97 Financial Report

Reference document

Cap Gemini

Directoire

Serge Kampf, *Chairman*

Geoff Unwin, *Vice-Chairman*

Paul Hermelin

Pierre Hessler

Supervisory Board

Ernest-Antoine Seillière, *Chairman*

Michel Jalabert, *Vice-Chairman*

Christian Blanc

Chris van Breugel

Bruno Roger

Guy de Wouters

Statutory Auditors

Constantin Associés

Coopers & Lybrand Audit

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Financial highlights

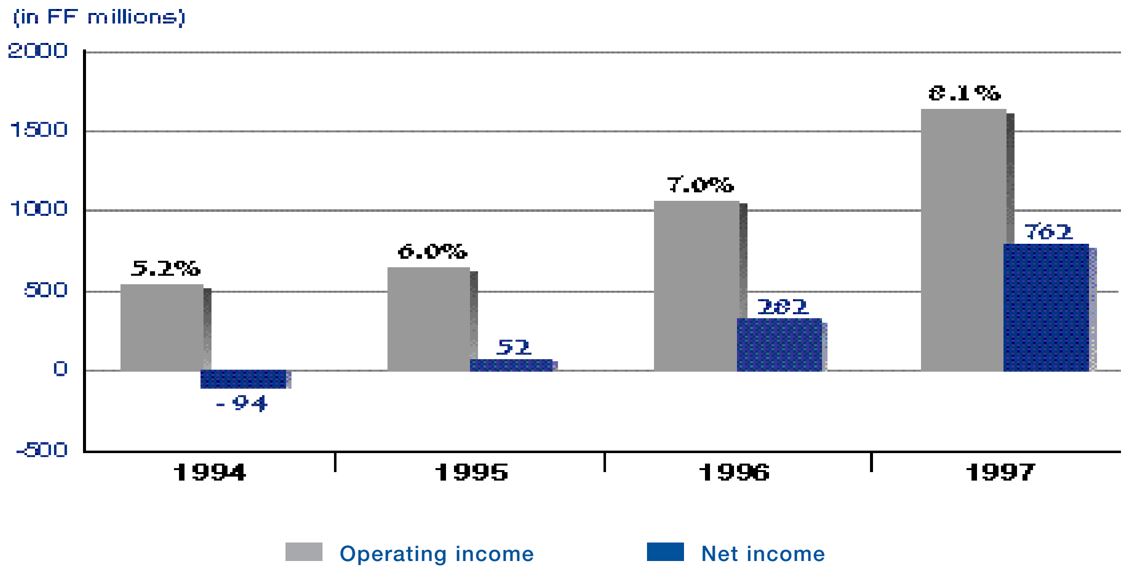
(in millions of French francs)	1994	1995	1996	1997
OPERATING REVENUE	***10,176***	***11,329***	***14,820***	***20,177***
NET INCOME before amortization of goodwill	4	146	435	952
NET INCOME/(LOSS)	***(94)***	***52***	***282***	***762***
Total dividend	–	–	121	214
NET MARGIN	***(0.9%)***	***0.5%***	***1.9%***	***3.8%***
NUMBER OF SHARES as of December 31	53,068,478	53,073,228	60,356,666	61,198,877
EARNINGS PER SHARE (based on number of shares outstanding as of December 31, in FF)				
– before amortization of goodwill	0	3	7	16
– after amortization of goodwill	(2)	1	5	12

AVERAGE HEADCOUNT for the period	***19,001***	***20,477***	***23,934***	***28,059***
TOTAL NUMBER OF EMPLOYEES as of December 31	19,823	22,079	25,950	31,094
PROFESSIONAL STAFF	16,717	18,834	21,937	26,616

Report of the Directoire to the Ordinary Shareholders' Meeting of April 16, 1998

In 1997, the Group reaped the synergistic benefits of the previous year's decision to unit the management consulting and information technology (IT) services businesses within a single entity and under a single corporate banner. This reorganization has driven a further strong increase in revenue and earnings:

• Revenue grew by 36% to FF 20.18 billion, representing double the level of three years ago; organic growth stood at 18%, outstripping market growth.
• The average number of employees rose by 17% and revenue per employee advanced 16% to FF 719 thousand from FF 619 thousand the previous year, primarily reflecting the full-year contribution of the Gemini Consulting and Bossard management consulting businesses.
• At 8.1%, operating margin was up by 1.1 points, while net income more than doubled, reaching a record high of FF 762 million.



• As of December 31, 1997, the Group had 31,000 employees versus 26,000 one year earlier. At constant structure, net recruitments totaled 4,600 persons, representing quite a feat given the current shortage of qualified IT professional staff.

The January 1997 increase in Cap Gemini's stake in the Bossard group to 100% significantly strengthened the Group's consulting business, especially in France. The Bossard teams have been merged with those of Gemini Consulting effective from January 1, 1998, although the two names continue to be used in certain countries in order to retain the benefits of brand recognition.

Daimler-Benz's July 1997 decision to divest its interest in Cap Gemini and the simultaneous increase in the stake held by CGIP, which has been a shareholder of our company for more than 15 years, have enabled the Group to recover its independence and to refocus on its traditional goals. These goals are to grow the business, lift margins, enhance service quality, build market share in strategic geographic markets, fulfill our commitments to customers and create shareholder value.

The significant improvement in economic conditions in the countries in which the Group operates also helped to boost revenue and earnings for the year.

Gross Domestic Product growth	1996	1997
• USA	+ 2.8 %	+ 3.8 %
• European Union	+ 1.8 %	+ 2.6 %
o/w:		
– France	+ 1.5 %	+ 2.4 %
– Netherlands	+ 3.5 %	+ 3.0 %
– Sweden	+ 1.3 %	+ 2.1 %
– United Kingdom	+ 2.4 %	+ 3.5 %

Corporate capital formation remained flat in Sweden and France, but rose in all the other countries listed above. Higher corporate investment is generally accompanied by growth in demand for IT services, which are frequently considered as an early indicator of macro-economic trends. In 1997, the IT services market expanded rapidly in the United States and the United Kingdom, while continental Europe lagged behind. In France, after several years of flat demand, the consensus is that the IT services market is set to expand at the rate of 10% per year through 2001 and possibly beyond.

Against this generally favorable backdrop, Cap Gemini's revenue grew by 36%, out of which 18% attributable to organic growth. The strongest growths were recorded in the United States, where IT services revenue surged by 48%, in France, with 24% growth, and the United Kingdom, where revenue was up by 23%. The Group's strong positions in the Enterprise Resource Planning segment helped to drive a twofold increase in order bookings compared with 1996 and also enabled the Group to establish first-class partnerships with leading software publishers.

As part of its convergence strategy, the Group stepped up its efforts to promote multi-disciplinary services, an approach which lead to the signature of a GBP 400 million contract with British Steel in November 1997. This outsourcing contract, which is the largest ever awarded to the Group, encompasses facilities management services covering 7,000 terminals, applications maintenance services covering manufacturing, distribution, financial and human resources management systems and the development of new applications, providing scope for Cap Gemini to work in partnership with this major customer on future systems upgrades. The British Steel contract is a perfect demonstration of what can be achieved through a combined IT services and consulting approach.

The orderbook, including only the first three years of the British Steel contract, topped FF 15 billion at year-end 1997, up 57% on the year-earlier figure.

Lastly, during the year, the Group further extended its geographic reach by setting up Cap Gemini Portugal and establishing operational support companies in Taiwan and Malaysia. One year after their creation, the Global Market Units have established strong ties with customers and won significant contracts in their respective industry segments. Examples include Royal & Sun Alliance in the insurance sector, Glaxo Wellcome in the life sciences sector and Virgin Train in the transport and tourism sector. Targeted offers have also been developed for the telecommunications sector *(Telco in a Box or Internet Service provider in a box).*

1. Comments on the Cap Gemini consolidated financial statements

The 1997 consolidated statement of income includes 100% of the income of Gemini Consulting and 100% of the income of Bossard group as from January 1, 1997, the date on which the Group acquired the remaining 51% of Bossard Group's capital. The 1996 consolidated financial statements included:
- 34% of Gemini Consulting's income for the first 5 months of the year (under "Equity in net results of affiliates") and 100% of this sub-group's revenue and expenses for the last 7 months of the year,
- the Gemini Consulting sub-group's 49% share in Bossard group's net income for the full twelve-month period (under "Equity in net results of affiliates").

Consolidated statement of income

- Consolidated revenue rose by 36% to FF 20,177 million from FF 14,820 million in 1996. Organic growth stood at 18%. The currency impact was primarily attributable to the pound sterling and the US dollar.
- This strong revenue growth was accompanied by a 1.1 point improvement in operating margin, which increased to 8.1% from 7.0% in 1996. Operating income surged by 57% to FF 1,636 million.
- Net interest expense declined by FF 26 million to FF 189 million. The reduction stemmed primarily from the collection, in August 1997, of the proceeds from the sale of the Group's 19.6% interest in debis SystemHaus but it also reflected an increase in cash provided by operating activities which was partially offset by the effect of changes in Group structure.

- Other revenues and expenses, representing net revenue of FF 213 million, included gains on disposal of the 19.6% stake in debis SystemHaus and of various other non-strategic interests acquired at the time of acquisition of Bossard group, net of provisions to cover the cost of integrating the Group's management consulting businesses.
- The provision for income taxes amounted to FF 574 million. The effective rate of tax paid by the Group stood at 34.6%, a one point increase on the previous year's rate of 33.6%.
- The Group's equity in the net results of affiliates totaled FF 31 million, primarily corresponding to 19.6% of the first-half 1997 income of debis SystemHaus, which was divested during the year.
- Minority interests in net income rose to FF 165 million, reflecting the strong performance of Cap Gemini NV which is only 57%-owned by the Group.
- Goodwill amortization amounted to FF 190 million versus FF 153 million in 1996. The FF 37 million increase primarily reflected the amortization of goodwill on Gemini Consulting over the full twelve months compared with only 7 months in 1996, and the first year's amortization of the goodwill arising on acquisition of Bossard Group.
- Net income increased by FF 480 million to FF 762 million, boosting net margin to 3.8% from 1.9% the previous year. Even excluding the gain on disposal of the Group's 19.6% stake in debis SystemHaus, 1997 net income was double that for 1996.

Consolidated balance sheet

Following the previous year's legal restructuring of the Group's holding companies and the combining of the IT services and management consulting businesses, 1997 was devoted to strengthening the financial position of the reconfigured Group.

- Net fixed assets rose by FF 243 million. In addition to normal acquisitions and depreciation expense, the main changes resulted from:
  – the full consolidation of Bossard group, following the acquisition of the remaining 51% of the shares in January 1997,
  – the sale of the Group's 19.6% interest in debis SystemHaus,
  – the impact of changes in sterling and US dollar exchange rates on market shares and goodwill.
- Net accounts and notes receivable increased by FF 877 million to FF 5,310 million, primarily reflecting:
  – a controlled FF 438 million rise in trade receivables, corresponding to an 11% organic increase versus 18% comparable growth in revenue. More efficient credit and collection procedures helped to cut trade receivables to 87 days' revenue in 1997 from 99 days in 1996 and 101 in 1995,
  – the FF 265 million impact of the full consolidation of Bossard group as from January 1, 1997,
  – FF 113 million worth of translation adjustments, arising from changes in pound sterling and US dollar exchange rates.
- Consolidated shareholders' equity rose to FF 10,264 million from FF 8,937 million. The FF 1,327 million increase was mainly attributable to:
  – FF 497 million in translation adjustments for the year,
  – the inclusion of net income for the year in an amount of FF 762 million. Shareholders' equity represented 6.3 times net debt at December 31, 1997 versus 3 times at the previous year-end.
- Consolidated net debt can be analyzed as follows:

(at December 31)	1995	1996	1997
Financial receivables and short-term investments	927	1,385	1,339
+ Cash	403	740	1,211
= Cash and short-term investments	1,330	2,125	2,550
– Bank overdrafts	– 198	– 378	– 354
= Cash and cash equivalents	1,132	1,747	2,196
– Long-term debt	– 3,317	– 3,989	– 3,120
– Short-term debt	– 499	– 785	– 711
= Consolidated net debt	– 2,684	– 3,027	– 1,635

The decrease in consolidated net debt stemmed mainly from:
– the FF 1 billion cash proceeds from the sale of the Group's 19.6% interest in debis SystemHaus,
– FF 1,748 million in net cash provided by operating activities,
– the acquisition of the remaining 51% of the capital of Bossard group, which had the effect of increasing consolidated net debt by FF 654 million.

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

Statement of income

The Company's operating revenue totaled FF 438 million versus FF 408 million in 1996. Royalties, which represent the Company's primary source of revenue, climbed 24.8% to FF 407 million from FF 326 million the previous year, primarily reflecting the growth in subsidiaries' businesses. Operating income, net of operating expenses of FF 119 million (versus FF 121 million in 1996), rose to FF 319 million from FF 287 million.

Net interest expense increased by FF 169 million to FF 223 million from FF 54 million in 1996, primarily as a result of the provisions recorded to cover the impairment in the value of the Company's investments in certain subsidiaries and affiliates.

Other income and expense surged to FF 603 million from FF 5 million in 1996. Capital gains for the year included:
- FF 456 million related to the restructuring of the telecommunications business in France,
- FF 92 million arising from the legal restructuring in Spain,
- FF 44 million realized on the sale of the Company's interest in debis SystemHaus.

After deducting a FF 107 million provision for income taxes, net income for the year stood at FF 592 million versus FF 190 million in 1996.

Balance sheet

Total assets rose to FF 13,858 million at December 31, 1997 from FF 12,993 million at year-end 1996. The FF 865 million increase primarily reflected the acquisition of PIC, which raised the Company's interest in Bossard group to 100%, and the recapitalization of Gemini Consulting Holding.

Shareholders' equity climbed to FF 8,889 million from FF 8,291 million. The year-on-year increase mainly corresponded to net income for the year, the payment of the 1996 dividend having been offset by capital increases carried out upon exercise of stock options.

Debt totaled FF 4,323 million, including:
- a FF 995 million debenture loan due December 1999,
- drawdowns on confirmed lines of credit from European, Japanese and Canadian banks for a total of FF 1,525 million,
- FF 1,795 million in loans from subsidiaries.

Appropriation of net income

Distributable income, comprising net income for the year of FF 591,767,120.41 plus retained earnings of FF 4,831,984.00 amounts to FF 596,599,104.41.

The Directoire proposes to appropriate distributable income as follows:

• legal reserve (10% of the capital)	FF 3,368,844.00
• dividend per share of FF 3.5 on the 61,198,877 shares outstanding as of December 31, 1997, i.e. total dividends of	FF 214,196,069.50
• other reserves	FF 374,726,274.91
• retained earnings	FF 4,307,916.00
Total	FF 596,599,104.41

Following this appropriation, other reserves will stand at FF 1,082,618,145.28.

If approved, the dividend will be payable as from April 17, 1998.

In accordance with the provisions of article 243-A of the French General Tax Code, shareholders are informed that a total dividend of FF 120,713,332 (FF 2 per share plus a FF 1 tax credit, paid on 60,356,666 shares) was paid for 1996 and that no dividend was paid in either for 1995 or 1994. A schedule presenting the Company's results for the last five years is attached to this report, as required under article 148 of the Decree of March 23, 1967.

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

Purchase of Cap Gemini shares to stabilize the market price

As was the case last year and pursuant to company law, the Directoire invites shareholders to formally authorize the Company to trade in its own shares on the open market in order to stabilize the market price. Purchases and sales of shares under this authorization would be subject to the following limitations:
- maximum number of shares that may be purchased: 3,000,000,
- maximum purchase price: FF 900 or the equivalent in euros,
- minimum sale price: FF 450 or the equivalent in euros.

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 April 16, 1998 Ordinary 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 at the Ordinary Shareholders' Meeting of May 7, 1997 which has not been used.

Share capital and ownership structure

In 1997, the share capital was increased from FF 2,414,266,640 to FF 2,447,955,080 as follows:
- issuance of 842,043 shares upon exercise of stock options,
- issuance of 168 shares on conversion of 121 debentures.

Pursuant to article 356-3 of the Companies Act, shareholders are informed that as of December 31, 1997:
- CGIP (Compagnie Générale d'Industrie et de Participations) held over 20% of the Company's voting rights, directly or indirectly,
- Mr. Serge Kampf held over 10% of the voting rights.

During 1997, Daimler-Benz InterServices (debis) AG sold its total interest in the capital of Cap Gemini S.A., representing over 20% of the voting rights. The shares were acquired by CGIP, which had previously sold 14% of the capital, thereby temporarily reducing its share of the voting rights to below 10%. The acquisition of shares from debis subsequently increased CGIP's interest to over 10% and then to over 20%.

Stock options

The Extraordinary Shareholders' Meeting of May 24, 1996 authorized the Directoire to grant stock options to certain employees of the Company and its French and foreign subsidiaries. The authorization was given for a period of 5 years commencing June 1, 1996 and the number of shares that may be subscribed upon exercise of the options was limited to 6 million. The Directoire used this authorization to set up the Fourth Stock Option Plan in the second half of 1996.

On January 1 and July 1, 1997, the Directoire granted options to subscribe for 2,285,950 Cap Gemini shares to approximately 550 Group employees. The exercise price was set at 80% of the average of the prices quoted for the Company's shares on the 20 trading days preceding the date of grant, i.e. FF 198 per share for the options granted on January 1, 1997 and FF 267 per share for the July 1, 1997 options. In the event of an authorized tender offer to acquire the Company's shares and other securities giving access to the Company's capital or voting rights, all outstanding stock options would become immediately exercisable.

As of December 31, 1997, 575,612 shares had been subscribed upon exercise of options granted under the Second Plan, 263,971 shares under the Third Plan and 2,460 shares under the Fourth Plan, representing a total of 842,043 shares corresponding to the equivalent of 1.4% of the Company's current capital. The exercise period for options granted under the First Plan expired on November 1, 1995.

Supervisory Board

At its meetings on September 8 and October 1, 1997, the Supervisory Board noted the resignations of Klaus Mangold and Jean-Pierre Tirouflet from the Supervisory Board and decided to appoint Guy de Wouters and Christian Blanc to replace them, subject to ratification of these appointments at the Annual Shareholders' Meeting.

3. Outlook

Since its formation, Cap Gemini's business has developed hand in hand with growing corporate use of information technologies. At a time when microprocessors are becoming increasingly powerful and Internet is driving a sharp reduction in telecommunications costs, there can be no doubt that the pace of technological change will accelerate in the years to come and that information technologies will have a far-reaching impact on the way companies do business. Mastering these technologies is becoming increasingly difficult, but companies that fail to do so will find it hard to remain competitive.

While dealing with the consequences of the information technology revolution, companies are also faced with the need to focus – or refocus – on their core businesses. To meet these twin challenges, a growing number of companies are opting to outsource certain operations in order to concentrate resources on strategic activities.

