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

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FINANCIAL HIGHLIGHTS

in millions of euros	CONSOLIDATED FINANCIAL STATEMENTS 2004 (1)	2005	2006
REVENUES	**6,235**	**6,954**	**7,700**
OPERATING EXPENSES	6,259	6,729	7,253
OPERATING MARGIN			
Amount	(24)	225	447
%	(0.4%)	3.2%	5.8%
OPERATING PROFIT/(LOSS)			
Amount	(281)	214	334
%	(4.5%)	3.1%	4.3%
PROFIT/(LOSS) FOR THE YEAR	**(534)**	**141**	**293**
NET MARGIN (%)	(8.6%)	2%	3.8%
EARNINGS PER SHARE			
Weighted average number of ordinary shares	131,292,801	131,391,243	132,782,723
Basic earnings/(loss) per share (in euros)	(4.07)	1.07	2.21
Number of shares at December 31	131,383,178	131,581,978	144,081,808
Earnings/(loss) per share at December 31 (in euros)	(4.07)	1.07	2.03
Weighted average number of ordinary shares (diluted)	132,789,755	138,472,266	147,241,326
Diluted earnings/(loss) per share (in euros)	(4.02)	1.06	2.07
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31	**285**	**904**	**1,632**
AVERAGE NUMBER OF EMPLOYEES	**57,387**	**59,734**	**64,013**
TOTAL NUMBER OF EMPLOYEES AT DECEMBER 31	**59,324**	**61,036**	**67,889**

(1) Restated in accordance with IFRS.

THE CAPGEMINI GROUP

I – COMPANY HISTORY

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

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

At the same time, Capgemini has developed its management consulting activities with the acquisition of two American companies, United Research and Mac Group, in the early 90s, the German company, Gruber Titze & Partners, in 1993, followed by the French firm Bossard in 1997.

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

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

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

In addition, Capgemini became the first European company to take the offshore route. Capgemini chose to set itself apart from its major rivals by proposing an "*à la carte*" system for the provision of its services. The system is modulated according to the requirements, the project envisaged and the specific culture of the particular client. This is the idea behind *Rightshore™*.

The Group's profile has therefore changed significantly in a few years, demonstrating an ability to respond to the new challenges arising in the IT services and consulting industries. The 2005 results evidenced this firm recovery. 2006 was a financial period of strong growth and increased profitability for the Group as shown by the dynamism of its disciplines, strengthened by its sector expertise. This year it posted net income of 293 million euros and revenues of 7.7 billion euros. Capgemini has regained its fighting spirit as demonstrated by the acquisitions of Kanbay, FuE and Indigo. In addition, due to the deep changes in the market, the Group has decided to launch an ambitious and demanding program of development and conquest.

II – THE CAPGEMINI DISCIPLINES

A - One mission, four disciplines

The Capgemini mission: is to help its clients to transform in order to improve their performance. For this purpose, an integrated service offering, comprised of sector expertise and specific disciplines, is proposed to them accordingly.

The four Capgemini disciplines are:

- Consulting Services (CS): helping our clients to identify, structure and execute their transformation projects, for a long-lasting impact on their growth and competitive edge.
- Technology Services (TS or Integration): formulating, developing and implementing all kinds of technical projects, from the very smallest to the very largest.
- Outsourcing Services (OS): assisting our clients in complete or partial outsourcing of their information technology systems and other closely-related activities.
- Local Professional Services (Sogeti or LPS): offering a range of information technology services adapted to local needs in terms of infrastructure, applications and engineering.

Present in thirty-two countries and with a workforce of 68,000, generating revenues of 7,7 billion euros in 2006, the Group offers a wide range of integrated services, organized around its four disciplines and sector expertise. Services range from strategy-making to the maintenance of IT systems.

Each of the four business lines, comprising the Group's service offering, exists as an autonomous unit with its own objectives, business models and recruitment processes. By combining the expertise of these units, integrated transformation services can be offered to our clients. Hence, the Group's key strength lies in knowing how to interlink its multiple skills in order to respond to projects requiring a crosswise approach, thereby satisfying the needs of clients seeking commitment to the achievement of measurable, sustainable results.

Capgemini is independent from any software publisher or hardware manufacturer. In an effort to provide our clients with the best products and know-how, the Group has formed a network of strategic alliances and partnerships. This enables us to freely and knowingly select and deliver reliable solutions, precisely tailored to each and every client's needs. Capgemini is also able to deliver services in the location which best serves the interests of its clients – in terms of quality, cost and access to the best expertise. Dubbed Rightshore™, this approach improves productivity and gives added value to services. Lastly, Capgemini relationships are built on solid foundations of collaboration. The *Collaborative Business Experience* (CBE) is the Group trademark. And the way in which results are achieved count just as much as the results themselves, because client satisfaction is the number one criteria in measuring success.

Mission and vision of the Capgemini Group
- Our mission: Enabling Transformation

Capgemini enables its clients to transform and perform through technologies.
- Our vision: Enabling Freedom

Capgemini will lead by providing its clients with insights and capabilities that boost their freedom to achieve superior results.

B - Consulting Services

In 2006, growth and profitability were the order of the day for this discipline. Stimulated by economic globalization and the large merger-acquisition projects underway, demand should be sustained in 2007.

Background to 2006. The globalization of economic activity pursued its course, drawing strong demand for strategy and management consulting in its wake. 2006 was marked by mergers & acquisitions in many business sectors, new banking and energy regulations, the emergence of strongly-expansionist Chinese and Indian industrial giants and the transformation of Western companies together with the reorganization of their business processes. There is growing recourse to outsourcing as companies require support to define their strategies, assimilate their acquisitions and transform their organizations on a worldwide scale.

Taking stock of 2006. *"2006 was a year of sustained growth and true profitability. And the relevancy of our strategy consulting and post-acquisition integration proposals meant that we carried off some significant contracts, like Air France and Limited Brands in the United States"*, says Antonio Schnieder, in charge of Global Coordination Consulting. Faced with demands from key clients, Capgemini has taken the progressive step of adopting an internal cross-staffing process and capitalizing on its global expertise (systematic build-up of centers of excellence across the consulting organisation). This approach is essential because Consulting is the flagship Group activity at the interface with the Group's global clients. Furthermore, a revolutionary program to drive the strategic agenda of our clients, called "Transformation Consulting 21" was launched. A key element is the systematic use of ASE combined with new techniques in order to step up internal mobilization and to include new technology in the thinking process, right from the start of the assignment. This initiative has the ambition to regain global leadership in the transformation market *"We have defined a similar approach in Process Consulting by embedding business methodologies and other methods and tools"*, adds Antonio Schnieder.

Prospects for 2007. The Consulting market should maintain its positive trend throughout 2007. The most beneficial way ahead for Capgemini Consulting is to focus on specific sectors and to reinforce its fields of expertise. The idea is to promote the integration process by including other Group disciplines and to intensify the use of our new and innovative Transformation Consulting approach.

C - Technology Services

2006 was a year of sustained growth with, in particular, a number of major projects in a variety of sectors. The industrialization that accompanies innovation should enable the Group, in 2007, to meet the needs of an ever more global, ever more demanding client base.

Background to 2006. Against the background of a more favorable economic climate, the Group's clients have rediscovered their desire for innovation. They are now making long-term investments in major projects, while striving to bring their costs down. Whereas, in the past, they tended to choose between one or other of these two paths, corporate clients are now opting for innovation and development while making substantial savings by way of a globalization strategy for purchasing, recourse to offshore, reducing the number of service providers and creating shared service centers, all within the framework of their industrialization strategies. Thanks to the savings made, they are able to channel some of their resources into renewing their IT systems and developing new applications to support their enterprise strategy.

Taking stock of 2006. *"2006 has been a year of profitable growth and net recovery. We have even been able to observe an improvement in prices in certain high-demand sectors, such as software package deployment or systems architecture services,"* says Philippe Donche-Gay, Director of Western Europe and TS Global Coordination.

Increased sector-specific specialization has bolstered the skills base and helped us win contracts such as the overhaul of the MAAF insurance company's IT system. In terms of innovation, Capgemini has adopted a proactive posture towards Open Source, which is used by the French public services. This has helped the Group to win one of the first maintenance contracts of this type with the Ministry of Finance. A specific Open Source offering called "OSS Partner" has been launched, and is expected to be rolled out worldwide. Lastly, the Group's big outsourcing contracts continue to generate heavy demand for systems integration expertise, confirming once again the relevance of Capgemini's interdisciplinary integration strategy.

Prospects for 2007. Demand should remain sustained with, in particular, a marked desire from clients for new architectures and for offshore. *"The software development value chain is undergoing a transformation, and will offer far greater levels of productivity. We are mobilized to help get this new model up and running in 2007,"* declares Philippe Donche-Gay.

D - Outsourcing Services

Strong growth and improved profitability characterize this activity in 2006. The production launch of major contracts, the extension of existing contracts and the continued rationalization drive, as part of the MAP plan, underly these fine results.

Background to 2006. The outsourcing market, by its recurrent nature, its size and its prospects, particularly in new segments such as Business Process Outsourcing, attracts more and more service providers, generating ever stronger competition. 2006 was no exception to this trend, with the rise in influence of the Indian players. Globally, although the USA and the UK continue to corner three-quarters of the market, the Asia-Pacific zone is growing rapidly. Demand in the BPO segment remains high.

Taking stock of 2006. According to Paul Spence, Director of the Group's Outsourcing Services: *"2006 has been a very important year. We have reached a level of 20,000 employees, received some 3 billion euros worth of orders and successfully implemented the first stage of our MAP plan for growth and profitability."* The priority has thus been to renegotiate certain contracts and to rationalize the Purchasing function, leading to a significant reduction in operating costs. Furthermore, within the context of a globalized economy and strong competition in the field of outsourcing, the Indian activity of Capgemini has doubled in size, now accounting for 2,400 employees. To this total can be added 1,300 employees in Poland and 500 in China. 2006 was marked by the effective start-up of major contracts with General Motors and the London Metropolitan Police. Also, the position of trust we have held since 2003 with Her Majesty's Revenue & Customs in Great Britain has led to the initial contract being extended to the tune of 1.1 billion euros. For its part, BPO activity, centered on corporate finance and administration functions, has grown by 43% in Europe, with new clients such as Unilever, SKF and Tetrapak.

Prospects for 2007. Pursuing the MAP plan, intensifying Rightshore™, rationalizing the global production mechanism, doubling the headcount in India, improving the targeting of markets and clients, creating new offers and building on our skills bases: this is the roadmap for the OS activity in 2007. *"After concentrating our efforts on the cost structures and production mechanism, we shall be ready to sign new major contract,"* concludes Paul Spence.

E - Local Professional Services

Sustained and profitable growth, a takeover in Germany and deployment in the UK, the launch of an offshore production program: Sogeti can look back with satisfaction on 2006.

Background to 2006. The pronounced trend for mergers/takeovers and the globalization of the economy have done nothing to lessen the local significance of the markets and organizations on which Sogeti has been operating for nearly 40 years now. In this context, even though the subjects to be dealt with are increasingly complex and the cycles ever more rapid, they still in fact represent large, global programs transposed on to a local scale. The upshot of this is the continued growth of the market in local IT services. However, clients have become more and more selective and demanding. They implement referencing policies and seek to have partners who, while remaining local, have a global dimension. Sogeti, as it happens, perfectly satisfies these criteria, with a tried and tested business model, a loyal relationship stretching back 30 years with certain clients, an international stature and its affiliation to a global group of companies.

Taking stock of 2006. *"We enjoyed a highly successful year in 2006 from the point of view of both growth and profitability; this was true on all our markets,"* declares Luc-François Salvador, Chairman & CEO of Sogeti, who goes on to say: *"Despite a highly competitive environment, our US outlet now boasts profitability levels going into two figures. As far as services are concerned, application testing – on the back of its success in the Netherlands – has been rolled out worldwide and is making impressive inroads, particularly in France and in the USA."* In addition, Sogeti has, as predicted, consolidated its high tech consulting business with the acquisition of the German Group, FuE, which specializes in the aviation sector. This operation confers on the company the scale it requires to convince the big corporate clients. Last but not least, Sogeti has continued its expansion in Europe by setting up in the UK, Ireland and Denmark.

Prospects for 2007. Sogeti intends to keep pace with and even outstrip the growth of the market. Besides pursuing its efforts on the segments mentioned above, and in countries such as Germany and the UK, innovation and offshore are also high on the agenda this year. Offshore is a new departure for Sogeti, used as it has been to selling and producing from one and the same location. *"We are going to develop our service offerings, especially with regard to application testing but also in high tech consulting, by integrating the offshore aspect so as to offer our clients solutions at very competitive rates. Our ambition is to take on 500 employees in India in 2007",* Mr. Salvador concludes.

III – THE CAPGEMINI SECTORS

A - The Public Sector

Increased market share, sustained demand for consulting and project management, US market breakthrough: these were the headlines for 2006, an extremely fertile year for this sector.

Background to 2006. In seeking productivity gains, responses to citizens' demands and new solutions for public security within their administrations, the major Western countries have kept to the modernization path. These initiatives require the implementation of complex programs for the transformation of organizations and IT systems. In 2006, the already-buoyant investment in information technology was stepped up further: *"For example, the prevention of tax fraud has now become top priority. Discussions are underway with Great Britain, the Netherlands, and Sweden for the modernization of their IT systems. The Group's prowess in the SOA field, in France, has raised a lot of interest"*, summarizes Stanislas Cozon, Director Public Sector of the Capgemini Group.

Taking stock of 2006. 2006 was distinguished by a strong demand for consulting and project management from European administrations. In Italy, for example, the national printing works – a new client – engaged Capgemini for the new residence permit and the electronic passport project. In the Netherlands, the Group has rolled out a large logistics-related SAP project for the Ministry of Defense and the Dutch administration has completed two projects which were partly executed in India, proving that offshore is not necessarily taboo in the public sector these days. Furthermore, in the United Kingdom, the Group's major outsourcing projects – Her Majesty's Revenue & Customs and the Metropolitan Police – have generated sustained demand for consulting and project management. This demonstrates – once again – the perfect relevance of the Group's strategy with its synergy of the disciplines. In addition, the Group has effectively developed close ties with its clients by encouraging contact between the public service managers from different countries. *"This year, client demand has increased noticeably for this type of contact as managers are realizing that it helps in speeding up the dissemination of good ideas"*, remarks Stanislas Cozon.

Prospects for 2007. Today, Capgemini has become one of the two leading service providers to the public sector in Europe. Moreover, the Group intends to consolidate this position in 2007 by focusing on the field of taxation in the Nordic countries and in the Netherlands. In the United States, Capgemini hopes to maintain its excellent progression in 2006.

B - Energy & Utilities Sector

Like the previous year, 2006 saw sustained liberalization of the Utilities market in Europe and transformation projects undertaken by the main players in the sector.

Background to 2006. Oil and gas price tensions surfaced frequently in 2006, heightening concerns about the security of energy supplies. In Europe, the historic Utilities providers continue to face the challenge of further deregulation and, from July 2007, will have to adapt to a market totally open to competition. The European Commission now intends to take a step further and to create a true European Electricity & Gas market, supported by free competition. It therefore wishes to separate completely the regulated distribution and transmission networks from the non-regulated activities such as production and retail, but has met with resistance from certain Member States. In 2006, a second wave of mergers-acquisitions was launched in Europe and some new pan-European companies could be formed in 2007. In the USA, the main concerns of the Utilities companies revolve around the renewal of the generation systems and the modernization of the electrical infrastructures through new technology, such as smart meters. The goal is also to improve financial performance. In the petroleum sector, the large corporations are devoting increasing resources and attention to the exploration of new oil and gas fields and to operation excellence of the existing ones.

Taking stock of 2006. *"As a direct consequence of the liberalization of the Utilities markets in Europe, operators are rethinking their strategy, organization and IT systems in order to adapt them to a deregulated market model while maintaining ambitious targets in terms of productivity gains"*, notes Colette Lewiner, Leader of the Energy & Utilities sector for Capgemini. Yet again, the new end client systems and consulting activity generated by the liberalization process have fired up the market. Capgemini provides consulting services for key European clients, and notably assists them in the unbundling process and the creation of new Distribution and Retail units. It also builds new, mostly SOA-based IT systems on their behalf. Furthermore, the Capgemini Group ranks Number Two in Utilities in Europe according to the Gartner Group statistics.

Prospects for 2007. Due to the continued liberalization of the European markets, the consolidation of its players, the development of an innovative service offering with smart meters and networks, and our clients' trust in us, the Group's business prospects – as far as the Energy & Utilities market is concerned – are bright.

C - Banking, Finance, Insurance Sector

This is the world's largest market in terms of IT investments as consolidation, globalization, regulatory developments and new technology continuously spawn new demand.

Background to 2006. Sustained consolidation of the sector's institutions in Europe, positioning of the Western players in Asia, establishment of the SEPA (Single Euro Payments Area which consists of a single set of payment instruments and processing infrastructures within the European Union, and upheavals in the technological field thus potentially reshaping the contenders' business models. Such were the outstanding events of 2006 in the Banking, Finance, Insurance sector. Italy has now become the hub of consolidation in Europe, which should soon affect Germany too, with its piecemeal banking sector. The consolidation trend is beginning to produce a European business model of its own: *"Distribution of banking products is still local on the whole, but back office activity is developing on a European scale as payment, credit and leasing are centralized"*, notes Bertrand Lavayssière, Director Banking, Finance, Insurance for Capgemini.

Taking stock of 2006. The wave of giant merger & acquisition transactions - with the resulting transformation of organizations, reshaping of IT systems and creation of shared service centers – feeds into the Group consulting and project management activities. For example, Capgemini is working on a "Merger Management" project involving all at the Eastern European entities of a major European bank. The Group also works with an entity recently acquired by a French banking institution. As for SEPA, Bertrand Lavayssière estimates that the Payments Area has engendered a 5-billion-euro market of consulting, project management and outsourcing engagements. Capgemini is currently performing consulting assignments, on behalf of 8 major European banks, looking into the actual impact of SEPA and the possible response strategies. The American banks, whose domestic expansion has been hindered somewhat by the regulatory measures, are now seeking new opportunities in Europe and Asia. They are also turning to offshore on a massive scale for their back-office functions (e.g. Citibank, employing 22,000 people in India). As witnessed by Capgemini's announcement in October 2006, the acquisition of Kanbay, specialized in the development of IT projects for the Banking & Finance sector and employing 6,900 people (5,000 in India), is a perfect demonstration of the company's sharp flair in this respect.

Prospects for 2007. This project has enabled the Group to raise its profile considerably in this vital sector in the United States. Globally, Capgemini is now ready to serve both the top Anglo-American clients, in the immediate future, and the European institutions – which are beginning to take a serious interest in offshore, – in the short term.

D - Manufacturing, Retail & Distribution Sector

Globalization and the growth of emerging markets are key issues impacting the world of manufacturing, retail and distribution today.

Background to 2006. Globalization affects the industry in three key ways. Firstly, emerging countries such as India and China have become increasingly important sourcing markets for skills and production. Secondly, these regions are growing in significance as markets in their own right, with a burgeoning middle class that already has significant spending power for goods and services. This is leading giants such as General Motors and Wal-Mart, looking for new growth markets, to turn to areas such as India and China. Finally, major players in these markets are increasingly driving industry changes and consolidation. In the steel industry, for example, there have been several recent takeovers of Western players by companies like Tata Steel and Mittal. Meantime, the retail sector in Europe is growing again, after several years of stagnation. Retailers are investing in stores and store technology, as well as focusing on making the supply chain more responsive to actual demand and responding to new regulations such as food traceability.

Taking stock of 2006. *"We have already signed contracts for consulting services with local Indian retailers and are involved in discussions with other Indian companies, which, like their Chinese counterparts, are interested in the application of Western best practices to their businesses,"* explains Bernard Helders, Global Head of Manufacturing, Retail & Distribution. In the distribution segment, Capgemini has been working with clients around the Logistics Service Providers (LSP) program, the Group's joint initiative with SAP designed to provide integrated, flexible end-to-end solutions to help LSPs manage their business processes and reduce the complexity of their IT systems. On the strength of its expertise in consumer products and retail, Capgemini worked with the Global Commerce Initiative and Intel to publish an important study titled *"2016: The Future Value Chain,"* in partnership with the key players in the industry. This study defines a unique vision of the total consumer goods value chain from manufacture to consumption and addresses the changes and challenges the industry will face in the coming decade.

Prospects for 2007. Against the background of globalization and efficiency enhancement, Capgemini's Manufacturing, Retail and Distribution sector will continue to bring innovation to the industry, while helping clients with process improvement. The sector will also focus on increasing industrialization with greater domain specialization of our Indian operations.

