,266,640 divided into 60,356,666 shares with a par value of FF 40/share. Therefore, in principle, a further 39,643,334 shares may be issued pursuant to the above resolution, representing an aggregate par value of just under FF 1.6 billion. In determining the number of shares that can still be issued under the above authorization, no account need be taken of the warrants attached to the 1991 share issue, since the period during which these warrants could be exercised expired on August 1, 1996, but account must be taken of those which may be created up to March 31, 1997 by conversion of the convertible debentures issued in 1990. In principle, a maximum of 78,671 shares may be created on conversion of the debentures. However, the company has taken steps to redeem the 57,008 debentures outstanding at December 31, 1996, at par, and after April 1, 1997, the debentures will be automatically redeemed by Sicovam. Shares to be issued upon exercise of options are not required to be deducted from the above total, because each authorization to grant options to subscribe for new shares is the subject of a separate resolution. In summary, even after deducting the shares remaining to be created under earlier authorizations, more than 39.5 million shares can be issued pursuant to this authorization, representing a par value of almost FF 1.6 billion, up to May 24, 2001.
- In the twenty-seventh resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, which renewed the authorization previously granted to the Board of Directors at the Extraordinary Shareholders' Meeting of May 25, 1994, the Directoire was also authorized to issue debentures on the French or international markets in an amount up to FF 4 billion, or the equivalent value in any other currency. On November 24, 1994, the Board used this authorization to issue debentures totaling FF 995 million, represented by 199,000 debentures with a face value of FF 5,000. A balance of just over FF 3 billion still remains available under this authorization, which may be used until May 25, 1999.
- Finally, last year shareholders also authorized the Directoire to raise funds on the financial markets by issuing securities convertible, redeemable, exercisable or otherwise exchangeable for shares of the company. The Directoire can therefore validly launch such issues, in France as well as abroad, for various amounts determined by the Extraordinary Shareholders Meeting of May 24, 1996. This authorization was the subject of nine resolutions adopted at that meeting. Each type of security was dealt with in two resolutions, one providing for the waiver of shareholders' pre-emptive subscription rights and the other providing for these rights to be maintained.

These authorizations have not been used and are therefore still valid, for varying periods depending on the type of security concerned. To ensure the Directoire is always in a position to carry out the securities issues best suited to our company's needs and market opportunities, and to do so at the most opportune moment, we are now proposing to **replace** the nine resolutions adopted last year with nine new resolutions which are identical to the previous ones, the only difference being that their period of validity will commence as of this meeting.

These authorizations are the subject of the **seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth and fifteenth resolutions**.

In summary, as was the case last year:

- The seventh authorization concerns the issue of convertible debentures.
- The ninth concerns the issue of debentures with equity warrants.
- The eleventh deals with the issue of equity warrants.
- The thirteenth involves the issue of securities convertible, redeemable, exercisable or otherwise exchangeable for new shares. [These securities could take the form of (i) shares with equity warrants or (ii) securities other than convertible debentures, debentures with equity warrants or securities referred to in (i)].

In order to facilitate the public placement of the above securities, shareholders are invited to **waive their pre-emptive right to subscribe for these securities**. The Statutory Auditors will present you with a special report on each issue without pre-emptive subscription rights. In addition - as is the case for issues launched on the French market - shareholders will have a non-negotiable priority subscription right.

The eighth, tenth, twelfth and fourteenth resolutions deal with the issuance of the same securities addressed in the seventh, ninth, eleventh and thirteenth resolutions, respectively. In these four other resolutions, however, it is specified that existing shareholders will have a pre-emptive right to subscribe for the securities, so that the Directoire can offer shareholders a **pre-emptive right to subscribe for the securities** if this is considered appropriate.

Under the authorizations granted by the ninth, tenth, thirteenth and fourteenth resolutions, shareholders will automatically waive their pre-emptive right to subscribe for the Cap Gemini shares to be issued on conversion, redemption, exercise or exchange of the securities. In accordance with the law, shareholders are also invited to waive their pre-emptive right to subscribe for the shares to be issued on conversion, redemption, exercise or exchange of the securities to be issued under the seventh, eighth, eleventh and twelfth resolutions

If these resolutions are approved, the Directoire will be authorized, during the period of legal validity corresponding to the security concerned, to issue - in France and abroad - securities up to an aggregate face value of FF 3 billion (FF 750 million for equity warrants and shares with equity warrants) per issue, provided that the amount of the capital increase(s) resulting either directly or indirectly from each of these issues does not exceed FF 750 million. (As provided in the fifteenth resolution, this amount will be taken into account in determining the maximum limit of FF 4 billion set forth in the twenty-eighth resolution proposed at the Extraordinary Shareholders Meeting of May 24, 1996).

In all the cases addressed in the four authorizations providing for the waiver of pre-emptive subscription rights, the sum received by the company for each share issued will be at least equal to the average of the opening prices quoted for Cap Gemini shares on the Paris Stock Exchange for any period of ten consecutive trading days chosen from among the twenty trading days preceding the opening date for the issue of the marketable securities, warrants or shares.

In compliance with French law, the Statutory Auditors will prepare a special report on each operation.

Finally, for each total or partial use made of these authorizations, the Directoire will:

- determine the type of securities to be issued, as well as the number of shares to be issued directly or indirectly and the amount of the issue;
- determine the terms of subscription;
- specify, in a special report, the impact on the situation of shareholders, especially their share of profits and shareholders' equity. The price computation method contained in the authorizations is intended to keep the dilutive impact on existing shareholdings to a minimum. The Statutory Auditors will also issue a report on the issue;
- do whatever is necessary to ensure that these operations are effectively carried out; and
- if necessary, amend the bylaws accordingly.

You are invited to approve all the resolutions presented at this Extraordinary Shareholders' Meeting.

Report of the Supervisory Board

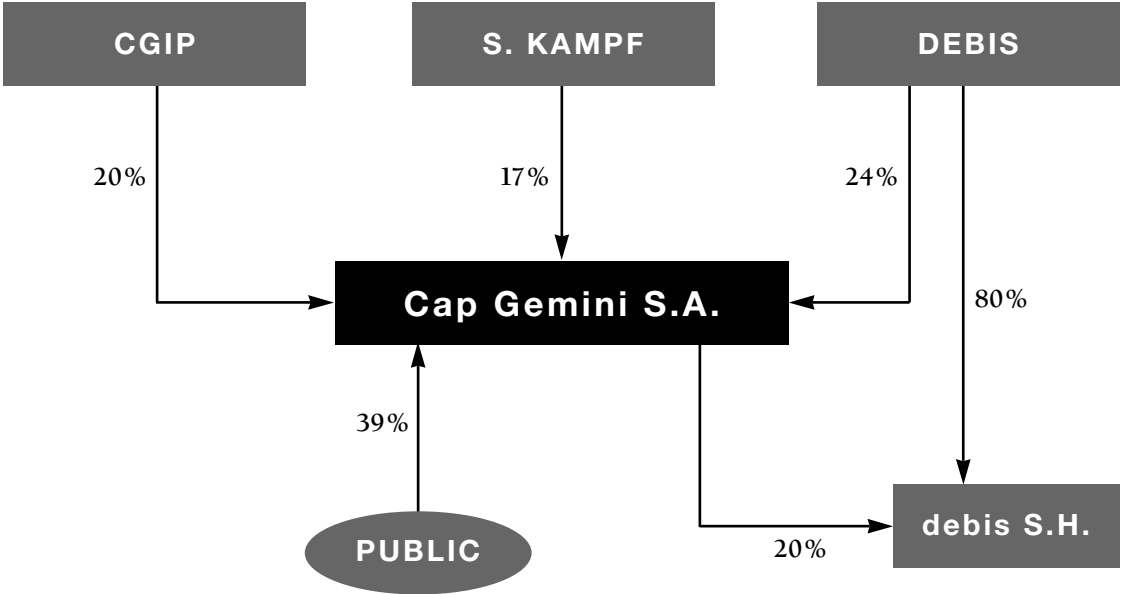
In accordance with the law, the Directoire has submitted to the Supervisory Board the 1996 financial statements of Cap Gemini S.A., together with the Cap Gemini Group consolidated financial statements and the report of the Directoire. The Supervisory Board has no matters to draw to your attention concerning the report, which describes in detail the group's activity for 1996 and the results of its operations. As can be seen from these results, 1996 was another year of revenue growth coupled with improved operating profitability.

With consolidated net income up strongly from FF 52 million in 1995 to FF 282 million and a favorable outlook for 1997, the Directoire proposes to resume payment of dividends, thereby testifying to its confidence in the future. The Supervisory Board supports the proposal of the Directoire to set the dividend per share at FF 2, giving rise to a tax credit of FF 1.

Proposed resolutions will also be presented concerning the renewal of the financial authorizations granted to the Directoire by the previous Shareholders' Meeting to take advantage of opportunities arising in the financial markets, except by issuing investment certificates. The Supervisory Board invites you to renew authorizations, the terms of which are identical to those granted in prior years.

The Supervisory Board extends its gratitude to the Directoire and all employees for their contribution to the group's development during 1996.

Ownership structure at March 31, 1997



Cap Gemini and the Stock Exchange

In 1996, a total of 7,283,438 new shares were issued, including 7,106,993 shares created by the merger with Sogeti and Skip, raising the number of shares from 53,073,228 at December 31, 1995 to 60,356,666 at the 1996 year end.

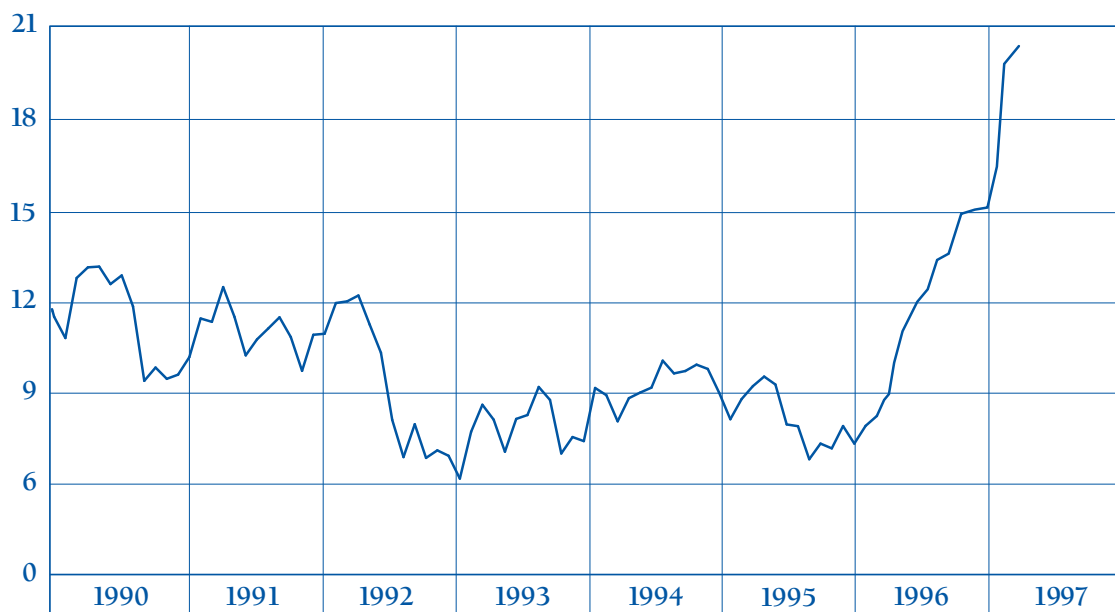
Between the beginning and the end of the year, the Cap Gemini share price rose from FF 138 to FF 250.9, a gain of almost 82% compared with a rise of 26 % in the SBF 120 index over the same period.

On January 1, 1997, the 57,008 convertible debentures outstanding were redeemed early as allowed under the terms of the debenture issue agreement. When trading in the debentures ceased at the end of 1996, their price was FF 615.