These two major trends are fueling strong underlying demand for management consulting and information technology services, further increased by the forthcoming change of millennium and introduction of the euro:

- The business community is becoming increasingly aware of the problems posed by the year 2000 and of the need to ensure that their systems remain capable of handling flows of data to and from their partners (government agencies, customers, suppliers, etc.) in the next decade.
- The introduction of the euro will also entail far-reaching changes to structures and systems.

In both of these areas, Cap Gemini has the necessary skills to partner its customers. Our convergence strategy, which focuses on developing a combined management consulting and IT service offer, represents a major competitive advantage in this regard. The Global Market Units ("GMUs") set up in 1997 have already demonstrated their ability to meet the needs of customers in their respective industry sectors. Contracts calling for varying levels of cooperation between Gemini Consulting or Bossard management consultants and the IT professional staff from Cap Gemini's IT services subsidiaries represented nearly 20% of the total order intake for the 1997.

Internet and other networking technologies also represent a major development opportunity for the Group, which has the skills required to work in partnership with customers, offering expert advice, systems development services and systems integration services.

These strengths should ensure that in 1998, the Group's businesses continue to grow faster than their respective markets. We expect consolidated revenue to rise by some 20% compared with 1997 and our forecasts also point to an increase in both operating margin and net income.

The Group will also remain open to new opportunities to set up alliances or cooperation agreements or to acquire existing businesses in the industry sectors, high value-added services segments and stable geographic markets where there is a perceived need to strengthen existing positions or develop new ones. In order to increase the resources available to Cap Gemini to take up any development opportunities that may arise in the next coming years, the Directoire has also decided on the principle of a capital increase.

Report of the Directoire to the Extraordinary Shareholders' Meeting of April 16, 1998

Financial authorizations

- In the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, the Directoire was authorized to increase the Company's capital to a 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, and either issuing bonus shares or raising the par value of existing shares. The share capital as of December 31, 1997 amounted to FF 2,447,955,080, divided into 61,198,877 shares with a par value of FF 40. The Directoire has recently decided to carry out a capital increase, the amount and timing of which have not yet been determined. The aggregate par value of the shares issued will be deducted from the total number of shares that may be issued pursuant to the May 24, 1996 authorization, which may be used up to May 24, 2001.
  At the beginning of 1997, the Company elected to redeem in advance all the convertible debentures issued in 1990 that had not yet been converted, as allowed under the terms of issue. Consequently, no account need be taken of possible debenture conversions when determining the number of shares that may still be created under the May 24, 1996 authorization. Likewise, shares to be issued upon exercise of options are not required to be deducted from the above total, as each authorization to grant options to subscribe for new shares is the subject of a separate resolution.

  Pursuant to the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, the Directoire is authorized to convert the Company's share capital into euros, by converting either the total share capital or the par value of the shares. The Directoire has the discretion to round up the amount resulting from this conversion and to capitalize reserves to cover the difference. Conversion will take place when the Directoire judges it to be most opportune, but not before January 4, 1999, i.e. the first business day of 1999, when share prices will be quoted in euros and companies will be permitted to change over to the new currency, ahead of the January 1, 2002 deadline.

  In order to avoid confusion with regard to the currency in which the Directoire may increase the share capital pursuant to the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, shareholders are invited to confirm that this authorization concerns either French francs or euros from January 4, 1999. This is the purpose of the **eighteenth resolution.**

- 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 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.

- 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 and abroad, for various amounts determined by the Extraordinary Shareholders' Meeting of May 7, 1997. 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 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. Companies will be permitted to change over to the euro as from January 1, 1999, ahead of the final deadline of January 1, 2002, and stock exchange quotations will be given in euros starting January 4, 1999, i.e. the first business day of 1999. To ensure that the Directoire is always in a position to carry out the securities issues, in French francs or euros, best suited to the Company's needs and market opportunities, at the most opportune moment, we are now proposing to **replace** the nine resolutions adopted last year by nine new resolutions identical to the previous ones, except for the reference to the euro and the period of validity which will commence as of this Meeting.

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

In summary, as was the case last year:
– the ninth authorization concerns the issue of convertible debentures,
– the eleventh concerns the issue of debentures with equity warrants,
– the thirteenth deals with the issue of equity warrants,
– the fifteenth involves the issue of securities convertible, redeemable, exercisable or otherwise exchangeable for new shares. [These securities may take the form of (i) shares with equity warrants, or (ii) securities other than convertible debentures, debentures with equity warrants or shares with equity warrants].

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 a special report on each issue without pre-emptive subscription rights. In addition, in accordance with normal practice for issues launched on the French market, shareholders will have a non-negotiable priority subscription right.

The tenth, twelfth, fourteenth and sixteenth resolutions deal with the issuance of the same securities as in the ninth, eleventh, thirteenth and fifteenth resolutions respectively, the only difference being that the Directoire may offer shareholders a **pre-emptive right to subscribe for the securities,** if this is considered appropriate.

The authorizations granted under the eleventh, twelfth, fifteenth and sixteenth resolutions entail the automatic waiver by shareholders of 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 therefore invited to formally 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.

If these resolutions are approved, the Directoire will be authorized, during the period of legal validity corresponding to the category of securities concerned, to issue, in France and abroad, securities with a maximum 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 seventeenth resolution, the amount of each share issue will be taken into account in determining the maximum limit of FF 4 billion set forth in the twenty-eighth resolution adopted 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, in French francs or euros, for each share issued directly or on conversion, redemption, exchange or exercise of other securities, will be at least equal to the average, or, from January 4, 1999, to the equivalent in French francs, 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 debt securities, warrants or shares.

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

Finally, for each total or partial use made of these authorization, 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 and conditions 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 present a report on the method used to determine the issue price;
– do whatever is necessary to ensure that these operations are effectively carried out; and
– if necessary, amend the bylaws accordingly.

- To conclude on the subject of financial authorizations and so that the Directoire has full powers in the matter, shareholders will be invited to approve a resolution authorizing the Directoire to increase the share capital for cash, on one or several occasions, without pre-emptive subscription rights for existing shareholders, up to a maximum amount of FF 4 billion, as stipulated in the twenty-eighth resolution adopted by the Extraordinary Shareholders' Meeting of May 24, 1996 dealing with capital increases. The Statutory Auditors will issue a report on the waiver by shareholders of their pre-emptive subscription right, which will be subject to the following conditions:
  - shareholders will have a non-negotiable priority subscription right;
  - the sum received by the Company for each share issued will be at least equal to the average, or, from January 4, 1999, to the equivalent in French francs, 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 securities;
  - the Directoire will be authorized to issue shares in connection with the public exchange offer made by the Company in accordance with the provisions of Article 193-1 of the French Companies Act of July 24, 1966 governing public exchanges offers involving two companies whose shares are quoted in a European Union member state or an OECD member country.

This authorization is the subject of the **nineteenth resolution** and is being sought for a period of three years, in accordance with the law.

Merger of Gemini Consulting Holding into Cap Gemini

In the **twentieth, twenty-first and twenty-second resolutions** presented to the Meeting, shareholders are invited to approve the draft merger agreement signed on March 10, 1998 with Gemini Consulting Holding whereby all of Gemini Consulting Holding's assets would be transferred to Cap Gemini by means of a merger, in exchange for the assumption by Cap Gemini of all of Gemini Consulting Holding's liabilities.
Among the reasons for the merger of Skip and Sogeti into Cap Gemini Sogeti (now called Cap Gemini) was the wish to combine the Group's consulting and IT services businesses within a single entity to achieve greater responsiveness to market needs. At present, the IT services business is owned directly by Cap Gemini, while the consulting business is owned indirectly through Gemini Consulting Holding.
In order to simplify and harmonize organizational structures, the Directoire considers it appropriate to do away with the intermediate tier by merging Gemini Consulting Holding into Cap Gemini.
For the purposes of this merger, Gemini Consulting Holding would contribute to Cap Gemini, subject to the customary legal guarantees, all its assets and liabilities as of December 31, 1997, corresponding to both companies' fiscal year-end. All operations carried out directly or indirectly by Gemini Consulting Holding from January 1, 1998 to the effective date of the merger will be deemed to have been carried out by Cap Gemini.
Cap Gemini owns the entire share capital of Gemini Consulting Holding. Therefore, **no new shares will be issued** and **no exchange of shares will take place.** The merger will be carried out under the **simplified procedure** provided for in Article 378-1 of the French Companies Act of July 24, 1966.

The FF 156,617.30 difference between the value of the assets transferred by Gemini Consulting Holding (i.e. FF 2,428,732,746.51) and the net book value of Gemini Consulting Holding shares in the accounts of Cap Gemini (i.e. FF 2,428,576,129.21) will be posted to additional paid-in capital in the accounts of Cap Gemini, to which all shareholders will have equal rights.

The merger will automatically entail the winding up of Gemini Consulting Holding.
In accordance with the law, the Merger Auditors appointed by the President of the Paris Commercial Court will prepare a report on the terms of the merger.

Modifications to the bylaws

In connection with the merger of Sogeti and Skip into Cap Gemini Sogeti (now called Cap Gemini) on May 24, 1996, the Company adopted a two-tier management structure with a Directoire and Supervisory Board, and consequently adopted new bylaws. A number of the provisions of the bylaws submitted to the May 24, 1996 Shareholders' Meeting for approval were included to take account of the existence of an agreement entered into on January 11, 1996 by Daimler-Benz InterServices (debis), CGIP and Mr. Serge Kampf, who then together controlled 61% of the Company's capital, concerning the nature of their relations within the newly expanded Company. The agreement was submitted to the Stock Exchange authorities (Conseil des Bourses de Valeurs) which concluded in its decision dated January 19, 1996, that the three shareholders would not be required to make a public tender offer for the remaining shares of the Company following the planned reorganization.

This agreement became null and void in July 1997 when Daimler-Benz InterServices sold its 24% interest in the Company and no other agreement has been entered into by shareholders. CGIP and Mr. Serge Kampf therefore consider that the special provisions of the Company's bylaws related to the agreement are no longer required.

Accordingly, the Directoire now invites shareholders to approve certain amendments to Articles 10 to 13 of the Company's bylaws concerning operating rules for the Directoire and Supervisory Board, as follows:

- the Directoire shall be composed of a minimum of four members and a maximum of six members;
- members of the Directoire shall have a term of office of four years;
- the age limit for members of the Directoire shall be set 67, on the understanding that the term of office of persons concerned shall expire at the close of the Annual Shareholders' Meeting following the date of their 67th birthday and that the Directoire may at its discretion extend the term of office of one or several Directoire members annually, for a maximum period of two years;
- in the event of a split decision, the President of the Directoire shall have a casting vote;
- the Directoire shall be required to seek the approval of the Supervisory Board prior to taking any decision likely to have the effect of increasing the aggregate net debt (corresponding to accounts 16 and 17 in the French General Chart of Accounts) of all the consolidated companies by at least 10%, only if the increase is in excess of FF 500 million;
- the Supervisory Board shall be composed of a minimum of three members and a maximum of twelve members;
- decisions of the Supervisory Board shall be taken in accordance with the quorum and majority requirements provided for by the law.

The above proposed amendments are the subject of the **twenty-third resolution** presented to the Extraordinary Shareholders' Meeting of April 16, 1998.

In addition, in accordance with the unanimous wishes of the Supervisory Board, the Directoire will propose to the Extraordinay General Meeting of April 16, 1998 an amendment to the twenty third resolution raising the minimum number of shares to be held by the members of the Supervisory Board from one to one hundred [cf. article 12 paragraph (2) of the Company's bylaws].

***

We thank you in advance for approving 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 1997 financial statements of Cap Gemini S.A., together with the Cap Gemini Group consolidated financial statements and the report of the Directoire on the Group's activity and results of operations for the year ended December 31, 1997. The Supervisory Board extends its gratitude to the Directoire and all employees for their contribution to the Group's development during 1997. Of particular note were the positive impact of the synergies derived from the combination in 1996 of the management consulting and IT services businesses within a single entity, together with strong growth in revenue and profit margins during 1997.

The Supervisory Board supports the proposal of the Directoire to set the dividend per share at FF 3.50, giving rise to a tax credit of FF 1.75.

In connection with the program launched in 1996 to simplify and harmonize organizational structures, the Directoire considers it appropriate to do away with the intermediate level represented by Gemini Consulting Holding by merging the latter into Cap Gemini.

You are invited to adopt a number of modifications to Articles 10 to 13 of the Company's bylaws concerning the rulings of the Directoire and the Supervisory Board, given that certain special provisions related to a shareholders' agreement have become null and void as a result of the sale by Daimler-Benz InterServices (debis) of its interest in the Company. With regard to Article 12, paragraph (2), the Supervisory board unanimously wishes that the number of shares required to be held by each of its members throughout his term of office be increased from one to one hundred.

Following the sale by debis of its interest in the Company and the submission by Mr. Klaus Mangold and Mr. Jean-Pierre Tirouflet of their resignation from the Supervisory Board, the Supervisory Board has co-opted Mr. Guy de Wouters and Mr. Christian Blanc as members of the Supervisory Board. These nominations require approval from the General Shareholders Meeting.

The Supervisory Board invites you to approve all the resolutions proposed by the Directoire to this meeting.

Cap Gemini and the Stock Exchange

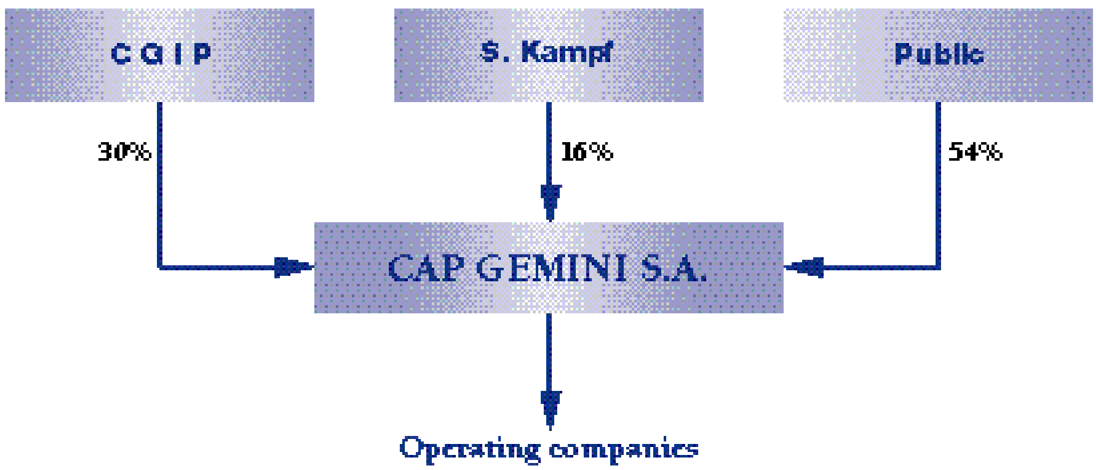
As of December 31, 1997, 61,198,877 Cap Gemini shares were outstanding. During the year, 842,211 shares were issued, including 168 upon conversion of debentures and the remainder upon exercise of stock options. Individual interests, mainly held by institutional shareholders, rose from 39% to 54%, primarily as a result of the July 1997 sale by debis of its interest in Cap Gemini.

Cap Gemini shares are quoted on the First Market of the Paris Stock Exchange (Sicovam code: 012533). They have been included in the CAC 40 index since February 13, 1998 and will also be included in the planned SBF Europe and Euro indices. Between the beginning and the end of 1997, the share price rose from FF 250.90 to FF 493.50, representing a 96.7% gain compared a 29.5% rise in the CAC 40 index over the same period.

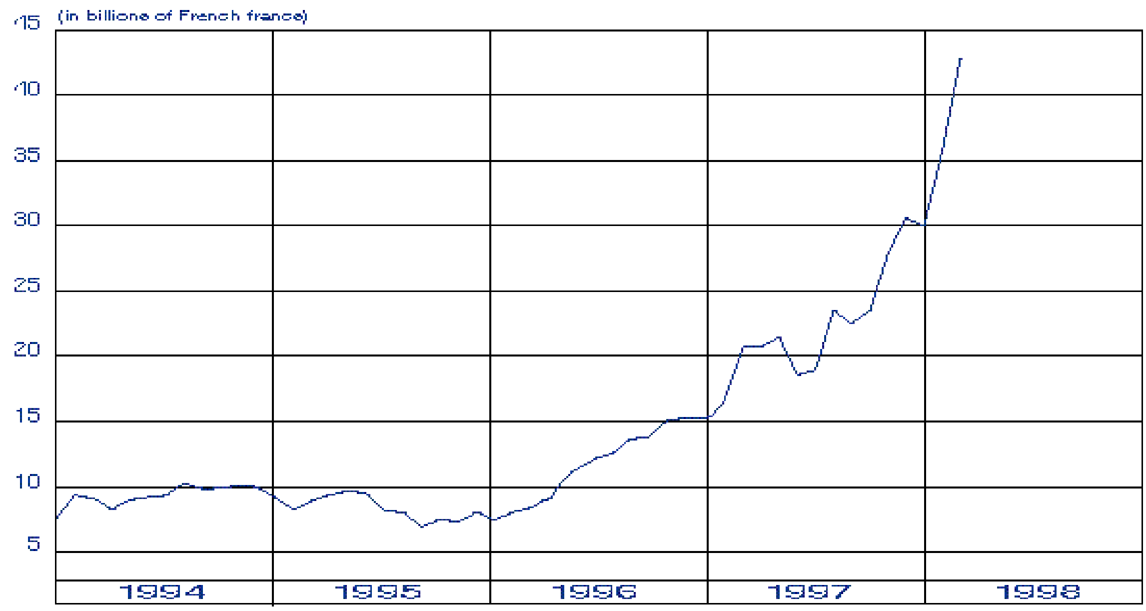
Average trading volume for Cap Gemini shares, in value, represented some 0.5% of total trading volume on the Paris market in 1997. The July 1997 peak was attributable to trading surrounding the sale by Daimler-Benz InterServices (debis) of its 24% interest in Cap Gemini and to the simultaneous increase in the interest held by CGIP from 20% to 30%.

Cap Gemini 8.6 % 1994-1999 debentures were trading at 107.3% on December 31, 1997, compared with 109.95% one year earlier, reflecting the decline in the yield to maturity of the debentures, which are redeemable at face value as of December 19, 1999.