E - Telecommunications, Media & Entertainment Sector

Service convergence is the focus of attention for all the players in the sector as a means of revitalizing market growth. Setting up in emergent countries such as India is also the order of the day.

Background to 2006. The key trend in the sector is the marketing by the operators of so-called "convergence" applications. These applications combine voice, internet and TV or cinema content. They sometimes combine with 3G mobile services and are designated "triple" or "quadruple play". *"These services are available in most European countries and are already being sold by the traditional retail outlets,"* says Didier Bonnet, Head of

TME at Capgemini. As well as the price war, the competition is also fighting tooth and nail over service quality, the key to obtaining customer loyalty and a prerequisite for selling yet more services. This trend is making for increased complexity in customer relations. Finally, as well as introducing these new services, operators are turning their attentions to emergent countries as an avenue for revitalizing their growth. Vodafone is an example of this, in India.

Taking stock of 2006. Against this background, Capgemini, on the strength of its great knowledge of the sector and its technological expertise, is helping the operators to define their strategies with regard to the new services, to manage their launches and to find new business models that will guarantee the operators' revenues and growth of their margins. The Group is also involved, via dedicated service centers, in the development and consolidation of customer billing systems. These centers make it possible to leverage the benefits of knowing the IT system inside-out while guaranteeing efficient integration between the system components, so that the operators will be able to measure and profit from all the aspects of convergence. *"What is more, targeted outsourcing focused on specific applications or BPO is starting to make an appearance in Europe"*, Didier Bonnet points out. It is also the case that new web service and mobile providers could end up outsourcing their billing and their customer management.

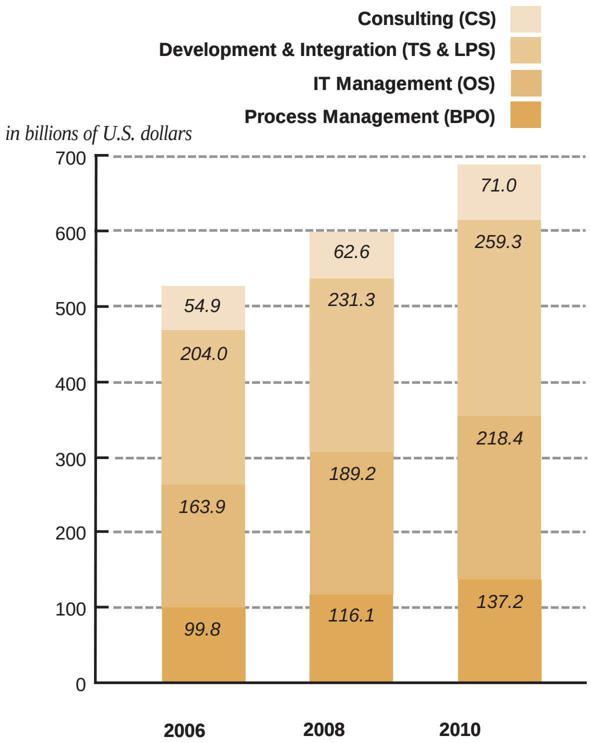
Prospects for 2007. In light of the anticipated boom in convergence services, Capgemini will be looking to underpin its business and technological capacities in certain market segments. This will include, in particular, the creation of dedicated telecom centers in Morocco and India, using specialized structures in order to provide operators with the advantages of our Rightshore approach. Last but not least, the Group is also intending to play a key role as intermediary between the operators and the content producers – those who supply the content for the convergent services – via *Digital Media Delivery*, an entity of Capgemini dedicated to the management of digital content.

IV - THE IT SERVICES MARKET AND COMPETITION

A) Market size and forecasts by segment 2006 – 2010

Continued economic recovery and sustained expenditure outside of IT organizations enabled continued growth in IT expenditure in 2006. Investment in innovation is more widespread than in recent years although many businesses remain focussed on improving internal processes and reducing costs. Global delivery models meet both of these needs by enabling purchasers to draw effective benefits from labor arbitration, which stimulates some demand for services that would otherwise be unaffordable, while dampening spending growth for many services that now cost less. Basic outsourcing (process and IT management) is still the prime source of growth, as illustrated by the following histogram.

Worldwide IT Services



Source : Gartner – Forecast : IT Services, Worldwide, 2003 – 2010 (update), 30/11/2006

B) The competition

1) Worldwide ranking

Although this is not an exact science, as the taxonomy is not precisely standardized, worldwide classicification of the top ten IT services companies illustrates two particularities.
First of all, the US - with seven companies - has been largely dominating this market for several years now. Only two Asian groups and one European group, namely Capgemini, have managed to hoist themselves among the Top 10 to date. In light of the market share held by each individual player, although large international groups are involved, it is noted that this IT service market has remained very piecemeal despite the successive waves of consolidation. The following table provides a classification of the top ten IT services companies worldwide

Professional IT Services Market Share

(Source: Gartner Dataquest IT Services Market Metrics Worldwide Final Market Share, August 2006)

(in millions of U.S. dollars) **Vendor**	**2005 Revenue**	**% Market Share 2005**
IBM	40,607	8.2%
EDS	19,415	3.9%
Accenture	15,705	3.2%
Fujitsu	14,844	3.0%
Computer Sciences Corporation (CSC)	14,520	2.9%
Capgemini	8,637	1.8%
Automatic Data Processing, Inc	8,187	1.7%
Lockheed Martins	7,738	1.6%
NTT Data	7,469	1.5%
SAIC	7,310	1.5%

2) Focus on the european market

According to the study by Pierre Audoin Consultants, dated December 2006 and issued by Christophe Châlons Managing Director, the competitive environment Europe in the IT services sector is characterized by a market that has recovered solid growth trends.

The companies, borne by a generally more favorable economic climate, have regained a solid appetite for innovation. They are now investing sustainably in large projects such as the renovation of their IT systems and the development of new applications in order to support their corporate strategies while continuing to implement cost reductions. The merger & acquisition trends in the banking and service industries are also encouraging senior management to call upon external service-providers in the field of consulting, a market that should grow in France alone by 5 to 6% per year, according to the research firm Pierre Audoin Consultants (PAC). And this growth draws new players: Indian IT services companies are offering IT consulting, audit and law firms are entering the strategic consulting market and certain insurance companies are entering the foray via risk analysis.

However, the new growth dynamics in the European IT market do not seem to benefit all of the major service-providers in the same way, observes PAC. Five American companies (IBM, HP, EDS, Accenture, CSC), five European companies (Capgemini, Atos Origin, T-Systems, SBS, LogicaCMG) and one Japanese company (Fujitsu Services) dominate the European market.

LogicaCMG, Capgemini and Accenture formed the leading pack in growth terms in 2006 followed by EDS, IBM et T-Systems. HP and Atos Origin, which posted weak growth, whereas CSC and SBS were on a downward trend.

Faced with the globalization of their clients' business, new purchasing strategy (multi-sourcing of outsourcing contracts, listing policies, etc.) and competition from the Indian pure players, the traditional, large IT services players have to adapt their business models, standardize their offerings, globalize their consultant teams and their production, whether for outsourcing or for projects.

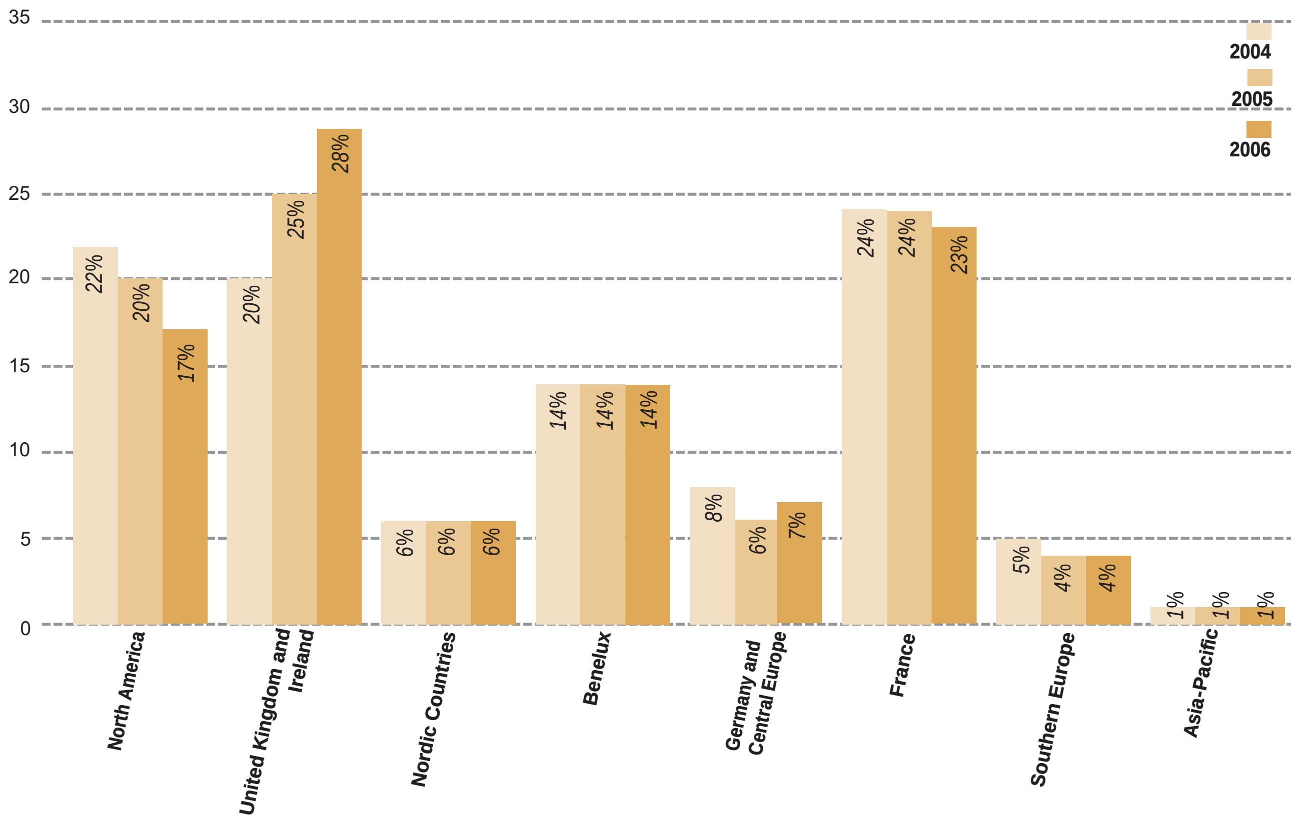
By failing to include a credible offshore component in their commercial offers or by being too focused on the large or the very large outsourcing projects, heavy consequences in terms of profit margin and revenue may ensue. Flexibility, transformation, industrialization and globalization are the indispensable ingredients for a major service provider.

Any player that lacks any of these ingredients may find that its growth is curbed and become the target of takeover bids, either from competitors or – and this is a relatively recent phenomenon in the IT services and telecommunications industries – from players with a purely financial logic, with considerable resources at hand.

V – GEOGRAPHIC ORGANIZATION AND MAIN GROUP SUBSIDIARIES

The Group is established in some thirty countries, with a strong presence in the United Kingdom (accounting for 28% of revenues in 2006), in France (the Group's historical market, generating 23% of revenues in 2006), North America (17%), and Benelux (14%). These areas together account for 80% of overall revenues.

The Group performs its business activities through 109 consolidated subsidiaries as listed in Note 29 ("List of consolidated companies by country") to the consolidated financial statements at December 31, 2006. These subsidiaries are located in eight geographic areas, whose relative contributions to Group consolidated revenues in 2004, 2005 and 2006 are illustrated in the diagram set out below.



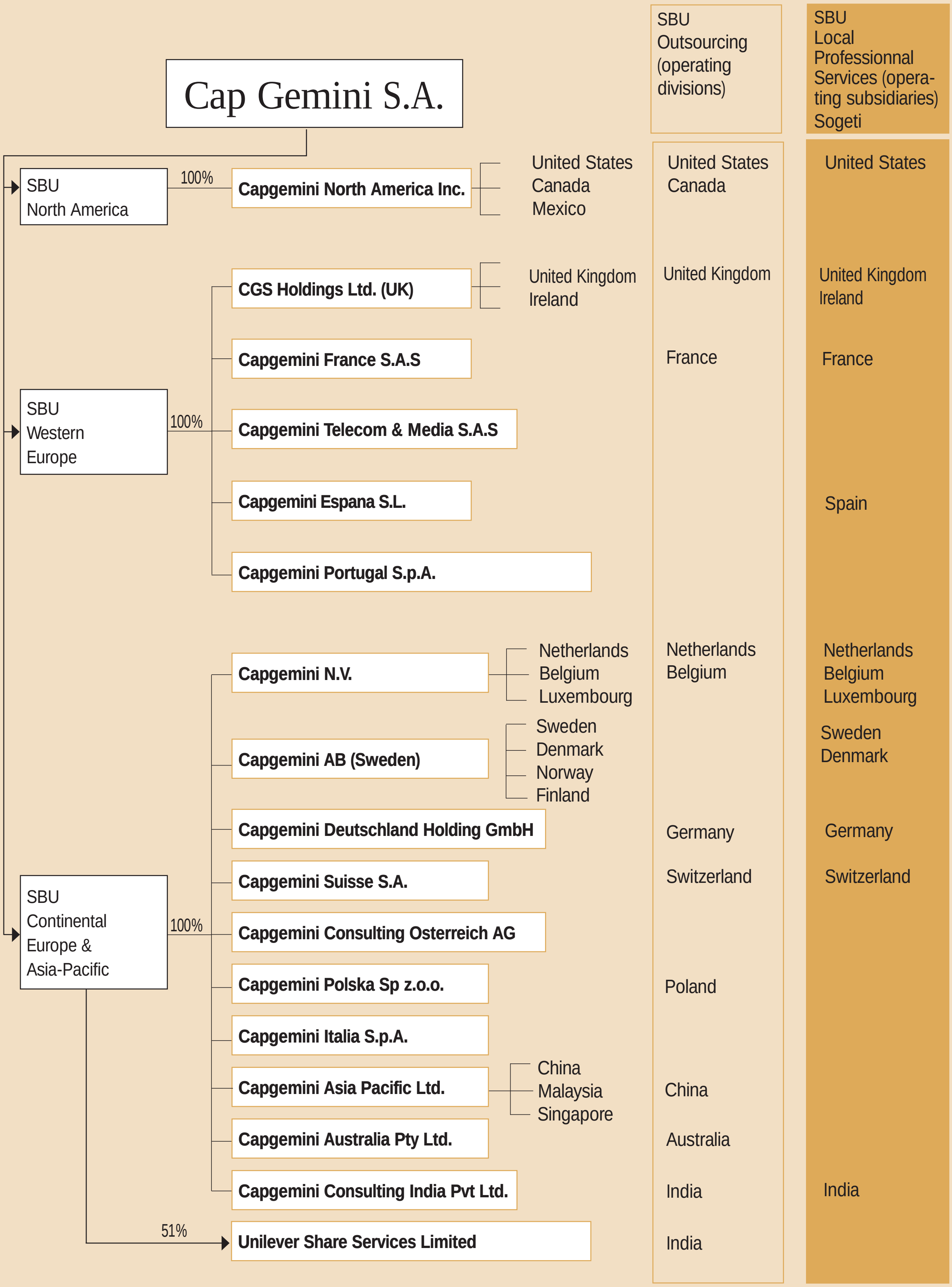
In addition to these operating subsidiaries, Cap Gemini S.A. also holds 100% of the capital of four other entities:

- two non-trading real estate companies, one of which owns the premises of the registered offices in the Place de l'Etoile in Paris, and the other, the office buildings located in Grenoble;
- a limited liability company providing the premises, via a real estate leasing contract, for the Group's University, an international training center located in Gouvieux, 40 km (25 miles) north of Paris, which opened at the beginning of 2003;
- an intragroup service company named Capgemini Service S.A.S.

The parent company, Cap Gemini S.A., defines the strategic objectives for the Group via its Board of Directors, and ensures their implementation. In its role as a shareholder, Cap Gemini S.A. contributes, in particular, to the financing of its subsidiaries, either in the form of equity or loans, or by providing security and guarantees. Finally, it allows its subsidiaries to use the trademarks and methodologies that it owns, notably "Deliver", and receives royalties in this respect.

Simplified organization chart for the Group

The Group is composed of five main operating units (Strategic Business Units, or SBUs) :
- 3 geographical units : North America, Western Europe, Continental Europe & Asia-Pacific.
- 2 units for specific disciplines : firstly, the Outsourcing SBU and secondly, the Local Professional Services unit.



VI – THE GROUP'S INVESTMENT POLICY

In 2006, Capgemini's vigorous organic growth underscored its ability to meet client expectations thanks to its technological and sector-based expertise, well-balanced core disciplines and cost competitiveness due to its strong offshore presence.

The Group had previously announced its intention to take advantage of its renewed financial flexibility to move ahead, where appropriate, with external growth operations serving three objectives:

- accelerating the Rightshore™ strategy;
- expanding the Group's territorial coverage, particularly in Europe;
- enhancing its ability to innovate and develop technological skills in high added-value fields.

The acquisitions in 2006 are fully in line with these aims. The acquisitions of Kanbay (announced on October 26, 2006 and finalized on February 9, 2007) and Indigo added 6,000 employees to the Group's workforce in India. The acquisitions of FuE and Plecto AG, although of modest size, helped to rebalance the Group's presence in Germany and enrich the technological content of its offering.

The above-mentioned objectives also led the Group to explore a variety of openings involving European players of varying size, which served to confirm the consistency of its strategy and the rigor of its financial discipline.

In 2007, investments in fixed capital or external growth will underpin the rollout of the Group's i^3 Transformation plan by improving its ability to innovate, its client intimacy and the industrialization of its production. Other investments in fixed capital may be added to make further gains in these areas.

The Group's aim of extending its geographic coverage will continue to guide its external growth policy in 2007 both at the European and global level. In terms of service offering, the Group may use further acquisitions to accelerate the organic growth of its Business Process Outsourcing business and sharpen its sector-based expertise in certain areas.

These acquisitions will be made possible by the Group's solid, flexible financial position – a position that they shouldn't Jeopardize – and should also be in line with the Group's profitability objectives.

These profitability objectives may also justify targeted divestments.

VII – CORPORATE RESPONSIBILITY, SUSTAINABILITY AND SOCIAL STEWARDSHIP

The principles of corporate social responsibility, stewardship, and sustainability are reflected throughout Capgemini's long-standing business practices. These principles, including our shared values and ethics, guide our relationships with our clients, our employees, our business partners and the communities in which we operate.
Since 2003, the Group has formalized its Corporate Responsibility and Social Stewardship strategy under the responsibility of the Senior Management, coordinated by the Group's General Secretary.

7.1 Corporate responsibility

7.1.1 Our Commitment and Vision

Capgemini is committed to responsible and sustainable business practice which delivers added value to its stakeholders – clients, employees, shareholders, investors, business partners, suppliers, the community and environment. Our vision is to build and maintain a frame of reference of values and standards within our business, embracing:

Our leadership, values & ethics: We say what we do and do what we say. Capgemini has a strong code of ethics underpinning all of its business practices. We embrace our core values of honesty, boldness, trust, freedom, solidarity, modesty and fun.

Our employees and the workplace: We are committed to being a responsible employer whom people choose to work for. We strive to ensure that both the physical working environment and our business practices are safe and allow our people to develop and deliver their best. We have a culture where we respect and make best use of the diversity of our people as individuals. Underpinning our Rightshore™ approach is a strong commitment to our employees and their communities.

Collaborating with our customers: We engage to understand their real business needs and deliver long-lasting value with tangible results. We take customer dialogue and feedback very seriously.

Working with our business partners and suppliers: We are committed to sound and sustainable procurement procedures and increasingly understand the potential impacts and opportunities which our practices present so that they can be improved, as required.

Protecting the ecosystem: As a major, global employer and a socially responsible company, we acknowledge our impact on the various ecosystems on which we operate. We work – at both national and international levels – not only with clients but also on local issues, in partnership with the local authorities or community projects. Capgemini encourages and stresses the commitments of its employees to the community.

Our environmental footprint: We strive to reduce our environmental impact, particularly around energy use, travel and waste management. Long term sustainability is the key and we strive to increase employee awareness of the impact and how to contribute. We believe that, to achieve this, collaboration with our stakeholders is key.

In 2004, as a natural step in the evolution of our focus on social responsibility and sustainability, we joined the UN Global Compact. The member companies of this program support and respect ten principles relating to human rights, the environment, labor rights, and anti-corruption. The Group respects local laws and customs while supporting the international laws and regulations - in particular the International Labor Organization fundamental conventions on labor standards.