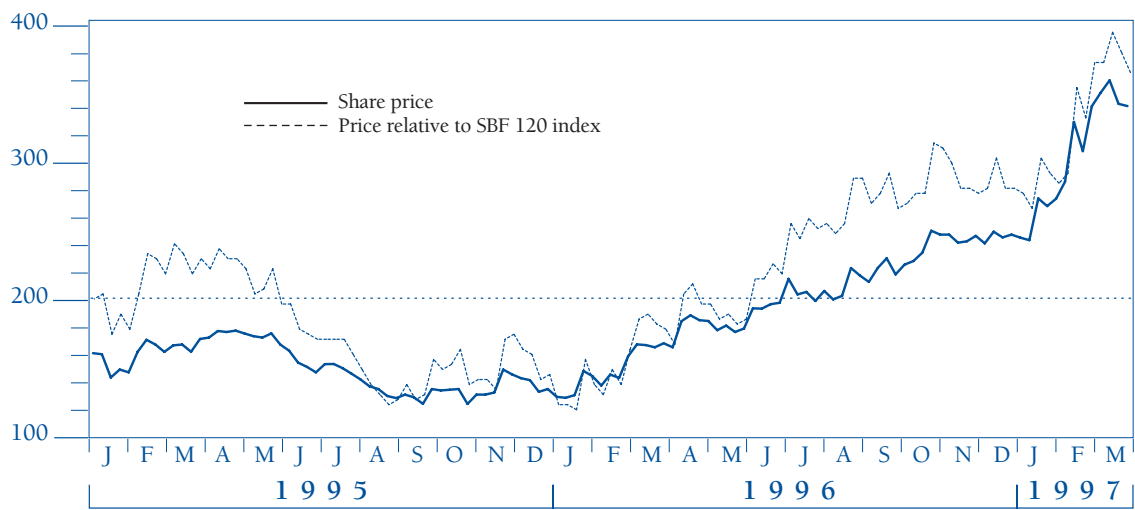
The 1994-1999 debentures were trading at 109.95 % on December 31, 1996 compared with 104.5 % at December 31, 1995. This rise reflects the decline in French franc market rates in 1996.

Market capitalization January 2, 1990 to March 31, 1997

In billions of French francs

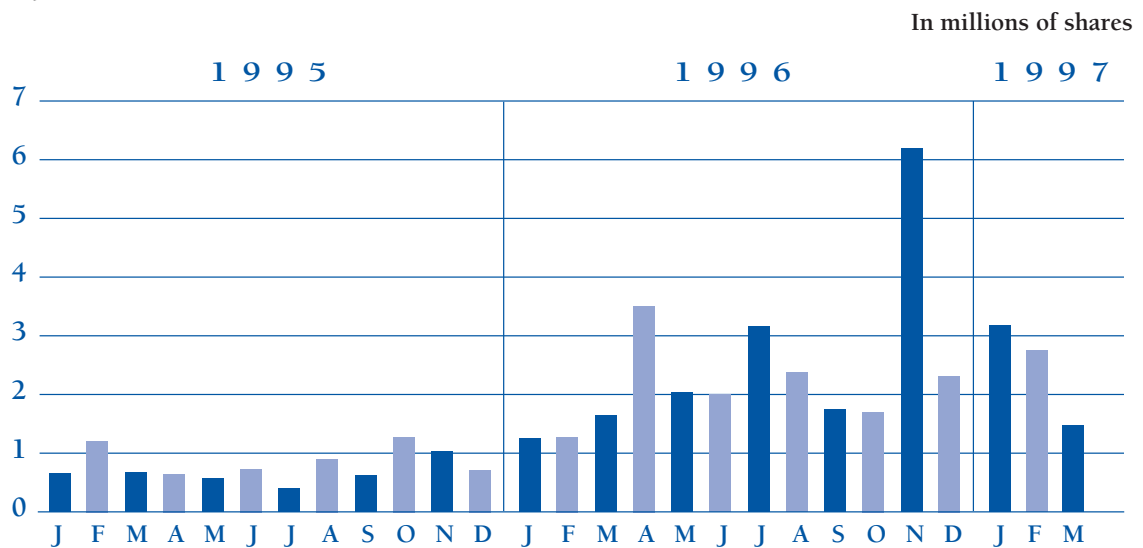


Share price January 2, 1995 to March 31, 1997



Source : Reuter

Monthly trading volume January, 1995 to March, 1997



Cap Gemini Group

Consolidated financial statements

Statutory Auditors' General Report on the consolidated financial statements for the years ended December 31, 1995 and 1996

To the Shareholders of Cap Gemini S.A.

We have audited the consolidated balance sheets of Cap Gemini Sogeti S.A. and subsidiaries as of December 31, 1995 and of Cap Gemini S.A., formerly Cap Gemini Sogeti S.A., the corporate name having been changed with effect from May 24, 1996, and subsidiaries as of December 31, 1996, and the related consolidated statements of income, statement of shareholders' equity and statements of cash flows for the years then ended.

These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Cap Gemini Sogeti S.A. and subsidiaries as of December 31, 1995 and of Cap Gemini S.A. and subsidiaries as of December 31, 1996, the consolidated results of their operations and changes in shareholders' equity and cash flows for the years then ended.

The impact of the May 1996 merger of Sogeti and Skip into Cap Gemini Sogeti on the comparability of the 1995 and 1996 financial statements is presented in note 2-b of the notes to the consolidated financial statements.

We have also performed the specific procedures required by law, in accordance with generally accepted auditing standards. We are satisfied that the information given in the report of the Directoire is fairly stated and is consistent with the consolidated financial statements.

March 12, 1997

The Statutory Auditors
Members of the Regional Company of Paris

Cabinet CONSTANTIN
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rasclé - Philippe Christelle

Consolidated statements of income for the years ended December 31, 1995 and 1996

| (in thousands of French francs) | Note | 1995 | | 1996 | |
|---|------|-------------------|--------------|-------------------|--------------|
| | | Amount | % | Amount | % |
| Operating revenue | 3 | 11,328,871 | 100.0 | 14,819,818 | 100.0 |
| Cost of services rendered | | 8,001,856 | 70.6 | 10,448,781 | 70.5 |
| General, administrative and selling expenses | | 2,648,809 | 23.4 | 3,329,116 | 22.5 |
| Operating income | | 678,206 | 6.0 | 1,041,921 | 7.0 |
| Interest expense, net | 4 | (280,220) | (2.5) | (215,382) | (1.4) |
| Other (expenses) and revenues, net | 5 | (20,837) | (0.2) | 57,049 | 0.4 |
| Income of fully consolidated companies before tax | | 377,149 | 3.3 | 883,588 | 6.0 |
| Income tax | 6 | (118,070) | (1.0) | (296,845) | (2.0) |
| Net income of fully consolidated companies before amortization of goodwill | | 259,079 | 2.3 | 586,743 | 4.0 |
| Equity in net results of affiliates | 9 | (20,704) | (0.2) | (22,924) | (0.2) |
| Minority interests | | (92,679) | (0.8) | (129,276) | (0.9) |
| Net income before amortization of goodwill | | 145,696 | 1.3 | 434,543 | 2.9 |
| Amortization of goodwill | 7 | (93,354) | (0.8) | (152,672) | (1.0) |
| Net income | | 52,342 | 0.5 | 281,871 | 1.9 |

| | | 1995 | 1996 |
|---|-----|-------------|-------------|
| Earnings per share | | | |
| Average number of shares | | 53,459,747 | 57,307,177 |
| Diluted earnings per share (in FF) | 1-n | 1.00 | 4.90 |
| Number of shares as of December 31 | | 53,073,228 | 60,356,666 |
| Primary earnings per share (in FF) | 1-n | 0.99 | 4.67 |

In 1996, consolidated net income before minority interests but after amortization of goodwill totaled FF 411,147 thousand, corresponding to 2.8% of consolidated revenue, versus FF 145,021 thousand or 1.3% of consolidated revenue in 1995.

Consolidated balance sheets as of December 31, 1995 and 1996

| (in thousands of French francs) | Note | 1995 | 1996 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Intangible assets | 7 | 6,546,189 | 8,664,979 |
| Property, plant and equipment | 8 | 609,083 | 1,539,150 |
| Investments | 9 | 1,048,956 | 541,843 |
| Total non-current assets | | 8,204,228 | 10,745,972 |
| Accounts and notes receivable, net | 10 | 3,420,228 | 4,432,926 |
| Other receivables | 11 | 593,411 | 547,104 |
| Financial receivable and short-term investments | 13 | 926,553 | 1,385,106 |
| Cash | 13 | 403,323 | 739,423 |
| Total current assets | | 5,343,515 | 7,104,559 |
| Total assets | | 13,547,743 | 17,850,531 |
| Guarantees received from third parties | 17 | 31,431 | 79,388 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Share capital | | 2,122,929 | 2,414,267 |
| Additional paid-in capital | | 3,444,083 | 4,527,556 |
| Retained earnings | | 273,930 | 1,020,929 |
| Total shareholders' equity | 12 | 5,840,942 | 7,962,752 |
| Minority interests | | 872,557 | 974,631 |
| Shareholders' equity including minority interest | | 6,713,499 | 8,937,383 |
| Long-term debt | 13 | 3,316,793 | 3,988,267 |
| Provisions and other long-term liabilities | 14 | 395,619 | 396,498 |
| Total long-term liabilities | | 3,712,412 | 4,384,765 |
| Borrowings | 13 | 697,293 | 1,162,854 |
| Accounts and note payable, net | 15 | 2,285,315 | 3,117,697 |
| Other payables | | 139,224 | 247,832 |
| Total current liabilities | | 3,121,832 | 4,528,383 |
| Total liabilities and shareholders' equity | | 13,547,743 | 17,850,531 |
| Commitments given to third parties | 17 | 2,182,733 | 2,298,552 |
| Net debt | 13 | 2,684,210 | 3,026,592 |

Consolidated statements of cash flows for the years ended December 31, 1995 and 1996

| (in thousands of French francs) | 1995 | 1996 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Income of fully consolidated companies before tax | 377,149 | 883,588 |
| Adjustments to reconcile income of fully consolidated companies before tax to cash generated by operations: | | |
| Depreciation and amortization | 250,326 | 336,075 |
| Provisions | 109,125 | 133,255 |
| Profit on disposal of fixed assets | (64,592) | (83,804) |
| Other | (9,802) | (54,295) |
| Cash generated by operations | 662,206 | 1,214,819 |
| Increase in accounts and notes receivable, net | (525,732) | (574,304) |
| Increase in accounts and notes payable, net | 85,565 | 55,193 |
| Increase in other receivables, net | (7,059) | (91,476) |
| Net movement in working capital | (447,226) | (610,587) |
| Net cash provided by operating activities | 214,980 | 604,232 |
| INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment and intangible fixed assets | (345,959) | (591,495) |
| Disposal of property, plant and equipment and intangible fixed assets | 21,539 | 20,399 |
| | (324,420) | (571,096) |
| Acquisition of investments | (305,601) | (43,741) |
| Disposal of investments | 982,778 | 265,697 |
| | 677,177 | 221,956 |
| Net cash provided/(used) by investing activities | 352,757 | (349,140) |
| EQUITY FINANCING ACTIVITIES | | |
| Increase in share capital | 665 | 25,543 |
| Minority interests in increase in share capital of subsidiaries | 6,685 | 50,052 |
| Dividends paid | (56,682) | (70,931) |
| Net cash (used)/provided by equity financing activities | (49,332) | 4,664 |
| Net cash provided on a comparable group basis, before debt financing activities | 518,405 | 259,756 |
| Net debt at beginning of year | | |
| | 3,157,091 | 2,684,210 |
| Net decrease in borrowings | (547,381) | (729,774) |
| Net decrease in financial receivable, short-term investments and cash | 28,976 | 470,018 |
| Net cash used by debt financing activities on a comparable group basis | (518,405) | (259,756) |
| Effect of exchange rate movements on net cash | 45,524 | 7,355 |
| Net debt of companies acquired or sold during the year | - | 594,783 |
| Net debt at end of year | 2,684,210 | 3,026,592 |

Consolidated statement of shareholders' equity

| (in thousands of French francs) | Number of shares (par value FF 40) | Share capital | Additional paid-in capital | Retained earnings | Share- holders' equity |
|---|--|------------------|----------------------------------|----------------------|------------------------------|
| As of January 1, 1995 | 53,068,478 | 2,122,739 | 3,443,608 | 496,864 | 6,063,211 |
| Increase in share capital: | | | | | |
| • upon conversion of debentures | 9 | – | 3 | – | 3 |
| • upon exercise of options | 4,741 | 190 | 472 | – | 662 |
| Translation adjustments | – | – | – | (275,276) | (275,276) |
| Net income for 1995 | – | – | – | 52,342 | 52,342 |
| As of December 31, 1995 | 53,073,228 | 2,122,929 | 3,444,083 | 273,930 | 5,840,942 |
| Increase in share capital: | | | | | |
| • through the merger with Sogeti and Skip | 7,106,993 | 284,280 | 1,064,987 | 110,067 | 1,459,334 |
| • in exchange for warrants | 30 | 1 | 12 | – | 13 |
| • upon conversion of debentures | 41 | 2 | 13 | – | 15 |
| • upon exercise of options | 176,374 | 7,055 | 18,461 | – | 25,516 |
| Translation adjustments | – | – | – | 355,061 | 355,061 |
| Net income for 1996 | – | – | – | 281,871 | 281,871 |
| As of December 31, 1996 | 60,356,666 | 2,414,267 | 4,527,556 | 1,020,929 | 7,962,752 |

Cap Gemini Group

Notes to the consolidated financial statements

1. Accounting policies

The consolidated financial statements have been prepared in accordance with the French Law on consolidated accounts and in conformity with current statements of accounting practice issued by the International Accounting Standards Committee (I.A.S.C.), with the exception of the statement relating to the maximum amortization period of goodwill (IAS 22), which is currently being revised.