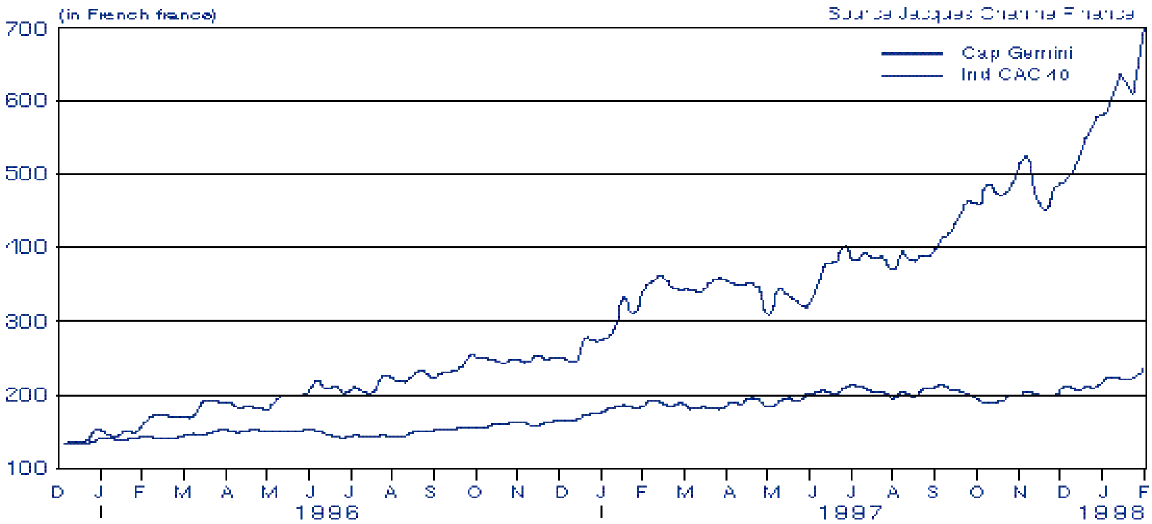
Ownership structure (as of March 4, 1998)



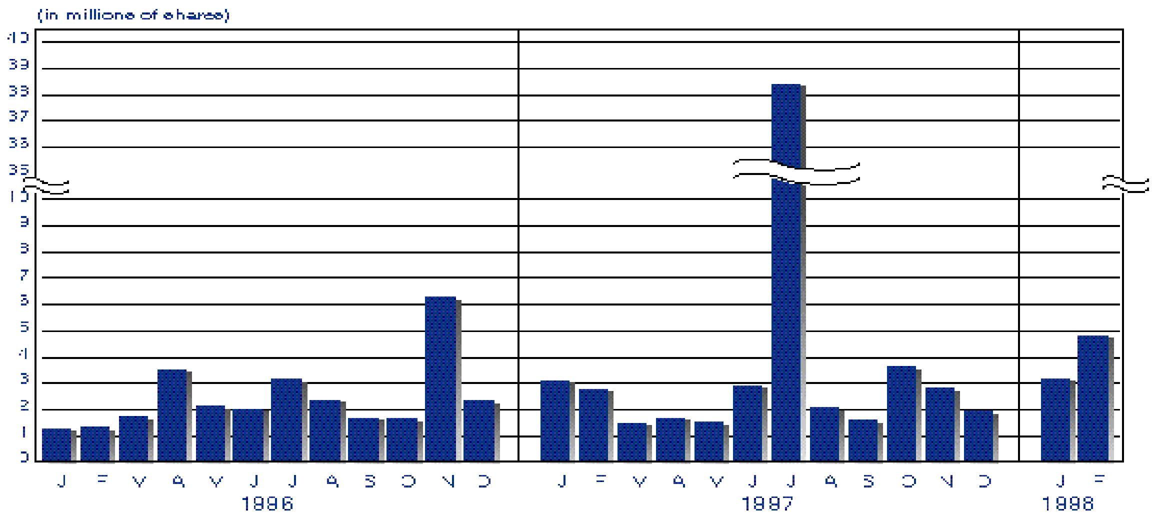
Market capitalization January 2, 1994 to February 27, 1998



Share price January 2, 1996 to February 27, 1998



Monthly trading volume January 1996 to February 1998



Market for the Company's shares

Information concerning transactions for the last 18 months is presented below:

Month	Number of trading days	Share price (in FF) High	Average (closing)	Low	Trading volume Number of shares Total	Average (daily)	Amount (in FF millions)
September 96	21	235.00	223.74	213.00	1,682,510	80,120	377
October 96	23	256.00	236.97	220.20	1,623,972	70,607	387
November 96	19	253.90	246.04	237.00	6,255,248	329,223	1,506
December 96	21	255.80	247.88	240.10	2,300,913	109,567	570
January 97	22	289.00	261.31	237.00	3,101,076	140,958	815
February 97	20	345.00	311.48	270.00	2,768,063	138,403	876
March 97	19	365.00	346.05	330.00	1,473,106	77,532	507
April 97	22	364.00	347.75	327.10	1,678,232	76,283	581
May 97	19	356.00	337.89	302.50	1,485,184	78,168	489
June 97	21	350.00	330.90	302.00	2,899,407	138,067	952
July 97	22	404.00	371.02	310.00	38,335,874	1,742,540	13,006
August 97	20	398.00	384.21	367.00	2,042,601	102,130	786
September 97	22	393.00	385.82	369.00	1,572,939	71,497	607
October 97	23	482.00	432.24	383.00	3,617,630	157,288	1,596
November 97	18	520.00	484.97	455.00	2,786,134	154,785	1,351
December 97	22	538.00	483.75	445.00	1,911,961	86,907	925
January 98	21	588.00	531.20	483.00	3,172,715	151,082	1,712
February 98	20	711.00	624.80	576.00	4,884,224	244,211	3,096

Source : Société des Bourses Françaises (SBF).

Dividends

Year ended Dec. 31	Total dividend (in FF millions)	Number of shares	Dividend per share	*"Avoir fiscal"* tax credit	Total payout
1992	-	41,964,338	-	-	-
1993	-	42,431,755	-	-	-
1994	-	53,068,478	-	-	-
1995	-	53,073,228	-	-	-
1996	121	60,356,666	FF 2	FF 1	FF 3
1997	214 (*)	61,198,877	FF 3.50 (*)	FF 1.75	FF 5.25

(*) recommended to the Ordinary Shareholders' Meeting of April 16, 1998.

Term of limitation for dividends

Dividends not claimed within five years will be paid over to the French Treasury.

Cap Gemini's business

1. Background

Cap Gemini Group was created out of the 1975 merger of three information technology (IT) services and consulting companies, Sogeti, set up in 1967 by Serge Kampf, C.A.P., formed in 1962, and Gemini Computer Systems, formed in 1973.

The Group initially focused on developing its IT services business in Europe and the United States. Once this business had been firmly established, a management consulting business was formed under the Gemini Consulting name. Between 1990 and 1992, the pace of business growth moved up a gear, helped by various strategic acquisitions in key geographic markets:

- United States: acquisition of two management consulting businesses (United Research and MAC Group),
- United Kingdom: acquisition of an outsourcing specialist (Hoskyns),
- Scandinavia: acquisition of Programator,
- Germany: acquisition of a management consulting firm (G.T.P.),
- Benelux: acquisition of a specialist in high value-added IT services (Volmac).

During the period, the Group also extensively modified its internal organization and service offer.

The current structure of the Cap Gemini Group reflects the May 1996 pooling of the former Cap Gemini Sogeti IT services businesses with Gemini Consulting's management consulting businesses.

One of the key events of 1997 was the sale by Daimler-Benz InterServices (debis) of its 24% interest in Cap Gemini to CGIP. debis had been a shareholder of Sogeti since 1991 and CGIP since 1982. Prior to the acquisition of debis' 24% stake, CGIP reduced its holding in Cap Gemini by 14% with the net result that its interest was increased from 20% to 30%. In conjunction with debis' withdrawal from its capital, Cap Gemini sold to its former partner its 19.6% interest in their German joint-venture, debis SystemHaus.

In January 1997, Cap Gemini increased its stake in the Bossard management consulting group from 49% to 100%.

2. Business

Market overview

Cap Gemini operates in the management consulting and IT services markets. In 1997, the global management consulting and IT services markets totaled some FF 1,500 billion francs. The key characteristics of these markets are as follows:

- the markets are still highly atomized, notwithstanding the concentration trend in the industry, with the top ten players now accounting for 26% of the market versus 13% five years ago,
- IT spending is forecast to grow at a rate of over 10% per year in the next few years,
- businesses are increasingly opting to outsource IT operations, with the result that IT services companies are garnering a growing proportion of total IT spending,
- the rapid pace of technological change is constantly creating new needs and fueling demand for very low-cost products and services,
- businesses are increasingly seeking solutions combining both management consulting and IT services,
- the forthcoming introduction of the euro and change of millennium have led to a surge in demand for IT services.

To keep pace with these trends, Cap Gemini has radically overhauled its service offer, structures and working methods in recent years.

Description of the business

The Cap Gemini Group has always had ambitious goals in terms of customer relations. Its key goals are to:

- help customers run their business better,
- design and deliver strategic change through people and technology,
- deliver sustainable results.

To meet these goals, Cap Gemini's businesses are organized as follows:

Management and IT systems consulting

The Cap Gemini Group, through its Gemini Consulting subsidiary, aims to work in partnership with customers to help them implement far-reaching changes within their organization, drawing on all the company's resources to formulate a strategy, adapt structures and upgrade the skill-base and product range. In the area of information systems, Cap Gemini consultants specialize in planning IT strategies and implementing world class solutions.

Growth in the consulting business is being driven by the emerging needs related to the changeover to the euro and the rapid development of electronic commerce.

➢ **The forthcoming changeover to the euro** is forcing companies to review their strategies and processes. The introduction of the single currency will have repercussions throughout organizations, affecting marketing policies, accounting systems and procedures, staff training as well as the wording of contracts. Information systems will have to be transformed to deal with these repercussions.

Cap Gemini was one of the first consulting groups selected to examine the implications of the changeover to the euro for financial institutions. Based on its work for the German Federation of Private Banks and the Dutch Central Bank, the Group has developed a transnational service offer **(euroTransformation™ Services)** which deals with all aspects of the problem, including the definition of changeover strategies, organizing systems upgrades and staff training. The Fortis contract is a good example of the range of services offered by Cap Gemini in this area. Fortis is a major financial services and insurance group with over 100 subsidiaries spread across several countries. Selected to develop a "euro masterplan", Cap Gemini set up the necessary tools to enable Fortis to prepare for the changeover in the space of a few months while strengthening the strategic role of the euro program within the organization.

➢ **Electronic commerce** completely changes the way companies do business, forcing them to rationalize their distribution channels and customer service departments, or to innovate by creating a new business or targeting new markets. Electronic commerce represents a key development opportunity for the Cap Gemini Group, which played a pioneering role in this area with the development of the Minitel – the world's first national telematics network – for France Telecom in the 1980s. Cap Gemini aims to help customers to gain a better grasp of the potential implications of this shopping revolution, highlighting electronic commerce's limitations but also the enormous development potential that it can offer. It is important for companies to clearly understand the issues in order to be in a position to select and implement the electronic channels that are best suited to their needs, whether websites or interactive terminals.

- Cap Gemini assisted KLM in setting up an Intranet network serving some 10,000 users. The Dutch airline is now planning to set up an Extranet network to share information with trading partners and enhance communication. Each of these two phases in the project will drive improvements in productivity and efficiency, laying the foundations for KLM's move into electronic commerce.
- For Spain's Open Bank, Cap Gemini has developed new services to promote sales of high-margin products and offer 24-hour access. The Openvia direct banking service, which can be consulted by telephone and Internet, has now been operating for one year.
- Cap Gemini is also working as a partner on Deuxième Monde, an Internet and CD-Rom-based virtual Paris, which Cap Gemini has helped to model. In this "on-line" world, individuals meet, communicate and make purchases in the stores on the Champs-Elysées or simply visit the city. Launched by a subsidiary of Canal +, Deuxième Monde is designed to help us better understand the future and to illustrate the convergence of all forms of communication with information systems.

Systems development

The Cap Gemini Group offers a full range of systems development services, based on the Perform methodology which incorporates the latest technologies and world class methods. Perform is used throughout the Group and has been awarded ISO 9001 certification, as have most of the Group's subsidiaries.

IT projects are generally designed to significantly improve customers' operations or create new opportunities for them. They fall into two categories:

➢ Development of customised software for a specific customer.

➢ Systems integration projects, conducted in cooperation with hardware manufacturers, software publishers and other partners, for which Cap Gemini drafts specifications, designs the architecture and handles the development and implementation of the new system.

- Demand for Enterprise Resource Planning Solutions developed by companies such as SAP, Oracle, Baan, PeopleSoft and SSA – with which the Cap Gemini Group has set up partnership agreements – is expanding rapidly. The Group is the leader in France in this segment and also handled one of Europe's largest SAP projects for Norway's Statoil. Our partners recognize our pre-eminence in this area. At Oracle's global conference held in Vienna in April 1997, Cap Gemini was named as one of the software publisher's strategic partners, while Baan selected our Group for its "Gold Partner Award".

• **Year 2000 compliance**

The **TransMillennium™ Services** offer developed by the Group's US subsidiary has been recognized by the Gartner Group as being the best solution available in the market to deal with the change of millennium, and has also been certified by the ITAA (Information Technology Association of America, the American body responsible for dealing with year 2000 problems in the industry sector). Since 1997, Cap Gemini has signed some 200 contracts involving the reprogramming of over 2 billion lines of code and has granted user licenses to other IT services companies. Blue-chip companies such as Chubb & Sun and Steelcase in the United States, British Telecom in the United Kingdom, Trygg Hansa and Nordbanken in Sweden, Crédit Commercial de France and Polygram in France have selected Cap Gemini to manage part of their year 2000 compliance programs, the success of which will be vital to ensure that their information systems function properly in the new millennium.

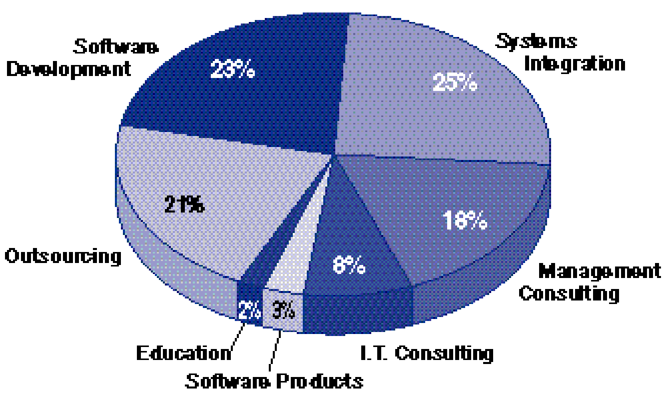
Facilities management

Three quarters of IT spending is devoted maintaining existing applications and ensuring that they work properly. By outsourcing these activities under a facilities management contract, customers are able to focus internal resources on their core businesses. The Group has developed a service offer that meets the needs of customers by allowing them to outsource the management of all or part of their IT resources. The services offered include Applications Management (AM), Distributed Computing Services (DCS) and Central Computing Services (CCS), all of which are in increasingly strong demand.

• In 1997, the Cap Gemini Group was awarded a 10-year facilities management contract by the world's largest business organization, **the US Chamber of Commerce,** to take over the management and development of its information systems, with a view to improving the level of service provided to members.

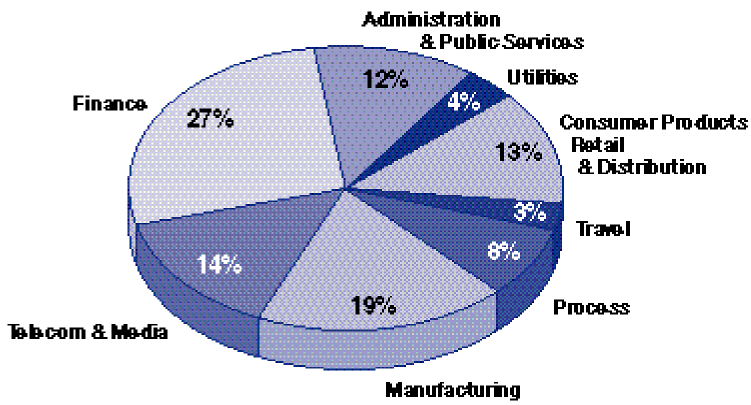
The **British Steel** contract is a good example of the full range of services offered by the Group. Cap Gemini will take over the management of all of British Steel's IT operations under a FF 4 billion strategic partnership agreement which provides for the transfer of 600 employees based at British Steel's various sites in the United Kingdom. The contract also confirms Cap Gemini's position as British Steel's preferred strategic partner for its systems development programs, with responsibility for all related IT projects. It testifies to the success of an initial 18-month period of cooperation under a 5-year contract signed in 1996 affecting the 300 computer engineers from one entity of the British Steel organization.

Breakdown of revenues



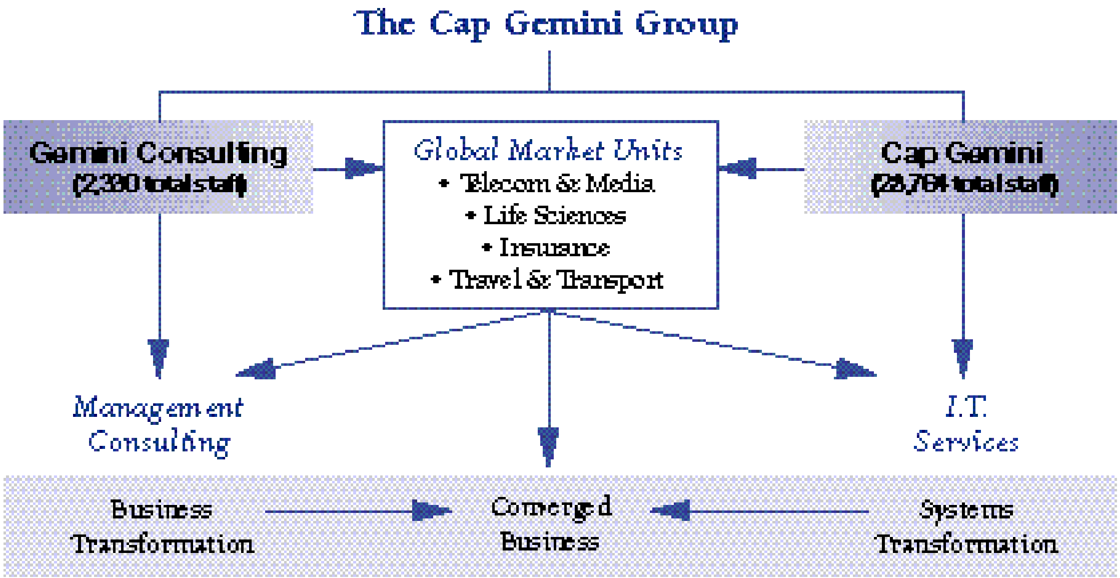
Breakdown of 1997 revenue (FF 20,177 million) by service line

Breakdown of 1997 revenue mix by sectors



Group organization structure

Cap Gemini's organization structure has evolved in line with market trends and to keep pace with changing customer needs.



The Group's new organization structure is designed to support the **convergence strategy** followed for the last three years. This strategy was developed in recognition of the role played by information systems in changing the way companies do business. The multi-disciplinary service approach offered by Gemini Consulting and Cap Gemini, building on their respective skills, represents a unique strength when it comes to satisfying customer demand for assistance in improving, transforming and even relaunching their businesses, while also installing new processes and designing and developing new systems.

➢ Cap Gemini's IT services business and Gemini Consulting have launched a joint initiative, known as **Supply Chain Excellence**, to develop an **Integrated Supply Chain Management Model.** This service offer is designed to optimize customers' logistics chains by providing management and decision-making aids which help them to manage flows and processes more efficiently, from order booking to delivery.