7.1.2 Our Values

Capgemini's culture and business practices are guided by its seven core values – Honesty, Boldness, Trust, Freedom, Team Spirit, Modesty and Fun. These values have existed as long as the group. They are second nature to us now, and remain at the heart of our approach to being a responsible business.

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

7.1.3 Group Fundamentals, Guidelines and Policies – the Blue Book

In our largely decentralized and entrepreneurial organization, it is critical to have a set of common guidelines, procedures and policies which govern our fundamental operations as a Group. The Group "Blue Book" - originally created in 1989 as a managers' rulebook - provides the overarching common framework for every employee and every part of the business to work effectively as one Group.

The Blue Book contains:

- Group Fundamentals
  – Group Mission & Expertise, Fundamental Objectives, Values, Code of Ethics, and Guiding Behavior;
- Group governance and organization;
- Authorization procedures;
- Sales and delivery rules and guidelines;
- Business risk management, pricing, contracting and legal requirements;
- Finance, mergers, acquisitions, disposals and insurance rules and guidelines;
- Human resources policies;
- Communications, knowledge management and Group IT;
- Procurement policies;
- Environmental policies.

All parts of the business in every country must embed these policies, procedures and guidelines as a reference in their local policies, procedures and guidelines while respecting local laws, regulations or statutory requirements. In 2006, the Group Blue Book was reviewed and updated to reflect our increased focus on Sustainability and Corporate Responsibility. The Blue Book is accessible online, to all Group employees, together with many other documents, including the code of ethics and the procurement policies.

7.1.4 Our Code of Ethics

Capgemini is committed to ethical conduct and to the principles embedded in our seven values. Our code of ethics, articulated within the Group's Blue Book, guides all of our business practices:

- We respect human rights in all dealings with Capgemini stakeholders, including team members, clients, suppliers, shareholders, and local communities.
- We recognize that local customs, traditions and practices may differ and, as a global organization, we respect the local laws and customs while abiding by the international laws and regulations; in particular, we support the International Labor Organization core conventions on labor standards.
- We refuse the use of forced labor.
- We refuse the use of child labor and ensure that our processes reflect this commitment.
- We promote diversity and refuse unlawful discrimination of any kind.
- We develop flexible working conditions to promote a healthy balance between work and personal life.
- We promote the training and personal development of our employees.
- We respect freedom of association.
- We respect health and safety regulations in our working environment and in dealings with stakeholders.
- We require our team members to maintain confidentiality with regard to all information to which they have access, pursuant to the applicable laws.
- We refuse bribery and corruption in our business practices.
- We are sensitive to environmental impact and promote environmentally friendly policies.

7.1.5 Our ethics in practice

Our code of ethics extends far beyond a simple collection of abstract ideas. It is a formalization of Capgemini's longstanding commitment to ethical behavior, and our ethics shape our business practices at every level of the company:

- Bribery and corruption: We have zero tolerance for any form of bribery and corruption in Capgemini. Hence, in the case of commercial activities, employees may not accept commission from - or pay commission to - third parties unless expressly agreed by the senior management; agreement is only granted in strictly limited cases.
- Conflict of interest: Each employee owes a duty to the Group to act with integrity and good faith. It is essential that the Group employees do nothing which conflicts with the Group's interests - or anything which could be construed as possibly being in conflict with such interests.
- Funding of activities and organizations: All funding to activities and organizations outside of Capgemini is subject to the authorization of the Group Executive Committee so that we ensure that we support only activities and organizations whose ethical rules are aligned with our own. Capgemini does not finance political parties.
- Business gifts and entertainment: The Group employees may give and receive appropriate business gifts, in connection with their work with the Group's clients, suppliers or business partners, provided that all such gifts are nominal in value and not given or received with the intent or prospect of influencing the recipient's business decision-making, and that they comply with the laws and regulations in force.

7.1.6 How we measure up

Cap Gemini SA is included in the FTSE4Good Global and Europe Index, in the ASPI - Advanced Sustainable Performance Indices and in the ECPI - Ethical Index €uro Index.

Capgemini (UK&I) took part in the 4th Corporate Responsibility Index and was congratulated for its participation, which strengthens our commitments and our transparency whilst managing, measuring and reporting on our business practices.

7.2 People

7.2.1 Human Resources priorities

In 2006, the H.R. priorities across the Group focused on 3 main areas:

- Recruitment and retention of employees.
- Career development:
  - Offering the right professional challenges,
  - Improving the competency model process & guidelines,
  - Increasing the linkages between the competency model and training curricula.
- Leadership development:
  - Implementing a Group common leadership framework,
  - Aligning leadership programs across the Group,
  - Increasing mobility within the leadership pool.

7.2.2 Sustainable growth in employee headcount

The evolution of the Group workforce over the last ten years is a reflection of the various economic cycles which have affected the Consulting and Technology sectors. The strong organic growth of the late 90s coupled with the take-over of Ernst & Young Consulting in 2000 meant that the Group headcount was multiplied by 2.5 in 5 years. This period was marked by sustained demand in Consulting and Technology services due to oncoming Y2000, the introduction of the Euro and the development of the Internet.

During the 3 subsequent years, under the twofold effect of:

– the general economic degradation due to new, major international crises, culminating in the 9/11 attacks and the war against Iraq,

– the bursting of the Internet bubble,

the investment slowdown led to downsizing the workforce. 2004 was characterized by a return to growth, mainly as a result of staff transfers (over 5,300 people were transferred upon signature of 2 large outsourcing contracts - TXU in the USA and Aspire in the UK). 2005 was a year of consolidation and renewed large-scale recruitment. In a flourishing market, 2006 was marked by a turnup in employment, with double-digit growth and ongoing recruitment. The Group had a record 67,889 employees by the end of the year, essentially through organic growth.

Year	Average headcount		End of year headcount	
	Number	Evolution	Number	Evolution
1996	23,934		25,950	
1997	28,059	17.2%	31,094	19.8%
1998	34,606	23.3%	38,341	23.3%
1999	39,210	13.3%	39,626	3.4%
2000	50,249	28.2%	59,549	50.3%
2001	59,906	19.2%	57,760	- 3.0%
2002	54,882	- 8.4%	52,683	- 8.8%
2003	49,805	- 9.3%	55,576*	5.5%
2004	57,387	15.2%	59,324	6.7%
2005	59,734	4.1%	61,036	2.9%
2006	64,013	7.2%	67,889	11.2%

*48,304 excluding the Transiciel contribution, which was only incorporated at 31 December.

The impact of the staff transfer, and the resumption of recruitment over the last two years, have appreciably modified the geographical distribution of the Group personnel; its evolution is summarized in the table below:

End of year headcount	2004	%	2005	%	2006	%
North America	8,893	15.0%	6,351	10.4%	6,441	9,5%
UK/Ireland	8,534	14.4%	8,826	14.5%	8,785	12,9%
Nordic Countries	3,485	5.9%	3,429	5.6%	3,608	5,3%
Benelux	8,306	14.0%	8,613	14.1%	9,014	13,3%
Germany and Central Europe	3,390	5.7%	3,732	6.1%	5,137	7,6%
France	18,664	31.5%	19,866	32.5%	20,438	30,1%
Southern Europe	5,151	8.7%	5,591	9.2%	6,235	9,2%
Asia-Pacific	2,901	4.9%	4,628	7.6%	8,231	12,1%
Total	59,324	100%	61,036	100%	67,889	100%

The above evolution reflects the following:

- The continuing adaptation of our production capacity to the Rightshore™ model, combining local resources (in the client's area) with those situated in specialized production centers, the balance depending on the technology or offer concerned. This explains, in particular, the development of our headcount in the Asia-Pacific region - where 12% of Group resources are concentrated - and in Central Europe;
- The continuing development of the local professional services activity, with strong representation in France and in Benelux, and a growth trend in North America;
- The maintaining of a local production workforce in all our geographic zones.

In 2006, recruitment was stepped up and 18,600 new employees came onboard, compared with 14,500 in 2005. This same trend was prevalent in all countries and in all areas, a trend which was particularly marked in India where the headcount rose by 77% and the total number of new recruits was higher than the total headcount at the beginning of the year. Sogeti and OS recorded high recruitment rates - 4,300 and 3,700 respectively. To support our 2006 priority on recruitment for growth, a new global recruitment campaign was launched. This campaign received the 2006 *Award for the best global press recruitment campaign.*

Staff turnover (i.e. percentage of voluntary departures) slightly increased - reaching 16.6% in 2006 (compared with 15.4% in 2005 and 14.1% in 2004) i.e. almost 10,700 voluntary departures during the year - which reflects the standard phenomenon i.e. increased mobility in Consulting and Services when the market is flourishing. This rate is carefully monitored in order to maintain it at the customary level for the sector, which is achieved through specific action or programs (implemented in function of the disciplines and geographic areas involved). Turnover rates in India, which has had a booming IT market for several years now, stand at approximately 20% instead of the 30% recorded two years ago.

The utilization rate of resources - which measures the share of hours (excluding legal holidays or leave) worked by productive salaried staff and directly allocated to invoiceable services - is globally progressing compared to 2005 in the case of Projects and Consulting. Breakdown is as follows:

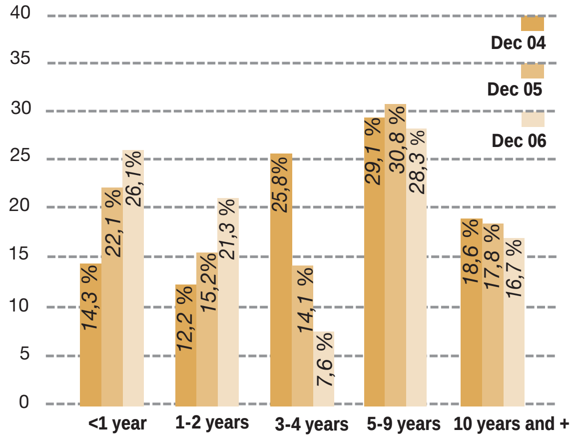
Quarterly utilization	2005				2006			
rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consulting Services	62	67	66	66	66	69	66	69
Technology Services	78	79	79	79	79	80	80	80
Local Professional Services	85	86	86	86	85	85	86	86

It should be noted that utilization rates are not monitored for outsourcing business, for which the indicator does not reflect the performance evolution.

Since 2003, the Group measures and monitors the evolution of the indicators designed to provide pointers on the breakdown of its headcount. Average seniority, average age and male/female breakdown are recorded under these indicators.

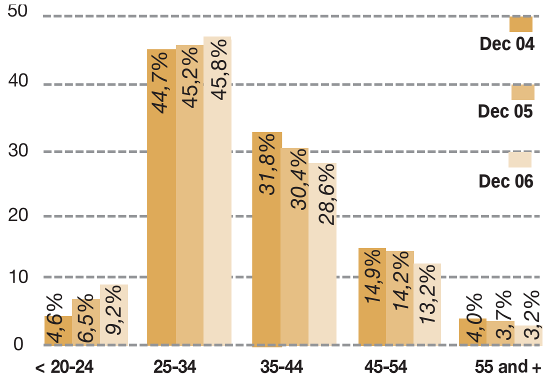
BREAKDOWN OF WORKFORCE BY SENIORITY: EVOLUTION 2004-2006

Evolution of average seniority reflects the Group's recruitment policy over the last few years and explains the low percentage of people with 3 and 4 years' seniority within the Group. On the other hand, the recovery recorded - slow in taking off in 2004, then becoming gradually stronger in 2005 and 2006 - explains the growing, albeit now-preponderant share of people with less than 2 years' seniority. Furthermore, the development of outsourcing, with its historically more stable headcount, also explains (as a result of staff transfers such as TXU and Aspire, in particular) the relative stability of the proportion of staff with 5 or more years' seniority.



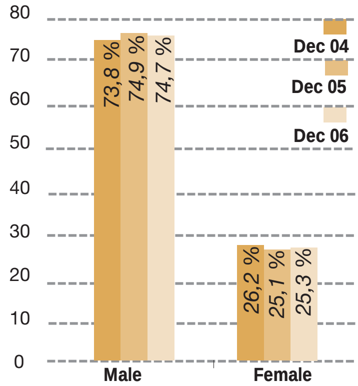
BREAKDOWN OF WORKFORCE BY AGE: EVOLUTION 2004-2006

Evolution in average age has remained globally stable, even falling slightly again to 35.9. The regained momentum in recruitment of young graduates over the last few years, in addition to the strong growth of the workforce in India (where the average age is much younger), highlight the fact that the share of under 25s has increased sharply to 9.2% compared to only 3.2% in 2003.



BREAKDOWN OF WORKFORCE BY GENDER: EVOLUTION 2004-2006

After falling for several years, the percentage of women in the workforce rose again in 2006. The overall evolution can be explained by the fact that development was particularly marked in business lines (outsourcing and local professional services) or in certain countries where the percentage of working women is not so high (e.g. India). However, in many areas of the world, the percentage of women is rising globally (same scope of reference). Likewise, the development of BPO has enabled a large number of women to be taken onboard.



7.3 Fundamental Principles of Human Resource Management

Our Commitment to our People

The success of our business is grounded in the diverse work and life experiences of our professionals, who enable us to both grow our business and deliver outstanding results to our clients. Key elements of our approach as an employer include:

- Fostering a culture of collaboration;
- Personal and professional development by focusing on a combination of experience, industry expertise, technical, business and interpersonal skills;
- Providing learning and development opportunities and the resources required;
- Providing an annual performance appraisal process with the opportunity to discuss its content in an individual interview;
- Entitlement to a personalized development plan, which includes recommendations on learning and personal development options;
- A performance management process that considers our professionals for what they do and how they do it;
- A team-focused environment where professionals can enhance their skills, share knowledge and enjoy a rewarding career on a daily basis;
- Access to a mentor, if they so wish, with whom they can discuss their career path;
- The ability to regularly voice their opinion through employee surveys on the general evolution of the Group, employment conditions, working conditions, professional development and their relationships with management and colleagues;
- To be regularly informed by their managers and able to engage in dialogue concerning their assignments and work environment;
- Respecting the Capgemini corporate social responsibility and sustainable development positions on diversity, social stewardship and ethical code of conduct.

We believe that highly qualified teams of professionals are key to the success and sustainability of a company whose main purpose is to deliver an "intellectual" product. As a result, the company offers an environment where all can progress and develop their skills, collaborate with diverse professionals, contribute to the Group business goals through varied assignments, share knowledge, and thus enjoy a fulfilling and rewarding career.

7.3.1 Personalized career management

The competency model

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

Personal development and appraisals

One of the key challenges for a services company is to guarantee a transparent process of individual performance assessment, based on clearly defined, fixed criteria. It is only with such a framework that it is possible to ensure the professional development and promotion of all employees, as skills assessment is the best way of respecting equal opportunities.

To allow this, the Group has a performance appraisal system based on regular evaluations, generally conducted in relation to client projects and involving personal interviews with the employees.

Mentoring systems have been set up to allow employees to benefit, throughout their career, from an outside view and career management advice from more experienced colleagues.

Mobility

Geographical mobility, whether within a country or internationally, is encouraged by the Group and often corresponds to employee requests. To facilitate mobility within each country, intranet sites publish available positions to give every opportunity for roles to be filled by existing employees prior to being advertised externally. Furthermore, for professionals involved in overseas assignments and who are considering an international career, useful information can be found on company intranets together with the relevant conditions and procedures.

At the same time, in order to ensure the safety of its employees, travel to potentially high-risk countries is subject to strict rules and must be approved in advance. In order to limit the risks faced by its people as far as possible, if trouble breaks out in a country where the Group's employees are present, Capgemini has set up a repatriation procedure with specific insurance cover.

7.3.2 Learning and development

General learning policy

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

The fundamental strategy of competency development draws upon various approaches:

- standard training programs;
- mentoring systems;
- e-learning;
- on-line books;
- on-the job training;
- easily accessible databases for knowledge sharing;
- management of professional interest communities;
- forums and team rooms where issue-specific or assignment-specific knowledge can be exchanged.

A culture of sharing and networks is vital in order to facilitate the relaying, use and sharing of knowledge, as well as innovation and collaboration.

Increased focus on investment in training and competency development

Resources are devoted to providing training both at Group level and locally. The Group's on-line learning management system, called "*MyLearning*", which is open to all employees, was used by over 26,000 employees in 2006. Moreover, overall usage of e-courses and online books saw a big jump, with employees using *MyLearning* for informal and just-in-time learning as well as for registering for more formal structured learning events.

MyLearning contains all of the Group programs and, for many regions, local curricula. The underlying platform of *MyLearning* was refreshed in 2005 to give an enhanced learning experience and to improve available learning tools. The catalog of courses includes a range of training options to suit different learning styles, including over 2,000 e-learning courses, on-line assistance, test-preps, more than 13,000 books, online examinations, language courses, live virtual training and meeting sessions, and classroom teaching. Classroom instruction is provided either at local training centers or within the Group University. Globally, 63,500 people were trained in over 2 million hours in 2006.

The Group University

The Group University continues to play a major role both as a learning center and as a conduit for the group's strategy and evolution. The University is the connection point for the business units, the disciplines, and the Group to deliver learning experiences that align our people to the Group's strategy and to our client's needs. It is also where the Group "Feeling and Spirit" comes to life for our people. Its mission is to:

- Develop professional competencies and capabilities;
- Drive top-quality learning content in order to guarantee consistent application, adapted to our business requirements;
- Design and master a global curriculum;
- Innovate and optimize efficiency when designing the programs;
- Only deliver top-quality, tailored program content and delivery;
- Facilitate and incubate networking within and across the disciplines and communities.

In 2006, the Group's University expanded its classroom activities by 40% and reached over 6,900 participants – 2,000 more than in 2005. Overall satisfaction with the courses remains high with an average rate of 4.3 out of 5.

Continuously innovating and alongside its normal program schedules, the University delivered five specially-focused Business Priority Weeks (BPW) in 2006, which reached over 1,500 participants, on the topics of Service Orientated Architecture (SOA) and Rightshore™. BPW is a unique learning event where over 300 individuals, attending specialized training programs, come together at certain points during the week to hear key messages from Group senior executives and clients on top priority topics and to discuss the implications for them and their communities on their daily practice, their disciplines and our business. These events enable them to be ambassadors and conduits of the key learning and messages when they return to their home business units.

The main home of the Group University is *Les Fontaines*, a specialized Business Learning forum which organizes training and seminars. *Les Fontaines* was opened in 2003, after an investment of €96 million by the Group, thus testifying to the strategic importance of training within the Capgemini Group. While Les Fontaines remains the hub for the Group University, additional regional hubs were opened in the United States and in India during 2006.

The University is structured into a number of schools aligned to the business disciplines The Leadership Development School and the Business Development School are transversal and open to participants from all disciplines. The Consulting, Technology and OS Schools are all aligned to their respective disciplines.

The role of the Leadership Development School is to create our common leadership culture and to strengthen our leadership community. At the heart of this school are learning programs that help our up-and-coming and existing leadership drive change, results and passion. Through action-orientated sessions dispensed by specialists, with many opportunities to interact with top management and practitioners, participants come away with renewed understanding of the Group, and its priorities and individual actions to bring both short and long term business results. *Collaborative Coaching*, a program that was introduced two years ago, has increased in attendance and popularity as the focus on leadership and coaching has increased in the Group. 2006 has seen the introduction of a new program – *Emerging Leadership* – targeting the early career professionals with high potential.

The Business Development School supports the development of our business development community and is a strong channel for animating our sales force. The school ensures a fast roll out of priority content training such as Rightshore™ or SOA.

The Consulting School trains our newly hired consultants in the Group Consulting skills and methodologies. It provides training on the main consulting practices, such as Customer Relationship Management (CRM), Supply Chain, Finance and Employee Transformation (FET) and Transformation Consulting as well as topics such as Six Sigma. The Consulting School also provides sector-specific training to support our key sectors.

The Technology School equips our technology professionals with the technologies, skills, tools and processes necessary for delivery excellence. This school is the spearhead of our four in-house certification programs designed for Engagement Managers, Architects, Software Engineers and Networks Engineers. The programs have been designed to support these roles, from apprentice to master levels, and to allow our professionals to select their learning solutions in line with their current business priorities, their personal objectives and their career tracks. Participants have the opportunity to connect with colleagues from across the Group. Specialized learning programs have been designed, in partnership with each of these communities, to bring participants permanently up to standard through all phases of the certification process in line with current technology trends.

A recent addition to the University Schools is the Outsourcing School to support our Outsourcing (OS) business. The initial programs are focused on the training and assessments required to support Service Delivery Management Certification. The OS School complements the existing offering and OS people attend additional programs within the other Schools depending upon the requirements of their roles. The OS School is set to grow in 2007 to meet additional OS business needs.