The accounts of each consolidated subsidiary, prepared in accordance with the accounting principles and regulations of the related country, are restated to comply with these principles.

Presentation and year-on-year comparability

In 1996, the group adopted a new, analytical format for the consolidated statement of income and a condensed format for the consolidated balance sheet, indicating net debt. The presentation of the consolidated statement of cash flows has also been modified to include a detailed analysis of the change in net debt. The principal changes are as follows:

- operating expenses are now broken down into:
 - cost of services rendered,
 - general, administrative and selling expenses.
- net interest income/expense includes only interest income and expense relating to the group's borrowings and investments.
- other revenues and expenses primarily comprise:
 - exchange differences,
 - profits or losses on the disposal of assets,
 - provisions for decline in value and dividends received from non-consolidated companies,
 - charges related to non-recurring operations (restructuring, etc.).
- shareholders' equity and borrowings are presented in condensed form, with "Advances received from customers" netted off against "Accounts and notes receivable, net", resulting in a reduction in total assets and liabilities.
- the consolidated statement of cash flows analyzes flows from operating, investing and equity financing activities. Cash flows from debt financing activities are dealt with in note 13, "Net debt".

Accordingly, certain entries in the 1995 consolidated statement of income, balance sheet and statement of cash flows have been restated in the interest of comparability.

A summary of the main accounting policies applied by the group follows.

a) Consolidation

The consolidated financial statements include the accounts of Cap Gemini S.A. and its significant directly or indirectly fully-controlled subsidiaries.

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.

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.

Investments in certain 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 financial position or the results of its operations.

All other investments are valued at the lower of cost or market value.

All intercompany transactions have been eliminated.

b) Foreign currency translation:

Balance sheets of foreign subsidiaries, with the exception of shareholders' equity accounts, are translated into French francs at year-end rates of exchange.

Statements of income of foreign subsidiaries are translated into French francs at the annual weighted average rates of exchange.

Translation differences arising from the application of these different rates are directly allocated to retained earnings and have no impact on the statement of income .

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

The principal exchange rates used are as follows:

| | Average rates for the year | | Rates as of December 31 | |
|--------------------|----------------------------|------|-------------------------|------|
| | 1995 | 1996 | 1995 | 1996 |
| US Dollar | 4.98 | 5.11 | 4.90 | 5.24 |
| Pound sterling | 7.87 | 7.99 | 7.60 | 8.90 |
| Deutschemark | 3.48 | 3.40 | 3.42 | 3.37 |
| Dutch guilder | 3.11 | 3.03 | 3.05 | 3.00 |
| Swedish krona | 0.70 | 0.76 | 0.74 | 0.76 |
| Italian lira (000) | 3.07 | 3.32 | 3.09 | 3.43 |

c) Deferred taxation

Deferred taxes, resulting from timing differences in the recognition of revenue and expense items for tax and financial reporting purposes, are recorded in the statement of income and balance sheet under the liability method.

Under this method, the impact of possible changes in tax rates on deferred taxes accounted for previously is included in the statement of income during the year in which these rate changes become effective.

Deferred taxes have been provided for taxes to be paid upon distribution of certain foreign earnings.

A deferred tax asset is recognized in respect of tax losses that are expected to be utilized.

d) Market share

When the acquisition of companies allows the group to obtain a significant share of a specific market, part of the excess of purchase cost over the fair value of assets acquired is allocated to the market share acquired.

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

In view of its nature, acquired market share is not amortized. However, at each accounting date, it is revalued in accordance with the same criteria used as of the date of acquisition and a provision is set up if there is a diminution in value.

e) Goodwill

Goodwill consists of the excess of cost over the group's equity in the fair value of the underlying net assets as of the date of acquisition of companies consolidated or accounted for by the equity method, after allocation of purchase cost to identified tangible or intangible assets, such as market share.

Concerning the amortization period of goodwill, the group has postponed the application of IAS 22, which provides for a maximum amortization period of 20 years, as that standard is currently being revised. Therefore, as in the past, goodwill continues to be amortized on a straight-line basis over a maximum period of 40 years.

f) Research and development costs

Research and development costs are charged to expenses when incurred.

g) 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 their estimated useful lives.

h) 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 |

i) Capital leases

A capital lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. When a fixed asset is held under a capital 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 useful life as per the group's policy and future minimum lease payments are amortized over the lease term.

j) Revenue recognition on long-term contracts

- Revenue from **long-term fixed price contracts**, including systems development and integration contracts, is 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.
- Revenues on **time and material contracts** are accounted for as services are rendered.

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) Provision for retirement compensation

Retirement bonuses due to employees by certain Group companies under the applicable regulations and collective bargaining agreements are provided for based on the vested rights of employees as of the balance sheet date.

m) Financial instruments

All currency and interest rate positions are taken by means of instruments quoted on a recognized stock exchange or over-the-counter market and involve minimal exposure to counterparty risks. Profits and losses generated by financial instruments used as hedges are recognized in the same period as the profits and losses on the underlying items. However, provision is made as of the balance sheet date for known losses.

n) Earnings per share

Net earnings per common share are calculated as follows:

- diluted earnings per share: on the basis of the weighted average number of shares outstanding during the year, plus shares to be issued in connection with options granted to employees of the group (note 12-b) and the convertible debentures issued in February 1990 not redeemed on February 15, 1995 (note 13-a). Consolidated net income is restated to take account of interest expense after tax on these securities.
- primary earnings per share: on the basis of the number of shares outstanding as of the year-end.

o) Net debt

Net debt comprises bank borrowings and overdrafts, less financial receivable, short-term investments and cash.

p) Segment information

The group operates primarily in Europe and the United States, where it is engaged in consulting, design, installation and operation of corporate information and communication systems. Operating revenue and employees by geographic area are analyzed in notes 3 and 18 respectively.

2. Changes in group structure

a) In 1995

- APIS (France)

The company, acquired on December 27, 1994, was accounted for by the equity method as of January 1, 1995 on the basis of the group's 34% interest.

- CISI (France)

Following the decision by the Board of Directors to dispose of the 36% interest owned by Cap Gemini S.A. in CISI, this company was deconsolidated as of January 1, 1995. The investment is now carried under shares in non-consolidated companies.

b) In 1996

The two principal changes in the scope of consolidation in 1996 were as follows:

b.1. Merger of Sogeti and Skip into Cap Gemini

- At their respective Ordinary and Extraordinary General Meetings of May 24, 1996, the shareholders of the companies concerned approved the merger of Sogeti and Skip into Cap Gemini Sogeti S.A.. Since May 24, 1996, the expanded company, Cap Gemini S.A., has held 100% of the capital of Gemini Consulting, as opposed to 34% prior to the merger. Cap Gemini S.A. also has full control over SCI Paris Etoile, the owner of the group's head office, and SCI Château de Behoust, the owner of the Cap Gemini Université building.
- Accordingly, the 1996 consolidated statement of income includes 34% of the earnings of Gemini Consulting for the first five months of the year under "Equity in net results of affiliates" (note 9-a), and 100% of the revenue and expenses of Gemini Consulting for the last seven months of the year. SCI Paris Etoile and SCI Château de Behoust were also fully consolidated over the last seven months. The consolidated balance sheet as of December 31, 1996 includes 100% of the assets and liabilities of all three companies.
- **Pro forma accounts:** excluding the impact of the full consolidation of Gemini Consulting and Sogeti's expenses over the last seven months of 1996, the main consolidated statement of income items for 1996 would have been as follows:
 - operating revenue would have amounted to FF 13,256 million, up 17% from FF 11,329 million in 1995;
 - operating income would have amounted to FF 922 million, versus FF 678 million in 1995, i.e. 7% of consolidated revenue, up from 6%;
 - consolidated net income before amortization of goodwill would have totaled FF 360 million, versus FF 146 million in 1995;
 - consolidated net income would have totaled FF 235 million, versus FF 52 million in 1995.

b.2. Sale of Matra Cap Systèmes (France)

On December 31, 1996, Cap Gemini S.A. sold its 50% interest in Matra Cap Systèmes to Matra, which now owns the company's entire capital. The 1996 consolidated financial statements therefore include 50% of the revenue and expenses of Matra Cap Systèmes as per the proportional method, together with the capital gain realized on the disposal of the company on December 31, 1996.

3. Operating revenue

Operating revenue by geographic area can be analyzed as follows:

| (in thousands of French francs) | 1995 | 1996 | Change(%) |
|---------------------------------|-------------------|-------------------|---------------|
| United States | 1,313,961 | 2,052,886 | + 56.2 |
| United Kingdom | 1,837,593 | 2,742,064 | + 49.2 |
| Nordic countries | 1,617,379 | 2,105,314 | + 30.2 |
| Benelux | 2,604,970 | 2,932,711 | + 12.6 |
| France | 3,263,557 | 3,605,125 | + 10.5 |
| Other countries | 691,411 | 1,381,718 | ns |
| Total | 11,328,871 | 14,819,818 | + 30.8 |

4. Net financial expense

Net financial expense can be analyzed as follows:

| (in thousands of French francs) | 1995 | 1996 |
|---|------------------|------------------|
| Interest income from short-term investments | 81,650 | 75,014 |
| Interest on borrowings | (355,435) | (292,355) |
| Other financial income | (6,435) | 1,959 |
| Total | (280,220) | (215,382) |

5. Other revenues and expenses, net

Other revenues and expenses can be analyzed as follows:

| (in thousands of French francs) | 1995 | 1996 |
|--|-----------------|---------------|
| Gains on disposal of shares | 61,851 | 97,233 |
| Costs related to 1990 convertible debentures | (26,474) | – |
| Expenses in connection with the deconsolidation of CISI shares | (72,607) | – |
| Net foreign exchange gain | 21,274 | 25,802 |
| Dividends from non-consolidated companies | 9,802 | 584 |
| Restructuring costs | (7,975) | (14,541) |
| Provision for contingencies | – | (25,000) |
| Other expenses, net | (6,708) | (27,029) |
| Total | (20,837) | 57,049 |

Gains on disposal of shares reflect the sale of Sema Group Plc shares in 1995 and the sale of Matra Cap Systèmes shares in 1996, as well as the disposal of Gemini Consulting's minority shareholdings.

6. Provision for income taxes

a) Effect of income tax on net (loss)/income

The provision for income taxes can be analyzed as follows:

| (in thousands of French francs) | 1995 | 1996 |
|--------------------------------------|------------------|------------------|
| Current income tax expense | (155,272) | (279,505) |
| Deferred income tax benefit/(charge) | 37,202 | (17,340) |
| Total | (118,070) | (296,845) |

In 1995, several subsidiaries were subject to tax audits. Most of the tax reassessments have been disputed by the companies concerned.

b) Tax losses

| (in thousands of French francs) | 1995 | 1996 |
|--|----------------|------------------|
| Tax loss carry-forwards temporarily available | 278,180 | 724,126 |
| Tax loss carry-forwards available without time limit | 649,501 | 429,050 |
| Total tax loss carry-forwards | 927,681 | 1,153,176 |
| Related potential tax saving | 337,032 | 504,145 |
| Recognized deferred tax asset | 85,171 | 89,825 |

As of December 31, 1996 the expiration dates of available tax loss carry-forwards were as follows:

| Year of expiration | Amount |
|---------------------------|------------------|
| 1997 | 1,372 |
| 1998 | 84,296 |
| 1999 | 178,148 |
| 2000 | 250,349 |
| 2001 and subsequent years | 209,961 |
| Without time limit | 429,050 |
| Total | 1,153,176 |

c) Effective rate of income tax

In 1996, the average effective tax rate was 33.6% (1995: 31.3%), which approximates the average tax rate of the countries where the group operates.