➢ Gemini Consulting and Cap Gemini's IT services business have also pooled their expertise to develop and launch the **Applied Knowledge Management** (AKM) service offer, which is designed to manage the accumulation of individual and collective knowledge within a customer's organization in order to promote more effective experience sharing. AKM enables the Cap Gemini Group to help customers build competitive, high value-added businesses, to develop best practice benchmarks as a means of smoothing cultural and national differences, to enhance staff productivity and to leverage the know-how and data stored in their information systems.

Cap Gemini's convergent approach was instrumental in securing not only the British Steel contract referred to earlier but also contracts with other major groups such as ABN Amro, Crédit Lyonnais, Elf Atochem and Eurotunnel.

The four **Global Market Units (GMUs)** set up in early 1997 offer an integrated management consulting and IT services response to the demand for convergent services in certain industries offering strong development potential. After less than one year's existence, the GMUs already account for over 20% of the Group's activities.

Telecom & Media

Deregulation and technological advances are creating substantial growth momentum in the Telecom and Media sector, with 600 new operators expected to enter the market in the next five years. Our experience represents a key source of leverage to support our penetration of new niches, including the management of telephone and on-line service subscriber and user bases.

• Nextel, a fast-growing global wireless telecommunications operator, selected the Cap Gemini Group to develop and implement a strategic customer care and billing system capable of absorbing a number of subscribers which is expected to increase by ten times over the next decade. To meet Nextel's needs, Cap Gemini's consulting business is delivering a business process improvement initiative, while the IT services department is handling the global integration of the systems, in partnership with LHS.

- Portal Information Network has signed a partnership agreement with the Cap Gemini Group in order to speed up the development of Portal's multi-service Infranet platform, which is already used in the United States by the leading Internet service providers. Cap Gemini offers a wide range of Infranet services, including integration, adaptation and support services, meeting all the needs of its customers in Europe, the United States and Asia.
- Three of Taiwan's six mobile telephone operators – KG Telecom, PCC and Mobitai – selected Cap Gemini to set up customer care and billing systems. Using the Mobile 4 methodology, Cap Gemini succeeded in bringing the new systems on-stream in the space of five months. To achieve this, a Chinese version of the BSCS package had to be produced, involving experts originating from Group subsidiaries in Singapore, Sweden and France. Cap Gemini has implemented BSCS at over 40 sites in the United States, Europe, Asia and Africa, making the Group the world's leading BSCS integrator.

Life Sciences

The life sciences sector represents a potential market for the Group estimated at some $ 13 billion. The main contracts signed in 1997 were as follows:

- Pasteur Mérieux Connaught – a subsidiary of Rhône-Poulenc – selected the Group to re-engineer processes and upgrade information systems at all subsidiaries, spread across 150 countries.
- Janssen Pharmaceutical Ltd – a subsidiary of Johnson & Johnson – chose Cap Gemini Life Sciences to install SAP R/3 at its Cork plant, in Ireland, after the Group had successfully performed the same task at various other European sites.
- The Hoffmann La Roche diagnostics division awarded the Group a contract to develop, implement, run and maintain a global sales and marketing system.

Insurance

The insurance market is highly concentrated and is constantly seeking new distribution channels. For this industry, the Group has developed its flagship Distribution and Customer Management (DCM) product, which has won over the UK's Royal & Sun Alliance Group.

Transport & Tourism

The growing proportion of household budgets devoted to transport and tourism has fueled strong growth within this sector where the use of new technologies represents a key source of competitive advantage. The Group's customer base in this sector includes major players such as Swedish Rail, Eurotunnel and Aéroports de Paris, and it has recently been selected by Virgin Rail as its consulting and IT services partner to assist with a project to transform the activities of the former West Coast and Cross Country services in order to create the United Kingdom's leading privately-owned railway operator.

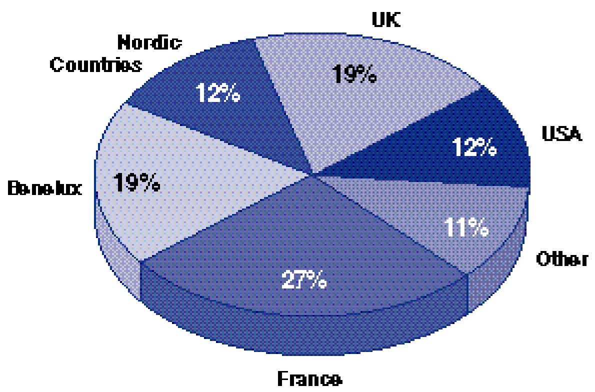
3. Human resources

In a business such as ours, success depends primarily on the quality of the men and women employed by the organization.The growth in demand for qualified engineers and consultants is so great, however, that companies are experiencing increasing difficulty in filling their human resources needs. The Group therefore places considerable emphasis on attracting and retaining the most talented staff.

The Cap Gemini Université, which was set up in 1991 to provide internal training to Group employees, is the cornerstone of the Group's internationalization strategy. By enabling employees from different countries to meet and get to know each other, the University lays the foundations for cross-border exchanges and promotes the creation of cooperative networks which in turn help to leverage the Group's know-how in a number of areas. In 1997, the Cap Gemini Université dispensed 15,500 man/days of training and launched an International Business School program for high-potential management staff. Developed jointly with Insead and the London Business School, the program is designed to help future senior managers to acquire the specific skills required to run the Group's business and also to build the sensitivity to cultural differences that represents one of the Group's key strengths.

Year	Average staff	Staff at year-end
1994	19,001	19,823
1995	20,477	22,079
1996	23,934	25,950
1997	28,059	31,094

Breakdown of headcount by country at December 31, 1997
(31,094 employees)



4. Investment policy

Cap Gemini's market share in the United States and Germany is lower than in the other countries where the Group operates:

- in Germany, since the August 1997 sale of Cap Gemini's 19.6% interest in debis SystemHaus (a joint-venture set up with the Daimler-Benz group), the Group is represented primarily by the 300 Gemini Consulting consultants,
- in the United States, the Group currently employs over 4,000 staff, but this constitutes a relatively small presence in a market that represents over 40% of the global market.

The Group is committed to strengthening its positions in these two countries by setting up alliances, with or without financial ties, and also by acquiring healthy companies offering a high level of synergy with Cap Gemini, which are capable of rapidly taking on-board the Group's business principles and culture.

Research and Development

Investment in innovation accounts for around 5% of Group revenue. The R&D budget is shared between Cap Gemini Innovation, the Group's specialist subsidiary, and all the operating units involved in projects using ground-breaking methods and technologies.

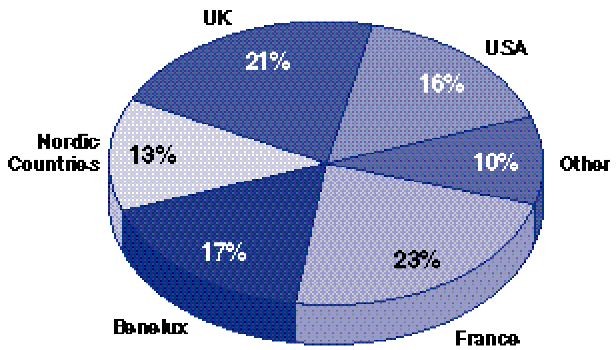
Recent investments

In early 1997, Cap Gemini acquired:

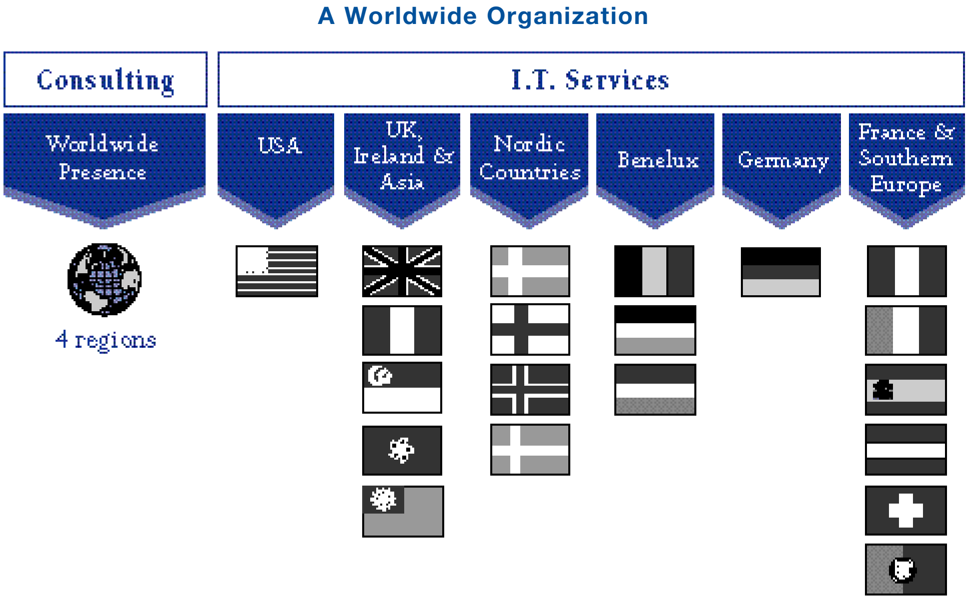
- a further 51% stake in Bossard group which is now wholly-owned. Bossard group's business was combined with the Gemini Consulting businesses effective January 1, 1998;
- a 51% interest in Portugal's Geslogica, now named Cap Gemini Portugal. In 1997, Geslogica had revenue of some FF 77 million, with 239 employees at year-end versus 138 when the company was acquired.

5. Activities of the main subsidiaries and affiliates

Breakdown of 1997 revenue
(FF 20,177 million) by country



Cap Gemini, the parent company of the Group, holds all the shares of its subsidiaries, with the exception of the Benelux subsidiary which is 57%-owned. The subsidiaries are organized around seven major operating units:



The Cap Gemini Group's main operating subsidiaries are as follows:

- **Cap Gemini America,** which posted 1997 revenue of FF 2,680 million and has 39 sites spread across the United States.
  Cap Gemini America developed the TransMillenium service offer which is designed to help customers achieve year 2000 compliance and is marketed by the Group through its operating subsidiaries.
- **Cap Gemini UK,** which had 1997 revenue of FF 3,750 million. Cap Gemini UK manages the Life Sciences, Insurance and Transport & Tourism GMUs and, effective from January 1, 1998, the company is also in charge of the Group's operations in South-East Asia.
- **Cap Gemini AB** is the holding company for the Group's subsidiaries in Sweden, Norway, Denmark and Finland. In 1997, Cap Gemini's operations in the Nordic countries generated revenue of FF 2,358 million.
- **Cap Gemini NV,** based in Benelux, is the only quoted subsidiary in the Group (on the Amsterdam stock exchange). Cap Gemini's direct interest in its capital stands at 57%. In 1997, Cap Gemini NV had revenue of FF 3,363 million.
- **Cap Gemini France** has spearheaded most of the Group's operations in France since January 1, 1997. Revenue for 1997 totaled FF 3,273 million.
- **Gemini Consulting** heads the Group's management consulting business which contributed FF 3.2 billion to consolidated revenue in 1997. Management consulting subsidiaries are located in the United States, Brazil, Europe, South Africa and Japan.

In addition to the operating companies referred to above, Cap Gemini owns the entire capital of **Cap Gemini Innovation,** which spearheads the Group's research and technological development activities, as well as two real estate companies. One of these companies owns the Group's head office building and the other owns the buildings housing the **Cap Gemini Université,** the international training center located in the western suburbs of Paris which plays a pivotal role in developing the Group's skill base.

1967/1997 financial summary

Year		Revenue (in MFF)	Average work force	Per capita revenue (in KFF)	Operating revenue		Net income, exclusive of minority interests		Number of shares at Dec. 31	Par value (in French francs)	Net income per share (in French francs)	Stock exchange capitalization at Dec. 31 (in MFF)
					Total (in MFF)	%	Total (in MFF)	%				
67/68	(1)	1.5	22	68	0.13	8.3 %	0.06	4.2 %	2 000	100	31.7	–
1969		4.2	49	86	0.44	10.5 %	0.20	4.8 %	10 000	100	22.3	–
1970		6.8	65	105	0.73	10.7 %	0.34	4.9 %	50 000	100	6.8	–
1971	(2)	26.2	391	67	2.65	10.1 %	1.19	4.5 %	50 000	100	23.7	–
1972		39.4	502	78	4.25	10.8 %	1.90	4.8 %	50 000	100	38.0	–
1973		52.1	647	81	5.84	11.2 %	2.56	4.9 %	120 000	100	21.3	–
1974	(3)	145.9	1 514	96	10.2	7.0 %	5.25	3.6 %	135 000	100	38.9	–
1975		226	1 893	119	14.1	6.2 %	8.2	3.6 %	135 000	100	60.5	–
1976		250	2 033	123	11.5	4.6 %	9.4	3.8 %	135 170	100	69.6	–
1977		293	2 138	137	15.4	5.3 %	10.8	3.7 %	340 000	100	31.8 (4)	–
1978		370	2 256	164	32.5	8.8 %	15.2	4.1 %	340 000	100	44.8	–
1979		455	2 543	179	51.8	11.4 %	21.9	4.8 %	340 000	100	64.4	–
1980		580	2 753	211	69.8	12.0 %	29.5	5.1 %	340 000	100	86.7	–
1981		823	3 368	244	86.2	10.5 %	43.0	5.2 %	442 000	100	97.2	–
1982		1 027	3 514	292	118.6	11.5 %	51.5	5.0 %	442 000	100	116.5	–
1983		1 404	3 776	371 (5)	140.6	10.0 %	72.3	5.1 %	540 000	100	133.9	–
1984		1 803	4 238	425	215	12.0 %	95.8	5.3 %	540 000	100	181.6	–
1985	(6)	2 222	4 910	452	265	12.1 %	133	6.0 %	3 262 500	20	40.7	4 528
1986		2 907	6 564	443	365	12.5 %	193	6.6 %	3 534 375	20	54.6	7 634
1987	(7)	4 175	8 908	469	563	13.5 %	280	6.7 %	3 891 890	20	72.0	5 274
1988		5 816	11 438	508	763	13.1 %	402	6.9 %	4 570 463	20	88.1	11 266
1989		7 055	12 974	544	783	11.1 %	525	7.4 %	25 251 046	40	20.8 (8)	12 853
1990	(9)	9 172	16 489	556	1 021	11.1 %	623	6.8 %	27 939 313	40	22.3	9 639
1991		10 028	17 971	558	724	7.2 %	560	5.6 %	37 472 775	40	14.9	10 867
1992	(10)	11 884	21 675	548	339	2.9 %	(72)	–	41 964 338	40	(1.7)	6 924
1993		11 028	20 900	528	201	1.8 %	(429)	–	42 431 755	40	(10.1)	7 417
1994	(11)	10 176	19 001	536	526	5.2 %	(94)	–	53 068 478	40	(1.8)	9 022
1995		11 329	20 477	553	678	6.0 %	52	0.5 %	53 073 228	40	1.0	7 324
1996	(12)	14 820	23 934	619	1 042	7.0 %	282	1.9 %	60 356 666	40	4.7	15 143
1997	(13)	20 177	28 059	719	1 636	8.1 %	762	3.8 %	61 198 877	40	12.5	30 202

(1) 15-month fiscal period (Oct. 1, 1967 - Dec. 31, 1968)
(2) creation of Eurinfor (processing and facilities management)
(3) merger with C.A.P.
(4) doubling of the registered capital by incorporation of premiums and reserves
(5) following sale of "data collection" activity (365 people) on Dec. 31, 1982
(6) introduction on French Stock Exchange (La Bourse) with 10% of capital (326,250 shares)
(7) following 5 months' integration of Sesa
(8) number of shares multiplied by 5.5 and par value raised to 40 francs after incorporation of reserves and split
(9) following 9 months' integration of Hoskyns
(10) following 12 months' integration of Volmac and 8 months of Programator
(11) following deconsolidation of German subsidiary Cap debis (FF 1.1 billion in 1993)
(12) following integration of 7 months of Gemini Consulting
(13) following 12 months' integration of Bossard Group.

Cap Gemini Group consolidated financial statements

Statutory Auditors' General Report on the consolidated financial statements for the years ended December 31, 1995, 1996 and 1997

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 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended.

These consolidated financial statements are the responsibility of the Executive Board. 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 audit 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 and 1997, the consolidated results of operations, changes in shareholders' equity and cash flows for the years then ended.

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 Executive Board is fairly stated and agrees with the consolidated financial statements.

Paris, March 4, 1998

The Statutory Auditors
Members of the Regional Company of Paris

CONSTANTIN ASSOCIES
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rascle - Philippe Christelle

Consolidated statements of income
for the years ended December 31, 1995, 1996 and 1997

(in millions of French francs)	Note	1995		1996		1997	
		Amount	%	Amount	%	Amount	%
Operating revenue	3	***11,329***	***100.0***	***14,820***	***100.0***	***20,177***	***100.0***
Cost of services rendered	4	8,002	70.6	10,449	70.5	13,850	68.7
General, administrative and selling expenses	4	2,649	23.4	3,329	22.5	4,691	23.2
Operating income		***678***	***6.0***	***1,042***	***7.0***	***1,636***	***8.1***
Interest expense, net	5	(280)	(2.5)	(215)	(1.4)	(189)	(0.9)
Other revenues and expenses, net	6	(21)	(0.2)	57	0.4	213	1.1
Income of fully consolidated companies before tax		***377***	***3.3***	***884***	***6.0***	***1,660***	***8.2***
Income tax	7	(118)	(1.0)	(297)	(2.0)	(574)	(2.8)
Net income of fully consolidated companies before amortization of goodwill		***259***	***2.3***	***587***	***4.0***	***1,086***	***5.4***
Equity in net results of affiliates	10	(21)	(0.2)	(23)	(0.2)	31	0.1
Minority interests		(92)	(0.8)	(129)	(0.9)	(165)	(0.8)
Net income before amortization of goodwill		***146***	***1.3***	***435***	***2.9***	***952***	***4.7***
Amortization of goodwill	8	(94)	(0.8)	(153)	(1.0)	(190)	(0.9)
Net income		***52***	***0.5***	***282***	***1.9***	***762***	***3.8***

Earnings per share		**1995**	**1996**	**1997**
Average number of shares		53,459,747	57,307,177	61,307,483
Diluted earnings per share (in FF)	1-n	***1.00***	***4.90***	***12.43***
Number of shares as of December 31		53,073,228	60,356,666	61,198,877
Primary earnings per share (in FF)	1-n	***0.99***	***4.67***	***12.45***

In 1997, consolidated net income before minority interests but after amortization of goodwill totaled FF 927 million, representing 4.6% of operating revenue, versus FF 411 million or 2.8% of operating revenue in 1996 and FF 145 million or 1.3% of operating revenue in 1995.