To support the focus on leadership development, in 2006 all countries increased their participation in both local and global programs. Some examples:

- In the Netherlands, a new program called *Fast Forward* was initiated, which focuses on accelerating leadership qualities in young talent; this is a three-year program combining working sessions, learning programs, stretch targets and coaching.
- In India, the *New Horizons* program is designed to develop four key leadership competencies: Business Acumen, Delivery Excellence, Cross Cultural Competence and People Leadership; at the end of the program, a select number of high performers are put through the Executive Mentoring and Shadowing Program with Global leaders.
- In the UK's Aspire business unit, two new programs for graduate and junior management talent were added. This adds to the Leadership Academy for identified executives with VP potential, which was set up in 2005.
- In Sweden, in addition to existing leadership development programs, 6 leadership seminars were run around hot topics such as motivation, managing virtual teams, living our values.

In these seminars, our clients were invited as guest speakers and participated in workshops on these subjects. The seminars were very popular and gave good insights into the importance of good leadership skills.

- The BPO Center in Adelaide, Australia, partnered with a local training organization to conduct the *Collaborative Leadership Program*. All members of the senior leadership team participated in an eight-month program designed to enhance core leadership competencies. Throughout the year, several *Leaders' Lunch & Learn* sessions were conducted, which were designed to develop the skills of the broader leadership team to enable them to manage better the performance of their team members.

The certification process

Internal certification

This in-house peer review process gets employees to appraise the competencies of colleagues based on precise and clearly identified criteria: experience gained, knowledge sharing, use of in-house tools and methods, advice and leadership.

The process has three objectives:

- to create strong and recognized professional-interest communities by sharing information, knowledge and skills in specific areas;
- to ensure a blended distribution and graduated progression of competencies, both for in-house needs and for client service;
- to create the win-win situation giving a competitive edge - to both Group and employee - as well as increasing each person's "employability".

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

At the end of 2006, 4,139 people had received internal certification at Group level (some 6.1% of the Group's global headcount) compared to 3,631 people in 2005.

External certification

The Group has a long-standing external certification policy, which it has enhanced through online learning programs offering the possibility to study for external affiliation, including test preps and online mentoring. Individuals can apply for external certifications such as Microsoft, IBM, Oracle, Sun Microsystems, Cisco, Linus Professional Institute, Project Management Institute (PMI) and ITIL.

Some examples, which support our growth in India:

- 140 people gained ITIL certification, 14 people moved up to the next level and gained ITSM Certification i.e. the highest proficiency level in the OS discipline;
- Six Sigma Training was rolled out to senior professionals from Capgemini India, who went through 3 weeks of Six Sigma Training to attain *Green Belt* certification;
- A special *SAP Tech Edge Seminar* saw participation from 110 individuals from the India business, all of whom gained certifications in different modules of SAP.

Capgemini in-house center certification

At least 56 Capgemini centers including the Accelerated Delivery, Application Management Services, Infrastructure Management Service, Business Process Outsourcing and Technical Excellence Centers all have some form of certification now, an increase of over 23 since last year. Centers in North America, France, United Kingdom, Belgium, Netherlands, Germany, Spain, Italy, the Nordic countries, China and India have ISO certifications, including ISO 9001 / ISO 9001-2000. Many centers are working on their CMM/CMMI® (Capability Maturity Model Integration) certification, which is specific to the applications development business. The Mumbai and Bangalore centers in India have obtained the highest CMM and CMMI® certification (Level 5), and at least another 10 centers across France, Netherlands, Spain, Canada, the UK and USA have achieved CMM/CMMI® Level 3.

7.3.3 Dialog and communication at the heart of our relationships

With over 300 offices, in more than 30 countries, approximately 68,000 people all over the world, speaking over 100 different languages and an extremely diverse client base, communications and dialog are essential to foster the spirit of collaboration and a sense of belonging.

Capgemini believes effective communication is a precondition for an open and honest culture, and for the involvement and engagement of its employees. It is also essential for spreading knowledge, sharing successes and creating a sense of belonging both to local teams and to the Group in all its dimensions.

In 2006, the Capgemini internal communications team continued to focus on improving and increasing communications across the Group through various initiatives, in particular:

- The Group's intranet site, *Talent*, updated with real-time news and information, enjoys over 20,000 visitors each month. *Talent* is a "digest" of corporate information, best practices and tools concerning the Group, and contains links to local country intranet sites, training sites and communities. There are over 5,000 subscribers to the *News Alert*, and a weekly e-mail edition is sent to all Capgemini employees every Friday. An audio news podcast is also released every week. The successful *Talent* experience was the origin of a new approach to intranet site management across the Group; now local intranet sites share the same content management platform and this allows a continuous flow of information, from one to another.

- *Talent* also runs themed annual communications and awards programs, designed to recognize and reward people from all parts of the Group. In 2006, the theme was *"Many Faces, One Group"*: the campaign featured all countries where the Group is present. The campaign looked at the various markets, business opportunities and team efforts in the geographies. The coverage included articles, quizzes, photos and downloadable color brochures of each country. Employees were invited to share different traditions and working practices as well as challenges faced, which were often similar across the globe. The campaign succeeded in closing cultural gaps, shortening distances and jumping language barriers. It also enabled people to learn from their colleagues, to put their knowledge into practice, and to work towards a common goal. *Many Faces One Group* was a huge success with around 10,000 accesses to the articles every month, over 3,000 entries to the quizzes and several hundred photo uploads, including several team photos.
- Newspapers and rich-media, produced by Group Communications, support communications at special events such as *Rencontres* in Montreal, Group Kick Off meetings and Business Priority Weeks at the University. Known as *Talent on the Spot*, this capability enables real-time capture of key messages that can then be relayed and re-used within the Group.
- A dedicated channel helps foster community spirit and communication between the Group's principal operational leaders. *"The Executive"* series comprises a monthly newsletter, a calendar of events, a Who's Who and regular updates.
- Every quarter, after publication of the Group revenues , a communications pack is put together, providing an overview of the quarter in terms of financial performance, sales, delivery and human resources - at Group and SBU levels. This communications pack is then enriched with local information (corresponding to the same categories) before being shared with team leaders, to help them manage local team meetings and to ensure consistency of message across the Group.
- In 2006, Capgemini held its second all-staff Webchat, *"Let's Talk On-line"* with some 5,000 connections. For 90 minutes, 3 members of the top management team answered questions from employees worldwide, in five languages. For those unable to take part, questions could be sent in advance and a written response was given to each query.
- Important events such as the 21st *Rencontres* - where Capgemini's ambition was shared - also created a lot of communication and enthusiasm as all parts of the Group rallied together.
- Electronic community tools such as *Community Home Spaces*, *Team Rooms* and other platforms continue to evolve dynamically to allow internal communities to debate technical topics, to rapidly share best practice and to access Group tools and methodologies.
- The Group University consistently provides a vital platform for international communication and exchange.

Whilst the wealth of global communications initiatives provides cohesion and understanding within the Group, local communications teams also play a vital role in supporting the company's culture. Above all, communication is a daily management task, drawing on various local initiatives, developed through newsletters, Intranet sites, information meetings and formal or informal person-to-person exchanges.

Communication at the heart of employee transfers

Maintaining the involvement and satisfaction of existing employees constitutes a communications challenge priority but winning the hearts and minds of the many people who join the company each year, as part of an outsourcing deal or an acquisition, is as vital to the success of any deal. In 2006, over 600 people joined Capgemini in view of the various outsourcing projects in addition to the acquisitions in Germany and India.

Two-way communication and employee involvement

At the heart of Capgemini's communications philosophy is a commitment to two-way communication. Whilst informal two-way dialogue is always encouraged between individuals, understanding the engagement and satisfaction levels of employees, as a whole, is also formally sought through the annual Group survey. The employee surveys have up to now been locally managed with a core of globally consistent questions, which are identical every year thereby enabling to track and monitor satisfaction levels with respect to the various initiatives. Employees are informed of the results of these satisfaction surveys. In 2006, a decision was made to roll out a fully consistent Global Employee Survey in 2007. A pilot was run at the end of 2006, covering over 16,000 employees across France, North America, Central Europe, Italy and China with a response rate higher than 65%. By moving to one consistent survey, the Group will be able to increase the focus on taking actions, tracking, and monitoring progress.

Employee representation – a formal voice for employees

Capgemini also demonstrates its commitment to two-way dialog through its approach to employee representation. The company upholds the laws of representation and recognizes the importance of constructive dialogue between employees and management in shaping key decisions affecting the running of the Group. In 2001, the International Works Council (IWC) was set up as the official representative body in the Group. It enables employee representatives to bring employee interests directly to the attention of Group management and, in return, to be informed directly, by the management, of plans for the company and their impact on its employees.

Since 2004, Capgemini has gone beyond the European legislation on Works Councils and opened up the IWC meetings to members from non-European countries, including the United States and India, creating a truly globally representative body. The IWC meets twice a year for two-day working sessions.

At a local level, the company also supports dialogue with unions or other employee representatives, within relevant bodies and through the processes provided for in local legislation, regulations and agreements.

Following the October 2006 announcement of the acquisition of Kanbay, its workforce being mainly based in India, the IWC was invited to hold its meeting in India. The meeting was a great opportunity for the IWC to gain important first-hand experience of both the country and of our Indian colleagues.

The accent was laid on cultural understanding, business culture, code of ethics and work practices in the IT sector in addition to the recruitment process, learning and personal development. IWC members were given the chance to speak to people working on various accounts. Our working conditions and salaries are in line with those of the large Indian IT companies. Offices are huge, open-plan spaces, divided into pods of two or four, which see a great deal of activity in the afternoons, when Europe has only just woken up. Our employees also have the chance to learn foreign languages, including French, German and Dutch. There was positive feedback from the IWC on the working conditions, the professionalism and the friendliness of our Indian colleagues.

The IWC has a dedicated intranet site to give all Group employees open access to IWC information. In France, an Information Dissemination Agreement was signed, in 2002, to define the terms and conditions for information to be issued to employees by the unions, Health and Safety Committee and other employee representatives via the Group's intranet. Similar practices also exist in other countries, such as Spain and the United Kingdom.

7.3.4 Remuneration policy

The Group's remuneration policy is based on common principles, applied in a decentralized way and tailored to local job market conditions and regulations. The policy aims to:

- attract and retain top talent;
- reward performance with a remuneration model that is motivating yet flexible;
- be consistent with the Group's financial and operational targets.

When local rules permit, employees can select the components of their remuneration package from a predefined menu. This allows employees additional flexibility and enables them to reconcile their financial and personal situations in the best possible way.

Profit-sharing is provided to employees, pursuant to the local regulations of the country concerned.

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

7.3.5 Stock options

Stock options are granted on a regular basis in line with corporate governance recommendations. These grants are made selectively, with the aim of rewarding employee loyalty, namely for those who have made exceptional contributions to sales, production, innovation or management or who have been acknowledged for specific initiatives. Any employee in the Group may be selected to receive stock options. They are an exceptional reward and do not form part of the Group's general remuneration policy.

The Board of Directors granted a certain number of stock options to 6,193 beneficiaries under the fifth plan (launched in May 2000 and closed in May 2005) and to 1,342 beneficiaries under the sixth plan (launched in May 2005 and closing in July 2008). The Management Report, presented at each shareholders' Meeting of Cap Gemini S.A., provides a detailed yearly breakdown of these grants. Stock option grants to company directors formed only a tiny percentage (less than 1.5%) of the aggregate stock options allocated.

Detailed information regarding the stock options granted by Cap Gemini S.A. to the first ten non-designated company employees having been granted the highest number of options and the number of options exercised by the ten non-designated company employees having subscribed the highest number of shares and, generally, any details regarding the plans are provided on pages 129 and 139 of this reference document.

7.3.6 Diversity, equal opportunities and working conditions

In all countries of operation, the Group strictly complies with the local labor legislation and international labor regulations.

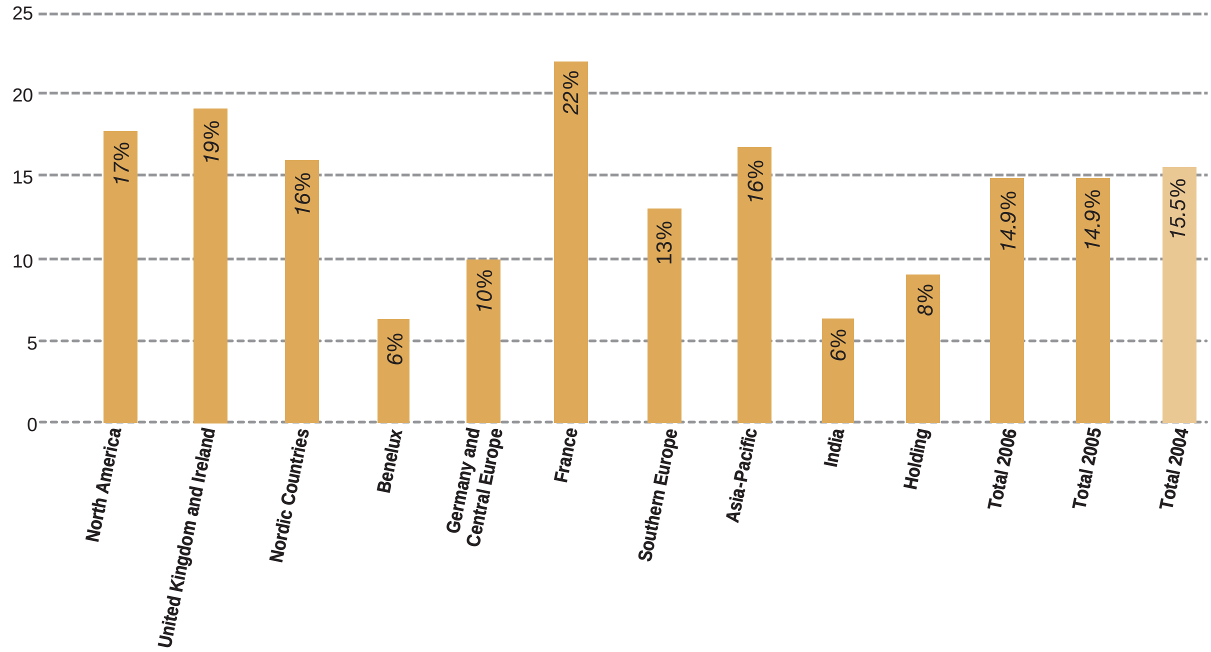
Capgemini guarantees equal opportunities to all employees and any form of discrimination is forbidden. The principles and values of the Group are applied so that they expressly promote diversity, integrity and work-life balance for its employees. The aim is to encourage a respectful attitude and to banish any form of harassment or exploitation from the workplace.

The goal of the company is to welcome individuals from diverse backgrounds who are innovative, enthusiastic, open-minded and committed to delivering a truly collaborative experience to our clients and top-quality service. Capgemini promotes the principles of diversity, in particular by:

- selecting employees according to objective, job-related criteria;
- continuously reviewing all internal policies and procedures in order to make improvements and to encourage diversity;
- identifying barriers or restrictions to diversity in order to take the action required to remove them;
- training and continuously educating the management;
- communicating the spirit of the diversity policy to everyone within the company;
- setting up ways to measure and monitor diversity.

The Group makes every effort to adapt to the different needs of its staff and to provide a sound working environment for them, an environment which is best suited to their lifestyles.
Group-level tracking is carried out, in compliance with the applicable legislation, to assess and understand better the situation of women within the Group such as the percentage of women in recruitments, departures, promotions. In a number of countries, and where allowed by the regulations, tracking is carried out of specific populations such as different cultural groups, age groups and people with disabilities. Diversity performance indicators are also included in the HR audit run each year.
In terms of women's representation at the highest levels of responsibility, the situation was as follows as at 31 December 2006:

PROPORTION OF WOMEN IN TOP EXECUTIVE POSITIONS PER OPERATING UNIT



Despite remaining stable from one year to the next, pronounced evolutions in the proportion of women in top executive positions have been recorded. The percentage of women promoted to top management roles has reached the 23% mark and this figure follows on the heels of the same statistics for society as a whole. Furthermore, growth is mainly centered on India, where the figures recorded for Capgemini are higher than those recorded in the local employment market, in spite of this rate being lower than our global average.

Across the Group, the focus on improving the diversity of workforce has remained a priority. Some of the many diversity actions in 2006 were:

- In France, both Capgemini and Sogeti signed the *Charte de la Diversité dans l'Entreprise* (French corporate diversity charter) and actively participate in *IMS Entreprendre pour la Cité*, an organization responsible for promoting the French charter to help drive modern diversity in France. An agreement favoring the employment of disabled people was also signed in 2006. Capgemini and Sogeti also rolled out training programs, for the recruitment teams and managers, on the importance of diversity in recruitment. Working with Medef and Syntec, the Group was involved in *Nos quartiers ont des talents*, which generated an increase in the number of CVs received from young people from the Paris suburbs. This was combined with initiatives to bring greater awareness of opportunities in the IT business for less privileged universities in the Ile-de-France region. Sogeti participated in the *Trophée de la Femme Ingénieur* awards for top women engineers in France.

- In the Netherlands, the Diversity Platform launched a new initiative called *Connect in Circles* where women connect with each other and with role models (male and female) to share experiences on profiling, networking and negotiating career choices. Each "Circle" is mentored by a Vice President. In March 2006, Capgemini, in the Netherlands, hosted 150 top female managers from many multinational firms to debate in a workshop on Corporate Social Responsability and sustainable development. Many of our female colleagues supported the initiative *Spiegelbeeld* (mirror image), which is an online database with female role models used by the national expertise office VHTO to help more girls become interested in science and IT. In recruitment, Capgemini undertook the biggest job market research project in the Netherlands, providing a wealth of information on the IT and management consultancy market. Capgemini, along with a number of other large companies, participated in a coaching project for highly-educated Moroccan students to help them in their personal development and career options, which has had a positive influence on employer perspectives on this group. This was combined with working together with Young Global People, a network organization for educated immigrant young people, thus giving Capgemini access to a wider range of talent.
- In North America, the *Capgemini Women's Council* was set up to promote a more enriched and diverse work environment in order to reinforce Capgemini's commitment to invest in its people and to serve as a key element of its strategy to be the employer of choice, in particular for women. The council focuses on four main areas: recruiting, retention, leadership and networking. A specific Leadership Development program, designed specifically for women, has established a digital forum to provide women with information (research, relevant articles, documentation, etc.). All these initiatives focus on deepening the talent pipeline and providing promotional opportunities for women throughout the organization. Local offices also support many diversity initiatives in their local communities.
- In Spain, we collaborate with FUNDOSA to train and recruit disabled people. We also provide special onboarding programs in English to respect the increased diversity in our Spanish workforce with employees from over 39 different nationalities. Spain has also joined the *Alcobendas Equal Employer Network*, the objectives being to increase equal-opportunities awareness and to promote work-life balance initiatives. An internal survey on flexibility showed that this is a main priority for employees and, currently, over 80% of employees consider they have the flexibility they need.
- The UK has established strong links with several external organizations such as Business in the Community's *Race for Opportunity, Opportunity Now, the Employers' Forum on Disability* and the Employers' Forum on Age. In 2006, Capgemini was awarded a silver rating from *Opportunity Now* in respect of our progress on Diversity. *Opportunity Now* is a business-led campaign that works with employers so that they realize the contribution of women to the workforce. Capgemini has been recognized by The Times survey - *Where Women Want To Work* - as one of the Top 50 most progressive organizations in the UK.
- In Germany, we have put in place Supply Chain Agreements with institutions for disabled citizens and, wherever possible and sensible, order products and services with suppliers who have focused on employing and supporting the development of disabled citizens.

Health and safety in the workplace

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

Our offices around the world have introduced initiatives to promote employee well-being including: work-life balance programs, stress management, improvement of employee-manager relationships and better working conditions within the company.

Highlights of actions related to well being and work-life balance include:

- In Sweden, the focus has been on pro-active health care. A monthly e-magazine *HälsoNytt* includes articles, by well-known writers, on proactive health care issues. Subjects covered include stress management, life balance, sleep, exercise, diet, work environment especially ergonomics. A personalized e-trainer, on a dedicated web-site, enables employees to chat, to obtain exercise and weight tips, and even recipes. Over 50% of the Swedish staff use this facility. All employees were given a step counter and competitions were run, which were very popular: people got geared up and enthusiastic in competing together. The goal was 10,000 steps each day. A very good pro-active health care project!
- Germany has implemented thorough medical check-ups for all employees above 40, conducted by one of the leading doctors for preventive medicine in Germany. Capgemini bears all the costs for these specialized medical check-ups. Employees under 40, their family members and life partners/companions can also use this service at reduced market rates. Early in 2006, a contract was negotiated to supply all German office locations with heart defibrillators (at least 1 per floor) in order to cope with the

urgent health crises, which an employee or a visitor may suffer as a result of malfunctioning heart rythms, and to manage the time-frame prior to the arrival of the paramedics.