Cap Gemini operates in countries with differing tax regimes and the effective rate of income tax therefore varies from one year to another, based on the source of earnings. The difference between the French standard rate of income tax and the effective tax rate for the group can be analyzed as follows:

| | 1996 (%) |
|--|-------------|
| Standard tax rate in France: 33% + 10% surcharge: | 36.7 |
| Impact (%) of: | |
| Utilized tax loss carry-forwards | (5.7) |
| Net deferred tax assets corresponding to tax loss carry-forwards | 0.9 |
| Difference in tax rates between countries | (4.2) |
| Income taxed at reduced rates | 3.2 |
| Permanent differences | 2.7 |
| Effective rate of income tax | 33.6 |

7. Intangible assets

Changes in intangible assets can be analyzed as follows:

| (in thousands of French francs) | Market share | Goodwill | Other intangible assets | TOTAL |
|---------------------------------|------------------|------------------|-------------------------|--------------------|
| Gross value | | | | |
| As of January 1, 1995 | 3,726,419 | 3,690,854 | 134,370 | 7,551,643 |
| Translation adjustments | (183,922) | (34,779) | 96 | (218,605) |
| Acquisitions | – | 73,050 | 32,900 | 105,950 |
| Disposals | – | (128,200) | (6,466) | (134,666) |
| Change in group structure | – | (5,373) | 125 | (5,248) |
| As of December 31, 1995 | 3,542,497 | 3,595,552 | 161,025 | 7,299,074 |
| Translation adjustments | 323,424 | 95,093 | (7,245) | 411,272 |
| Acquisitions | – | 108,802 | 36,223 | 145,025 |
| Disposals | – | (108,668) | (40,124) | (148,792) |
| Change in group structure | – | 2,039,878 | 54,768 | 2,094,646 |
| As of December 31, 1996 | 3,865,921 | 5,730,657 | 204,647 | 9,801,225 |
| Accumulated amortization | | | | |
| As of January 1, 1995 | 0 | (591,493) | (78,905) | (670,398) |
| Translation adjustments | – | 15,552 | (90) | 15,462 |
| Increase | – | (93,354) | (34,313) | (127,667) |
| Decrease | – | – | 5,121 | 5,121 |
| Change in group structure | – | 23,238 | 1,359 | 24,597 |
| As of December 31, 1995 | 0 | (646,057) | (106,828) | (752,885) |
| Translation adjustments | – | (17,586) | (3,288) | (20,874) |
| Increase | – | (152,672) | (30,741) | (183,413) |
| Decrease | – | 19,937 | 39,877 | 59,814 |
| Change in group structure | – | (200,648) | (38,240) | (238,888) |
| As of December 31, 1996 | 0 | (997,026) | (139,220) | (1,136,246) |
| Net value | | | | |
| As of January 1, 1995 | 3,726,419 | 3,099,361 | 55,465 | 6,881,245 |
| As of December 31, 1995 | 3,542,497 | 2,949,495 | 54,197 | 6,546,189 |
| As of December 31, 1996 | 3,865,921 | 4,733,631 | 65,427 | 8,664,979 |

Market share is valued according to the method described in note 1-d and represents part of the excess of purchase cost over the fair value of the net assets of Hoskyns (FF 2,267,794 thousand), Volmac (FF 1,165,397 thousand) and Programator (FF 432,730 thousand) as of the date of acquisition.

The change in the gross value of goodwill in 1996 is primarily attributable to the full consolidation of Gemini Consulting with effect from May 24, 1996.

Other intangible assets are mainly software and user rights.

8. Property, plant and equipment

Changes in property, plant and equipment can be analyzed as follows:

| (in thousands of French francs) | Land, buildings, fixtures and fittings | Computer equipment | Other | TOTAL |
|---------------------------------|--|-----------------------|------------------|--------------------|
| Gross value | | | | |
| As of January 1, 1995 | 433,298 | 852,534 | 333,427 | 1,619,259 |
| Translation adjustments | (15,074) | (37,692) | (6,289) | (59,055) |
| Acquisitions | 44,235 | 184,833 | 70,384 | 299,452 |
| Disposals | (8,829) | (170,302) | (36,199) | (215,330) |
| Change in group structure | (6,466) | 2,354 | (7,083) | (11,195) |
| As of December 31, 1995 | 447,164 | 831,727 | 354,240 | 1,633,131 |
| Translation adjustments | 36,337 | 94,438 | (5,622) | 125,153 |
| Acquisitions | 85,303 | 341,577 | 70,352 | 497,232 |
| Disposals | (76,521) | (128,527) | (48,189) | (253,237) |
| Change in group structure | 793,640 | 137,761 | 5,382 | 936,783 |
| As of December 31, 1996 | 1,285,923 | 1,276,976 | 376,163 | 2,939,062 |
| Accumulated depreciation | | | | |
| As of January 1, 1995 | (176,640) | (597,047) | (260,832) | (1,034,519) |
| Translation adjustments | 8,196 | 22,558 | 4,044 | 34,798 |
| Increase | (33,867) | (141,133) | (44,590) | (219,590) |
| Decrease | 5,701 | 158,703 | 31,550 | 195,954 |
| Change in group structure | 541 | (8,269) | 7,037 | (691) |
| As of December 31, 1995 | (196,069) | (565,188) | (262,791) | (1,024,048) |
| Translation adjustments | (20,900) | (52,025) | 2,521 | (70,404) |
| Increase | (59,813) | (206,993) | (38,533) | (305,339) |
| Decrease | 41,427 | 109,552 | 65,264 | 216,243 |
| Change in group structure | (126,053) | (76,641) | (13,670) | (216,364) |
| As of December 31, 1996 | (361,408) | (791,295) | (247,209) | (1,399,912) |
| Net value | | | | |
| As of January 1, 1995 | 256,658 | 255,487 | 72,595 | 584,740 |
| As of December 31, 1995 | 251,095 | 266,539 | 91,449 | 609,083 |
| As of December 31, 1996 | 924,515 | 485,681 | 128,954 | 1,539,150 |

The increase in "Land, buildings, fixtures and fittings" in 1996 is primarily attributable to the full consolidation with effect from May 24, 1996 of SCI Paris Etoile and SCI Château de Behoust, the owners of the group's head office and the Université Cap Gemini building respectively.

9. Investments

Investments can be analyzed as follows:

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|--|------------------|----------------|
| Investments accounted for by the equity method | 530,983 | 353,366 |
| Shares in non-consolidated companies | 151,301 | 158,315 |
| Deposits and other long-term investments | 366,672 | 30,162 |
| Investments, net | 1,048,956 | 541,843 |

The decrease in the net value of investments is attributable to the full consolidation of Gemini Consulting with effect from May 24, 1996 and repayment of loans granted to Gemini Consulting Holding S.A. as of December 31, 1995.

a) Investments accounted for by the equity method

| (in thousands of French francs) | 1995 | 1996 |
|-------------------------------------|----------------|----------------|
| As of January 1 | 607,452 | 530,983 |
| Translation adjustments | (2,536) | (13,252) |
| Equity in net results of affiliates | (20,704) | (22,924) |
| Dividends paid | – | (3,807) |
| Increase in share capital | (53,229) | – |
| Change in group structure and other | – | (137,634) |
| As of December 31 | 530,983 | 353,366 |

As of December 31, 1995 and 1996, investments accounted for by the equity method can be analyzed as follows:

| (in thousands of French francs) | 1995 | | | |
|---------------------------------|-------------------|--------------------------|---|---|
| | % interest | Operating revenue | Share of net results included in CG group accounts | Equity in net assets as of Dec. 31 |
| debis Systemhaus | 19.6 | 6,924,006 | 37,286 | 257,547 |
| Gemini Consulting | 34.0 | 2,729,223 | (49,864) | 193,241 |
| Bossard Group | 16.7 | 868,218 | 424 | 34,905 |
| Apis | 34.0 | 166,782 | (7,780) | 35,360 |
| Other (3) | – | – | (770) | 9,930 |
| Total | – | – | (20,704) | 530,983 |

| (in thousands of French francs) | 1996 | | | |
|---------------------------------|-------------------|--------------------------|---|---|
| | % interest | Operating revenue | Share of net results included in CG group accounts | Equity in net assets as of Dec. 31 |
| debis Systemhaus | 19.6 | 8,142,972 | 43,186 | 294,695 |
| Gemini Consulting | (1) 34.0 | (1) 1,472,494 | (52,113) | – |
| Bossard Group | (2) 49.0 | 904,044 | 7,108 | 28,681 |
| Apis | 34.0 | 116,180 | (19,683) | 15,677 |
| Other (3) | – | – | (1,422) | 14,313 |
| Total | – | – | (22,924) | 353,366 |

(1) Up to May 24, 1996.

(2) With effect from May 24, 1996.

(3) Corresponds to the group's equity in the net results and net assets of various companies which are not material to the group.

b) Shares in non-consolidated companies

This item corresponds primarily to shares in CISI representing a net value of FF 140,000 thousand as of December 31, 1996. Changes in 1995 and 1996 can be analyzed as follows:

| (in thousands of French francs) | 1995 | 1996 |
|--------------------------------------|------------------|----------------|
| Gross value as of January 1 | 1,045,294 | 271,593 |
| Translation adjustments | – | 1,148 |
| Acquisitions | – | 1,306 |
| Disposals | (915,649) | (6,750) |
| Change in group structure | 141,948 | 2,126 |
| Gross value as of December 31 | 271,593 | 269,423 |
| Provisions | (120,292) | (111,108) |
| Net value as of December 31 | 151,301 | 158,315 |

In 1995, the group sold its 27.6% interest in Sema Group Plc for FF 977,500 thousand, resulting in a capital gain of FF 61,851 thousand (note 5).

10. Accounts and notes receivable, net

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|------------------|------------------|
| Trade accounts and notes receivable, net | 3,144,280 | 4,008,848 |
| Other accounts and notes receivable | 275,948 | 424,078 |
| Accounts and notes receivable, net | 3,420,228 | 4,432,926 |

a) Trade accounts and notes receivable, net

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|------------------|------------------|
| Trade accounts receivable | 2,819,265 | 3,899,489 |
| Work-in-progress | 1,240,396 | 1,349,641 |
| (Provisions for doubtful accounts) | (36,966) | (88,830) |
| (Advances received from customers) | (878,415) | (1,151,452) |
| Trade accounts and notes receivable, net | 3,144,280 | 4,008,848 |

b) Other accounts and notes receivable

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|----------------|----------------|
| Inventories (net of provisions) | 30,042 | 31,944 |
| Employees and social security | 45,538 | 52,889 |
| Prepaid and recoverable taxes | 108,480 | 133,530 |
| Other | 91,888 | 205,715 |
| Total | 275,948 | 424,078 |

11. Other receivables

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|----------------|----------------|
| Income tax prepayments | 243,027 | 230,911 |
| Deferred tax assets, net | 93,978 | 74,417 |
| Other | 256,406 | 241,776 |
| Total | 593,411 | 547,104 |

Income tax prepayments for 1996 include an amount of FF 177,017 thousand (1995: FF 177,394 thousand), corresponding to the carry-back of tax losses by French subsidiaries included in the tax group.

Net deferred tax assets are primarily attributable to:

- the timing difference between the recording of certain provisions and their deduction from taxable income;
- the tax effect of consolidation adjustments;
- the recording as an asset of the extraordinary credit corresponding to recoverable tax losses (note 6-b), net of the tax impact of the creation of Gemini Consulting group.

12. 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 shareholders' equity (page 19).