Consolidated balance sheets as of December 31, 1995, 1996 and 1997

(in millions of French francs)	Note	1995	1996	1997
Assets				
Intangible assets	8	6,546	8,665	8,742
Property, plant and equipment	9	609	1,539	2,014
Investments	10	1,049	542	233
Total non-current assets		***8,204***	***10,746***	***10,989***
Accounts and notes receivable, net	11	3,420	4,433	5,310
Other receivables	12	594	547	635
Financial receivables and short-term investments	14	927	1,385	1,339
Cash	14	403	740	1,211
Total current assets		***5,344***	***7,105***	***8,495***
Total assets		***13,548***	***17,851***	***19,484***
Guarantees received from third parties	18	31	79	58
Liabilities and shareholders' equity				
Share capital		2,123	2,414	2,448
Additional paid-in capital		3,444	4,528	4,621
Retained earnings		274	1,021	2,159
Total shareholders' equity	13	***5,841***	***7,963***	***9,228***
Minority interests	13	872	974	1,036
Shareholders' equity, including minority interests	13	***6,713***	***8,937***	***10,264***
Long-term debt	14	3,317	3,989	3,120
Provisions and other long-term liabilities	15	396	396	495
Total long-term liabilities		***3,713***	***4,385***	***3,615***
Short-term debt	14	697	1,163	1,065
Accounts and notes payable, net	16	2,285	3,118	4,133
Other payables		140	248	407
Total current liabilities		***3,122***	***4,529***	***5,605***
Total liabilities and shareholders' equity		***13,548***	***17,851***	***19,484***
Commitments given to third parties	18	2,183	2,629	2,696
Net debt	14	***2,684***	***3,027***	***1,635***

Consolidated statements of cash flows for the years ended December 31, 1995, 1996 and 1997

(in millions of French francs)	1995	1996	1997
Operating activities			
Income of fully consolidated companies before tax	***377***	***884***	***1,660***
Adjustments to reconcile income of fully consolidated companies before tax to cash generated by operations:			
Depreciation and amortization	250	336	489
Provisions	109	133	87
Profit on disposal of fixed assets	(64)	(84)	(252)
Other	(10)	(54)	(209)
Cash generated by operations	***662***	***1,215***	***1,775***
Change in accounts and notes receivable, net	(526)	(575)	(456)
Change in accounts and notes payable, net	86	55	157
Change in other receivables and payables, net	(7)	(91)	272
Net movement in working capital	***(447)***	***(611)***	***(27)***
Net cash provided by operating activities	***215***	***604***	***1,748***
Investing activities			
Acquisitions of property, plant and equipment and intangible fixed assets	(346)	(591)	(614)
Disposals of property, plant and equipment and intangible fixed assets	22	20	91
	(324)	(571)	(523)
Acquisitions of investments	(306)	(44)	(509)
Disposals of investments	983	266	1,093
	677	222	584
Net cash provided/(used) by investing activities	***353***	***(349)***	***61***
Equity financing activities			
Increase in share capital	1	26	127
Minority interests in increase in share capital of subsidiaries	7	50	27
Dividends paid	(57)	(71)	(217)
Net cash (used)/provided by equity financing activities	***(49)***	***5***	***(63)***
Net cash provided on a comparable group basis, before debt financing activities	***519***	***260***	***1,746***
Net debt at beginning of year	***3,157***	***2,684***	***3,027***
Net change in borrowings	(548)	(730)	(1,486)
Net change in financial receivables, short-term investments and cash	29	470	(260)
Net cash used by debt financing activities on a comparable group basis	***(519)***	***(260)***	***(1,746)***
Effect of exchange rate movements on net debt	46	8	85
Net debt of companies acquired or sold during the year	–	595	269
Net debt at end of year	***2,684***	***3,027***	***1,635***

Consolidated statement of changes in shareholders' equity

(in millions of French francs)	Number of shares (par value FF 40)	Share capital	Additional paid-in capital	Retained earnings	Shareholders' equity
As of January 1, 1995	***53,068,478***	***2,123***	***3,443***	***497***	***6,063***
Increase in share capital:					
- upon conversion of debentures	9	–	–	–	–
- upon exercise of options	4,741	–	1	–	1
Translation adjustments	–	–	–	(275)	(275)
Net income for 1995	–	–	–	52	52
As of December 31, 1995	***53,073,228***	***2,123***	***3,444***	***274***	***5,841***
Increase in share capital:					
- through the merger with Sogeti and Skip	7,106,993	284	1,065	110	1,459
- in exchange for warrants	30	–	–	–	–
- upon conversion of debentures	41	–	–	–	–
- upon exercise of options	176,374	7	19	–	26
Translation adjustments	–	–	–	355	355
Net income for 1996	–	–	–	282	282
As of December 31, 1996	***60,356,666***	***2,414***	***4,528***	***1,021***	***7,963***
Increase in share capital:					
- upon conversion of debentures	168	–	–	–	–
- upon exercise of options	842,043	34	93	–	127
Dividends paid	–	–	–	(121)	(121)
Translation adjustments	–	–	–	497	497
Net income for 1997	–	–	–	762	762
As of December 31, 1997	***61,198,877***	***2,448***	***4,621***	***2,159***	***9,228***

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.

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 stated 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	1997	1995	1996	1997
US dollar	4.98	5.11	5.83	4.90	5.24	5.99
Pound sterling	7.87	7.99	9.56	7.60	8.90	9.92
Deutsche Mark	3.48	3.40	3.37	3.42	3.37	3.35
Dutch guilder	3.11	3.03	2.99	3.05	3.00	2.97
Swedish krona	0.70	0.76	0.76	0.74	0.76	0.76
Italian lira (000)	3.07	3.32	3.43	3.09	3.43	3.40

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 for 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. Deferred tax assets recognized in prior years – less deferred tax liabilities, where appropriate – are written down when the related tax loss carry-forwards are not 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 reviewed 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, since the Group's adoption of I.A.S.C. standards in 1977, goodwill has been amortized on a straight-line basis over a maximum period of 40 years.

At each year end, the carrying value of goodwill is reviewed based on business growth and profitability criteria and a provision is set up if there is a diminution in value.

f) 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. They are stated at the lower of cost or fair value to the Group.

g) 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

h) 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.

i) 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. If necessary, a provision is made for forecast losses on completion.
- Revenues on **time and materials contracts** are recognized as services are rendered.
- "Accounts and notes receivable, net" corresponds primarily to trade accounts receivable less advances received from customers.

j) 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.

k) Provision for retirement benefits

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.

l) 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 losses and profits on the underlying items.

m) Statement of income presentation

Income and expenses are analyzed in the consolidated statement of income based on cost accounting principles, as follows:

- Operating expenses are broken down between:
  – cost of services rendered, and
  – general, administrative and selling expenses.
  Payroll costs and travel expenses are allocated between these two categories. Details of the amounts involved are provided in note 4 (operating expenses).
- Interest expense net corresponds to interest income from short-term investments less interest on long- and short-term debt.
- Other revenues and expenses include primarily:
  – exchange differences,
  – gains and losses on asset disposals,
  – provisions for diminution in value and dividends received from non-consolidated companies,
  – charges related to non-recurring operations (restructuring costs, etc.).

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 13-b) and the convertible debentures issued in February 1990 not redeemed on February 15, 1995 (note 14-a). Consolidated net income is restated to take account of interest expenses 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 short- and long-term debt, less financial receivables, short-term investments and cash.

p) Consolidated statement of cash flows

The consolidated statement of cash flows details cash provided and used by operating, investing and equity financing activities. Cash flows from debt financing activities are analyzed in note 14, "Net debt".

q) Segment information

The Group operates primarily in Europe and the United States, where it is engaged in management consulting, design, installation and operation of corporate information and communication systems. Operating revenue, assets and employees by geographic area are analyzed in Notes 3, 20 and 21 respectively.

2. Changes in Group structure in 1995, 1996 and 1997

a) 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) 1996

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

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

- At their respective Extraordinary Shareholders' Meetings of May 24, 1996, the shareholders of the companies concerned approved the merger of Sogeti and Skip into Cap Gemini Sogeti. Since May 24, 1996, the expanded company, Cap Gemini, has held 100% of the capital of Gemini Consulting, as opposed to 34% prior to the merger. Cap Gemini 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 10-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.

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

On December 31, 1996, Cap Gemini 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.

c) 1997

The three main changes in the scope of consolidation in 1997 were as follows:

- On August 8, 1997, the Cap Gemini Group sold its 19.6% interest in debis SystemHaus and its subsidiaries. The companies were accounted for by the equity method up to June 30, 1997.
- On January 1, 1997, Cap Gemini increased its 49% interest in Bossard Group to 100%. Accordingly, Bossard group was fully consolidated from that date.
- On January 11, 1997, Cap Gemini acquired 51% of Portugal's Geslogica, now renamed Cap Gemini Portugal. The company has been fully consolidated since its acquisition.

d) Pro forma accounts

If Bossard group and Gemini Consulting had been fully consolidated in 1995 and 1996, and Matra Cap Systèmes had been deconsolidated effective January 1, 1995, operating revenue and operating income would have been as follows:

(in millions of French francs)	1995		1996		1997	
	Amount	%	Amount	%	Amount	%
Operating revenue	14,289	100.0	16,206	100.0	20,177	100.0
Operating income	597	4.2	1,062	6.6	1,636	8.1

3. Operating revenue

Operating revenue by geographic area can be analyzed as follows:

(in millions of French francs)	1995		1996		1997	
	Amount	%	Amount	%	Amount	%
United States	1,314	12	2,053	14	3,226	16
United Kingdom	1,838	16	2,748	19	4,147	21
Nordic countries	1,617	14	2,105	14	2,629	13
Benelux	2,605	23	2,933	20	3,467	17
France	3,264	29	3,605	24	4,695	23
Other countries	691	6	1,376	9	2,013	10
Total	***11,329***	***100***	***14,820***	***100***	***20,177***	***100***

4. Operating expenses

Operating expenses consist primarily of payroll costs and travel expenses, as follows:

(in millions of French francs)	1995	1996	1997
Payroll costs	7,081	8,801	12,104
Travel expenses	462	788	1,209
Total	***7,543***	***9,589***	***13,313***
As a % of total operating expenses	71 %	70 %	72 %
As a % of total operating revenue	67 %	65 %	66 %

5. Interest expense, net

Net interest expense can be analyzed as follows:

(in millions of French francs)	1995	1996	1997
Interest income from short-term investments	81	75	55
Interest on debt	(355)	(292)	(263)
Other	(6)	2	19
Total	***(280)***	***(215)***	***(189)***

6. Other revenues and expenses, net

Other revenues and expenses can be analyzed as follows:

(in millions of French francs)	1995	1996	1997
Gains on disposal of shares	62	97	233
Gains on disposal of property, plant and equipment	–	–	20
Costs related to 1990 convertible debentures	(26)	–	–
Expenses in connection with the deconsolidation of CISI	(73)	–	–
Net foreign exchange gain	21	26	33
Dividends from non-consolidated companies	10	1	–
Restructuring and integration costs	(8)	(15)	(63)
Provisions for contingencies	–	(25)	(15)
Other, net	(7)	(27)	5
Total	***(21)***	***57***	***213***

Gains on disposal of shares reflect the sale of the 27.6% stake in Sema group in 1995, and the sale of Cap Gemini's 50% interest in Matra Cap Systèmes, together with various minority interests held by Gemini Consulting in 1996. Gains for 1997 relate to the sale of the 19.6% stake in debis SystemHaus and of non-strategic interests acquired at the time of acquisition of the Bossard group.

7. Provision for income taxes

a) Effect of income tax on net income

The provision for income taxes can be analyzed as follows:

(in millions of French francs)	1995	1996	1997
Current income tax expense	(155)	(280)	(607)
Deferred income tax benefit/(charge)	37	(17)	33
Total	***(118)***	***(297)***	***(574)***

In 1995, 1996 and 1997, several subsidiaries were subject to tax audits. Most of the tax reassessments have been disputed by the companies concerned. The impact of the increase in the French Tax rate in 1997 amounted to FF 14 million.

b) Tax losses

(in millions of French francs)	1995	1996	1997
Tax loss carry-forwards temporarily available	278	724	1,143
Tax loss carry-forwards available without time limit	649	429	408
Total tax loss carry-forwards	***927***	***1,153***	***1,551***
Related potential tax saving	337	504	582
Recognized deferred tax asset	85	90	377

As of December 31, 1997, the expiration dates of available tax loss carry-forwards were as follows:

Year of expiration	Amount
1998	19
1999	30
2000	37
2001	49
2002 and subsequent years	1,008
Without time limit	408
Total	***1,551***

c) Effective rate of income tax

In 1997, the average effective tax rate was 34.6% (1996: 33.6%; 1995: 31.3%). The standard rate of income tax in France rose from 33.3% in 1995 to 36.7% in 1996 and 41.7% in 1997.

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 changes in each country's contribution to consolidated earnings. The difference between the French standard rate of income tax and the effective tax rate paid by the Group can be analyzed as follows:

(%)	1996	1997
Standard tax rate in France	***36.7***	***41.7***
Impact (%) of:		
Utilized tax loss carry-forwards	(5.7)	(2.6)
Net deferred tax assets corresponding to tax loss carry-forwards	0.9	2.3
Difference in tax rates between countries	(4.2)	(4.5)
Income taxed at reduced rates	3.2	(3.5)
Permanent differences	2.7	1.2
Effective rate of income tax	***33.6***	***34.6***

8. Intangible assets

Changes in intangible assets can be analyzed as follows:

(in millions of French francs)	Market share	Goodwill	Other intangible assets	TOTAL
Gross value				
As of January 1, 1995	***3,726***	***3,691***	***134***	***7,551***
Translation adjustments	(184)	(35)	–	(219)
Acquisitions	–	73	33	106
Disposals	–	(128)	(6)	(134)
Changes in Group structure	–	(5)	–	(5)
As of December 31, 1995	***3,542***	***3,596***	***161***	***7,299***
Translation adjustments	324	95	(7)	412
Acquisitions	–	109	36	145
Disposals	–	(109)	(40)	(149)
Changes in Group structure	–	2,040	55	2,095
As of December 31, 1996	***3,866***	***5,731***	***205***	***9,802***
Translation adjustments	252	305	1	558
Acquisitions	–	18	39	57
Disposals	–	(638)	(26)	(664)
Changes in Group structure	–	365	6	371
As of December 31, 1997	***4,118***	***5,781***	***225***	***10,124***
Accumulated amortization				
As of January 1, 1995	***0***	***(591)***	***(79)***	***(670)***
Translation adjustments	–	16	–	16
Increase	–	(94)	(34)	(128)
Decrease	–	–	5	5
Changes in Group structure	–	23	1	24
As of December 31, 1995	***0***	***(646)***	***(107)***	***(753)***
Translation adjustments	–	(18)	(3)	(21)
Increase	–	(153)	(31)	(184)
Decrease	–	20	40	60
Changes in Group structure	–	(201)	(38)	(239)
As of December 31, 1996	***0***	***(998)***	***(139)***	***(1,137)***
Translation adjustments	–	(62)	(1)	(63)
Increase	–	(190)	(29)	(219)
Decrease	–	5	25	30
Changes in Group structure	–	11	(4)	7
As of December 31, 1997	***0***	***(1,234)***	***(148)***	***(1,382)***
Net value				
As of January 1, 1995	3,726	3,100	55	6,881
As of December 31, 1995	3,542	2,950	54	6,546
As of December 31, 1996	3,866	4,733	66	8,665
As of December 31, 1997	***4,118***	***4,547***	***77***	***8,742***

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 2,527 million), Volmac (FF 1,152 million) and Programator (FF 439 million) 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.

The change in the gross value of goodwill in 1997 primarily reflects the goodwill recognized on full consolidation of Bossard group with effect from January 1, 1997 (FF 366 million) less goodwill written off on deconsolidation of debis SystemHaus as of July 1, 1997 (FF 635 million).

Other intangible assets are mainly software and user rights.

9. Property, plant and equipment

Changes in property, plant and equipment in 1995, 1996 and 1997 can be analyzed as follows:

(in millions of French francs)	Land, buildings, fixtures and fittings(*)	Computer equipment	Other	TOTAL
Gross value				
As of January 1, 1995	***433***	***852***	***334***	***1,619***
Translation adjustments	(15)	(37)	(7)	(59)
Acquisitions	44	185	70	299
Disposals	(9)	(170)	(36)	(215)
Changes in Group structure	(6)	2	(7)	(11)
As of December 31, 1995	***447***	***832***	***354***	***1,633***
Translation adjustments	36	94	(5)	125
Acquisitions	85	342	70	497
Disposals	(76)	(129)	(48)	(253)
Changes in Group structure	794	138	5	937
As of December 31, 1996	***1,286***	***1,277***	***376***	***2,939***
Translation adjustments	34	85	10	129
Acquisitions	134	351	84	569
Disposals	(69)	(103)	(39)	(211)
Changes in Group structure	431	(42)	41	430
As of December 31, 1997	***1,816***	***1,568***	***472***	***3,856***
Accumulated depreciation				
As of January 1, 1995	***(177)***	***(597)***	***(260)***	***(1,034)***
Translation adjustments	8	22	4	34
Increase	(34)	(141)	(45)	(220)
Decrease	6	159	31	196
Changes in Group structure	1	(8)	7	–
As of December 31, 1995	***(196)***	***(565)***	***(263)***	***(1,024)***
Translation adjustments	(21)	(52)	3	(71)
Increase	(60)	(207)	(39)	(305)
Decrease	41	110	66	216
Changes in Group structure	(126)	(77)	(14)	(216)
As of December 31, 1996	***(362)***	***(791)***	***(247)***	***(1,400)***
Translation adjustments	(15)	(49)	(5)	(69)
Increase	(114)	(295)	(51)	(460)
Decrease	28	87	24	139
Changes in Group structure	(72)	35	(15)	(52)
As of December 31, 1997	***(535)***	***(1,013)***	***(294)***	***(1,842)***
Net value				
As of January 1, 1995	256	255	74	585
As of December 31, 1995	251	267	91	609
As of December 31, 1996	924	486	129	1,539
As of December 31, 1997	***1,281***	***555***	***178***	***2,014***

(*) including the SCI Château de Behoust buildings and the head office of Bossard group, which are being acquired under capital leases.

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, owner of the Group's head office, and SCI Château de Behoust, owner of the Cap Gemini Université buildings. The 1997 increase in this item primarily reflects the full consolidation of SNC Rouget de l'Isle, a Bossard group subsidiary, which is acquiring Bossard's head office building under a capital lease.