- In Finland, one of the main projects in 2006 was the well-being program. This included setting up operational models with external suppliers, involving the line managers in planning preventive action, training all the managers (including the Project Managers) within the scope of the program - *The Manager's Role in Well-being* - and providing training for employees on work-life balancing. The aim of this program is to raise awareness among our managers on how health and safety impacts business results and how they can contribute to improving working conditions, which aspect was particularly appreciated by the employees. HR has created a reporting model that helps us to manage the risk portfolio and, today, we have good visibility of health risks (early retirement, sustained sick leave, etc). Policies and procedures have been established on how to prevent or to handle these risks.
- In the Netherlands, Capgemini worked with the Institute for Work and Stress and developed the training program *Working Together*. In three workshop sessions, Capgemini employees and their working partners have learned how to combine and to create a better balance between their work and private lives. After a successful pilot, the training program was added to the standard training catalog. The training program was followed up by a pilot training for managers: *Smart management from 7 to 7,* teaching managers about their own work-life balance and how to discuss these topics better with their employees. During 2006, a number of ergo-coaches were trained to help look for ways in which we can improve the working environments of our employees, on an ongoing basis. Towards the end of 2006, a workplace investigation was conducted with a software system called e-Monitor+. This looked at the physical workplace (chair, table, screen, light, climate, transport, stress, etc) and the potential problems and risks. One result of the investigation was to provide advice to employees, who have to travel a lot by car, on how to choose a car and how to sit and relax while driving.
- In the UK, the health, safety and well-being initiative - known as *LifeStyles* - increases year on year the options available. This initiative offers employees a wide range of events, advice, guidance, discounts and benefits. Advice and guidance is offered on a variety of issues such as cancer awareness, overcoming jetlag, healthy eating, time management and relaxation techniques. Discounts and benefits are available to all staff for a selection of goods and services, including gym membership, methods to give up smoking etc.
- In Spain, the accent has been placed on work-life balance with actions such as increased flexibility in working patterns and the provision ofchildcare vouchers, which both increases flexibility and helps working mothers.
- The BPO Centre in Adelaide, Australia, has introduced flexible working policy along with a number of initiatives concerning health, safety and well-being such as a fitness campaign.
- In India, employees using their cars outside regular working hours, due to the difference in time zones' with Europe and the USA, have been supplied with GPRS equipment. The purpose is to ensure their safety and to provide assistance in the event of breakdown. In India, Capgemini, particularly emphasizes the *Fun* value. In order to allow employees to unwind and relax, activities are organized such as *SocioZone* - a quarterly event, including an external trek, cruise party or discotheque party, which has huge attendance. 500 people attended the last *Sociozone* in 2006. *Fundoo Friday* runs monthly with fun activities e.g. young talent show, music & dance competition, mimicry, orchestra, etc. In *Sportz World*, various sports-related activities - especially cricket - are promoted, which facilitates Capgemini India's participation in external events. These events also aid employee retention and encourage team spirit.

7.4 In the community

Capgemini actively encourages employees at all levels to get involved in the communities in which they live and work and to donate time, energy and creativity to bearing a positive impact. Joining forces to help others strengthens team spirit, improves communication skills, and gives us a better understanding of those around us. Our community activities range from fundraising drives and direct financial contributions to a wide range of volunteer projects. *Skills for the Future* encourages Group employees, wishing to get involved in educational initiatives for the development of individual or group skills and capabilities, to share and disseminate their own expertise.

- Sogeti has been supporting PlaNet Finance, the world's leading micro credit organization, for a number of years and hosted an event to celebrate the achievements of Dr. Mohammed Yunus, who was awarded the Nobel Peace Prize in 2006. Sogeti helps PlaNet Finance by providing IT systems support. It is currently working to restructure the system to make it more efficient, enabling the organization to help more people. Sogeti is also a part of *Club XXIè siècle* (21st Century Club), a French leadership group focused on business with a social conscience.
- In the UK in 2006, a challenging target to help 2,007 people by 2007 was set and exceeded. The teams estimate that they have helped approximately 5,500 people. As a significant sponsor of the Prince's Trust, our involvement includes a network of personal and business mentors, pro bono work directly for the Prince's Trust. Capgemini is also committee member of the Technology Leaders Group, having achieved significant fundraising through sponsored challenges. Recently, a team of 40 people undertook a grueling challenge (crossing the Sahara and Costa Rica) and raised over £130,000 (approximately €200,000) for

the trust – which will help about 185 young people make a fresh start in life. The *Teach First* program gives top graduates both teaching and leadership experience. Capgemini takes on several teachers as interns, every year, giving them the opportunity to learn business skills. The *Time to Read* program continues to help children with learning difficulties, many Capgemini employees spending their lunch time helping children to read. *Working Links* is a public/private/voluntary partnership between The Shareholder Executive, Manpower, Capgemini and Mission Australia that helps people in some of Britain's most disadvantaged communities to get back to work. Since its creation, *Working Links* has helped over 76,000 people find a job. Working with the charity organization Plan UK to rebuild a primary school in Banda Aceh (Indonesia) which was destroyed by the Tsunami of December 2004, Capgemini UK employees raised £117,000 (approximately €175,000) and the school was re-opened in July 2006. For the last four and a half years, Capgemini has provided funding, business experience and time to support the Rotherham Rugby Club's community program which focuses on sport, health and learning. Our support has helped them provide activities for almost 3,000 children a year. The activities are all free and include: rugby coaching for juniors, reading partnerships and additional help for innumeracy, healthy lifestyles and programs for children in care.

- Telford, in the Midlands, is home to Capgemini's largest UK client work - the Aspire project. With over 2,500 employees in Telford, Capgemini is the largest private employer in the region. We have taken an active role in the local community, with an early sponsorship of the local football club - AFC Telford United - which had been facing financial difficulties. Since July 2004, we have helped turn around the fortunes of the football club, created opportunities for coaching for youngsters and been part of developing a new learning center which supports over 8,000 school children and socially disadvantaged people every year. In 2006, we were awarded the Chamber of Commerce *Shropshire Star Business Award for Best Business in the Community*. The award recognizes our long term relationship with AFC Telford United as well as with the local council, local charities and the people who live around Telford. We have helped approximately 2,000 people in the area and our employees have raised over £20,000 for a local charity.
- In North America, the focus has been on supporting local community programs. A number of individuals took on personal challenges to raise money for causes such as aid to build schools in Ethiopia and support to cancer research.
- In the Netherlands, Capgemini is giving assistance to a school project for street kids in India: the *Rainbow Home Project* delivered 10,416 weeks of education and accommodation in 2006, plus a commitment to 40 children who will be supported for the next 5 years.
- In China, in our BPO center in Guangzhou, the teams are working to support each other when faced with exceptional personal situations and to foster and build team spirit by building a fund to help individuals faced with personal hardship. In addition, the office collects old clothing, shoes, and books for children - aged 6 to 14 years - in a Tibetan orphanage. Charity donations for helping poor children is part of a continuous volunteer effort, directed at helping the poor in their local communities.
- India organizes blood donation camps and, in 2006, collected a total of 1,047 bottles of blood. Such drives not only help society but also our employees, in need of blood for their ailing relatives, who can avail themselves of the facility by contacting the Indian Blood Bank authorities..

7.4.1 Corporate Social Responsibility and talent development

As part of the Aspire commitment to Learning and Development and to reflect the Capgemini Corporate Social Responsibility, five community projects have been developed. Teams of junior executives are working with local government and charitable organizations in order to help local school children and socially excluded people by raising money.

Aspire's Academy Programs are:

- *Playing for Success* – The UK Department for Education and Skills £1.5 million *Playing for Success* initiative is establishing out–of-school-hours study support centers at football clubs and other sports' grounds. The centers use the environment and medium of football, rugby and other sports as motivational tools, and focus on raising literacy, numeracy and ICT standards amongst pupils. A Capgemini graduate team is involved in creating an IT/web solution with the local Council.
- *Green Grads* – Employees have been assigned the task of making Capgemini more environmentally friendly and reducing its ecological imprint. The target for this project is to make International House - the first Capgemini building in Telford - as "green" as possible. Developing and implementing green initiatives benefits the environment and reduces costs.
- *H20* – Academy employees have been tasked with raising £10,000 by creating fun, employee fund-raising events for the Aspire 2006-nominated charity Help the Hospice.
- *Goal Getters* – Utilizing the Capgemini access to the AFC ground, a large scale event is to take place that will generate excitement and energy in the local community and hopefully give the community a lasting legacy.
- *Capture* – In celebration of the 250th anniversary of the British engineer - Thomas Telford, we are working with the Telford College of Arts & Technology and the local theatre to run a mobile phone competition. Children from fourteen local schools have been invited to enter a photographic archive of "My Telford: Past, Present and Future" as part of an exhibition to be held in June.

7.5 The group and the environment

Environmental policy

Capgemini's industry is recognized as having a moderate impact on the environment due to the nature of its operations. However, the Group is committed to ensuring that its services are delivered in a manner that is detrimental neither to the environment, nor to the health, safety and welfare of the Capgemini employees, clients, customers and partners, nor to the general public with whom the company comes into contact. Environmental protection is an ongoing process and the Group expects its employees, suppliers and contractors to ensure that the environmental impact of any activity, building or equipment is taken into consideration.

At the end of each year the Group surveys its subsidiaries on the nature of environmental policies, programs and indicators in place in each region plus specific actions taken; staff training and awareness

The key features of the current Group environmental policy are:

- compliance with local and international environmental legislation;
- taking the environmental impact into account in corporate social responsibility training programs and raising employee awareness of these issues;
- using, in Capgemini's sphere of influence, the best practices available in this area;
- setting up indicators to monitor progress.

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

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

Business premises

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

According to the local legislation and property conditions, all parts of the business are increasingly expected to:

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

Equipment

In terms of purchasing and management of equipment, wherever possible, and in accordance with local legislation, each subsidiary is expected to:

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

Waste management

Capgemini aims to recycle waste materials as far as possible, for example by:

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

Business travel

Group policy is to reduce the environmental impact of business travel as far as possible by traveling to face-to-face meetings only when essential. This policy is backed up by making available and improving:

- video/telephone conferencing and other collaborative working tools;
- virtual working;
- helping employees with effective diary management to minimize travel
- encouraging employees to consider different options when selecting their mode of travel, taking into account the life-work balance, cost and environmental aspects.

Where possible, employees are expected to use public transport or the special company bus services in preference to private transport.

In 2006, stress was laid on "*take the train, not the plane*", especially for travel around Europe.

Environmental indicators

In 2004, the Group first defined a set of indicators to understand better the environmental impact caused by Capgemini's power consumption, office space and use of equipment.

At the end of 2006, Capgemini had 393 sites covering 867,000 square meters. This represents an increase in total surface of approximately 8% while end of year employee numbers increased by 11%, thus equating to fewer square meters per person. The company therefore expects to make energy savings (air conditioning, heating, etc). The buildings are mostly rented, many having been recently renovated. The majority are air-conditioned.

A survey on power consumption by the Capgemini sites shows that, for many locations, this information is included in the overall maintenance charges and is not provided separately by the owner, Calculations for kWh per square meter are therefore estimates only and, based on survey returns for 51% of the total surface area of facilities, average out at 279 kWh per square meter.

Examples of specific actions in 2006

- In 2006, Capgemini participated for the first time in the Carbon Disclosure Project. The Carbon Disclosure Project (CDP) is the largest registry of corporate greenhouse gas emissions in the world. Responses from corporations can be downloaded without charge. More than 1,000 large corporations report on their emissions through their web sites.
- In countries where a company car is a competitive part of the employment offer, focus has been on getting employees to select hybrid or fuel efficient cars.
- In the UK, an IT asset reuse system has been put in place. This includes donating refurbished assets to well managed and structured community schemes, selling them, extending their usefulness or recycling them. Printing paper is recycled (80%). Where possible, we encourage our employees to avoid printing, print double-sided, or consider other options such as scanning and e-mailing documents instead of making and sending another hard copy. A new printing system has significantly reduced the number of devices used, reducing the amount of power and toner consumed. Where there is no future need for a printer, it is either redeployed or goes back to the provider for reuse where possible. Capgemini UK has switched its energy supply to *Green Energy*. Energy providers will procure energy generated under a "combined heat and power scheme". This should improve electrical efficiency by 50%, while reducing air pollutants and carbon dioxide associated with climate change. The UK is working with the Carbon Trust and other specialists to reduce energy consumption and to seek alternatives. In addition, we are working with our technical architects to understand how technology can influence and help reduce the need for energy, both to power it and to cool it down.
- In Germany, we continue to encourage strongly all our employees to use rail instead of air travel arrangements. We have negotiated with our travel agency and offer all our employees a public transport-pass, which allows them to use German public transport everywhere they travel, in combination with a flight ticket booking. Capgemini pays 70% of the monthly/annual ticket for employees who use public transport to get to work. In 2006, we reviewed our contracts for waste paper recycling and negotiated a country-wide agreement with a single supplier, in which we had the supplier guarantee 100% recycling of our entire paper waste. We encourage our contract cleaners to use bio-degradable cleaning products.
- In the Netherlands, to support *Take the train* and encourage the use of public transport during 2006, a pilot was undertaken whereby employees with a lease car could travel by train with an *NS Business Card*. Due to the very positive reactions of employees (approximately 3,400 NS cards were distributed as part of the pilot), Capgemini in the Netherlands has decided to make the *NS Business Card* an employee benefit in 2007.

7.6. The group and its clients

7.6.1 The OTACE client satisfaction policy

The Group client relationship management process, known as OTACE reporting (On Time and Above Client Expectations) is a key factor underpinning its long term client relationships.

Under OTACE reporting, clients are requested to specify their expectations from its services, based on a set of indicators relating to:

- Type of service required,
- Nature of the working relationship,
- Knowledge sharing.

These indicators are documented and validated, with the clients, to produce ratings which are reviewed according to an agreed schedule.

OTACE provides an indication of strengths and areas for improvements, as well as a deeper understanding of client satisfaction on individual projects.

7.6.2 Systematically delivering sustainable value

Capgemini is working to embed the corporate responsibility principles into its offers and to review the sustainability impacts of projects carried out with clients by including social and environmental considerations in the project assessment processes, where appropriate.

7.6.3 Consulting on Corporate Social Responsibility

With our consulting on corporate social responsibility, we help our clients to tailor strategies and translate them into practice by:

- Designing a sustainable development strategy;
- Devising and deploying sustainable products;
- Identifying technological developments that may affect competitiveness;
- Positioning a medium-term investment policy;
- Assessing necessary changes based on existing regulations or forecasts;
- Building reporting tools to better grasp what is at stake and monitor progress;
- Tailoring risk-management policies;
- Raising awareness through diagnostics and training.

In providing these services, Capgemini leverages:

- Strong industry knowledge;
- A holistic approach to sustainable development issues;
- A global network of experts.

7.7 Supplier relations

Capgemini's business of providing intellectual services means that personnel costs account for almost two thirds of its expenses, while external purchases mainly comprise rent, IT and telecommunications costs as well as outside services (training, legal and auditing fees, recruitment or IT).

Our commitment to ethical supplier relations is reflected in our comprehensive set of guidelines on the ethics of purchasing and the selection of suppliers.

In addition, we apply the principles of the Chartered Institute for Purchasing & Supply (CIPS), or an equivalent body in other countries, and monitor our suppliers to ensure that they do likewise.

7.7.1 Purchasing activities

In its purchasing activities, the Group pays attention to:

- Social impacts and human rights,
- Environmental impacts,
- Anti-bribery and corruption.

The 10 key principles of the United Nations Global Compact guide our activities throughout our business. This means that we are committed to ensuring that we work only with suppliers who respect appropriate ethical policies and human rights.

7.7.2 Principles of ethical purchasing

Group suppliers must comply, at least, with the following principles:

- No use of forced labor or child labor,
- No discriminatory practices,
- Freedom of association,
- Compliance with local laws in force, particularly relating to working conditions, health and safety.

7.7.3 Procurement procedures

Group procurement procedures involve:

- Treating suppliers fairly,
- Selecting vendors on a basis of value, performance and price,
- Providing a clear and justifiable selection process,
- Ensuring confidentiality of supplier information,
- Maintaining a clear, honest and professional relationship with suppliers,
- Not taking advantage of mistakes made by suppliers.

Capgemini is collaborating with its clients and alliance partners to develop joint approaches to corporate responsibility all along the value chain.

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

7.7.4 List of the top 10 suppliers

In millions of euros	**Amount**	**% Revenues**
FUTJITSU SERVICES	413	5.4%
BRITISH TELECOM	81	1.1%
ALEXANDER MANN	75	1.0%
ACCENTURE	36	0.5%
IBM CORPORATION	34	0.4%
FRANCE TELECOM	34	0.4%
SCHNEIDER ELECTRIC	30	0.4%
SAP	25	0.3%
UNISYS	24	0.3%
HEWLETT-PACKARD	22	0.3%
TOTAL	773	10.0%

VIII – RISK ANALYSIS

8.1 Identification of risks

Group Senior Management has discussed, drafted, approved and distributed a set of rules and procedures known as the “Blue Book”. Compliance with the Blue Book is mandatory for all Group employees. The Blue Book restates and explains Capgemini’s seven core values, sketches out the overall security framework within which the Group’s activities must be conducted, and finally, describes the methods to be followed in order to exercise the necessary degree of control over the risks identified in each of the Group’s main functions. Individual business units supplement the Blue Book by drawing up detailed internal control procedures which comply with the relevant laws, regulations and customary practices in the country where they operate, in order to exercise control more effectively over risks specific to their local market and culture. These rules and procedures are updated regularly to reflect the development of the Group’s business activities and changes in its environment.

The internal audit function independently assesses the effectiveness of these internal control procedures given that, irrespective of how well they are drafted and how rigorously they are applied, these procedures can only provide reasonable assurance – and not an absolute guarantee – against all risks.

8.2 Financial risks

8.2.1 Equity risk

The Group does not hold any shares for financial investment purposes, and does not have significant interests in listed companies. However, it holds treasury shares in connection with:

- the implementation of the liquidity contract under its share buy-back program (the associated liquidity line amounts to €10 million), representing 80,280 shares at December 31, 2006;
- the employee-retention scheme set up in the context of the acquisition of Ernst & Young’s consulting business in May 2000, under which the shares are designated to be reallocated to Group employees (see Note 10.A).

The Group’s resulting exposure to equity risk is negligible.

8.2.2 Counterparty risk

The financial assets which could potentially give rise to counterparty risk essentially consist of financial investments. These investments mainly comprise money market securities managed by leading financial institutions and, to a lesser degree, negotiable debt instruments issued by companies or financial institutions with a high credit rating from a recognized rating agency. There is therefore no significant counterparty risk for the Group on these short-term investments.

Moreover, in line with its policy for managing currency and interest rate risks (see below), Capgemini enters into hedging agreements with leading financial institutions; counterparty risk can therefore be deemed negligible.

8.2.3 Liquidity risk

The principal financial liabilities whose early repayment could expose the Group to liquidity risk are the two convertible bonds (OCEANE 2003 and OCEANE 2005) and the €500 million multi-currency syndicated line of credit. The OCEANE documentation contains the usual provisions relating to early repayment at the initiative of bondholders should pre-defined events occur. In addition to the early repayment clauses commonly found in these types of agreements, the documentation for the syndicated line of credit requires Capgemini to comply with certain financial ratios (covenants). As of December 31, 2006, the Group complied with all such ratios (see Note 17.II.D).

Any change in Capgemini’s credit rating, as assigned by Standard & Poor’s would not affect the availability of these sources of financing and would therefore not expose the Group to liquidity risk. However, the cost of funding the syndicated line of credit could be increased or decreased (see Note 17.II.D).

8.2.4 Interest rate risk

Capgemini’s exposure to interest rate risk should be analyzed in light of (i) its cash position: at December 31, 2006 the Group had €2,859 million in cash and cash equivalents invested at market rates, compared to gross debt of €1,224 million; and (ii) the Group’s conservative policy with respect to management of interest rate risk: the uncapped variable-rate portion of gross debt was limited to 6% (capped and uncapped variable-rate debt combined accounted for 41% of the total – see Note 17.III). Consequently, based on the balance sheet at end 2006 a 1% increase in interest rates would have a positive €20 million impact on Capgemini’s net finance costs. Conversely, a low interest rate environment (below 2%) would expose the Group to an increase in its net finance costs (see Note 17.III). The main exposure to interest rate risk is at the level of Cap Gemini S.A., which represented around 80% of Group financing and 66% of Group cash and cash equivalents at December 31, 2006.