Consolidated retained earnings correspond to the total of Cap Gemini S.A.'s retained earnings, the group's equity in the post-acquisition retained earnings of subsidiaries, together with cumulative translation adjustments, and can be analyzed as follows:

| As of Decembre 31 (in thousands of French francs) | 1995 | 1996 |
|--|----------------|------------------|
| Retained earnings of Cap Gemini S.A. | 1,049,232 | 1,419,895 |
| Retained earnings of subsidiaries (*) | 116,516 | 116,769 |
| Cumulative translation adjustments | (891,818) | (515,735) |
| Total | 273,930 | 1,020,929 |

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

b) Stock option plans

The Board of Directors was authorized by the January 24, 1990 and June 3, 1993 Annual General Meetings of Shareholders, and the Directoire by the Annual General Meeting of Shareholders of May 24, 1996 to set up one or several employee stock option plans over a five-year period from January 1, 1990, July 1, 1993 and July 1, 1996 respectively.

Details of the three stock option plans are summarized in the table below:

| | 1990 plan | 1993 plan | 1996 plan |
|---|------------------|------------------|------------------|
| Date of Shareholders' Meeting | January 24, 1990 | June 3, 1993 | May 24, 1996 |
| Beginning of subscription period | January 1, 1990 | July 1, 1993 | July 1, 1996 |
| Exercise price | | | |
| - as a % of the average quoted market price for the 20 days preceding the date of granting of the options | 90% | 95% | 80% |
| - price (in FF) | | | |
| . low | 139.42 | 126.00 | 154.00 |
| . high | 356.80 | 193.27 | - |
| Number of shares subscribed as of December 31, 1996 | 153,108 | 58,678 | 0 |
| Potential number of shares pursuant to options outstanding as of December 31, 1996 | 1,478,191 | 3,952,658 | 140,000 |

In the event of an authorized tender offer to acquire company's shares, all outstanding stock options would become immediately exercisable.

c) Shares with equity warrants (1991)

In April 1991, the company issued 3,500,000 shares with equity warrants attached. The issue price of the shares was fixed at FF 450 per share and each share carries a warrant representing the right to purchase an additional FF 40 par-value share at any time before August 1, 1996 at a price of FF 450.

At the close of the exercise period, 452 shares had been created through the exchange of 431 warrants.

13. Net debt

The group's net debt is analyzed below. Short-term borrowings comprise the current portion of long-term debt and amounts originally due within one year.

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|------------------|------------------|
| Long-term debt | 3,316,793 | 3,988,267 |
| Short-term borrowings | 697,293 | 1,162,854 |
| Total borrowings | 4,014,086 | 5,151,121 |
| Financial receivable and short-term investments | (926,553) | (1,385,106) |
| Cash | (403,323) | (739,423) |
| Net debt | 2,684,210 | 3,026,592 |

The change in the various components of net debt can be analyzed as follows:

| (in thousands of French francs) | Borrowings | Financial receivable and short-term investments | Cash | Net debt |
|---------------------------------|------------------|---|------------------|------------------|
| As of January 1, 1995 | 4,661,012 | (987,434) | (516,487) | 3,157,091 |
| Translation adjustments | (99,545) | 61,234 | 83,835 | 45,524 |
| Movements for the period | (547,381) | (353) | 29,329 | (518,405) |
| Change in group structure | – | – | – | – |
| As of December 31, 1995 | 4,014,086 | (926,553) | (403,323) | 2,684,210 |
| Translation adjustments | (91,606) | 140 | 98,821 | 7,355 |
| Movements for the period | (729,774) | 154,828 | 315,190 | (259,756) |
| Change in group structure | 1,958,415 | (613,521) | (750,111) | 594,783 |
| As of December 31, 1996 | 5,151,121 | (1,385,106) | (739,423) | 3,026,592 |

a) Borrowings

• Change in borrowings

| (in thousands of French francs) | 1996 |
|---------------------------------|------------------|
| As of January 1 | 4,014,086 |
| Translation adjustments | (91,606) |
| Repayments | (1,157,377) |
| New borrowings | 427,603 |
| Change in group structure | 1,958,415 |
| As of December 31 | 5,151,121 |

• **Analysis of borrowings**

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|--|------------------|------------------|
| Convertible debentures (1990) | 34,217 | 34,205 |
| debis debenture loan (1991) | – | 256,643 |
| Debenture loan (1994) | 995,000 | 995,000 |
| Bank borrowings | 1,780,022 | 1,602,385 |
| Draw-downs against lines of credit | 507,554 | 1,273,475 |
| Obligations under capital leases | – | 350,000 |
| Short-term borrowings and accrued interest | 498,902 | 262,353 |
| Cash | 198,391 | 377,060 |
| Total | 4,014,086 | 5,151,121 |

• **Convertible debentures (1990)**

In February 1990, Cap Gemini S.A. issued convertible debentures in an amount of FF 1,530,000 thousand, represented by 2,550,000 debentures with a par value of FF 600.

A total of 2,006,099 debentures were presented for early redemption on February 15, 1995 and as of the 1996 year-end, 30 shares had been created through the conversion of 21 debentures. As of December 31, 1996, 57,008 debentures were outstanding, representing an amount of FF 34,205 thousand.

In accordance with the terms of the issue, the company has elected to redeem all outstanding debentures early, with conversion possible until March 31, 1997. As of the date of preparation of these notes, debenture conversions were not material and the loan will be redeemed in full on March 31, 1997.

• **debis debenture loan (1991)**

The amount of FF 256,643 thousand corresponds to the remaining balance of the debt issued by debis AG in an initial amount of FF 1,156,643 thousand, less the FF 900,000 thousand exchanged for shares on May 23, 1996. As of December 31, 1996, the loan was represented by 1,655,759 debentures with a par value of FF 155, bearing interest at 1-year Pibor + 0.4, with repayment due in 1999.

• **Debenture loan (1994)**

In December 1994, Cap Gemini S.A. issued a debenture loan in an amount of FF 995,000 thousand, represented by 199,000 debentures with a par value of FF 5,000.

The main characteristics of these debentures are as follows:

- Term: 5 years
- Interest: 8.6 %
- Repayment: the debentures will be repaid in full on December 19, 1999.
- Early redemption: Not allowed. However, the issuer can purchase debentures on the stock market or make a public offering to purchase or exchange the debentures, in order to cancel them.

• **Bank borrowings**

This item includes:

- the 1995 FF 700,000 thousand syndicated loan, used up to January 3, 1997, which was replaced as of that date by the line of credit referred to below.
- various foreign currency loans taken out mainly from 1991 to 1993 to finance the acquisition of companies in the United States (URC and Mac Group), the United Kingdom (the remaining shares in Hoskyns) and Germany (GTP), representing FF 902,385 thousand.

• **Other draw-downs against lines of credit**

The company has obtained a FF 2,700,000 thousand multiple option facility from a banking syndicate which expires on December 27, 2001.

The main characteristics of this line of credit are:

- term: 5 years, repayable during the last three years in two installments of 15% and one installment of 70%
- interest: Pibor (1-3-6-month)
- commitment fee: 0.22
- utilization fee: 0.22

The facility is used to back up commercial paper (FF 1,085,000 thousand) and to issue promissory notes (FF 50,000 thousand), with an average term of one month to take advantage of interest rate curve and for the purpose of foreign currency draw-downs (FF 138,475 thousand in US dollars and Dutch guilders) to provide short-term financing to certain foreign subsidiaries.

This line of credit has been classified as long-term debt, in view of the group's intention to make regular draw-downs over the life of the facility.

• **Obligations under capital leases**

As of December 31, 1996, the obligation recorded corresponds to restated future minimum lease payments, relating primarily to the financing of the Université Cap Gemini building and capital spending by Cap Gemini UK on IT equipment for its outsourcing business.

The main characteristics of the leases are as follows:

| (in thousands of French francs) | Expiration | Interest rate | Obligation as of December 31 |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| SCI Château de Behoust | March 2012 | 3-month Pibor + 0,7 | 250,118 |
| Cap Gemini UK | March 1998 to September 2001 | Fixed rate (7,1 % to 7,73 %) | 99,882 |
| Total | | | 350,000 |

• **Interest rates**

During 1996, the average interest rate on borrowings was **4.6%**, versus 7.3% in 1995.

• **Maturities of debt**

Maturities of debt are as follows:

| As of December 31 (in thousands of French francs) | 1995 | | 1996 | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| 1996 | 697,293 | 17 | – | – |
| 1997 | 1,123,222 | 28 | 1,162,854 | 23 |
| 1998 | 599,581 | 15 | 277,398 | 5 |
| 1999 | 1,285,951 | 32 | 1,405,797 | 27 |
| 2000 | 291,653 | 7 | 171,481 | 3 |
| 2001 | 16,386 | 1 | 1,901,907 | 37 |
| 2002 and subsequent years | – | – | 231,684 | 5 |
| Total | 4,014,086 | 100 | 5,151,121 | 100 |

• Breakdown by currency

| As of December 31 (in thousands of French francs) | 1996 | |
|--|------------------|------------|
| | Amount | % |
| French franc | 3,473,034 | 68 |
| Pound sterling | 479,007 | 9 |
| US dollar | 420,337 | 8 |
| Swedish krona | 230,307 | 5 |
| Deutschemark | 217,792 | 4 |
| Dutch guilder | 164,896 | 3 |
| Other currencies | 165,748 | 3 |
| Total | 5,151,121 | 100 |

b) Financial receivable and short-term investments

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|----------------|------------------|
| Financial receivable | – | 202,867 |
| Short-term deposits and marketable securities | 926,553 | 1,182,239 |
| Total | 926,553 | 1,385,106 |

Financial receivable represents the proceeds receivable from the disposal of shares in non-consolidated companies.

Short-term deposits and marketable securities represent liquid assets placed with blue-chip banks. The market values of these investments are not materially different from their book values, given the date of purchase.

14. Provisions and other long-term liabilities

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|----------------|----------------|
| Long-term deferred taxes | 34,820 | – |
| Employee profit-sharing reserve | 102,092 | 62,001 |
| Provisions | 258,707 | 334,497 |
| Total | 395,619 | 396,498 |

Provisions comprise primarily provisions for retirement benefits totaling FF 190,149 thousand (1995: FF 190,735 thousand) and provisions for litigation, contingencies and charges totaling FF 144,348 thousand (1995: FF 67,972 thousand).

15. Accounts and notes payable, net

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|------------------|------------------|
| Trade accounts payable, net | 670,478 | 940,435 |
| Accrued personnel costs | 855,797 | 1,344,742 |
| Accrued taxes | 570,699 | 600,212 |
| Other | 188,341 | 232,308 |
| Total | 2,285,315 | 3,117,697 |

16. Financial instruments

Cap Gemini S.A. minimizes the risks arising from the group's existing assets and liabilities and/or operating or financing transactions by means of hedging instruments.

The group minimizes its exposure to counterparty risk by contracting hedges solely with blue-chip banks and financial institutions.

As of December 31, 1996, interest rate and currency hedges were as follows:

- Interest rate swaps:

A 7-year contract was signed in 1993 whereby the 9.25% fixed interest rate on an amount of GBP 60,000 thousand was swapped for the 6-month Libor + 2.36%.

Several 5-year contracts were signed in December 1994 whereby fixed interest rates averaging 7.63% on an amount of FF 1 billion were swapped for the 3- or 6-month Pibor.

A fixed interest rate was swapped for a variable interest rate (weighted average overnight money market rate - "TMP") in order to hedge one-month commercial paper for a total amount of FF 680,000 thousand.

The 3-month variable interest rates on the above positions were swapped for fixed interest rates, as follows:

- interest rate swap on commercial paper totaling FF 300,000 thousand,
- futures contracts for a total of FF 1,700,000 thousand, of which an amount of FF 700,000 thousand has already been renewed.

- Forward sales of foreign currencies:

As of December 31, 1996, these contracts, designed to hedge US dollar-denominated receivables, totaled USD 68 million or FF 342,870 thousand, based on an average exchange rate of 5.02.

Unhedged foreign currency and interest rate positions (market risks) are not material in relation to other operating items.