10. Investments

Investments can be analyzed as follows:

As of December 31 (in millions of French francs)	1995	1996	1997
Investments accounted for by the equity method	531	353	67
Shares in non-consolidated companies	151	158	130
Deposits and other long-term investments	367	31	36
Total	***1,049***	***542***	***233***

The decrease in the net value of investments in 1996 is attributable to the full consolidation of Gemini Consulting with effect from May 24, 1996 and repayment of loans granted to Gemini Consulting Holding as of December 31, 1995. The 1997 decrease in this item primarily reflects the full consolidation of Bossard group with effect from January 1, 1997 and the deconsolidation of debis SystemHaus from July 1, 1997.

a) Investments accounted for by the equity method

(in millions of French francs)	1995	1996	1997
As of January 1	***607***	***531***	***353***
Translation adjustments	(3)	(13)	(1)
Equity in net results of affiliates	(21)	(23)	31
Dividends paid	–	(4)	–
Increase in share capital	(52)	–	52
Changes in Group structure and other	–	(138)	(368)
As of December 31	***531***	***353***	***67***

Investments accounted for by the equity method can be analyzed as follows:

(in millions of French francs)	% interest	Operating revenue	Share of net results included in CG Group accounts	Equity in net assets as of December 31
1995				
debis SystemHaus	19.6	6,924	37	258
Gemini Consulting	34.0	2,729	(50)	193
Bossard group	16.7	868	0	35
APIS	34.0	167	(7)	35
Other (a)	–	–	(1)	10
Total	–	–	***(21)***	***531***
1996				
debis SystemHaus	19.6	8,143	43	294
Gemini Consulting	(b) 34.0	(b) 1,473	(52)	–
Bossard group	(c) 49.0	904	7	29
APIS	34.0	116	(20)	16
Other (a)	–	–	(1)	14
Total	–	–	***(23)***	***353***
1997				
APIS	34.0	166	(3)	57
Other (d)	–	–	34	10
Total	–	–	***31***	***67***

(a) Corresponds to the Group's equity in the net results and net assets of various companies representing non-material amounts.
(b) Up to May 24, 1996.
(c) From May 24, 1996.
(d) Corresponds primarily to the FF 32 million contribution of debis SystemHaus, which was deconsolidated with effect from July 1, 1997.

b) Shares in non-consolidated companies

This item corresponds primarily to shares in CISI.

11. Accounts and notes receivable, net

As of December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Trade accounts and notes receivable, net	3,144	4,009	4,825
Other accounts and notes receivable	276	424	485
Total	***3,420***	***4,433***	***5,310***

a) Trade accounts and notes receivable, net

As of December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Trade accounts receivable	2,819	3,899	5,015
Work-in-progress	1,240	1,350	1,526
Provisions for doubtful accounts	(37)	(89)	(116)
Advances received from customers	(878)	(1,151)	(1,600)
Total	***3,144***	***4,009***	***4,825***

b) Other accounts and notes receivable

As of December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Inventories (net of provisions)	30	32	29
Employees and social security	46	53	56
Prepaid and recoverable taxes	108	133	139
Other	92	206	261
Total	***276***	***424***	***485***

12. Other receivables

As of December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Income tax prepayments	243	231	170
Deferred tax assets, net	94	74	154
Other	257	242	311
Total	***594***	***547***	***635***

Income tax prepayments for 1997 include an amount of FF 57 million (1996: FF 177 million; 1995: FF 177 million), 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 7-b), net of the tax impact of the creation of Gemini Consulting Group.

13. Shareholders' equity

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

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

Consolidated retained earnings represent the sum 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 December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Retained earnings of Cap Gemini S.A.	1,049	1,349	1,831
Retained earnings of subsidiaries (*)	117	188	347
Cumulative translation adjustments	(892)	(516)	(19)
Total	***274***	***1,021***	***2,159***

(*) 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 Shareholders' Meetings and the Directoire by the Ordinary Shareholders' Meeting 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 exercise period	January 1, 1990	July 1, 1993	July 1, 1996
Exercise period	6 years	6 years	6 years
Exercise price - as a % of the average quoted market price for the 20 trading days preceding the date of grant - price (in FF) . low . high	 90 % 139.42 356.80	 95 % 126.00 193.27	 80 % 154.00 267.00
Number of shares subscribed as of December 31, 1997	728,720	322,649	2,460
Potential number of shares to be created on exercise of options outstanding as of December 31, 1997	737,369	3,485,685	2,332,490

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

The present value of the Company's liability for payroll taxes, assuming that all the options held by French holders and outstanding as of December 31, 1997 were to be exercised within the five-year period, would amount to some FF 400 million.

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 carried 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.

d) Minority interests

Minority interests, corresponding to third parties' equity in the net assets of Cap Gemini subsidiaries can be analyzed as follows:

(in millions of French francs)	1995	1996	1997
As of January 1	*847*	*872*	*974*
Minority interests in increase in share capital of subsidiaries	4	29	27
Minority interests in net income of subsidiaries	92	129	165
Minority interests in cumulative translation adjustments	(5)	16	(32)
Dividends paid by subsidiaries to minority shareholders	(66)	(72)	(98)
As of December 31	*872*	*974*	*1,036*

Minority interests primarily represent shares owned by the public in Cap Gemini NV, which is quoted on the Amsterdam Stock Exchange.

14. Net debt

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

As of December 31 (in millions of French francs)	1995	1996	1997
Long-term debt	3,317	3,989	3,120
Short-term debt	697	1,163	1,065
Total debt	*4,014*	*5,152*	*4,185*
Financial receivables and short-term investments	(927)	(1,385)	(1,339)
Cash	(403)	(740)	(1,211)
Net debt	*2,684*	*3,027*	*1,635*

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

(in millions of French francs)	Debt	Financial receivables and short-term investments	Cash	Net debt
As of January 1, 1995	*4,661*	*(987)*	*(516)*	*3,158*
Translation adjustments	(100)	60	84	44
Movements for the period	(547)	–	29	(518)
Changes in Group structure	–	–	–	–
As of December 31, 1995	*4,014*	*(927)*	*(403)*	*2,684*
Translation adjustments	(91)	–	99	8
Movements for the period	(730)	156	314	(260)
Changes in Group structure	1,959	(614)	(750)	595
As of December 31, 1996	*5,152*	*(1,385)*	*(740)*	*3,027*
Translation adjustments	173	(80)	(8)	85
Movements for the period	(1,487)	147	(406)	(1,746)
Changes in Group structure	347	(21)	(57)	269
As of December 31, 1997	*4,185*	*(1,339)*	*(1,211)*	*1,635*

a) Debt

• Analysis of change in debt

(in millions of French francs)	1995	1996	1997
As of January 1	*4,661*	*4,014*	*5,152*
Translation adjustments	(100)	(91)	173
Repayments	(1,247)	(1,157)	(1,878)
New borrowings	700	428	391
Changes in Group structure	–	1,958	347
As of December 31	*4,014*	*5,152*	*4,185*

• Analysis of debt

As of December 31 (in millions of French francs)	1995	1996	1997
Convertible debentures (1990)	34	34	–
debis debenture loan (1991)	–	257	–
Debenture loan (1994)	995	995	995
Bank borrowings	1,780	1,602	524
Drawdowns against lines of credit	508	1,274	1,583
Obligations under capital leases	–	350	648
Short-term debt and accrued interest	499	262	81
Bank overdrafts	198	378	354
Total	*4,014*	*5,152*	*4,185*

• Convertible debentures (1990)

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

In accordance with the terms of the issue, the Company elected to redeem all outstanding debentures early, with conversion possible until March 31, 1997. All convertible debentures outstanding (57,008 debentures as of December 31, 1996, representing FF 34 million) were redeemed on March 31, 1997.

• debis debenture loan (1991)

On August 8, 1997, all remaining debentures were redeemed early upon the sale of the Group's interest in debis SystemHaus.

• Debenture loan (1994)

In December 1994, Cap Gemini issued a debenture loan in an amount of FF 995 million, 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 corresponds primarily to various foreign currency loans totaling FF 306 million (1996: FF 902 million), taken out mainly between 1990 and 1997 to finance the acquisition of companies in Europe and the United States.

• Drawdowns against lines of credit

The Company has obtained a FF 2,700 million multi-currency line of credit from a banking syndicate which expires on December 27, 2001.

The main characteristics of this line of credit are as follows:

– 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 mainly to back up commercial paper (FF 1,375 million) with an average term of one month that has been issued to take advantage of interest rate curve and for the purpose of foreign currency drawdowns (FF 208 million in US dollars and various European currencies) 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 drawdowns over the life of the facility.

• Obligations under capital leases

Obligations under capital leases as of December 31, 1997 relate primarily to the financing of leasehold improvements to the Cap Gemini Université building and the Bossard group head office, and of IT equipment acquired by Cap Gemini UK for its facilities management business.

The main characteristics of the leases are as follows:

(in millions of French francs)	Expiration	Interest rate	Obligation as of December 31, 1996	Obligation as of December 31, 1997
Cap Gemini Université	March 2012	3-month Pibor + 0.7 %	250	245
Bossard group head office	July 2006	3-month Pibor + 0.6 %	–	232
Cap Gemini UK	March 1998 to September 2001	Fixed rates (7.1 % to 7.73 %)	100	171
Total			***350***	***648***

• Interest rates

During 1997, the average interest rate on Group debt was 4.6% (1996: 4.6%; 1995: 7.3%).

• Maturities of debt

Maturities of debt are as follows:

As of December 31	1995		1996		1997	
(in millions of French francs)	Amount	%	Amount	%	Amount	%
1996	697	17	–	–	–	–
1997	1,123	28	1,163	23	–	–
1998	600	15	277	5	1,065	25
1999	1,286	32	1,406	27	1,372	33
2000	292	7	171	3	399	10
2001	16	1	1,902	37	1,008	24
2002	–	–	233	5	43	1
2003 and subsequent years	–	–	–	–	298	7
Total	***4,014***	***100***	***5,152***	***100***	***4,185***	***100***

• Breakdown by currency

The breakdown of debt by currency is as follows:

As of December 31	1995		1996		1997	
(in millions of French francs)	Amount	%	Amount	%	Amount	%
French franc	3,229	81	3,473	68	3,143	75
Pound sterling	259	6	479	9	171	4
US dollar	167	4	420	8	150	4
Swedish krona	108	3	230	5	267	6
Deutsche Mark	–	–	218	4	134	3
Dutch guilder	137	3	165	3	47	1
Other currencies	114	3	167	3	273	7
Total	***4,014***	***100***	***5,152***	***100***	***4,185***	***100***

• Collateral

As of December 31, 1997, borrowings totaling FF 658 million were secured by collateral (1996: FF 366 million).

b) Financial receivables and short-term investments

As of December 31 (in millions of French francs)	1995	1996	1997
Financial receivables	–	203	36
Short-term deposits and marketable securities	927	1,182	1,303
Total	***927***	***1,385***	***1,339***

Financial receivables mainly represent 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.

15. Provisions and other long-term liabilities

As of December 31 (in millions of French francs)	1995	1996	1997
Long-term deferred taxes	35	–	47
Employee profit-sharing reserve	102	62	59
Provisions	259	334	389
Total	***396***	***396***	***495***

Provisions comprise primarily provisions for retirement benefits totaling FF 216 million (1996: FF 181 million; 1995: FF 191 million) and provisions for litigation and other contingencies and charges totaling FF 173 million (1996: FF 153 million; 1995: FF 68 million).

16. Accounts and notes payable, net

As of December 31 (in millions of French francs)	1995	1996	1997
Trade accounts payable, net	670	941	1,118
Accrued personnel cost	856	1,345	1,881
Accrued taxes	571	600	909
Other	188	232	225
Total	***2,285***	***3,118***	***4,133***

17. Financial instruments

Cap Gemini Group minimizes certain 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 1997, interest rate and currency hedges were as follows:

• Interest rate swaps:

In 1997, the Group closed out the 7-year contract set up in 1993 whereby the 92.5% fixed interest rate on an amount of GBP 60 million was swapped for the 6-month Libor + 2.36%.

Several 5-year contracts were set up in December 1994 whereby fixed interest rates averaging 7.63% on an amount of FF 1 billion were swapped for variable rates based on the 3- or 6-month Pibor. As of December 31, 1997, the Group also swapped variable interest rates for fixed interest rates on the following positions:
– interest rate swap on a nominal amount of FF 200 million (1996: FF 300 million),
– futures contracts on nominal amounts totaling FF 300 million (1996: FF 1,700 million).

In addition, fixed interest rates were swapped for a variable rate (weighted average overnight money market rate - "TMP") in order to hedge one-month commercial paper for a total amount of FF 175 million (1996: FF 680 million).

• Forward purchases/sales of foreign currencies:

As of December 31, 1997, currency hedges for receivables and debts denominated in pounds sterling, deutsche marks and US dollars, totaled FF 111 million. As of the 1996 year-end, currency hedges amounted to FF 343 million and covered US dollar-denominated receivables.

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

18. Guarantees received from and commitments given to third parties

As of December 31 (in millions of French francs)	**1995**	**1996**	**1997**
Guarantees received from third parties			
• on contracts	30	60	45
• other	1	19	13
Total	***31***	***79***	***58***
Commitments given to third parties			
• on contracts	81	105	110
• on non-cancelable leases (buildings and equipment)	1,460	2,038	2,228
• on borrowings	372	176	123
• other	270	310	235
Total	***2,183***	***2,629***	***2,696***

19. Exceptional events and litigation

No exceptional event or litigation is currently in progress which might have a material impact on the business, financial position, results, assets and liabilities or outlook of the Company or the Group.

20. Total number of employees

Employees by geographic area can be analyzed as follows:

	1995		1996		1997	
	Employees	%	Employees	%	Employees	%
United States	2,704	12	3,522	14	3,827	12
United Kingdom	4,314	19	4,740	18	5,915	19
Nordic countries	2,818	13	3,085	12	3,636	12
Benelux	4,640	21	5,208	20	5,888	19
France	5,949	27	6,828	26	8,350	27
Other countries	1,654	8	2,567	10	3,478	11
Total	***22,079***	***100***	***25,950***	***100***	***31,094***	***100***

21. Geographic segment information

Operating revenue and main assets can be analyzed as follows by geographic area as of December 31, 1997:

(in millions of French francs)	Operating revenue	Accounts and notes receivable, net	Non-current assets
United States	3,226	610	1,195
United Kingdom	4,147	858	4,162
Nordic countries	2,629	496	843
Benelux	3,467	978	1,827
France	4,695	1,614	2,078
Other countries	2,013	754	885
Total	***20,177***	***5,310***	***10,989***

22. Subsequent events

The Directoire has recently approved a capital increase in cash. The exact terms and conditions of the share issue had not been determined as of the date of preparation of these notes.

23. Other information

The Group has taken the necessary internal measures to prepare for the January 1999 introduction of the euro. The related system upgrades will be installed based on a schedule established separately for each country concerned and the corresponding costs will be expensed as incurred.

A special unit has been set up to ensure that the Group's various IT systems will achieve year 2000 compliance on schedule. Given the nature of the Group's business, internal year 2000 compliance costs should not be significant and will be expensed as incurred.

24. Main affiliated companies

	Head office	% interest
Cap Gemini S.A.	Paris (France)	Parent company
Cap Gemini AB and subsidiaries	Bromma (Sweden)	100
Cap Gemini America	New York (United States)	100
Cap Gemini Asia and subsidiaries	Singapore (Singapore)	100
Cap Gemini Austria	Vienna (Austria)	100
Cap Gemini España	Madrid (Spain)	100
Cap Gemini France and subsidiaries (a)	Paris (France)	100
Cap Gemini Italia and subsidiaries	Rome (Italy)	100
Cap Gemini Innovation	Paris (France)	100
Cap Gemini NV and subsidiaries	Utrecht (Netherlands)	57
Cap Gemini Portugal	Lisbon (Portugal)	100
Cap Gemini Service	Paris (France)	100
Cap Gemini Suisse	Zurich (Switzerland)	100
Cap Gemini Telecom and subsidiary	Paris (France)	100
Cap Gemini UK and subsidiaries	London (United Kingdom)	100
Cap Gemini Université	Paris (France)	100
Gemini Consulting Holding S.A. and subsidiaries	Paris (France)	100
Bossard group and subsidiaries (b)	Issy-les-Moulineaux (France)	100
SCI du Château de Behoust	Paris (France)	100
SCI Paris Etoile	Paris (France)	100
debis SystemHaus (c)	Berlin (Germany)	20

(a) Including APIS, accounted for by the equity method.
(b) Fully consolidated from January 1, 1997.
(c) Accounted for by the equity method up to June 30, 1997 and sold at the beginning of the 1997 second half.

Summarised financial statements of Cap Gemini S.A.

The full financial statements, including the notes, may be obtained from the Company on request. The Statutory Auditors' Reports presented below 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, 1997, 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 audits.

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 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 financial statements present fairly the results of operations for the year ended December 31, 1997, and the financial position and assets of the Company at that date.

2. Specific procedures and information

We have 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 financial statements is fairly stated and agrees with the financial statements.

Pursuant to the provisions of Articles 356 and 356-3 of the French Companies Act of July 24, 1996, we have 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 4, 1998

The Statutory Auditors
Members of the Regional Company of Paris

CONSTANTIN ASSOCIES
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rascle - 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 authorized by the Supervisory Board.

In connection with the divestment by Daimler-Benz InterServices (debis) AG of its interest in Cap Gemini Group at the beginning of the 1997 second half, the following operations were performed simultaneously:

– sale by Cap Gemini S.A. and its subsidiary Cap Gemini Europe BV to debis of all the debis SystemHaus GmbH (dSH) shares held by the Cap Gemini Group, at an agreed total sale price of DEM 314 million;

– the early repayment by Cap Gemini S.A. of the debenture held by debis. The amount repaid included the outstanding principal of FF 256.6 million (DEM 76 million) plus accrued interest as of the date of repayment. The debenture was issued on December 27, 1991 and its terms were modified on March 27, 1996.

Member of the Supervisory Board concerned: Klaus MANGOLD

Paris, March 4, 1998

The Statutory Auditors
Members of the Regional Company of Paris

CONSTANTIN ASSOCIES	**COOPERS & LYBRAND AUDIT**
Jean-François Serval - Laurent Lévesque	Bernard Rascle - Philippe Christelle

Summarised statements of income for the years ended December 31, 1995, 1996 and 1997

(in millions of French francs)	1995	1996	1997
Operating revenue	338	408	438
Operating expenses	(105)	(121)	(119)
Operating income	***233***	***287***	***319***
Interest expense, net	(329)	(54)	(223)
Other income and expense, net	9	5	603
Income tax	15	(48)	(107)
Net (loss)/income	***(72)***	***190***	***592***

Summarised balance sheets as of December 31, 1995, 1996 and 1997

(in millions of French francs)	1995	1996	1997
Assets			
Non-current assets	10,135	11,289	12,989
Current assets	844	1,648	809
Other assets	192	56	60
Total assets	***11,171***	***12,993***	***13,858***
Liabilities and shareholders' equity			
Shareholders' equity	6,616	8,291	8,889
Provisions	120	159	41
Long- and short-term debt	4,237	4,371	4,323
Other liabilities	198	172	605
Total liabilities and shareholders' equity	***11,171***	***12,993***	***13,858***

Subsidiaries and investments

(in millions of French francs)	Share capital	Other share-holders' equity (including net income/(loss) for the year) (a)	% interest	Number of shares	Book value of shares Gross	Book value of shares Net	Loans and advances granted by the Company	Guarantees given	1997 revenue	Dividends received
Subsidiaries										
Cap Gemini Holding Inc.	76	325	100	1,000	249	249	150	63	2,703	–
CGS Holdings Ltd	4,131	1,462	100	436,348,966	3,745	3,745	793	–	3,913	–
Cap Gemini AB	7	1,025	100	10,000	983	983	–	76	2,460	19
Cap Gemini Europe BV	589	2,092	100	194,101	2,328	2,328	–	–	3,455	–
Cap Gemini Telecom	600	(6)	100	6,001,800	600	600	–	–	598	29
Cap Gemini France	169	16	100	1,689,880	449	449	–	–	3,836	–
Cap Gemini Service	50	13	100	499,994	241	63	–	–	327	–
Cap Gemini Innovation	33	(16)	100	329,992	65	17	–	–	59	–
Gemini Consulting S.L. (Spain)	71	155	77	948,154	185	185	–	–	255	–
Cap Gemini Italia	556	(344)	95	95,000	521	201	–	36	335	–
Cap Gemini Asia	85	(59)	100	2,000,001	85	85	–	1	137	–
Gemini Consulting Holding S.A.	2,064	206	100	41,293,350	2,416	2,416	–	335	3,447	–
Gemini Consulting Holding BV	281	25	100	185,000	302	302	–	–	–	–
SCI Paris Etoile	–	13	100	10,000	318	201	–	–	18	13
Other (France)	nm	nm	nm	nm	14	14	–	245	–	3
Other	nm	nm	nm	nm	23	23	12	nm	–	–
Investments										
Cisi	118	–	36	16,937,665	288	115	–	–	–	–
Other	nm	nm	nm	nm	9	6	nm	nm	nm	nm

nm : not meaningful

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

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

Cap Gemini is at the head of the French tax group made up of 9 companies. The impact of tax consolidation in 1997 is a benefit of FF 20 million.