8.2.5 Currency risk

Capgemini’s exposure to currency risk is low due to the fact that the bulk of its revenue is generated in countries where operating expenses are also incurred. However, the growing use of offshore production centers in Poland, India and China exposes Capgemini to currency risk with respect to a portion of its production costs. Currently, the amounts involved are not material but given that this trend is set to increase in the future, Capgemini has already defined and implemented an overall policy to minimize exposure to exchange rates and manage the resulting risk, particularly through regular hedging of intercompany flows. These hedges mainly take the form of forward purchases and sales of currencies (see Note 18.B).

8.2.6 Financial instruments

Financial instruments are used to hedge in particular interest rate and currency risks. All hedging positions relate to existing assets or liabilities and/or operating or financial transactions. Gains and losses on financial instruments designated as hedges are recognized on a symmetrical basis with the loss or gain on the hedged items. The fair value of financial instruments is estimated based on market prices or data supplied by bank counterparties.

8.2.7 Employee-related liabilities

The present value of pension obligations under funded defined benefit plans (see Note 19.I), calculated on the basis of actuarial assumptions, is subject to a risk of volatility. A 0.5% change in the discount rate used will trigger a corresponding change in the present value of the liability of approximately 10%. If trends concerning longer life expectancy at retirement – which are gradually being reflected in actuarial mortality tables – are confirmed in the future, the Group's post-employment benefit liability may increase.

8.3 Legal risks

The Group's activities are not regulated and consequently do not require any specific legal, administrative or regulatory authorization.

In the case of some services, such as outsourcing or specific projects carried out for clients who are subject to specific conditions or regulations, the Group itself may be required to comply with contractual obligations related to such regulations.

The sheer diversity of local legislation and regulations exposes the Group to a risk of infringement of such legislation and regulations by under-informed employees, especially those working in countries that have a different culture to their own. Legal precautions taken by the Group, particularly those of a contractual nature, can never provide an absolute guarantee against such risks.

The Group is not aware of any litigation that is liable to have, or has recently had, a material impact on its operations, financial position or future prospects, other than those recognized in the consolidated financial statements or disclosed in the notes thereto (see Note 20 – “Current and non-current provisions” and Note 28 – “Subsequent events”). There are no governmental, court, or arbitration proceedings, including any proceeding of which we have knowledge, pending or threatened, that might have, or has had any material effect on the financial condition or profitability of the Company and/or the Group during the last twelve months.

8.4 Risks related to operations

Capgemini is a service provider, and as such, the main risks to which the Group is exposed are (i) failure to deliver the services to which it has committed, or (ii) failure to deliver services within the contractual time-frame and to the required level of quality.

Risks concerning project execution

Contracts are subject to a formal approval procedure prior to signature, involving a legal review and an assessment of the risks relating to the project and to the terms of execution. The authority level at which the contract is approved depends on the size, complexity and risk profile of the project. The Group Review Board examines the projects with the most substantial commercial opportunities or specific risk exposures, as well as proposals for strategic alliances.

Capgemini has developed a unified set of methods known as the “Deliver” methodology to ensure that all client projects are executed to the highest standards. Project managers are given specific training to develop their skills and acquire the appropriate level of certification for the complexity of projects under their charge. The Group also has a pro-active policy of seeking external certification (CMM, ISO, etc.) for its production sites.

Contract execution is monitored using Group-defined management and control procedures, and complex projects are subject to dedicated control processes. The internal audit function checks that project management and control procedures are being properly applied. Expert teams may also intervene at the request of the Group's Production and Quality department to investigate projects that have a high risk profile or that are experiencing difficulties.

In spite of the formal approval procedure for all client project commitments undertaken by the Group, in some cases, difficulties with respect to project execution or project costs may have been underestimated at the outset. This may result in cost overruns not covered by additional revenues, especially in the case of fixed-price contracts, or reduced revenues without any corresponding reduction in expense in the case of certain outsourcing contracts where there is a commitment to provide a certain level of service. The Group may provide a performance and/or a financial guarantee for certain large contracts (see Note 25.C).

In spite of the rigorous control procedures that the Group applies in the project execution phase, it is impossible to guarantee that all risks have been contained and eliminated. In particular, human error, omissions, and infringement of internal or external regulations or legislation that is not or could not be identified in time, may cause damage for which the Company is held liable and/or may tarnish its reputation.

The provisions set aside to cover risks relating to project execution are analyzed in Note 20 – "Current and non-current provisions".

Employees
Capgemini's production capacity is mainly driven by the people it employs, and the Group attaches great importance to developing and maintaining its human capital. The inability to recruit, train or retain employees with the technical skills required to execute its client project commitments could impact the Group's financial results.

The Group pays close attention to internal communication, diversity, equality of opportunity and good working conditions. Group Senior Management has published a code of ethics and oversees its application. Nevertheless, in the event of an industrial dispute or non-compliance with local regulations and/or ethical standards, the Group's reputation and results could be adversely affected.

Information system
Capgemini's operations have little dependency on its own information systems, which are managed via a predominantly decentralized structure. The systems used to publish the Group's consolidated financial statements comprise a specific risk in view of the strict filing deadlines. The Group is sensitized to the security of internal communication networks, and protects them via security rules and firewalls. It also has an established IT security policy. For some projects or clients, enhanced systems and network protection is provided on a contractually-agreed basis.

Offshoring
Capgemini's evolving production model, Rightshore™, involves transferring a portion of the Group's production of services to sites in countries other than those in which the services are used or in which the Group's clients are located, particularly in India, Poland and China. The development of this model has made the Group more dependent on telecommunications networks, which may increase the risk of business interruption at a given production site due to an incident or a natural disaster, in so far as several operational units could be affected simultaneously. The use of a greater number of production sites provides the Group with a wider range of options in the event of a contingency.

Environment
As an intellectual service provider, Capgemini's activities have a moderate impact on the environment. Nevertheless, the Group strives to limit the environmental impact of its activities, as described in Chapter 7.5 – "The Group and the environment". The risks in this respect are not deemed material.

Clients
Capgemini serves a large client base, in a wide variety of sectors and countries. The Group's biggest clients are multinationals and public bodies. The Group's largest client, a public body, contributes 15% of Group revenues, while the second-largest client accounts for just 3%. The top 10 clients collectively account for 31% of Group revenues, and the top 30 a little under 44%. The creditworthiness of these major clients and the diversity of the others help limit credit risk.

Suppliers and sub-contractors
Capgemini is dependent upon certain suppliers, especially in its Technology Services businesses. While alternative solutions exist for most software and networks, certain projects may be adversely affected by the failure of a supplier with specific technologies or skills.

Country risk
Capgemini has permanent operations in approximately 30 countries. The bulk of its revenues are generated in Europe and North America, which are economically and politically stable.

The recent acquisition of Kanbay has greatly boosted the Group's Indian operations, which now rank second only behind France in terms of headcount. Consequently, Capgemini is now more exposed to the risk of natural disasters in South East Asia, political instability in certain regions of India and adjoining countries, and even terrorist attack. From an economic standpoint, the Group is also exposed to risk stemming from the negative effects of uncontrolled growth (wage inflation, particularly in the IT sector, inadequate domestic infrastructure and higher taxes).

Strict approval criteria must be met before employees are sent to work in countries where there are no existing Group operations, and even stricter criteria apply in the event that employees are sent to countries considered "at risk".

External growth
External growth operations, one of the cornerstones of Group development strategy, also contain a large element of risk. Integrating a newly-acquired company, particularly in the service sector, may prove to be a longer and more difficult process than predicted. The success of an external growth operation largely depends on the extent to which the Group is able to retain key managers and employees, maintain the client base intact, coordinate development strategy effectively, especially from an operating and commercial perspective, and dovetail and/or integrate information systems and internal procedures. Unforeseen problems can generate higher additional integration costs and/or lower savings or synergies than initially forecast. If a material, unidentified liability subsequently comes to light, the value of the assets acquired may turn out to be lower than their acquisition cost.

Economic conditions

The Group's growth and financial results may be adversely affected by a general downturn in the IT service sector or in one of the business segments in which Capgemini has significant exposure. A shake-up resulting in a change of ownership at one of Capgemini's clients or a decision not to renew a long-term contract may have a negative effect on revenue streams and require cost cutting or headcount reduction measures in the operational units affected.

8.5 Insurance

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

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

Commercial general liability and professionnal indemnity

This type of coverage, which is very important to clients, is taken out and managed centrally at Group level. Cap Gemini S.A. and all subsidiaries over which it exercises direct or indirect control of more than 50% are insured against the financial consequences of commercial general liability or professional indemnity arising from their activities, under an integrated global program involving a range of lines contracted with a number of highly reputable, solvent insurers. The terms and conditions of this program, including limits of coverage, are periodically reviewed and adjusted to reflect trends in revenues and changes in the Group's activities and risk exposures.

The primary layer of this program, totaling €30 million, is reinsured through a consolidated reinsurance captive company and has been in operation for several years.

Property damage and business interruption

Capgemini operates from premises located in many countries and, within most of these countries, operates at a number of sites. There are approximately 400 of these sites in total with an average floorspace of slightly less than 2,200 m^2. Some of the Group's consultants work off-site at client premises. This geographical dispersion limits risk, in particular the risk of loss due to business interruption, arising from an incident at a site. The biggest outsourcing site, which has disaster recovery plans in place to ensure continuity of service, represents less than 4% of Group revenues. The Group's largest site, which is located in India, employs 4,000 people in a number of different buildings. No building at any of the Group's sites houses more than 1,800 employees.

This dispersion means that insurance policies covering property damage and consequential business interruption are contracted and managed locally.

Other risks

Directors' and Officers' liability insurance, travel assistance and repatriation coverage for employees working away, and crime and fidelity coverage (especially for information systems) are managed centrally at Group level via global insurance policies. All other risks – including motor, transport and employer liability – are insured locally using policies that reflect local regulations.

The Group has decided not to insure against employment practices liability risks, given its preventive approach in this area. Pollution risks are low in an intellectual services business, and Capgemini does not insure against these risks in all countries in which it operates. The Group has also decided that, unless coverage is compulsory and readily available, it is not worth systematically insuring against terrorism-related risks. Certain risks are excluded from coverage under the general conditions imposed by the insurance market.

IX – CAP GEMINI S.A. AND THE STOCK MARKET

At December 31, 2006, the capital of Cap Gemini S.A. was made up of 144,081,808 shares (ISIN code: FR0000125338). Cap Gemini shares are listed on the Eurolist market (compartment A) and are eligible for the SRD deferred settlement system of the Paris Stock Exchange.
The number of issued and outstanding shares of Cap Gemini S.A increased year-on-year by 12,499,830 as a result of:

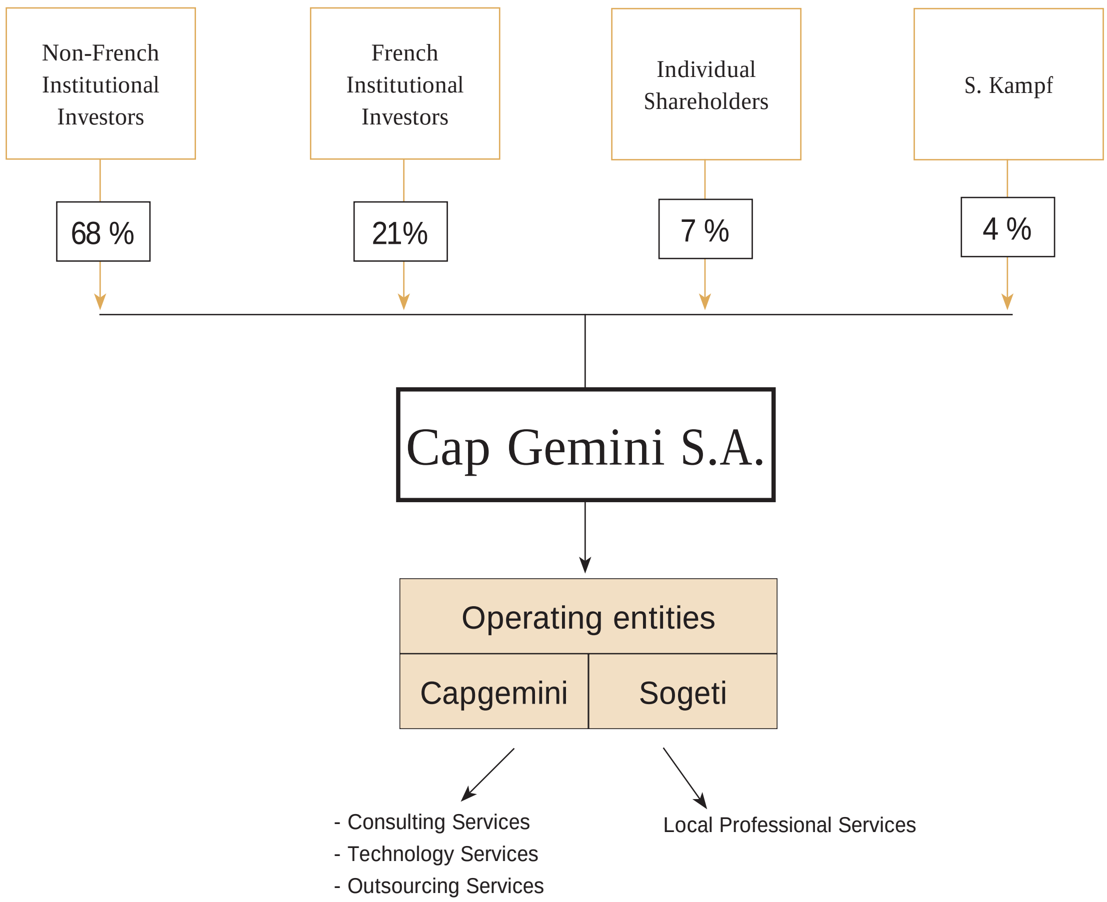
- the issue of 11,397,310 new shares in connection with the capital increase at the end of the year;
- the issue of 790,393 new shares upon the exercise of stock options by Group employees;
- the issue of 312,127 new shares upon the exercise of the share warrants issued as part of the second tranche of the alternative public exchange offer for Transiciel shares launched by the Company on October 20, 2003.

Cap Gemini shares are included in the CAC40 index, on the Euronext 100 index and on the Dow Jones STOXX and Dow Jones Euro STOXX European indexes. Between January 1 and December 31, 2006, the Cap Gemini share price on Eurolist increased from €34.12 to €47.55.

In 2006, the average daily trading volume in relation to Cap Gemini shares was around 1.24% of the total volume of shares traded on the Paris market.

Cap Gemini S.A. ownership structure at December 31, 2006

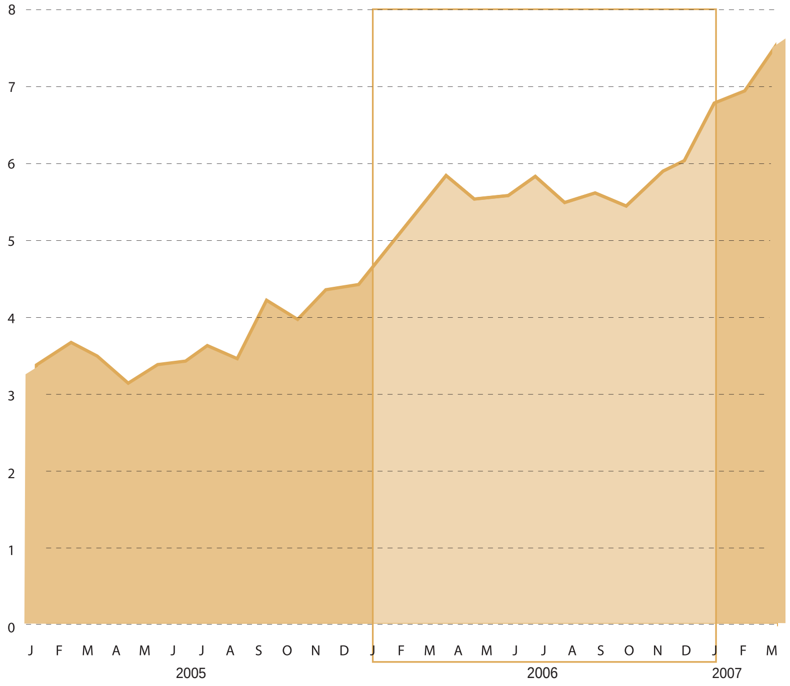
(on the basis of a shareholder survey)



STOCK MARKET CAPITALIZATION

From January 2005 to March 2007

In billions of euros

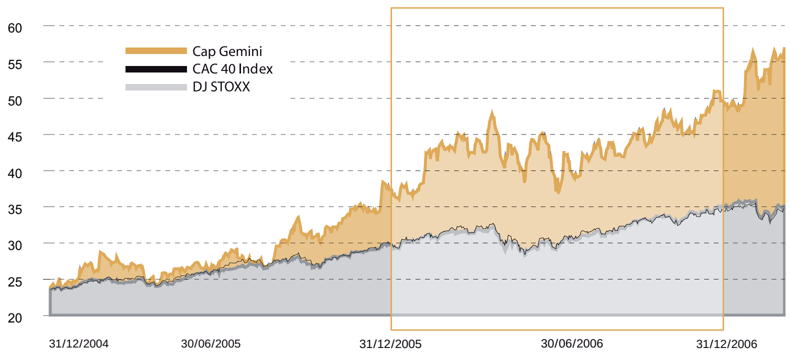


source: Euronext

SHARE PERFORMANCE

From December 31, 2004 to March 31, 2007

In euro

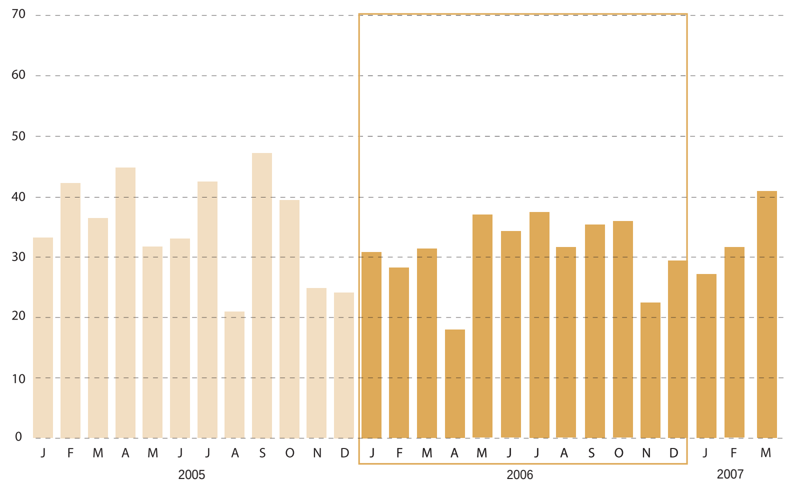


source: Reuters

NUMBER OF TRADES PER MONTH

From January 2005 to March 2007

In millions of shares



source: Euronext

SHARE PRICE AND TRADING VOLUME

The following table presents an analysis of trading in the company's shares over the last 24 months:

Month	Number of trading days	Share Prices in euros			Trading volume		
					Number of shares		Value
		high	average	low	total	average (daily)	(millions of euros)
April 05	21	27.37	25.31	23.11	44,743,799	2,130,657	1 122.8
May 05	22	26.53	25.59	23.90	31,636,386	1,438,018	803.6
June 05	22	27.28	26.49	25.80	32,958,407	1,498,109	871.2
July 05	21	29.50	27.78	25.67	42,437,888	2,020,852	1 181.3
August 05	23	28.14	27.20	26.31	20,904,698	908,900	570.9
September 05	22	32.75	29.56	26.42	47,188,345	2,144,925	1 406.1
October 05	21	33.55	31.17	29.25	39,399,725	1,876,177	1 232.0
November 05	22	34.20	32.31	30.25	24,787,634	1,126,711	799.5
December 05	21	35.34	34.48	33.67	24,092,654	1,147,269	821.6
January 06	22	38.97	36.76	33.71	30,799,276	1,399,967	1 137.4
February 06	20	43.22	38.41	35.82	28,173,136	1,408,657	1 106.8
March 06	23	45.16	43.05	40.31	30,925,749	1,344,598	1 299.4
April 06	18	45.07	43.55	41.72	18,099,564	1,005,531	782.0
May 06	22	47.90	43.87	40.10	36,974,403	1,680,655	1 634.7
June 06	22	44.99	42.03	37.48	33,942,942	1,542,861	1 413;0
July 06	21	45.24	41.11	36.28	37,412,079	1,781,528	1 503.1
August 06	23	43.70	40.90	38.29	31,359,803	1,363,470	1 276.1
September 06	21	44.20	42.65	40.90	35,711,309	1,700,539	1 497.3
October 06	22	46.20	44.05	41.50	36,510,043	1,659,547	1 607.0
November 06	22	48.50	46.44	43.72	22,817,533	1,037,161	1 058.6
December 06	19	47.74	45.91	44.42	29,569,922	1,556,312	1 341.9
January 07	22	51.10	49.39	47.49	27,222,020	1,237,365	1 343.7
February 07	20	56.59	51.74	48.01	31,972,862	1,598,643	1 672.6
March 07	22	57.65	54.33	50.45	40,940,541	1,860,934	2 175.7

Source: Euronext

DIVIDENDS PAID BY CAP GEMINI

Year ended December 31	Distribution of dividends		Number of shares	Dividend per share	Tax credit	Total revenue
	In millions	*In % of net income*				
2001	€50	33%	125,244,256	€0.40	(a) €0.20	(b) €0.60
2002			No dividend paid			
2003			No dividend paid			
2004			No dividend paid			
2005	€66	47%	131,581,978	€0.50		
2006	€101*	34%	144,081,809	€0.70*		

(*) Recommended dividend submitted to the Annual Shareholders' Meeting of April 26, 2007

(a) and (b) : the *avoir fiscal* tax credit represents 50% of the amounts distributed in relation to tax credits used by an individual or a company benefiting from the parent-subsidiary regime provided for under article 145 of the French Tax Code, or 10% for other entities using their *avoir fiscal* tax credit as from January 1, 2003. The 2004 Finance Act abolished the *avoir fiscal* tax credit with effect from January 1, 2005.