17. Guarantees received from and commitments given to third parties

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|---|---------------|---------------|
| Guarantees received from third parties: | | |
| • on contracts | 30,382 | 60,319 |
| • other | 1,049 | 19,069 |
| Total | 31,431 | 79,388 |

| As of December 31 (in thousands of French francs) | 1995 | 1996 |
|--|------------------|------------------|
| Commitments given to third parties: | | |
| • on contracts | 80,421 | 101,973 |
| • on non-cancelable leases (buildings and equipment) | 1,460,455 | 1,746,570 |
| • on borrowings | 372,165 | 176,059 |
| • other | 269,692 | 273,950 |
| Total | 2,182,733 | 2,298,552 |

18. Total number of employees

Employees by geographic area can be analyzed as follows:

| As of December 31 | 1995 | 1996 |
|--------------------------|---------------|---------------|
| United States | 2,704 | 3,522 |
| United Kingdom | 4,314 | 4,740 |
| Nordic countries | 2,818 | 3,085 |
| Benelux | 4,640 | 5,208 |
| France | 5,949 | 6,828 |
| Other countries | 1,654 | 2,567 |
| Total | 22,079 | 25,950 |

19. Subsequent events

- At their respective Annual General Meetings, the shareholders of the French operating companies, Cap Sesa Exploitation, Cap Sesa Finance, Cap Sesa Hoskyns, Cap Sesa Industrie, Cap Sesa Informatique Hospitalière, Cap Sesa Régions, Cap Sesa Tertiaire and Itmi Aptor, approved the merger of said companies to form Cap Gemini France, a wholly-owned subsidiary of Cap Gemini S.A., with effect from January 1, 1997.
- During January 1997, the group acquired approximately 50% of Bossard group, which is now virtually 100%-owned.

20. Affiliated companies

| | |
|---|----------|
| a) Fully consolidated companies | % |
| CAP GEMINI SERVICE | 100 |
| CAP GEMINI INNOVATION | 100 |
| CAP GEMINI UNIVERSITE | 100 |
| IT services | |
| • French subsidiaries | |
| CAP SESA EXPLOITATION (*) | 100 |
| CAP SESA FINANCE (*) | 100 |
| CAP SESA HOSKYNS (*) | 100 |
| CAP SESA INDUSTRIE (*) | 100 |
| CAP SESA INFORMATIQUE HOSPITALIERE (*) | 100 |
| CAP SESA REGIONS (*) | 100 |
| CAP SESA TELECOM | 100 |
| CAP SESA TERTIAIRE (*) | 100 |
| ITMI/APTOR (*) | 100 |
| • Foreign subsidiaries | |
| CAP GEMINI AB (Sweden) and subsidiaries | 100 |
| CAP GEMINI AMERICA | 100 |
| CAP GEMINI ASIA | 100 |
| CAP GEMINI AUSTRIA | 100 |
| CAP GEMINI ESPAÑA | 100 |
| CAP GEMINI ITALIA and subsidiaries | 100 |
| CAP GEMINI NV (Netherlands) and subsidiaries | 57 |
| CAP GEMINI SUISSE | 100 |
| CAP GEMINI UK and subsidiaries | 100 |
| Consulting (with effect from May 24, 1996) | |
| GEMINI CONSULTING Holding S.A. and subsidiaries | 100 |
| GEMINI CONSULTING Holding BV | 100 |
| b) Companies consolidated by the proportional method | |
| MATRA CAP SYSTEMES (up to December 31, 1996) | 50 |
| c) Companies accounted for by the equity method | |
| APIS | 34 |
| debis SYSTEMHAUS (Germany) and subsidiaries | 20 |
| • Up to May 24, 1996 | |
| GEMINI CONSULTING Holding S.A. and subsidiaries | 34 |
| GEMINI CONSULTING Holding BV | 34 |
| Bossard group and subsidiaries (34% of 49%) | 17 |
| • With effect from May 24, 1996 | |
| Bossard group and subsidiaries | 49 |

(*) These eight companies were merged as of January 1, 1997 to form Cap Gemini France.

Summarised financial statements of Cap Gemini S.A.

The full financial statements, including the notes, may be obtained from the Company on request.
The attached Statutory Auditors' Reports relate to the full financial statements.

Statutory Auditors' General Report

To the shareholders of Cap Gemini S.A.,

In accordance with the terms of our appointment at the Annual Shareholders Meeting, we hereby submit our report for the year ended December 31, 1996, on:

- our examination of the financial statements of Cap Gemini S.A. as attached to this report;
- the specific procedures and information required by law.

These financial statements are the responsibility of the Directoire. Our responsibility is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements present fairly the results of operations for the year ended December 31, 1996 and the financial position and assets of the company at that date

2. SPECIFIC PROCEDURES AND INFORMATION

We also performed the specific procedures required by law, in accordance with professional standards.

We are satisfied that the information given in the Report of the Directoire and the documents sent to shareholders on the financial position and the financial statements is fairly stated and agrees with those financial statements.

Pursuant to the provisions of Articles 356 and 356-3 of the French Companies Act of July 24, 1966, we verified that all information concerning acquisitions of shareholdings and controlling interests and the identity of shareholders is given in the Report of the Directoire.

Paris, March 12, 1997

Statutory Auditors
Members of the Regional Company of Paris

Cabinet CONSTANTIN
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rasclé - Philippe Christelle

Statutory Auditors' Special Report

To the Shareholders of Cap Gemini S.A.,

Pursuant to Article 145 of the French Companies Act of July 24, 1966, we hereby inform you of an agreement governed by Article 143 of said Act and authorised by the Supervisory Board.

Further to restructuring carried out in the first half of 1996, the option agreed between Daimler-Benz Inter Services (debis) AG and Cap Gemini S.A on April 14, 1994 relating to the shares in SystemHaus GmbH held by the Cap Gemini Group was replaced by a new option agreement which took effect as of its approval by the Supervisory Board on June 18, 1996.

NATURE OF THE OPTION

- debis AG has an option to purchase and Cap Gemini S.A. has an option to sell all the debis SystemHaus GmbH shares held by the Cap Gemini Group.
- **Option period:** 3 years to run from May 25, 1996.
- **Option price :** Market value determined by agreement between the parties or, if no agreement can be reached, by an expert appraiser. The price will be within the range of DEM 255 million and DEM 310 million, to be increased by 2,5 % on May 25, 1997 and 1998.
- **Member of the Supervisory Board concerned:** Klaus Mangold.

Paris, March 12, 1997

Statutory Auditors
Members of the Regional Company of Paris

Cabinet CONSTANTIN
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rasclé - Philippe Christelle

Summarised statement of income for the years ended December 31, 1995 and 1996

| (in thousands of French francs) | 1995 | 1996 |
|---------------------------------|-----------------|----------------|
| Operating revenue | 338,393 | 408,106 |
| Operating expenses | (104,672) | (120,552) |
| Operating income | 233,721 | 287,554 |
| Interest expense | (329,486) | (54,460) |
| Other income and expense | 8,678 | 4,697 |
| Income tax | 14,934 | (48,189) |
| Net income/(loss) | (72,153) | 189,602 |

Summarised balance sheets at December 31, 1995 and 1996

| (in thousands of French francs) | 1995 | 1996 |
|---------------------------------|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | 10,135,326 | 11,289,118 |
| Current assets | 843,560 | 1,648,194 |
| Other assets | 192,293 | 55,899 |
| TOTAL ASSETS | 11,171,179 | 12,993,211 |
| LIABILITIES | | |
| Shareholders' equity | 6,616,244 | 8,290,723 |
| Provisions | 119,865 | 159,377 |
| Borrowings | 4,237,459 | 4,371,464 |
| Other liabilities | 197,611 | 171,647 |
| TOTAL LIABILITIES | 11,171,179 | 12,993,211 |

Subsidiaries and investments

| (in thousands of French francs) | Share capital | Other shareholders' equity (including net income/(loss) for the year) (1) | Percent interest (%) | Number of shares | Book value of shares | Loans and advances granted by the company | Guarantees given | 1996 revenue | Dividends received | |
|---------------------------------|---------------|---|----------------------|------------------|----------------------|---|------------------|--------------|--------------------|--------|
| SUBSIDIARIES | | | | | Gross | Net | | | | |
| Cap Gemini Holding Inc. | 76 152 | 214 674 | 100,00 | 1 000 | 248 850 | 248 850 | 199 006 | 54 989 | 1 634 058 | - |
| CGS Holdings Ltd | 3 677 419 | 726 678 | 100,00 | 386 843 | 3 281 801 | 3 281 801 | 1 134 861 | - | 2 737 361 | - |
| Cap Gemini AB | 7 191 | 884 539 | 100,00 | 682 | 983 349 | 983 349 | - | 76 060 | 2 051 681 | 38 935 |
| Cap Gemini Europe BV | 588 715 | 3 836 990 | 100,00 | 10 000 | 2 327 546 | 2 327 546 | 112 290 | - | 2 998 061 | - |
| Cap Sesa Exploitation | 23 260 | (12 297) | 100,00 | 194 101 | 66 687 | 66 687 | - | - | 377 197 | - |
| Cap Sesa Finance | 22 000 | 18 568 | 100,00 | 232 593 | 38 049 | 38 049 | - | - | 235 614 | - |
| Cap Sesa Industrie | 20 000 | (33 652) | 100,00 | 219 994 | 97 749 | 97 749 | - | - | 277 528 | - |
| Itmi/Aptor | 16 044 | (7 323) | 100,00 | 199 994 | 71 877 | 71 877 | - | - | 103 338 | - |
| Cap Sesa Hoskyns | 40 000 | (30 566) | 100,00 | 160 433 | 65 299 | 65 299 | - | - | 478 444 | 12 250 |
| Cap Sesa Telecom | 74 100 | 109 206 | 100,00 | 399 980 | 143 999 | 143 999 | - | - | 456 711 | 28 899 |
| Cap Sesa Tertiaire | 8 000 | 16 770 | 99,99 | 740 994 | 40 700 | 40 700 | - | - | 586 581 | 2 480 |
| Cap Sesa Regions | 32 000 | 43 019 | 100,00 | 79 989 | 64 499 | 64 499 | - | - | 1 054 502 | - |
| Cap Gemini Service | 10 000 | (130 803) | 99,99 | 319 992 | 41 150 | - | - | - | 325 556 | - |
| Cap Gemini Innovation | 8 000 | (10 936) | 99,99 | 99 994 | 39 684 | - | - | - | 75 092 | - |
| Cap Gemini España | 990 | 51 872 | 100,00 | 79 992 | 45 801 | 45 801 | - | - | 197 597 | - |
| Cap Gemini Holding (Italie) | 535 251 | (307 679) | 95,00 | 1 120 000 | 500 434 | 305 434 | - | 36 690 | 281 277 | - |
| Cap Gemini Asia | 25 473 | (6 680) | 100,00 | 95 000 | 25 614 | 25 614 | - | 789 | - | - |
| Gemini Consulting Holding S.A. | 1 056 348 | (27 162) | 99,98 | 7 000 001 | 1 175 665 | 1 175 665 | 26 185 | 658 053 | 1 472 494 | - |
| Gemini Consulting Holding BV | 280 543 | 29 074 | 100,00 | 16 501 030 | 301 879 | 301 879 | - | - | - | 8 466 |
| SCI Paris Etoile | 10 | 13 143 | 100,00 | 185 000 | 318 000 | 200 947 | - | - | 18 449 | - |
| Other (France) | 8 680 | 5 394 | ns | 995 | 18 017 | 18 017 | - | 250 118 | 143 946 | 1 259 |
| Other | 24 398 | (18 199) | ns | ns | 13 075 | 13 075 | 11 741 | - | 185 065 | 434 |
| INVESTMENTS | | | | | | | | | | |
| Apis | 10 000 | (166 164) | 34,00 | 33 995 | 90 000 | 90 000 | - | - | 116 180 | - |
| Cisi | 260 763 | nc | 35,96 | 937 665 | 247 699 | 140 000 | - | - | 1 127 695 | - |
| Other | ns | ns | ns | ns | 13 823 | 11 093 | - | - | ns | 106 |

(1) Excluding share capital and before appropriation of income for the year.