Changes in shareholders' equity

(in millions of French francs)	1995	Income appropriation to reserves 1995	May 24 merger	Other changes	1996	Income appropriation to reserves 1996	Other changes	1997
Share capital	2,123	–	284	7	2,414	–	34	2,448
Additional paid-in capital	3,444	–	1,065	19	4,528	–	93	4,621
Legal reserve	170	–	71	–	241	–	–	241
Untaxed reserves	235	–	39	–	274	–	–	274
Other reserves	706	(72)	–	–	634	74	–	708
Retained earnings (*)	10	–	–	–	10	(5)	–	5
Dividends paid	–	–	–	–	–	121	(121)	–
Net (loss)/income	(72)	72	–	190	190	(190)	592	592
Total	***6,616***	**-**	***1,459***	***216***	***8,291***	***0***	***598***	***8,889***

(*) Amount available for distribution after payment of the "précompte" withholding tax.

Five-year financial summary

(in millions of French francs)	1993	1994	1995	1996	1997
I - Share capital at year-end					
Share capital	1,697	2,123	2,123	2,414	2,448
Number of common shares outstanding	42,431,755	53,068,478	53,073,228	60,356,666	61,198,877
Maximum number of future shares to be created					
- through conversion of debentures	3,381,631	3,018,489	78,700	78,700	–
- through exercise of equity warrants	4,234,566	4,409,497	4,409,497	–	–
II - Operations and results of the current year					
Operating revenue	282	329	338	408	438
Total operating and financial revenue	889	688	676	884	1,024
Income/(loss) before taxes, depreciation and provisions	311	(61)	102	347	942
Income tax	(72)	(47)	(15)	48	107
Net income/(loss)	317	(94)	(72)	190	592
Distributed income	–	–	–	121	(a) 214
III - Earnings per share (in FF)					
(par value per share: FF 40)					
Earnings/(loss) after taxes, but before depreciation and provisions	9.03	(0.28)	2.21	4.96	13.65
Net earnings/(loss)	7.47	(1.77)	(1.36)	3.14	9.67
Dividend per share, net	–	–	–	2.00	(a) 3.50
IV - Employee data					
Average number of employees during the year	–	–	–	–	–
Total payroll	–	–	–	–	–
Total benefits	–	–	–	–	–

(a) Subject to approval by the Ordinary and Extraordinary Shareholders' Meeting of April 16, 1998.

Special report of the Statutory Auditors to the Extraordinary Shareholders' Meeting of April 16, 1998

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, 339-5 and 186 of the French Companies Act of July 24, 1996, 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 shares and restricted share issues.

a) Issues of marketable securities convertible, redeemable or otherwise exchangeable for new Cap Gemini 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 increases(s) resulting directly or indirectly from each of these issues may not exceed FF 750 million. As provided for in the seventeenth 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.

Under the terms of the resolutions, the Directoire will be authorized 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 ninth, eleventh, thirteenth and fifteenth resolutions and through the exercise of rights under the ninth, tenth, thirteenth and fourteenth resolutions.

b) Restricted share issues

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 a maximum of FF 4 billion, in particular, by issuing new shares at par or at a premium, in exchange for cash or by capitalizing debt.

If you approve these resolutions, the Directoire will be authorized to carry out one or several capital increases for cash, without pre-emptive subscription rights, up to the maximum authorized in the twenty-eighth resolution. This authorization will be valid for a period of three years.

You will further be invited to authorize the Directoire to establish the terms and conditions of this/these operation(s) and that you waive your pre-emptive subscription rights.

***

We have examined the proposals to issue marketable securities and increase the capital according to the standards required for 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 determination of the issue price for new shares, conversion bases, exercise price(s) of the subscription rights or amounts concerned, as presented in the Report of the Directoire.

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

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

Paris, March 4, 1998

The Statutory Auditors
Members of the Regional Company of Paris

CONSTANTIN ASSOCIES	**COOPERS & LYBRAND AUDIT**
Jean-François Serval - Laurent Lévesque	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 N°	Type of issue	Waiver of pre-emptive subscription rights		Authorization valid for
		Securities	Shares	
9	Debentures convertible into shares	yes	yes	2 years
10	Idem	no	yes	2 years
11	Debentures with equity warrants	yes	automatic	2 years
12	Idem	no	automatic	2 years
13	Equity warrants	yes	yes	1 year*
14	Idem	no	yes	1 year*
15	Securities convertible, redeemable or otherwise exchangeable for newly-created shares at a fixed date or at any time	yes	automatic	maximum legal period
16	Idem	no	automatic	maximum legal period

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

Resolutions submitted by the Directoire to the Ordinary and Extraordinary Shareholders' Meeting of April 16, 1998

All these resolutions were adopted without amendment, with the exception of the 23rd resolution which was amended pursuant to a motion put forward by the Directoire in response to a unanimous request by the Supervisory Board. The amendment, which was adopted during the meeting, increased from one to one hundred the minimum number of shares to be held by each member of the Supervisory Board. Resolution No. 23 presented below takes account of this amendment.

Ordinary resolutions

First resolution

Approval of 1997 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, 1997 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, 1997, comprising the balance sheet, statement of income and notes, as presented, as well as the transactions reflected in these financial statements or summarised in these reports.

The General Shareholders' Meeting notes that the consolidated financial statements for the year ended December 31, 1997 have been submitted to it and that the Report of the Directoire on the management of the Group is included in the Report of the Directoire.

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 596,599,104.41, corresponding to net income for the year of FF 591,767,120.41 and retained earnings of FF 4,831,984.00 as follows:

• legal reserve	FF 3,368,844.00
• dividends, on the basis of a dividend per share of FF 3.5	FF 214,196,069.50
• "other reserves"	FF 374,726,274.91
• retained earnings	FF 4,307,916.00
Total	FF 596,599,104.41

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 61,198,877 shares which make up the share capital as of December 31, 1997 at FF 3.5 (three point five French francs), giving rise to a tax credit of FF 1.75 per share. The dividend will be payable as from April 17, 1998.

Pursuant to Article 243 (ii) of the French General Tax Code, the General Shareholders' Meeting notes that a dividend of FF 120,713,332 (2 French francs plus a tax credit of 1 French franc x 60,356,666 shares) was paid for 1996 and that no dividends were paid for 1995 and 1994.

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 French Companies Act.

Sixth resolution
Ratification of the nomination of a member of the Supervisory Board

The General Shareholders' Meeting ratifies the temporary nomination by the Supervisory Board of Mr. Guy de Wouters as a member of the Supervisory Board as of September 8, 1997 and confirms that the term of office of Mr. de Wouters will expire at the close of the General Shareholders' Meeting to be called to approve the 2001 accounts.

Seventh resolution
Ratification of the nomination of a member of the Supervisory Board

The General Shareholders' Meeting ratifies the temporary nomination by the Supervisory Board of Mr. Christian Blanc as a member of the Supervisory Board as of October 1, 1997 and confirms that the term of office of Mr. Blanc will expire at the close of the General Shareholders' Meeting to be called to approve the 2001 accounts.

Eight 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 French Companies Act 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 900, or the equivalent in euros,
– shares may not be sold at a price of less than FF 450, or the equivalent in euros.
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 operations.

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 sixth ordinary resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 7, 1997.

Extraordinary resolutions

Ninth resolution
Public issue of convertible debentures without pre-emptive 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, euros or another currency, provided that the aggregate nominal value of the issue or issues does not exceed FF 3 billion.

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, in French francs or euros, received by the Company for each share will be at least equal to the average, or from January 4, 1999, to the equivalent in French francs, 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 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' pre-emptive 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 in 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 it. 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 be effected only without prejudicing the rights of 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 appropriate 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.

Tenth resolution

Public issue of convertible debentures with pre-emptive 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, to be offered to existing shareholders on a pre-emptive basis, pro rata to their existing interest in the Company's capital, said pre-emptive 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 does not exceed FF 3 billion or the equivalent in euros.

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' pre-emptive 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 be effected only without prejudicing the rights of 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 appropriate 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.

Eleventh resolution

Public issue of debentures with equity warrants, without pre-emptive 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, euros or another currency, provided that the aggregate nominal value of the issue or issues does 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, or the equivalent in euros, not including any adjustments that may be made.

The present authorization entails the waiver by shareholders, in favor of equity warrant-holders, of their pre-emptive 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, or from January 4, 1999, to the equivalent in French francs, 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 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' pre-emptive rights to subscribe for the debentures with equity warrants to be issued pursuant to this resolution.

If the issue or issues take place in 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 it. 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, in French francs or euros, 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 be effected only without prejudicing the rights of 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 appropriate 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.

Twelfth resolution

Public issue of debentures with equity warrants, with pre-emptive 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 pre-emptive basis, pro rata to their existing interest in the Company's capital, said pre-emptive 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 does not exceed FF 3 billion, or the equivalent in euros.

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

The present authorization entails the waiver by shareholders, in favor of equity warrant-holders, of their pre-emptive 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 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 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 be effected only without prejudicing the rights of 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 appropriate 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.

Thirteenth resolution

Public issue of equity warrants without pre-emptive subscription rights

After hearing the reports of the Directoire and the Supervisory Board, and the Statutory Auditors' special report, compiled in accordance with the 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, or its equivalent in euros, 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, or from January 4, 1999, to the equivalent in French francs, 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 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' pre-emptive 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 in 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 it. 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 buy back the equity warrants, at any time or within specified periods;
- the issue price, in French francs or euros, 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 be effected only without prejudicing the rights of 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 appropriate 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.

Fourteenth resolution

Public issue of equity warrants with pre-emptive subscription rights

After hearing the reports of the Directoire and the Supervisory Board, and the Statutory Auditors' special report, compiled in accordance with the 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, or the equivalent in euros, 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 pre-emptive basis, pro rata to their existing interest in the Company's capital, said pre-emptive 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' pre-emptive 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 buy back 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 be effected only without prejudicing the rights of 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 appropriate 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.

Fifteenth resolution

Public issue of hybrid securities without pre-emptive subscription rights

After hearing the reports of the Directoire and the Supervisory Board, and the Statutory Auditors' special report, compiled in accordance with the 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, euros, or another currency.

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 or the equivalent in euros;

(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 or the equivalent in euros.

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, or the equivalent in euros, 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 pre-emptive right to subscribe for the shares to be issued on conversion, redemption or exchange of the securities, exercise of a warrant or otherwise.

The amount received or likely to be received subsequently by the Company, in French francs or euros, for each share 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, or from January 4, 1999, to the equivalent in French francs, 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 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' pre-emptive rights to subscribe for the securities to be issued pursuant to this resolution.

If the issue or issues take place in 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 it. 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 appropriate 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 buy back 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.

Sixteenth resolution

Public issue of hybrid securities with pre-emptive subscription rights

After hearing the reports of the Directoire and the Supervisory Board and the Statutory Auditors' special report, compiled in accordance with the 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.

The securities will be offered to existing shareholders on a pre-emptive basis, pro rata to their existing interest in the Company's capital, said pre-emptive 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 or the equivalent in euros;

(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 or the equivalent in euros.

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, or the equivalent in euros, 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 pre-emptive 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 appropriate 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 buy back 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.

Seventeenth 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 ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions above will be covered by the blanket authorization given to the Directoire in the twenty-eighth resolution of the Extraordinary Shareholders' 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 ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions above replace those given in the seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth and fourteenth resolutions of the Extraordinary Shareholders' Meeting of May 7, 1997.

Eighteenth resolution

Explanation concerning the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996

In the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, the Directoire was authorized to increase the Company's capital to a maximum of FF 4 billion.
This authorization concerns either French francs or euros from January 4, 1999.

Nineteenth resolution

Authorization to increase the share capital without pre-emptive subscription rights

After hearing the reports of the Directoire and the Supervisory Board, and the Statutory Auditors' special report, compiled in accordance with the law, the General Shareholders' Meeting:

(i) – takes note that in the twenty-eighth resolution of the Extraordinary Shareholders' Meeting of May 24, 1996, the Directoire was authorized to increase the share capital up to a maximum amount of FF 4 billion, through the issue of new shares for cash, or to be paid up by capitalizing debt, and at a premium or at par;

(ii) – authorizes the Directoire to increase the share capital for cash, on one or several occasions, without pre-emptive subscription rights and up to the limit stipulated in said twenty-eighth resolution, subject to the following conditions:

- with the exception of the special provisions for the issue of new shares with pre-emptive subscription rights, to be paid up by capitalizing all or part the Company's reserves, retained earnings, profits or additional paid-in capital, or available reserves, all the provisions of said twenty-eighth resolution shall apply to this authorization;
- the Directoire may grant existing shareholders a priority right to subscribe for the shares, during a period and on terms to be decided by it. Said priority rights shall be non-transferable and any shares not subscribed by shareholders exercising a priority right will be placed on the market;
- the amount received by the Company, in French francs or euros, for each share issued pursuant to this authorization shall be at least equal to the average, or from January 4, 1999, to the equivalent in French francs, 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 date of issue of the shares;
- the Directoire will be authorized to issue shares in connection with the public exchange offer made by the Company in accordance with the provisions of Article 193-1 of the French Companies Act of July 24, 1966.

In accordance with the law, this authorization is given for a period of three years.

Twentieth resolution

Merger
Approval of the draft merger agreement

The Ordinary Shareholders' Meeting,

(i) after hearing the following:

- the draft merger agreement and attachments signed on March 10, 1998 with Gemini Consulting Holding, "société anonyme" with a capital of FF 2,064,667,800 which has its head office at 11, rue de Tilsitt, 75017 Paris, France, registered in Paris under the number B 390 191 518, whereby all of Gemini Consulting Holding's assets would be transferred to Cap Gemini by means of a merger,
- the Report of the Directoire,
- the Report of the Supervisory Board,
- the Report of the Merger Auditors appointed by the President of the Paris Commercial Court.

(ii) notes that as Cap Gemini owns the entire share capital of Gemini Consulting Holding since the merger application was filed with the Commercial Court, the merger will be carried out under the procedure provided for in Article 378-1 of the French Companies Act of July 24, 1966 and will not entail the issue of new shares.

(iii) approves the above merger, as described in the related agreement. The FF 156,617.30 difference between the value of the assets transferred by Gemini Consulting Holding (i.e. FF 2,428,732,746.51) and the net book value of the Gemini Consulting Holding shares in the account of Cap Gemini (i.e. FF 2,428,576,129.21) will be posted to additional paid-in capital in the accounts of Cap Gemini, to which all shareholders will have equal rights.

Twenty-first resolution

Merger
Winding-up of Gemini Consulting Holding

As a result of the twentieth resolution, the General Shareholders' Meeting notes that the merger of Gemini Consulting Holding into Cap Gemini has been decided and that Gemini Consulting Holding is thus hereafter wound up.

Twenty-second resolution

Merger
Powers

The General Shareholders' Meeting grants full powers to the Chairman of the Directoire to carry out the contributions and the merger, either itself or through a duly authorized representative appointed by it, and, therefore, to:

- record, in any and all forms, the contributions made to the beneficiary company, draw up all confirmatory, supplementary or amending documents, as required, and perform all formalities to ensure the smooth transfer of assets by Gemini Consulting Holding;
- carry out all formalities, including the signature of the declaration of compliance referred to in Article 374 of the French Companies Act of July 24, 1966, make all disclosures to administrative authorities, and submit any and all notices, as required;
- place on record the merger operations carried out and ensure that all related formalities have been duly performed.

To this end, the Directoire is authorized to sign all papers, documents and texts, elect domicile, substitute, delegate and do all that is necessary.

Twenty-third resolution

Modifications to the bylaws

After hearing the reports of the Directoire and the Supervisory Board, the General Shareholders' Meeting resolves as follows:

– the Directoire shall be composed of a minimum of four members and a maximum of six members;

– members of the Directoire shall have a term of office of four years;

– the age limit for members of the Directoire shall be set at 67, on the understanding that the term of office of persons concerned shall expire at the close of the Ordinary Shareholders' Meeting following the date of their 67th birthday and that the Supervisory Board may at its discretion extend the term of office of one or several Directoire members annually, for a maximum period of two years;

– in the event of a split decision, the Chairman of the Directoire shall have a casting vote;

– the Directoire shall be required to seek the approval of the Supervisory Board prior to making any decision likely to have the effect of increasing the aggregate net debt (corresponding to accounts 16 and 17 in the French General Chart of Accounts) of all the consolidated companies by at least 10%, only if the increase is in excess of FF 500 million;

– the Supervisory Board shall be composed of a minimum of three members and a maximum of twelve members;

– decisions of the Supervisory Board shall be taken in accordance with the quorum and majority requirements provided for by law.

The General Shareholders' Meeting therefore adopts the following amendments to Articles 10, 11, 12 and 13 of the bylaws:

"Article 10 - Directoire

(1) The Company shall be managed by a Directoire composed of a minimum of four members and a maximum of six members. Members of the Directoire shall have a term of office of four years.

(2) The Supervisory Board shall appoint the members of the Directoire, in accordance with the law, and select one of them to serve as Chairman.

(3) The age limit for members of the Directoire shall be 67 and the term of office of persons concerned shall expire at the close of the first Ordinary Shareholders' Meeting following the date of their 67th birthday. The Supervisory Board may, however, extend the term of office of one or several Directoire members annually, for a maximum period of two years.

(4) Any member of the Directoire may resign from the Directoire, provided that his decision is notified beforehand to the other Directoire members and the Supervisory Board.