MANAGEMENT REPORT

PRESENTED BY THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 26, 2007 (APRIL 10, 2007 ON FIRST CALL)

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

Demand for consulting and IT services strengthened significantly in 2006 following last year's modest performance. After several years during which their main (and sometimes only) aim was to scale back IT expenditure, in 2006 our clients not only sought to upgrade their IT systems, but also expressed a genuine interest in the competitive advantages offered by new technologies – especially Service Oriented Architecture. This groundswell was apparent in all of the countries in which the Group has operations, and particularly in those activities with a higher degree of sensitivity to economic cycles and/or technological innovation, such as Consulting and Technology Services, as well as the Local Professional Services business.

1.1 Operations by region

Against this positive backdrop, Capgemini Group's growth outperformed the market thanks to a strong presence in Consulting, Technology and Local Professional Services, coupled with a number of major contract wins in the Outsourcing Services segment which continued to spearhead growth. The year-on-year growth in revenues for 2006 is 10.7% on a published basis and 12.1% like-for-like (factoring out the effect of currency fluctuations and changes in scope). Underlying growth in the second-half jumped 13.7% compared to the prior-year period.

In the United Kingdom and Ireland the geographical breakdown of this performance shows underlying growth of 23.7%, or 22.3% based on published figures, with the appreciation in sterling offsetting the impact of the sale of a portion of the Group's interest in Working Links. In 2006 this area bolstered its position as the Group's top-performing region in terms of revenues – which pushed past the €2 billion mark – and accounted for 27.6% of the Group total. This primarily reflects a sharp increase in the contribution of the Outsourcing Services activity due to the startup of several major contracts (including the contract with the London Metropolitan Police), as well as higher volumes on the contract signed at the end of 2004 with the United Kingdom tax authority, Her Majesty's Revenue and Customs (HMRC). This contract was extended in second-quarter 2006 to cover Customs & Excise following its incorporation into HMRC, and a number of add-on application developments were also carried out for this client during the year. Consulting and Technology Services businesses also contributed to the Group's robust performance in this region, delivering growth in excess of 8% despite allocating considerable resources to assist Outsourcing Services in developing applications for HMRC (in accordance with Group policy, the corresponding revenues were recorded by the Outsourcing Services segment). Lastly, Sogeti deepened its European footprint by expanding its business into the United Kingdom & Ireland, although this had no material impact in 2006.

France's contribution to consolidated revenues remains practically unchanged at 23.6%, with overall growth of 9.1% resulting from contrasting developments. Consulting and Technology Services, which account for almost one-half of the Group's activity in France, posted double-digit growth. The greater Paris region reported a particularly vigorous performance, on the back of an increase in headcount and improved utilization rates. Local Professional Services also contributed to the region's overall growth, even though the focus on profitability meant that certain contracts taken on in prior years were not renewed. Finally, Outsourcing Services revenues expanded by a modest 6%, with the sharp increase in services delivered under the Schneider Electric contract partially offset by the termination of certain contracts and the disposal of a portion of the maintenance business.

North America, which in 2006 accounts for 17.4% of total Group revenues, posted like-for-like growth of 3.8%. Based on published figures, the Group's North American activity contracted by 0.9% due to the combined effect of the sale of the Healthcare business in July 2005 and the slight depreciation of the US dollar. Outsourcing Services in this region reported moderate growth, with expanded business under the TXU contract and the ramp-up of new contracts (including with General Motors) dampened by the termination of two Outsourcing contracts related to the former Healthcare business. Sogeti posted double-digit growth thanks mainly to a sharp rise in headcount that helped scale back the businesses' sub-contracting costs. The region's biggest success story in 2006 was the recovery of the Consulting and Technology Services business, where better staff utilization rates and increased use of the Group's India-based assets outweighed the impact of employee cutbacks. In the Technology Services business, the Group's Indian employees dedicated to North American operations now represent more than one-half of the headcount physically present in this region.

Benelux delivered a 9.4% year-on-year rise in revenues in 2006 and represents 13.6% of the total Group figure. Growth was mainly driven by the Netherlands, in particular the Technology Services segment, which increased both headcount and sales prices amid a favorable trading environment. Sogeti also contributed strongly to growth in the region by posting a remarkable 20% surge in revenues. In contrast, the termination of a major contract led to a significant fall in Outsourcing revenues.

Revenues in the Central Europe region (Germany, Switzerland, Austria and the Eastern European countries) surged 16% on the previous year (14.2% based on published figures, which include the impact of the acquisitions of Ad-hoc Management in Switzerland and FuE in Germany). The region accounts for 6.7% of Group revenues in 2006. Growth was particularly buoyant in the Technology Services segment in Germany – as a result of both increased headcount and sales prices – as well as among the Eastern European countries. As the Group's policy is to recognize revenues for the region ordering the services, the strong growth momentum reported by the Business Process Outsourcing activity – for which Poland is the main production platform – is not reflected in the geographical breakdown.

Revenues in the Nordic region advanced 6.2% and now account for 5.7% of the Group total. This performance was spurred by sharp growth in Finland and Denmark and came despite stagnating Consulting and Technology Services revenues in Sweden and Norway. Sogeti scored strong growth gains in Sweden, however, buoyed by favorable conditions that allowed the Group to improve staff utilization rates and increase headcount.

Southern Europe (Italy, Spain, Portugal) accounts for just 4.4% of consolidated revenues in 2006. The region delivered a 9.4% increase in revenues thanks to sustained business in Spain and Portugal, offset in part by a fall-off in Italian business.

The Asia-Pacific region posted 6.1% growth for the year. After adjusting for the currency effect and the disposal of the Japanese Consulting Services business in 2005, regional growth comes in at 20.6% – due in particular to a strong showing by Australian operations. China, on the other hand, overcame a tough start to the year to recover strongly in the second half. Lastly, although it did not have an impact on revenues for the region (which are recorded by the ordering region), the Group's production staff numbers in India continued on an upward trend, surging from 3,550 to 6,979 at end-2006 (including 719 transfers as a result of the acquisition of Indigo from the Unilever group).

1.2 Operations by business segment

Outsourcing Services was once again the Group's main growth driver in 2006, delivering a 16.1% increase in revenues on a like-for-like basis. The impact of the ramp-up of major contracts concluded in recent years (Schneider Electric in France, HMRC and the London Metropolitan Police in the United Kingdom, and General Motors in the United States) more than compensated for the decision to terminate a number of contracts, notably in France and in the Netherlands. Revenue growth for the Group's other activities was not as strong (8.8% for Consulting Services, 9.5% for Technology Services and 10.4% for Local Professional Services), but each captured additional market share. The specific skill sets of the Consulting and Technology Services businesses are frequently leveraged for major Outsourcing Services contracts. Accordingly, once the revenues earned on the Group's three largest Outsourcing contracts are broken down into the specific type of work carried out, revenue growth for Outsourcing Services proper slips to 12.6% from 16.1%, while growth in revenues for other segments is no longer single-digit but close to 12%. On this basis, all four Group disciplines delivered double-digit growth in 2006.

1.3 Headcount

At December 31, 2006, Group headcount had risen 11.2% year-on-year, to 67,889 from 61,036 at end-2005. This 6,853 increase in numbers reflects:

* 20,087 additions consisting of:
  - 18,592 new hires;
  - 1,495 transfers in connection with Group acquisitions or Outsourcing Services contracts signed with certain clients.
* and 13,234 departures (just over 20% of the average headcount for the year), breaking down as:
  - 10,650 resignations (16.5% of the average headcount);
  - 856 transfers outside the Group further to the sale of certain business operations;
  - 1,728 layoffs.

Among the 18,592 new hires in 2006:

- 5,238 employees were recruited by the Group's three offshore platforms: India (3,897), China and Poland.
- 4,282 employees were recruited by Sogeti for its Local Professional Services activity where the nature of the work often requires local hires. However, headcount in Consulting services and the onshore segments of Technology services and Outsourcing services grew by just 3.0%, which is a clear reflection of the deep-seated changes our businesses are undergoing.

1.4 Order book

In 2006, the Group took €8,198 million in orders, up more than 20% on the prior-year figure (€6,831 million). New orders for the Outsourcing Services activity alone accounted for €3,164 million (38.6% of the total), boosted by the extension to the 2003 Inland Revenue contract following the Inland Revenue's merger with Customs & Excise to form Her Majesty's Revenue and Customs (HMRC). Another major contract was entered into with General Motors, which has retained Capgemini as a strategic partner in the comprehensive overhaul of its IT system. There were also a couple of notable successes for the Business Process Outsourcing activity, including contracts signed with Zurich Financial Services, Tetra Pak and SKF.

Excluding Outsourcing Services, new orders climbed more than 10% year on year, to €5,034 million.

1.5 Profitability

Operating margin grew sharply in 2006 for the second consecutive year. Operating margin is calculated by deducting operating expenses – comprising the cost of services rendered (expenses incurred during project delivery), selling expenses and general and administrative expenses – from revenues. Operating margin for 2006 was almost double the year-earlier figure (€447 million versus €225 million) and represents 5.8% of revenues.

The breakdown by geographic area shows that this performance was driven by North America, which posted a €72 million operating profit for 2006 versus a €26 million operating loss in 2005. The upturn in profitability in the North America region is first and foremost the reward for aggressive efforts to revive the Consulting and Technology Services businesses which, having incurred heavy losses in 2005, ended 2006 with an operating margin of above 6%. Outsourcing Services also made a major contribution to this performance, recovering from the negative impact of major outlays required to ramp up the TXU contract in 2005 to deliver a positive operating margin in 2006.

The United Kingdom & Ireland region reported an operating margin of 7.7% for the year, and its contribution to the overall improvement in Group operating margin is comparable to that of North America in absolute terms. While Outsourcing Services had the biggest impact in value terms, chiefly as a result of the extensive added-value services provided under the HMRC contract, the Consulting and Technology Services businesses registered the most significant improvement in their margins. Overall, the United Kingdom & Ireland region generated more than one-third of the Group's overall operating margin.

Profitability in France, however, narrowed significantly: year-on-year improvements in operating margin recorded by the Consulting, Technology and Local Professional Services activities were more than offset by a slump in the operating margin of the Outsourcing Services business. Delays in completing the Global Core Systems project for Schneider Electric, coupled with underestimations of the complexity and ongoing management costs associated with that company's IT infrastructures, severely dented the performance of this business.

An analysis of operating margin by business shows that each segment contributed to the Group's overall improvement in margins. The jump of more than five percentage points in the operating margin of Consulting Services reflects an increase in headcount and an attendant shift in the age pyramid following the extensive recruitment of young consultants. The Netherlands and the United States turned in the best performance, delivering improved contribution rates on the back of lower selling, general and administrative expenses.

The Technology Services activity saw a jump of more than two percentage points in its operating margin to 7.5%, thanks in particular to improved staff utilization rates and fewer project overruns, as well as a tight rein on selling, general and administrative expenses, which remained steady year on year.

The Local Professional Services segment scored further profitability gains, lifting its already-robust 9.1% profitability showing in 2005 to 9.8% in 2006. This performance reflects a sharp increase in average sales prices, as well as a slight fallback in staff utilization rates as a consequence of the recruitment drive.

Finally, the Outsourcing Services activity added three percentage points to its operating margin, outperforming its end-2005 Margin Acceleration Program (MAP) targets while absorbing the extra costs incurred on the Schneider Electric contract.

1.6 Significant events

On February 8, 2007, Kanbay's Annual Shareholders' Meeting voted 99% in favor of the company's acquisition by Capgemini in accordance with the terms and conditions as announced on October 26, 2006. The total cost of the acquisition amounted to USD 1.25 billion and was settled in cash. Established in 1989, this Chicago-based company has a worldwide headcount of around 6,900 and supplies a range of highly integrated services focused on the financial services, consumer products and telecommunications sectors. Fitting seamlessly into the Group's investment strategy, this acquisition:

- significantly deepens the Group's footprint in India, from 6,000 to 12,000 employees,
- expands the Group's range of services in North America,
- propels the Group into a leading position in the financial services sector.

This acquisition laid the foundations for the Group's latest development plan aimed at accelerating the improvement in profitability, increasing resistance to downturns and outperforming market growth. This plan has been baptized i³ (I Cubed) – referring to its three key levers: industrialization, innovation and intimacy.

II – COMMENTS ON CAPGEMINI GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated statement of income

Consolidated revenues amounted to €7,700 million for the year ended December 31, 2006, a rise of 10.7% based on published figures and 12.1% like-for-like.

Operating expenses advanced 7.8% to €7,253 million, compared to €6,729 million in 2005.

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

- Personnel costs amounting to €4,676 million, up by €192 million or 4.3% – representing a lower rate of increase than recorded for revenues (see above) and average headcount (7.2%). This was attributable to the fact that the bulk of the year's hires (i) were recruited in India, where salaries are lower, or (ii) targeted young – and therefore less expensive – consultants.

  Personnel costs represent 60.7% of consolidated revenues in 2006 compared to 64.5% in 2005, despite a higher proportion of variable compensation paid.

  In 2006, travel expenses increased in line with revenues and represent 4.4% of the consolidated figure.
- A 14.4% rise in purchases and sub-contracting expenses to €2,068 million, which now represent 26.9% of revenues compared to 26% in 2005. This stems partly from the occasional need to use sub-contractors to meet customer demand, and also

from certain major Outsourcing Services contracts for which the Group calls on partners to ensure a more comprehensive and efficient range of services.
- A notable 11.7% increase in rent and local tax expenditure to €268 million in 2006, fueled in part by the return of French business tax *(taxe professionnelle)* to normal levels.

The analytical breakdown of expenses confirms that – as in 2005 – the improvement in operating margin is linked primarily to the tight rein on selling, general and administrative expenses. In 2006, these costs represent just 17.3% of revenues, compared to 19.5% in 2005. This trend is even more striking in absolute terms, for while revenues pushed forward by 10.7%, selling, general and administrative costs actually dipped marginally. The cost of services rendered – corresponding to the costs incurred during the execution by the Group of client projects – improved slightly to end the year at 76.9% of revenues compared with 77.3% in 2005. However, the extra cost involved in bringing in external service providers to assist with new Outsourcing Services business – notably on the HMRC contract – dented the progress achieved in scaling back the costs incurred by the Group itself.

Operating margin yielded €447 million, compared with €225 million in 2005, which represents 5.8% of revenues versus 3.2% in 2005.

Operating margin advanced in all geographic areas except France, where profitability gains reported by the Consulting Services and Technology Services businesses failed to counter the impact of difficulties on the Schneider Electric contract.

Net other operating expense came in at €113 million in 2006, compared with €11 million in 2005. The change in this item reflects the absence of significant gains on the sale of consolidated companies and businesses, which in 2005 amounted to €166 million, and the €70 million reduction in restructuring costs from €164 million in 2005 to €94 million in 2006.
In 2006, the bulk of these restructuring costs were incurred within the scope of the Margin Acceleration Program (MAP) aimed at streamlining the Group's Outsourcing activities, breaking down as (i) €67 million in costs directly related to workforce reduction measures, mainly in Europe; (ii) €16 million relating to measures undertaken to streamline the Group's real estate assets, chiefly in the United Kingdom; and (iii) €11 million in industrialization costs and migration costs in connection with the offshoring of Group activities.

Operating profit came in at €334 million in 2006, versus €214 million the previous year.

Net finance expense for 2006 amounted to €28 million compared with €38 million in 2005. This improvement is essentially attributable to a €14 million decline in gross finance costs, with the €24 million increase in income from investment of cash and cash equivalents comfortably offsetting the €10 million rise in interest expense incurred chiefly on the OCEANE convertible/exchangeable bond issue of June 16, 2005 (OCEANE 2005).

Around one-third of the increase in income from investment of cash and cash equivalents stems from the reinvestment of the proceeds from the OCEANE 2005 bond issue, with the balance attributable to the compound effect of a rise in net cash from operating activities and higher interest rates.

Net other financial expense increased by €4 million, mainly as a result of the marking to market of the OCEANE 2003 bond issue interest rate swap. This generated €5 million in financial expense in 2006, compared to financial income of €1 million in 2005.

Income tax expense was only €13 million in 2006, broken down as follows:
- €49 million in current income taxes.
- €36 million in net deferred tax income, the €94 million income resulting from the recognition of deferred tax assets in various countries, including France for €40 million, having been partially offset by the utilization of tax loss carry-forwards previously recognized in assets (€58 million including €43 million in France).

Attributable profit for the year came in at €293 million in 2006, versus €141 million in 2005, and represents 3.8% of revenues. In 2006, basic earnings per share are €2.21 compared to €1.07 a year earlier. Diluted earnings per share, determined on the basis of the average weighted number of ordinary shares outstanding in the year, came in at €2.07 for a total of 147,241,326 shares, versus €1.06 in 2005 for a total of 138,472,266 shares.

2.2 Consolidated balance sheet

Consolidated shareholders' equity at year-end 2006 stood at €3,697 million, an increase of €947 million compared with December 31, 2005, as a result of:
- dividends paid to shareholders for an amount of €66 million, or €0.50 per share;
- profit for the year (€293 million);
- the issue of 11,397,310 new shares in connection with the December 6, 2006 capital increase (€498 million including the issuance premium and net of issue costs);
- a €17 million expense relating to the allocation of stock options and share grants;
- a €17 million decrease in translation adjustments;
- a €19 million increase (including the issuance premium) relating to various capital increases carried out in connection with the exercise of stock options; and

- €193 million in actuarial gains recognized on provisions for pensions and other post-employment benefits, net of deferred taxes (due to the application of the amendment to IAS 19 applicable as of January 1, 2006).

Fixed assets totaled €2,346 million at December 31, 2006, down €4 million compared with December 31, 2005, mainly due to the following changes:
- A €40 million increase in goodwill in connection with the acquisition of German group FuE (€29 million) and Unilever Shared Service Limited (€20 million), partially offset by a €3 million write down on goodwill in the United Kingdom, and exchange losses amounting to €13 million on goodwill denominated in foreign currencies.
- A €20 million reduction in intangible assets, attributable in part to the retirement of software and other intangible assets in an amount of €10 million, amortization charges for €35 million, and acquisitions carried out during the year for €30 million.
- A €24 million reduction in property, plant and equipment, mainly relating to the sale of IT equipment. Both acquisitions for the year and depreciation expense were each for an amount of €131 million.

At year-end 2006, other non-current and deferred tax assets stood €191 million higher, due to:
- The Group's November 21, 2006 acquisition of 14.7% of the capital and voting rights of Kanbay International, Inc. ("Kanbay"). At December 31, 2006, the Group's interest in Kanbay amounted to €132 million (including acquisition costs).
- The €60 million increase in deferred tax assets resulting from the recognition of deferred tax assets on temporary differences and tax loss carry-forwards due to improved profitability over the last two years as well as the positive growth outlook, notably in the United Kingdom.

Trade accounts and notes receivable totaled €2,063 million at December 31, 2006 compared to €1,798 million at December 31, 2005. At end-2006, trade receivables net of advances received from customers (and excluding work-in-progress) amounted to €1,281 million versus €1,162 million at December 31, 2005, representing 60 days' revenues – unchanged on the previous year-end.

Accounts and notes payable, consisting mainly of trade payables, amounts due to personnel and accrued taxes, stood at €2,019 million at December 31, 2006, compared with €1,881 million at December 31, 2005.