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

Changes in shareholders' equity

| (in thousands of French francs) | 1995 | Income appropriation to reserves | 24 May merger | Other changes | 1996 |
|---------------------------------|------------------|----------------------------------|------------------|----------------|------------------|
| Share capital | 2 122 929 | – | 284 280 | 7 058 | 2 414 267 |
| Additional paid-in capital | 3 444 083 | – | 1 064 987 | 18 485 | 4 527 555 |
| Legal reserve | 169 727 | – | 70 994 | – | 240 721 |
| Untaxed reserves | 234 964 | – | 39 073 | – | 274 037 |
| Other reserves | 706 176 | (72 153) | – | – | 634 023 |
| Retained earnings | 10 518 | – | – | – | 10 518 |
| Net income (loss) | (72 153) | 72 153 | – | 189 602 | 189 602 |
| Total | 6 616 244 | – | 1 459 334 | 215 145 | 8 290 723 |

Five-year financial summary

| (in thousands of French francs) | 1992 (1) | 1993 | 1994 | 1995 | 1996 |
|--|------------|------------|------------|------------|-------------|
| I - SHARE CAPITAL AT YEAR END | | | | | |
| Share capital | 1 678 574 | 1 697 270 | 2 122 739 | 2 122 929 | 2 414 267 |
| Number of common shares outstanding | 41 964 338 | 42 431 755 | 53 068 478 | 53 073 228 | 60 356 666 |
| Maximum number of futures shares to be created | | | | | |
| - through conversion of bonds | 3 381 631 | 3 381 631 | 3 018 489 | 78 700 | 78 671 |
| - through exercise of equity warrants | 4 234 566 | 4 234 566 | 4 409 497 | 4 409 497 | – |
| II - OPERATIONS AND RESULTS OF THE CURRENT YEAR | | | | | |
| Operating revenue | 300 974 | 281 710 | 328 760 | 338 393 | 408 106 |
| Total operating and financial revenue | 527 401 | 888 583 | 687 559 | 675 922 | 884 246 |
| Income/(loss) before taxes, depreciation and provisions | 372 364 | 311 284 | (61 266) | 102 451 | 347 375 |
| Income tax | (96 329) | (71 729) | (46 590) | (14 934) | 48 189 |
| Net income/(loss) | 343 846 | 317 029 | (93 802) | (72 153) | 189 602 |
| Distributed income | – | – | – | – | (2) 120 713 |
| III - PER SHARE EARNINGS (in French francs) | | | | | |
| (Par value per share : FF 40) | | | | | |
| Earnings/(loss) after taxes but before depreciation and provisions | 11,17 | 9,03 | (0,28) | 2,21 | 4,96 |
| Net earnings/(loss) | 8,19 | 7,47 | (1,77) | (1,36) | 3,14 |
| Dividend per share, net | – | – | – | – | 2,00 |
| IV - EMPLOYEE DATA | | | | | |
| Average number of employees during the year | 38 | – | – | – | – |
| Total payroll | 14 370 | – | – | – | – |
| Total benefits | 6 369 | – | – | – | – |

(1) Adjusted for the September 1992 1 for 10 bonus share issue.

(2) After approval of the Ordinary and Extraordinary Shareholders' Meeting of May 7, 1997 (2 French francs per share).

Special report of the Statutory Auditors on the issue of marketable securities with delegation of powers to the Directoire

To the Shareholders of Cap Gemini S.A.,

In our capacity as the Statutory Auditors of your company and pursuant to the provisions of Articles 194-1, 195, 339-1 and 339-5 of the French Companies Act of July 24, 1966, we hereby present our report on the resolutions submitted for your approval concerning the issue of marketable securities convertible, redeemable or otherwise exchangeable for new Cap Gemini S.A. shares.

These operations are described in the table attached to this report.

If you approve these resolutions, the Directoire will be authorized to issue such securities in France or abroad, for a maximum nominal value of FF 3 billion per issue (FF 750 million for equity warrants and shares with equity warrants attached). The authorizations will be valid for the periods prescribed by law for each category of securities concerned.

The capital increase(s) resulting directly or indirectly from each of these issues may not exceed FF 750 million. As provided for in the fifteenth resolution, this amount of FF 750 million is included in the FF 4 billion limit set in the twenty-eighth resolution approved by the Extraordinary Shareholders' Meeting of May 24, 1996.

The Directoire requests that you further authorize it to establish the terms and conditions of these issues.

The Directoire also invites you to waive your pre-emptive rights to subscribe for securities which may be issued directly under the seventh, ninth, eleventh and thirteenth resolutions and through the exercise of rights under the seventh, eighth, eleventh and twelfth resolutions.

We have examined these issue proposals according to the standards required by our profession.

Subject to further examination of the terms and conditions of these issues, we have no matters to bring to your attention regarding the conversion bases, the exercise price(s) of the subscription rights or amount(s) concerned, as presented in the Report of the Directoire.

As your Directoire will have been given authorization to determine currently the conversion bases, the exercise price(s) of the subscription rights or the share issue price for each issue, we are not in a position to comment on the final terms and conditions under which these issues will be conducted, nor, in consequence, on the proposed waiver of shareholders' pre-emptive rights to subscribe for the issues concerned, the principle of which is in keeping with the nature of the proposed operations.

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

Paris, March 12, 1997

Statutory Auditors
Members of the Regional Company of Paris

Cabinet CONSTANTIN
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rascle - Philippe Christelle

Appendix to the special report of the Statutory Auditors' on the issue of securities with delegation of powers

DESCRIPTION OF SECURITIES REFERRED TO IN THE AUTHORIZATION PROPOSALS

| Resolution No | Type of issue | Waiver of preferential subscription rights | | Authorization valid for |
|---------------|--|--|-----------|-------------------------|
| | | Securities | Shares | |
| 7 | Bonds convertible into shares | yes | yes | 2 years |
| 8 | Idem | no | yes | 2 years |
| 9 | Bonds with equity warrants | yes | automatic | 2 years |
| 10 | Idem | no | automatic | 2 years |
| 11 | Equity warrants | yes | yes | 1 year* |
| 12 | Idem | no | yes | 1 year* |
| 13 | Securities convertible, redeemable or otherwise exchangeable for newly-created shares at a fixed date or at any time | yes | automatic | maximum legal period |
| 14 | Idem | no | automatic | maximum legal period |

* Shares subscribable upon exercise of equity warrants must be issued within five years of the issue of said warrants.

Text of the draft resolutions presented by the Directoire to the Ordinary and Extraordinary Shareholders' Meeting of May 7, 1997

I. Ordinary resolutions

FIRST RESOLUTION

Approval of 1996 financial statements

After hearing the following:

- the report of the Directoire on the business and position of the company for the year ended December 31, 1996 and the financial statements for the year,
 - the report of the Supervisory Board, and
 - the general report of the Statutory Auditors on their audit of the financial statements,
- the General Shareholders' Meeting hereby approves the financial statements for the year ended December 31, 1996, comprising the balance sheet, statement of income and notes, as presented, as well as the transactions reflected in these financial statements or summarized in these reports.

The General Shareholders' Meeting therefore discharges the Directoire from any liability arising from its management for the year.

SECOND RESOLUTION

Agreements involving members of the Supervisory Board

After hearing the Statutory Auditors' special report, the General Shareholders' Meeting approves the agreements governed by Article 143 of the Law of July 24, 1966 which were entered into during the year.

THIRD RESOLUTION

Net income appropriation

The General Shareholders' Meeting approves the recommendations of the Directoire to appropriate distributable income for the year totaling FF 200,119,832.70, corresponding to net income for the year of FF 189,602,234.70 and retained earnings of FF 10,517,598.00, as follows:

| | |
|---|-----------------------|
| • legal reserve | 705,780.00 |
| • dividends, on the basis of a dividend per share of FF 2 | 120,713,332.00 |
| • "other reserves" | 73,868,736.70 |
| • retained earnings | 4,831,984.00 |
| Total | <u>200,119,832.70</u> |

FOURTH RESOLUTION

Dividend

Pursuant to the above resolution and having noted the amount of income available for distribution, the General Shareholders' Meeting sets the dividend per share for each of the 60,356,666 shares which make up the share capital at December 31, 1996 at FF 2 (two French francs), giving rise to a tax credit of FF 1 per share. The dividend will be payable as from May 9, 1997.

Pursuant to Article 243(ii) of the French General Tax Code, the General Shareholders' Meeting notes that no dividends were paid for 1995, 1994 and 1993.

FIFTH RESOLUTION

Attendance fees

The General Shareholders' Meeting sets at FF 750,000 the attendance fees awarded to the members of the Supervisory Board, pursuant to the provisions of Article 140 of the Companies Act.

SIXTH RESOLUTION

Authorization to trade in the company's shares to stabilize the market price

As was the case last year, the General Shareholders' Meeting, after hearing the reports of the Directoire and the Supervisory Board, authorizes the company to purchase its own shares on the stock market in order to stabilize the market price, pursuant to Articles 217-2 et seq. of the Law of July 24, 1966. Purchases and sales of shares under this authorization will be subject to the following limits:

- the number of shares that may be acquired may not exceed 3,000,000
- shares may not be purchased at a price in excess of FF 450
- shares may not be sold at a price of less than FF 200.

The maximum number of shares that may be acquired and the maximum purchase price and minimum sale price will be adjusted in the event of a bonus share issue or a stock-split, based on the ratio between the number of shares outstanding before and after the operation.

This authorization is given for a period of eighteen months from the date of this General Shareholders' Meeting.

The General Shareholders' Meeting grants full powers to the Directoire to perform all stock market transactions, enter into any and all agreements, carry out any and all filing and other formalities with all organizations and generally to do whatever is necessary to carry out the operations described above or to delegate said operations.

At each General Shareholders' Meeting, the Directoire will report to shareholders on the transactions carried out pursuant to this resolution.

The authorizations given to the Directoire in this resolution replace those given in the ninth ordinary resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 24, 1996.

II. Extraordinary resolutions

SEVENTH RESOLUTION

Public issue of convertible debentures without preferential subscription rights

After hearing the reports of the Directoire and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue debentures convertible into shares of the company at any time or at fixed dates. The debentures may be issued on one or several occasions, in France or abroad, and may be denominated in French francs or in another currency or in monetary units defined by reference to a basket of currencies, provided that the aggregate nominal value of the issue or issues may not exceed FF 3 billion or the equivalent in another currency.

The General Shareholders' Meeting resolves that the issue price of the debentures and the basis for their conversion into shares shall be determined in such a way that the amount received by the company for each share will be at least equal to the average of the opening prices quoted for the company's shares on the Paris stock exchange over ten consecutive trading days selected from among the twenty trading days preceding the date of issue of the debentures.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the debentures.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for:

- the convertible debentures to be issued pursuant to this resolution; and
- the shares to be issued on conversion of the debentures.

If the issue or issues take place on the French market, the Directoire may grant existing shareholders a priority right to subscribe for the convertible debentures, during a period and on terms to be decided by the Directoire. Said priority rights shall be non-transferable. Any debentures not subscribed by shareholders exercising their priority right will be placed on the market.

The General Shareholders' Meeting grants the Directoire full powers to carry out the debenture issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the amount and currency of each issue and the life of the debentures;
- the issue price of the debentures, their interest rate, which may be fixed or variable, the interest payment dates, the interest entitlement accrual date, the price and method of redemption, with or without a premium, and the repayment conditions in relation to prevailing market conditions;

- the date or dates on which the debentures may be presented for conversion;
- the basis to be used to adjust the conversion parities if, while any debentures are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the debenture-holders;
- place on record the number and par value of the shares issued on conversion of the debentures, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and
- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and service of the debentures, as well as for their conversion.

The present authorization is valid for two years.

EIGHTH RESOLUTION

Public issue of convertible debentures with preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue debentures convertible in to shares of the company at any time or at fixed dates to be offered to existing shareholders on a preferential basis, pro rata to their existing interest in the company's capital, said preferential right also applying to debentures not taken up by other shareholders. The debentures may be issued on one or several occasions, provided that the aggregate nominal value of the issue or issues may not exceed FF 3 billion.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the debentures.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for the shares to be issued on conversion of the debentures.

The General Shareholders' Meeting grants the Directoire full powers to carry out the debenture issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the amount of each issue and the life of the debentures;
- the issue price of the debentures, their interest rate, which may be fixed or variable, the interest payment dates, the interest entitlement accrual date, the price and method of redemption, with or without a premium, and the repayment conditions in relation to prevailing market conditions;
- the date or dates on which the debentures may be presented for conversion;
- the basis to be used to adjust the conversion parities if, while any debentures are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the debenture-holders;
- place on record the number and par value of the shares issued on conversion of the debentures, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and
- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and service of the debentures, as well as for their conversion.

The present authorization is valid for two years.

NINTH RESOLUTION

Public issue of debentures with equity warrants, without preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue debentures with equity warrants at any time or at fixed dates. The debentures may be issued on one or several occasions, in France or abroad, and may be denominated in French francs or in another currency or in monetary units defined by reference to a basket of currencies, provided that the aggregate nominal value of the issue or issues may not exceed FF 3 billion or the equivalent in another currency.

The aggregate par value of the shares to be subscribed by the holders of equity warrants may not exceed FF 750 million, not including any adjustments that may be made.