(5) The Directoire shall have the broadest powers to act in any and all circumstances in the Company's name, within the limit of the Company's object, except for those matters which are expressly placed by law within the sole competence of the Supervisory Board and Shareholders' Meetings. However, the Directoire shall be required to seek the approval of the Supervisory Board prior to making any decision likely to have the effect of increasing the aggregate net debt (corresponding to accounts 16 and 17 in the French General Chart of Accounts) of all the consolidated companies by at least 10%, only if the increase is in excess of FF 500 million.

(6) The Chairman of the Directoire shall represent the Company vis-à-vis third parties and may delegate some of its powers to special representatives of its choice.

(7) The remuneration of each member of the Directoire shall be determined by the Supervisory Board.

(8) The appointment of members of the Directoire may be terminated by the General Shareholders' Meeting on the recommendation of the Supervisory Board.

Article 11 - Meetings of the Directoire

(1) Meetings of the Directoire shall be held as often as is necessary in the interests of the Company, at the location indicated by the Chairman. Notice of meetings may be given in all forms, including verbally, by the Chairman of the Directoire or, in the absence of the Chairman, by at least two Directoire members, and sufficiently in advance to enable all members to be present.

Any member of the Directoire may empower another member to represent him at a meeting, but each member may hold only one proxy per meeting.

(2) If during a meeting, a majority of Directoire members present requests that a decision be put to a formal vote, the decision shall be made by a majority of members present or represented. In the event of a split decision, the Chairman of the Directoire shall have a casting vote.

Article 12 - Supervisory Board

(1) The Supervisory Board shall be appointed by the Ordinary Shareholders' Meeting. It shall have minimum of three members and a maximum of twelve members.

(2) Each member of the Supervisory Board shall be required to own at least one hundred shares of the Company.

(3) Members of the Supervisory Board shall have a term of office of six years from the date of their appointment by the Ordinary Shareholders' Meeting. In the event that a seat or seats on the Supervisory Board fall vacant as a result of death or resignation, and provided that the number of members remaining is at least equal to the legal minimum, the Supervisory Board may co-opt new members temporarily, subject to ratification at the next Ordinary Shareholders' Meeting. In that event, the term of office of co-opted members shall expire as of the same date as their predecessors'.

(4) Any outgoing member may be re-elected. However, the number of Supervisory Board members (individuals or companies' permanent representatives) over the age of 75 on the date of the Ordinary Shareholders' Meeting called to approve the accounts may not exceed one-third of the serving members of the Supervisory Board.

(5) The Supervisory Board shall appoint a Chairman and Vice-Chairman from among its members, who shall serve in that capacity throughout their term of office on the Board.

(6) Meetings of the Supervisory Board shall be held as often as is necessary in the interests of the Company, in particular, to examine the quarterly reports and Annual accounts prepared by the Directoire, at the location indicated in the notices of the meetings. The notices shall be prepared by the Chairman, or, in the absence of the Chairman, by the Vice-Chairman, by letter or any other means.

(7) Decisions of the Supervisory Board shall be taken in accordance with the quorum and majority requirements provided for by the law.

Article 13 - Functions of the Supervisory Board

The Supervisory Board shall exercise permanent control over the Directoire. To this end, it may, at any time of the year, perform the examinations and checks that it deems appropriate, obtain the documents required for the fulfillment of its supervisory role and delegate special powers to one or several of its members with a view thereto."

Twenty-fourth resolution

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.

Other information for Reference Document purposes

Corporate name

Cap Gemini

Head office

11, rue de Tilsitt, 75017 Paris, France

Legal form and governing law

"Société Anonyme à Directoire et Conseil de Surveillance" governed by the French Companies Act of July 24, 1966.

Date of incorporation and term

The Company was incorporated on September 17, 1984. It was registered on October 4, 1984.

The Company was set up for a period of 99 years from the date of its registration. It may be wound up in advance or its term extended by decision of the Extraordinary Shareholders' Meeting.

Corporate purpose

(article 3 of the bylaws)

The Company's purpose is to assist companies in France and abroad to manage and develop their businesses by providing them with the benefit of its knowledge of their industry, its know-how in the area of business process engineering and re-engineering, and its expertise in the area of information technologies.

To fulfil this purpose, the Company carries out on behalf of customers, either directly or through its subsidiaries or affiliates, one or other of the following activities, on an individual or integrated basis:

1. Management consulting

Working closely with customers, the Company assists in transforming companies by helping them to redefine or redirect their strategy, change their product and service lines, re-engineer their structures and business processes, restore staff motivation and achieve other changes. To this end, the Company uses all the possibilities offered by the latest information technologies wherever appropriate.

2. Information systems development

The Company designs and installs information systems. Its services include the development of customised software, the installation of market or internally-developed software applications, the integration of systems incorporating hardware, communication systems, customised software, software packages and other components. The Company also supports customers' IT projects by providing consulting, project management, training and assistance services.

3. Outsourcing

The Company manages all or part of its customers' IT resources on their behalf. Where requested by customers, the Company may perform all or part of this service using its own hardware, telecommunications systems and other equipment. The Company may also manage the IT-based services offered to its customers' own clientele. In addition, it may work in partnership with customers within a structure conducting all or some of these activities.

In order to fulfil its corporate purpose, the Company may decide to:

- create specialist subsidiaries or acquire interests in the capital of other companies and manage their business in exchange for a fee. Management services include the provision of technical, marketing, legal and financial assistance, promotion of a common image, organization of financial structures, assistance in negotiations to help these companies to win new contracts, training, research and development support, etc.;

- invest and manage the Company's available funds, make cash advances, and give any and all guarantees or collateral on behalf of subsidiaries and affiliates;
- obtain or acquire and use any and all patents and manufacturing processes and sell, contribute or license any such patents and processes.

In broader terms, the Company's purpose is to carry out any and all commercial, industrial, securities, real estate or financial transactions related directly or indirectly to any of the above purposes or any similar or associated purpose or which are likely to facilitate the fulfilment or furtherance of said purposes.

Incorporation details

330.703.844 RCS Paris
APE Code : 741 J

Consultation of legal documents

Documents relating to the Company, including the bylaws, the financial statements, the reports of the Board of Directors (and, since May 24, 1996, the Directoire) to the General Shareholders' Meetings and the Statutory Auditors' reports are available for consultation at the Company's head office.

Fiscal year

The Company's fiscal year commences on January 1 and ends of December 31.

Appropriation and distribution of earnings

The General Shareholders' Meeting has sole discretionary powers to decide the appropriation of distributable income, as defined by French company law. Consequently, the General Shareholders' Meeting may decide to appropriate all or part of distributable earnings to revenue reserves, special reserves or retained earnings, or to distribute all or part of the amount to shareholders.

The General Shareholders' Meeting also decides the terms and conditions of payment of dividends. In particular, shareholders may be offered a stock dividend alternative, in which case the related dividends will be paid in the form of new shares credited as fully paid, issued in compliance with the provisions of the applicable laws and regulations.

The above provisions also apply to the distribution of interim dividends, subject to compliance with French company law.

In addition, the General Shareholders' Meeting may decide to distribute a dividend out of distributable reserves, subject to compliance with French company law.

General Shareholders' Meetings and voting rights

The voting right attached to shares is proportionate to the capital represented by the shares. All shares have the same par value and they therefore all carry one voting right.

Shareholders may participate in General Meetings in person, by proxy or by casting a postal vote, subject to submitting evidence of their identity and their title to the shares – which may be held in either registered or bearer form – to the address indicated in the notice of meeting. This formality must be completed at least five days prior to the date of the meeting.

If shareholders attend General Meetings in person, any proxies given by them to third parties or any votes cast by post will be canceled.

To be taken into account, postal votes must be received by the Company at least three days prior to the date of the meeting.

In the case where a shareholder has given proxy to a third party and has also sent in a postal voting form, if there is any difference in the way the shares would be voted, the postal vote will be taken into account and the proxy ignored.

No shares carry more than one voting right since the decision of the General Shareholders' Meeting of May 24, 1996 to abolish double voting rights.

The bylaws do not provide for any disclosure thresholds other than those provided for by French company law.

Share capital

Changes in capital and related rights

Changes in the capital or in the rights attached to shares may be carried out subject to compliance with French company law and the specific provisions of the bylaws, summarised below.

Pursuant to article 10 (4) of the bylaws, decisions by the Directoire concerning the issuance of convertible debentures and debentures with equity warrants are subject to approval by the Supervisory Board.

Share capital

As of December 31, 1997, the Company's capital amounted to FF 2,447,955,080, represented by 61,198,877 common shares with a par value of FF 40, all fully paid-up.

Shares may be issued in either registered or bearer form, at shareholders' discretion.

Authorized, unissued capital

At the Extraordinary Shareholders' Meetings of May 25, 1994, May 24, 1996 and May 7, 1997, the Directoire was authorized to issue various types of shares and share equivalents (see table below):

Type of securities (1)	Amount (in French francs)	Date of authorization	Expiry date
Common shares with PSS	FF 4 billion (par value)	05/24/96	05/24/01
Common shares paid up by capitalizing reserves, earnings or additional paid-in capital	FF 4 billion (par value)	05/24/96	05/24/01
Debentures	FF 4 billion	05/25/94	05/25/99
Convertible debentures without PSS	FF 3 billion (debentures)	05/07/97	05/07/99
Convertible debentures with PSS	FF 3 billion (debentures)	05/07/97	05/07/99
Debentures with equity warrants without PSS	FF 3 billion (debentures) FF 750 million (par value of shares)	05/07/97	05/07/99
Debentures with equity warrants with PSS	FF 3 billion (debentures) FF 750 million (par value of shares)	05/07/97	05/07/99
Equity warrants without PSS	FF 750 million	05/07/97	05/07/98
Equity warrants with PSS	FF 750 million	05/07/97	05/07/98
Hybrid securities without PSS	FF 750 million (shares with warrants) FF 3 billion (securities other than convertible debentures and debentures with equity warrants) FF 750 million (shares in secondary issue)	05/07/97	Period prescribed by law
Hybrid securities with PSS	FF 750 million (shares with warrants) FF 3 billion (securities other than convertible debentures and debentures with equity warrants) FF 750 million (shares in secondary issue)	05/07/97	Period prescribed by law

(1) Securities issued pursuant to these authorizations may not have the effect of increasing the share capital to more than FF 4 billion.

PSS: Pre-emptive subscription rights

In the case of issuance of securities without pre-emptive subscription rights, shareholders will be given a priority right to subscribe for the securities for a period and on terms to be determined by the Directoire.

Share equivalents

In early 1997, the Company redeemed in advance the convertible debentures issued in 1990, as allowed under the terms of issue of the debentures.

Details concerning stock options are provided in note 13-b to the consolidated financial statements.

No other securities are outstanding that are convertible, exercisable, redeemable or otherwise exchangeable for Company shares.

Changes in capital

(in French francs)	Number of shares	Share capital	Additional paid-in capital
As of January 1, 1993	***41,964,338***	***1,678,573,520***	***2,343,216,157***
Issuance of shares for cash:			
- shares issued to Hoskyns management and held in trust in exchange for Hoskyns shares tendered to the offer made in April 1993	285,000	11,400,000	38,760,000
- shares issued upon exercise of stock options	182,417	7,296,680	19,261,563
As of December 31, 1993	***42,431,755***	***1,697,270,200***	***2,401,237,720***
Issuance of shares for cash:			
- subscription of 10,611,543 shares at a price of FF 140	10,611,543	424,461,720	1,061,154,300
shares issuance costs charged against the premium			− 21,434,173
- shares issued upon exercise of stock options	25,126	1,005,040	2,632,506
- shares issued upon conversion of debentures	3	120	1,473
- shares issued upon exercise of warrants	51	2,040	16,073
As of December 31, 1994	***53,068,478***	***2,122,739,120***	***3,443,607,899***
Issuance of shares for cash:			
- shares issued upon exercise of stock options	4,741	189,640	471,968
- shares issued upon conversion of debentures	9	360	3,358
As of December 31, 1995	***53,073,228***	***2,122,929,120***	***3,444,083,225***
Issuance of shares:			
- in connection with the merger with Sogeti and Skip	7,106,993	284,279,720	1,064,986,809
Issuance of shares for cash:			
- shares issued upon exercise of stock options	176,374	7,054,960	18,460,942
- shares issued upon conversion of debentures	30	1,200	11,650
- shares issued upon exercise of warrants	41	1,640	12,901
As of December 31, 1996	***60,356,666***	***2,414,266,640***	***4,527,555,527***
Issuance of shares for cash:			
- shares issued upon exercise of stock options	842,043	33,681,720	93,222,836
- shares issued upon conversion of debentures	168	6,720	66,277
As of December 31, 1997	***61,198,877***	***2,447,955,080***	***4,620,844,640***

Capital and voting rights

Current ownership structure

The ownership structure as of March 4, 1998 is presented on page 13. All shares carry one voting right, double voting rights having been abolished by decision of the General Shareholders' Meeting of May 24, 1996.

As of December 31, 1997, there were 664 holders of registered shares. To the best of the Company's knowledge, the shares held by the public are primarily in the hands of institutions and the total number of shareholders is therefore unlikely to be in excess of several thousand.

No shareholder other than CGIP and Mr. Serge Kampf has notified the Company of the acquisition of an interest in excess of 5% of the Company's capital, corresponding to the first disclosure threshold provided for by French company law. The Company's bylaws do not contain any provisions requiring disclosure of interests of less than 5%.
Shares held by members of the Directoire and the Supervisory Board represent less than 20% of the Company's capital.

Changes in ownership structure over the last three years

Up to the May 24, 1996 merger of Sogeti and Skip into Cap Gemini Sogeti, Cap Gemini (formerly Cap Gemini Sogeti) was 61.5%-owned by Sogeti, which in turn was 34%-owned by debis. Sogeti was controlled by Skip, which in turn was 51%-owned by Mr. Serge Kampf and 49% by CGIP.

As of May 24, 1996, the ownership structure of Cap Gemini was as follows: CGIP 24%, debis 24%, Mr. Serge Kampf 17% and the public 35%.

In July 1997, debis sold its total stake in Cap Gemini and CGIP raised its interest to 30%.

Directoire and Supervisory Board

Directoire

The 4 members of the Directoire were appointed by the Supervisory Board on May 24, 1996.

- Serge Kampf
  Chairman of the Directoire
- Geoff Unwin
  Vice Chairman of the Directoire (since December 17, 1997)
- Paul Hermelin
  Member of the Directoire
- Pierre Hessler
  Member of the Directoire

Supervisory Board

- Ernest-Antoine Seillière
  Chairman of the Supervisory Board
  elected to the Supervisory Board by the General Shareholders' Meeting of May 24, 1996 and appointed Chairman by the Supervisory Board on September 8, 1997.
  Chairman and Chief Executive Officer of Compagnie Générale d'Industrie et de Participations (CGIP)
- Michel Jalabert
  Vice Chairman of the Supervisory Board
  elected to the Supervisory Board by the General Shareholders' Meeting of May 24, 1996 and appointed Vice Chairman by the Supervisory Board on September 8, 1997.
- Christian Blanc
  co-opted to the Supervisory Board by the Supervisory Board on October 1, 1997 to replace Jean-Pierre Tirouflet following the latter's resignation.
  Former Chairman of Air France
- Chris van Breugel
  elected to the Supervisory Board by the General Shareholders' Meeting of May 24, 1996.
- Bruno Roger
  elected to the Supervisory Board by the General Shareholders' Meeting of May 24, 1996.
  Managing Partner of Lazard Frères et Compagnie
- Guy de Wouters
  co-opted to the Supervisory Board by the Supervisory Board on September 8, 1997 to replace Klaus Mangold following the latter's resignation.
  Director and member of the Executive Committee of CGIP

Directors' interests

Stock options

Out of the 6,555,544 options outstanding as of December 31, 1997, which are exercisable for the same number of shares, 629,601 are held by directors.

Specific agreements

As of December 31, 1997, no specific agreements had been entered into other than those mentioned in the Statutory Auditors' special report. No material agreements have been signed since that date.

Employee profit-sharing and incentive plans

Profit-sharing and incentive plan agreements

All the French companies in the Group have signed profit-sharing agreements in accordance with French law.

Stock options

See note 13-b to the consolidated financial statements.

Person responsible for the Reference Document

Serge Kampf, Chairman of the Directoire

Persons responsible for the audit of the accounts

Statutory Auditors

– CONSTANTIN ASSOCIES
26, rue de Marignan, 75008 Paris
represented by J.F. SERVAL and L. LEVESQUE

First appointed at the Ordinary Shareholders' Meeting of May 16, 1990.
Current term: expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2001 financial statements.

– COOPERS & LYBRAND AUDIT
32, rue Guersant, 75017 Paris,
represented by B. RASCLE and Ph. CHRISTELLE

First appointed at the Ordinary Shareholders' Meeting of May 24, 1996.
Current term: expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2001 financial statements.

Substitute Auditors

– Mr. Jean-Claude SAUCE
114, rue Marius Aufan, 92300 Levallois-Perret,
Substitute for CONSTANTIN ASSOCIES. Term renewed by the Ordinary Shareholders' Meeting of May 24, 1996. Term expiring at the close of the Ordinary Shareholders' Meeting to the called to approve the 2001 financial statements.

– Mr. Pierre-Bernard ANGLADE
32, rue Guersant, 75017 Paris,
Substitute for COOPERS & LYBRAND AUDIT, appointed at the Ordinary Shareholders' Meeting of May 24, 1996. Term expiring at the close of the Ordinary Shareholders' Meeting to be called to approve the 2001 financial statements.

Person responsible for information

Pascal GIRAUD,
Chief Financial Officer
11, rue de Tilsitt, 75017 Paris
Tel.: (33) 1.47.54.50.00

Statement by the person responsible for the Reference Document

"To the best of my knowledge, the information contained in this Reference Document is correct. It includes all the information required by investors to form an opinion concerning the assets and liabilities, business, financial position, results and outlook of the Company and no information has been omitted that would be likely to alter an investor's opinion."

Serge Kampf
Chairman of the Directoire

Statement by the Auditors

"We have examined the financial and accounting information contained in this Reference Document and performed all the procedures that we considered necessary, in accordance with professional standards.

The financial statements of the Company and the Group for the year ended December 31, 1995 were audited by CONSTANTIN ASSOCIES and Mr. Bernard PUGNIET. The financial statements of the Company and the Group for the years ended December 31, 1996 and 1997 were audited by the undersigned.

We have no comments to make concerning the fairness of the financial and accounting information presented.

The Statutory Auditors

CONSTANTIN ASSOCIES
Jean-François Serval - Laurent Lévesque

COOPERS & LYBRAND AUDIT
Bernard Rascle - Philippe Christelle

COB

Document registered with the Commission des Opérations de Bourse on March 17, 1998 under no R.98-061.

This Reference Document may be used in connection with a financial transaction only in conjunction with an offering circular approved by the Commission des Opérations de Bourse.

Unofficial translation from French
The English translation is for information purposes only ; in case of discrepancy, the French version shall prevail.

Checklist

(COB rule no. 91-02)

The annual report has been registered as a Reference Document with the Commission des Opérations de Bourse. The following checklist shows the different sections required to be included in a Reference Document in application of Commission des Opérations de Bourse rules and the numbers of the pages on which the corresponding information is presented.