The present authorization entails the waiver by the shareholders, in favor of equity warrant holders, of their preferential right to subscribe for the shares to be issued on exercise of these warrants.

The General Shareholders' Meeting resolves that the issue price of the shares to be subscribed on exercise of the warrants shall be at least equal to the average of the opening prices quoted for the company's shares over ten consecutive trading days selected from among the twenty trading days preceding the date of issue of the debentures with equity warrants..

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the debentures with equity warrants.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for the debentures with equity warrants to be issued pursuant to this resolution.

If the issue or issues take place on the French market, the Directoire may grant existing shareholders a priority right to subscribe for the debentures with equity warrants, during a period and on terms to be decided by the "Directoire". Said priority rights shall be non-transferable. Any debentures not subscribed by shareholders exercising their priority right will be placed on the market.

The General Shareholders' Meeting grants the Directoire full powers to carry out the debenture issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the amount and currency of each issue and the life of the debentures;
- the issue price of the debentures, their interest rate, which may be fixed or variable, the interest payment dates, the interest entitlement accrual date, the price and method of redemption, with or without a premium, and the repayment conditions in relation to prevailing market conditions;
- the number of equity warrants to be attached to each debenture;
- the terms and conditions of exercise of the rights attached to the equity warrants and, if appropriate, the buyback of the warrants by the company;
- the periods during which the equity warrants may be exercised;
- the issue price of the shares to be issued on exercise of the warrants and the dividend entitlement accrual date thereof;
- the basis to be used to adjust the terms of exercise of the equity warrants if, while any warrants are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the warrant holders;
- place on record the number and par value of the shares issued on exercise of the warrants, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and
- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and service of the debentures, as well as for the exercise of the warrants.

The present authorization is valid for two years.

TENTH RESOLUTION

Public issue of debentures with warrants with preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue debentures with equity warrants to be offered to existing shareholders on a preferential basis, pro rata to their existing interest in the company's capital, said preferential right also applying to debentures not taken up by other shareholders. The debentures with equity warrants may be issued on one or several occasions, provided that the aggregate nominal value of the issue or issues may not exceed FF 3 billion.

The aggregate par value of the shares to be subscribed by the holders of equity warrants may not exceed FF 750 million, not including any adjustments that may be made.

The present authorization entails the waiver by the shareholders, in favor of equity warrant holders, of their preferential right to subscribe for the shares to be issued on exercise of these warrants.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the debentures.

The General Shareholders' Meeting grants the Directoire full powers to carry out the debenture issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the amount and currency of each issue and the life of the debentures;
- the issue price of the debentures, their interest rate which may be fixed or variable, the interest payment dates, the interest entitlement accrual date, the price and method of redemption, with or without a premium and the repayment conditions in relation to prevailing market conditions;
- the number of equity warrants to be attached to each debenture;
- the terms and conditions of exercise of the equity warrants and, if appropriate, the purchase of the warrants by the company;
- the periods during which the equity warrants may be exercised;
- the issue price of the shares to be issued on exercise of the warrants and the dividend entitlement accrual date thereof;
- the basis to be used to adjust the terms of exercise of the equity warrants if, while any warrants are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the warrant holders;
- place on record the number and par value of the shares issued on exercise of the warrants, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and
- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and service of the debentures, as well as for the exercise of the warrants.

The present authorization is valid for two years.

ELEVENTH RESOLUTION

Public issue of equity warrants without preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue, on one or several occasions, equity warrants conferring on their holders the right to subscribe for securities representing a portion of the company's capital and to increase the share capital by a maximum amount of FF 750 million, plus the par value of any shares to be issued in order to protect the rights of warrant holders.

The General Shareholders' Meeting resolves that the issue price of the shares to be subscribed on exercise of the warrants shall be at least equal to the average of the opening prices quoted for the company's shares over ten consecutive trading days selected from among the twenty trading days preceding the date of issue of the equity warrants.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the equity warrants.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for:

- the equity warrants to be issued pursuant to this resolution, and
- the shares to be issued on exercise of the warrants.

If the issue or issues take place on the French market, the Directoire may grant existing shareholders a priority right to subscribe for the equity warrants, during a period and on terms to be decided by the Directoire. Said priority rights shall be non-transferable. Any warrants not subscribed by shareholders exercising their priority right will be placed on the market.

The General Shareholders' Meeting grants the Directoire full powers to carry out the equity warrant issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the date or dates and terms of issue of the equity warrants and the number of warrants to be included in each issue;

- the number of warrants required to subscribe for one share;
- the periods during which the rights attached to the warrants may be exercised;
- the conditions under which the company may buyback the equity warrants, at any time or within specified periods;
- the issue price of the shares to be issued on exercise of the warrants and the dividend entitlement accrual date thereof;
- the basis to be used to adjust the terms of exercise of the equity warrants if, while any warrants are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the warrant holders;
- place on record the number and par value of the shares issued on exercise of the warrants, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and
- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and exercise of the warrants.

The present authorization is valid for one year. The shares to be created on exercise of the warrants must be issued within five years of the date of issue of the warrants.

TWELFTH RESOLUTION

Public issue of equity warrants with preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue, on one or several occasions, equity warrants conferring on their holders the right to subscribe for securities representing a portion of the company's capital and to increase the share capital by a maximum amount of FF 750 million, plus the par value of any shares to be issued in order to protect the rights of warrant holders.

The equity warrants will be offered to existing shareholders on a preferential basis, pro rata to their existing interest in the company's capital, said preferential right also applying to warrants not taken up by other shareholders.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the equity warrants.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for the shares to be issued on exercise of the warrants.

The General Shareholders' Meeting grants the Directoire full powers to carry out the equity warrant issue or issues authorized above and to fix the terms and conditions of issue thereof, including:

- the date or dates and terms of issue of the equity warrants and the number of warrants to be included in each issue;
- the number of warrants required to subscribe for one share;
- the periods during which the rights attached to the warrants may be exercised;
- the conditions under which the company may buyback the equity warrants, at any time or within specified periods;
- the issue price of the shares to be issued on exercise of the warrants and the dividend entitlement accrual date thereof;
- the basis to be used to adjust the terms of exercise of the equity warrants if, while any warrants are still outstanding, the company carries out any operations which, by law, can only be effected without prejudicing the rights of the warrant holders;
- place on record the number and par value of the shares issued on exercise of the warrants, carry out the formalities related to the corresponding capital increases and amend the bylaws accordingly, pursuant to the law;
- charge the capital increase costs against the related premiums; and

- generally, enter into any and all agreements, take all necessary steps and carry out all formalities necessary for the issue and exercise of the warrants.

The present authorization is valid for one year. The shares to be created on exercise of the warrants must be issued within five years of the date of issue of the warrants.

THIRTEENTH RESOLUTION

Public issue of hybrid securities without preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the company, at any time or at fixed dates. The securities may be issued on one or several occasions, in France or abroad, and may be denominated in French francs or in another currency or in monetary units defined by reference to a basket of currencies.

The securities that may be issued pursuant to this resolution shall include:

- (i) securities representing a portion of the company's share capital combined with warrants entitling the holder to subscribe for shares in the company; in this case, the aggregate par value of the securities to which said warrants are attached may not exceed FF 750 million;
- (ii) securities other than convertible debentures, debentures with equity warrants or securities referred to in (i) above; in this case, the aggregate face value of the securities issued may not exceed FF 3 billion.

In all cases, the aggregate par value of the shares issued on exercise of the warrants referred to in (i) above or on conversion, redemption, exchange or exercise of the securities referred to in (ii) above or on presentation of a warrant or otherwise shall not exceed FF 750 million, not including any potential adjustments.

The present authorization entails the waiver by the shareholders, in favor of the holders of any of the above securities, of their preferential right to subscribe for the shares to be issued on conversion, redemption or exchange of the securities, on exercise of a warrant or otherwise.

The amount received or likely to be subsequently received by the company for each of the shares issued or created by subscription or on conversion, redemption or exchange of securities, exercise of a warrant or otherwise shall be at least equal to the average of the opening prices quoted for the company's shares over ten consecutive trading days selected from among the twenty trading days preceding the date of issue of the relevant securities.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the securities.

The General Shareholders' Meeting resolves to cancel shareholders' preferential rights to subscribe for the securities to be issued pursuant to this resolution.

If the issue or issues take place on the French market, the Directoire may grant existing shareholders a priority right to subscribe for securities, during a period and on terms to be decided by the "Directoire". Said priority rights shall be non-transferable. Any securities not subscribed by shareholders exercising their priority right will be placed on the market.

The General Shareholders' Meeting grants the Directoire full powers to fix the dates and the amounts of the issues, determine the terms and conditions of issue and the form of the securities, to effect all necessary adjustments in accordance with the law and, generally, to take any and all necessary measures and enter into any and all agreements to ensure the success of the proposed issues, all in accordance with the applicable regulations and laws.

In the case of an issue of securities entitling holders to a portion of share capital on exercise of a warrant, the Directoire will have full powers to set the procedures by which the company will be able to buyback the warrants, at any time or within specified periods.

The General Shareholders' Meeting grants the Directoire full powers to make any amendments to the bylaws required by the use of the powers described above.

Issues covered by this authorization may be carried out by the Directoire within the maximum period allowed by law.

FOURTEENTH RESOLUTION

Public issue of hybrid securities with preferential subscription rights

After hearing the reports of the Directoire, and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the applicable law, the General Shareholders' Meeting authorizes the Directoire to issue securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the company, at any time or at fixed dates. The securities may be issued on one or several occasions, in France or abroad, and may be denominated in French francs or in another currency or in monetary units defined by reference to a basket of currencies.

The securities will be offered to existing shareholders on a preferential basis, pro rata to their existing interest in the company's capital, said preferential right also applying to securities not taken up by other shareholders.

The securities that may be issued pursuant to this resolution shall include:

- (i) securities representing a portion of the company's share capital combined with warrants entitling the holder to subscribe for shares in the company; in this case, the aggregate par value of the securities to which said warrants are attached may not exceed FF 750 million;
- (ii) securities other than convertible debentures, debentures with equity warrants or securities referred to in (i) above; in this case, the aggregate face value of the securities issued may not exceed FF 3 billion.

In all cases, the aggregate par value of the shares issued on exercise of the warrants referred to in (i) above or on conversion, redemption, exchange or exercise of the securities referred to in (ii) above or on presentation of a warrant or otherwise shall not exceed FF 750 million, not including any potential adjustments.

The present authorization entails the waiver by the shareholders, in favor of the holders of any of the above securities, of their preferential right to subscribe for the shares to be issued on conversion, redemption or exchange of the securities, on exercise of a warrant or otherwise.

For each and every issue carried out pursuant to this authorization, the Directoire will be required to specify the method applied to set the price of the securities.

The General Shareholders' Meeting grants the Directoire full powers to fix the dates and the amounts of the issues, determine the terms and conditions of issue and the form of the securities, to effect all necessary adjustments in accordance with the law and, generally, to take any and all necessary measures and enter into any and all agreements to ensure the success of the proposed issues, all in accordance with the applicable regulations and laws.

In the case of an issue of securities entitling holders to a portion of share capital on exercise of a warrant, the Directoire will have full powers to set the procedures by which the company will be able to buyback the warrants, at any time or within specified periods.

The General Shareholders' Meeting grants the Directoire full powers to make any amendments to the bylaws required by the use of the powers described above.

Issues covered by this authorization may be carried out by the Directoire within the maximum period allowed by law.

FIFTEENTH RESOLUTION

General ceiling on financial authorizations

The General Shareholders' Meeting resolves that the total amount of capital increases that may be carried out pursuant to the authorizations given in the seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth and fourteenth resolutions above will be covered by the blanket authorization given to the Directoire in the twenty-eighth resolution of the Extraordinary General Meeting of May 24, 1996 to increase the capital to a maximum nominal amount of FF 4 billion.

The authorizations given to the Directoire in the seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth and fourteenth resolutions above replace those given in the twenty-ninth, thirtieth, thirty-first, thirty-second, thirty-third, thirty-fourth, thirty-fifth and thirty-sixth resolutions of the Extraordinary Shareholders' Meeting of May 24, 1996.

SIXTEENTH RESOLUTION

Powers to carry out formalities

The General Shareholders' Meeting authorizes the bearer of a copy or extract of the minutes of this meeting to execute all formalities required under French law.