Provisions for pensions and other post-employment benefits amounted to €591 million at end-2006, versus €696 million a year earlier. The decrease stems from the recognition of €150 million in actuarial gains in 2006 due to changes in actuarial assumptions, especially in the United Kingdom (€125 million) where the discount rate rose by 0.5 percentage point. A portion of this effect was offset by €37 million in additions to provisions for the year net of benefits and contributions paid.

Net consolidated cash and cash equivalents totaled €1,632 million in 2006, compared with €904 million in 2005. This €728 million increase is the result of:
- €578 million in operating cash flows, boosted by €611 million in cash flows from operations before net finance costs and income tax;
- €278 million in cash flows used in investing activities, relating primarily to:
  - €169 million in net payments concerning acquisitions of investments in non-consolidated companies (essentially the 14.7% stake in Kanbay),
  - net proceeds/payments relating to acquisitions/disposals of fixed assets;
- the issue of 11,397,310 new shares in connection with the December 6, 2006 capital increase, generating net proceeds of €498 million including the issuance premium;
- the payment of a dividend to shareholders totaling €66 million;
- various share capital increases upon exercise of options, for €19 million.

The balance due on the acquisition of Kanbay shares, amounting to approximately €850 million, was paid on February 9, 2007.

III – OUTLOOK FOR 2007

The Capgemini Group has set the following objectives for 2007:
- to successfully integrate the Kanbay teams;
- to strengthen sector expertise, with an emphasis on the development of the Consulting business;
- to continue the improvement in Outsourcing profitability, notably by developing the Business Process Outsourcing activity;
- to invest in innovation, industrialization and client relations (through its i^3 program).

Having built a budget around a framework of hypotheses combining sustained growth in demand, and taking into account the Kanbay integration, the Group should post revenue growth of 8% in 2007 (at constant rates and perimeter), and continue the improvement of its operating margin.

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

4.1 Statement of income

The Company's operating revenue for the year ended December 31, 2006 amounted to €183 million (including €182 million in royalties received from subsidiaries) compared with €162 million for 2005 (including €161 million in royalties). This increase was attributable to the growth in Group revenues.

Operating income came in at €148 million compared to the year-earlier figure of €133 million. The improved performance stems chiefly from higher royalties, offset in part by a €6 million rise in operating expenses that was mainly attributable to advertising.

Net interest income amounted to €21 million, compared to €28 million in the previous year, reflecting:
- €193 million in income corresponding mainly to dividends received from subsidiaries (€23 million), interest income on cash

and cash equivalents (€41 million), and releases of provisions on investments in subsidiaries in the United Kingdom, Spain, Germany and Italy (€100 million).

- €172 million in expenses corresponding chiefly to a total of €123 million of additions to provisions on investments in certain subsidiaries (in Germany, Italy, Poland, Ireland, France and Asia-Pacific) and to interest expense on the OCEANE 2003 and 2005 bonds.

Net other income came to €3 million (against net other expense of €9 million in 2005), mainly attributable to net proceeds on the sale of treasury shares acquired within the scope of the liquidity contract and treasury shares returned to Cap Gemini S.A. under the terms of the agreements entered into with Ernst & Young at the time of the acquisition of its consulting business.

After accounting for a tax benefit of €23 million, the Company posted a profit of €195 million in 2006, compared with a €173 million profit in 2005.

4.2 Balance sheet

Net investments rose from €6,009 million at December 31, 2005 to €6,530 million at the 2006 year-end. This €521 million increase is mainly attributable to:

- various increases in share capital in an amount of €399 million, essentially relating to French, German, Italian and Spanish subsidiaries, including €186 million for Capgemini France S.A.S. and €130 million for Sogeti France S.A.S.;
- the Transiciel earn-out payment in an amount of €11 million, following the exercise of share warrants granted in connection with the public exchange offer launched by Cap Gemini S.A. in October 2003;
- the acquisition of a 51% interest in Unilever Shared Service Limited, a subsidiary of Hindustan Lever Limited (Unilever group), in an amount of €9 million;
- a net increase in loans granted to certain subsidiaries amounting to €108 million, including a €129 million advance granted to Capgemini North America Inc. to fund its acquisition of a 14.7% stake in Kanbay in November 2006;
- a net release of provisions on investments in certain subsidiaries for a total of €10 million;
- the sale of treasury shares held by Cap Gemini S.A. under the terms of the agreements entered into with Ernst & Young at the time of the acquisition of its consulting business, as well as shares held under the liquidity contract for €4 million.

Shareholders' equity stood at €7,268 million, reflecting an increase of €657 million compared to the previous year-end, as a result of:

- the payment of a dividend on May 16, 2006 amounting to €0.50 per share on the 131,581,978 shares comprising the Company's share capital at December 31, 2005, for a total amount of €66 million;
- the issue in August 2006 of 312,127 shares following the exercise of Transiciel share warrants, for an amount of €11 million;
- the issue in December 2006 of 11,397,310 new Cap Gemini shares in connection with the cash capital increase, with no pre-emptive subscription rights or priority subscription period for existing shareholders, for an amount of €498 million net of issue costs;
- the exercise by Group employees of 790,393 stock options for an amount of €19 million;
- net income for the year of €195 million.

Debt advanced €124 million to €1,272 million, reflecting an increase in accrued debts with respect to investments in subsidiaries and affiliates of €151 million, a decrease in cash at bank and commercial paper of €34 million, and an increase in accrued interest on the OCEANE bonds of €7 million.

Net cash and cash equivalents at December 31, 2006 came to €621 million, versus €271 million one year earlier.

4.3 Results appropriation

At the Annual Shareholders' Meeting of May 11, 2006, the Board of Directors recommended, as a sign of Cap Gemini's return to profitability and the Board's confidence in the future of the Group, a departure from the traditional practice of distributing to shareholders one-third of consolidated profit for the year and to distribute instead one-half. Following the approval of the shareholders, the Company paid a €0.50 dividend on each of the 131,581,978 shares making up the share capital at December 31, 2005.

This year, the Board of Directors recommends a return to the policy of distributing one-third of consolidated profit for the year, despite the sharp 9.5% year-on-year rise in the number of shares resulting primarily from the issue of shares in connection with the December 2006 cash capital increase (11,397,310 shares). Based on consolidated profit of €293 million in 2006, this recommendation – if accepted – would result in the payment of a €0.70 dividend on each of the 144,081,809 shares carrying dividend rights at January 1, 2006, representing a total amount of €100,857,266.30 or 34% of consolidated profit.

As profit distributable by the parent company amounts to €194,560,397.44, the balance would be allocated to (i) the legal reserve in the amount of €9,999,864.00, bringing the total legal reserve to €115,265,446.40 and thereby entirely funded; and (ii) retained earnings for the remaining amount (€83,703,267.14).

The Board of Directors recommends setting the first date for payment of the dividend at Monday April 30, 2007. This dividend will be eligible for the 40% tax rebate referred to in sub-paragraph 2, paragraph 3 of article 158 of the French Tax Code for individuals subject to personal income tax in France.

Pursuant to article 243 bis of the French Tax Code, the Shareholders' Meeting is also reminded that a €0.50 dividend per share was distributed for the 2005 financial year (fully eligible for the 40% tax rebate), but that no dividend was distributed for 2004 and 2003.

4.4 Regulated agreements

Shareholders are asked to approve two resolutions concerning regulated agreements:

- The third resolution relates to the underwriting agreement entered into with parties including Lazard Frères Banque S.A., IXIS Corporate & Investment Bank and Morgan Stanley & Co. International Limited. The contract provides for the placement of shares to be issued in connection with the capital increase decided on December 5 and 6, 2006. As Bruno Roger is a corporate officer with both Lazard Frères S.A.S. (Chairman) and Cap Gemini S.A. (Director), the contract is classified as a regulated agreement for legal purposes.
- The fourth resolution relates to the confirmation of the registration of two corporate officers (Serge Kampf, Chairman of the Board of Directors and Paul Hermelin, Chief Executive Officer) on the list of beneficiaries of a supplementary collective pension scheme implemented by the Company in favor of senior executives regarded as having made a lasting contribution to the Group's development.

4.5 Share capital and ownership structure

The Company's share capital was increased by €100 million in the course of 2006 (moving from €1,052,655,824 to €1,152,654,464) following:

- the issue of 790,393 shares upon the exercise of stock options granted in prior years to Group employees;
- the issue of 312,127 shares upon the exercise of the share warrants issued at the time of the public exchange offer launched by the Company in October 2003 on the shares of Transiciel;
- the issue of 11,397,310 shares subscribed in connection with the December 2006 cash capital increase.

Pursuant to article L.233-13 of the French Commercial Code *(Code de Commerce)*, the Board of Directors informs shareholders that based on notifications received (on September 8 and September 12, 2006, respectively) and in the absence of other subsequent disclosures, Goldman Sachs Asset Management LP and Barclays Plc each directly or indirectly held at the balance sheet date more than 5% of the Company's share capital and voting rights.
Furthermore, during the year:

- Société Générale directly and indirectly increased its interest to above, and reduced its interest to below, the legal disclosure threshold of 5% of the Company's share capital and voting rights;
- Goldman Sachs Asset Management LP increased its interest to above the 5% legal disclosure threshold as a result of operations carried out on behalf of its asset management clients;
- Barclays Plc indirectly increased its interest to above the 5% legal disclosure threshold as a result of operations carried out on behalf of its subsidiaries.

4.6 Stock options

The Extraordinary Shareholders' Meeting of May 12, 2005 authorized the Board of Directors to grant stock options to certain employees of the Company and its French and foreign subsidiaries. The authorization was given for a period of 38 months commencing May 12, 2005 and the number of shares to be subscribed on exercise of the options was limited to six million. The Board of Directors used this authorization, which set up the Sixth Stock Option plan, and on October 1, 2006 granted options on 2,067,000 shares to 692 Group employees. The option exercise price was set at €43 per share, representing the average of the prices quoted for the Company's shares over the 20 trading days preceding the date of grant.

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

During 2006, 773,838 shares were subscribed on exercise of options granted under the Fifth Plan and 16,555 shares were subscribed on exercise of options granted under the Sixth Plan, representing a total of 790,393 shares (equal to 0.55% of the share capital at December 31, 2006). No further shares could be subscribed under the First, Second and Third and Fourth Plans, for which the exercise periods expired on November 1, 1995, April 1, 1999, April 1, 2002, and December 1, 2006 respectively.

4.7 Employee shareholdings

Pursuant to article L.225-102 of the French Commercial Code, the Board of Directors informs the shareholders that as of December 31, 2006, the Transiciel investment fund held 0.06% of the Company's share capital following the contribution of all of its shares to the public exchange offer launched by Cap Gemini on Transicel's shares in December 2003.

4.8 Authorization to buy back the Company's shares

The shareholders are reminded that the 2005 Ordinary Shareholders' Meeting renewed the authorization granted to the Company to buy back its shares under certain conditions. This authorization was used in 2006 in connection with the ongoing liquidity contract set up with Crédit Agricole Cheuvreux on September 30, 2005 with a view to improving the liquidity of the Cap Gemini share and the regularity of its quotation. In 2006, CA Cheuvreux acquired 1,803,492 Cap Gemini shares on behalf of Cap Gemini S.A., at an average price of €41.44 per share. These shares represented 1.25% of Cap Gemini S.A.'s capital at December 31, 2006. During the same period, CA Cheuvreux also sold 1,808,212 Cap Gemini shares at an average price of €42.14 per share. Negotiation fees relating to the acquisition and sale of Cap Gemini shares over the period amounted to €147,819, excluding fees paid to CA Cheuvreux. At December 31, 2006, the position of the liquidity contract showed 80,280 treasury shares, representing 0.06% of Cap Gemini's capital at that date and €9 million of cash available (out of a total liquidity line of €10 million allocated to the contract). These shares were worth €3,640,188 on the basis of their acquisition price and €3,817,314 on the basis of the closing price for Cap Gemini shares on December 29, 2006.

As this authorization is only valid for 18 months, we are asking shareholders to replace the 2005 authorization with a similar authorization to allow the Company (in descending order of priority):

- to provide liquidity for the Cap Gemini share within the scope of a liquidity contract;
- to remit the shares thus purchased to holders of securities convertible, redeemable, exchangeable or otherwise exercisable for Cap Gemini S.A. shares upon exercise of the rights attached thereto in accordance with the applicable regulations (including the possibility of exercising the call options acquired on June 27, 2005);
- to purchase shares to be retained with a view to remitting them in future in exchange or payment for potential external growth transactions;
- to award shares to employees and corporate officers (on the terms and by the methods provided for by law), in particular in connection with stock option plans or company savings plans;
- to cancel the shares thus purchased subject to adoption of the eighth resolution of the Extraordinary Shareholders' Meeting included in the agenda of the Shareholders' Meeting of April 26, 2007 (April 10, 2007 on first call).

To this end, the Board of Directors is seeking a maximum 18-month authorization for the Company to buy back shares representing up to 10% of its capital, at a maximum price of €70 per share, these purchases taking place within the scope of:

- articles L.225-209 et seq. of the French Commercial Code which also allow an authorization to be granted to the Board of Directors to cancel some or all of the shares purchased, up to 10% of its capital by 24-month period;
- European Regulation No. 2273 of December 22, 2003 that came into effect on October 13, 2004.

4.9 Returned Shares

In the agreements entered into on May 23, 2000 with Ernst & Young in connection with the sale to Cap Gemini of its consulting business, it was provided that if any of its former partners who had become Group employees decided to leave the Group before a specified period had elapsed, they would be required to return some or all of the shares they had received at the time of the sale, the number of shares to be returned depending both on the reason for and the timing of the individual's departure. Pursuant to these agreements, a total of 80,621 Cap Gemini shares were returned to the Company between February 23, 2006 and December 31, 2006 (no other shares have been returned since said date). At December 31, 2006, Cap Gemini no longer held any such shares following the sale of all of the shares in this portfolio in December 2006, representing 85,663 shares (including 5,042 shares returned to the Company between February 23, 2005 and February 22, 2006).

4.10 Compensation of directors

• Compensation of managing directors

The total gross compensation (fixed and variable) paid to the two managing directors in 2006 breaks down as follows:

(in euros)	**Amount paid in 2006 and 2007 for 2006**	**Amount paid in 2006 (2006 fixed and 2005 variable)**
Serge KAMPF		
Fixed	720,000	720,000
Variable	562,000	467,712
Total	**1,282,000**	**1,187,712**
Paul HERMELIN		
Fixed	1,050,000	1,050,000
Variable	830,500	738,000
Total	**1,880,500**	**1,788,000**

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

For 2006 (variable part paid in March 2007)

1) for Serge Kampf, each of these two portions (V1 and V2) were for €240,000 in the event that the objectives set were fully attained.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, gross operating margin, costs of shared services) resulted in a combined total of 124%, representing a V1 portion for Serge Kampf of €240,000 x 1.24 = €298,000;
- for the V2 portion, the calculation of the degree of attainment of each of the six personal objectives that had been set for him for the fiscal year resulted in a total of 110/100, corresponding to a V2 portion of €240,000 x 1.10 = €264,000.

His total actual variable compensation was therefore €562,000, representing 117% of his theoretical variable compensation (€480,000), and his total compensation was €1,282,000, or 106.8% of his theoretical total compensation.

2) for Paul Hermelin, each of these portions (V1 and V2) were for €350,000 in the event that the objectives set were fully attained.

- for the V1 portion, the calculation of the percentage of attainment of the Group's main consolidated financial objectives (revenues, gross operating margin, costs of shared services) resulted in a combined total of 124%, representing a V1 portion for Paul Hermelin of €350,000 x 1.24 = €435,000;
- for the V2 portion, the calculation of the degree of attainment of each of the seven personal objectives that had been set for him for the fiscal year resulted in a total of 113/100, corresponding to a V2 portion of €350,000 x 1.13 = €395,000

His total actual variable compensation was therefore €830,500, representing 118.6% of his theoretical variable compensation (€700,000), and his total compensation was €1,880,500, or 107.5% of his theoretical total compensation.

It should also be noted that:

- as in previous years, Serge Kampf and Paul Hermelin's performance appraisals for 2006 were discussed at the Selection and Compensation Committee, which submitted its recommendations to the Board of Directors where they were debated, approved and adopted;
- Serge Kampf and Paul Hermelin did not receive any fringe benefits (medical assistance, housing, company car, cell phone, products or services free of charge, etc.) during the 2006 fiscal year, as was already the case in previous fiscal years, nor did they benefit from any specific retirement plan, or any provision related to indemnities for termination for any reason whatsoever (removal from office, retirement, etc.);
- for the 18th consecutive year, Serge Kampf decided not to ask the Company to reimburse the expenses he incurred in the performance of his duties (business travel, entertainment, etc.) with the exception of high-speed TGV train travel between Paris and Grenoble, the historical headquarters of Cap Gemini, where he has kept his main office and where a part of corporate functions is still located.

• Directors' fees for 2005 paid to directors in 2006:

(in euros)	**Amount paid in 2006 for 2005**	2005 amount
Serge KAMPF	49,500	56,500
Ernest-Antoine SEILLIERE	47,500	52,500
Daniel BERNARD	16,833	-
Christian BLANC	28,000	27,500
Yann DELABRIERE	29,000	29,000
Jean-René FOURTOU	34,500	39,000
Paul HERMELIN	31,500	31,500
Michel JALABERT	34,500	34,500
Phil LASKAWY*	39,500	42,000
Thierry de MONTBRIAL	20,333	-
Ruud van OMMEREN*	37,000	44,500
Terry OZAN*	28,000	34,500
Bruno ROGER	23,500	29,000
TOTAL	**419,667**	**420,500**

* as required by law, the Company deducted withholding tax on the amounts paid to these three non-resident beneficiaries.

• Directors' fees for 2005 paid to non-voting directors in 2006:

(in euros)	**Amount paid in 2006**	2005 amount
Pierre HESSLER	26,500	32,000
Marcel ROULET	22,333	-
Geoff UNWIN*	29,000	33,000
TOTAL	**77,833**	**65,000**

* as required by law, the Company deducted withholding tax on the amounts paid to this non-resident beneficiary.

The total amount of directors' fees for 2005 paid to directors and non-voting directors in 2006 represents €419,667 + €77,833 = €497,500 (€464,124 after deduction of withholding tax for non resident beneficiaries).

Stock options

Pursuant to a decision by the Board of Directors, Paul Hermelin was granted 25,000 stock options on October 1, 2006, that may be exercised within five years at a price of €43. Paul Hermelin was also granted a further 25,000 options exercisable at the same price and within the same timeframe, under the following provisions: all of the shares issued on exercise of these options are held by Mr. Hermelin in registered form until the termination of his duties as managing director of Cap Gemini S.A., in accordance with the employee profit-sharing and share ownership law (which provides that the Board of Directors chooses either to prohibit corporate officers from exercising their options prior to termination of their duties, or to set the quantity of shares resulting from exercise of the options that must be held in registered form until the termination of their duties) which was adopted by the French parliament on December 14, 2006. The Board of Directors decided to apply the provisions of this law before its definitive adoption, and despite the fact that it is not strictly applicable to stock options granted prior to December 14, 2006.

None of the options previously granted to directors were exercised in 2006, and on no occasion has Serge Kampf either requested or been granted any stock options.

4.11 Directorships and other functions held by directors

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

4.12 Transactions carried out by directors involving the Company's securities

The table below presents a summary of transactions carried out by directors involving the Company's securities, based on AMF disclosures and on article 223-26 of the AMF's General Regulations:

	Number of shares	
	Purchased	Sold
Members of the Board of Directors (including non-voting directors)	-----	209,470

4.13 Renewal of the term of office of a non-voting director

The Board of Directors is asking you to renew for a two-year period the term of office of the non-voting director Marcel Roulet, who was appointed by the General Shareholders' Meeting of May 12, 2005 and whose term of office expires at the close of this Meeting.
You are reminded that in 2006 shareholders decided to reduce the term of office of non-voting directors from six to two years, this decision being immediately applicable to Marcel Roulet's remaining term of office.

V – ENVIRONMENTAL AND SOCIAL IMPACT OF THE GROUP'S OPERATIONS

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

VI – FINANCING POLICY AND MARKET RISKS

Detailed information relating to (i) Capgemini's cash and cash equivalents and debt; and (ii) the Group's use of derivatives to manage its interest and currency risks is respectively provided in Notes 17 and 18 to Capgemini's consolidated financial statements for the year ended December 31, 2006.

6.1. Financing policy

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

- A moderate use of debt leveraging: over the last ten years Cap Gemini has strived to maintain a limited level of net debt (and even a positive net cash position), including with respect to financing external growth. By paying for the bulk of its acquisitions in shares, Cap Gemini S.A. has pursued the dual aim of (i) maintaining a solid financial structure, and (ii) implicating as far as possible the employees transferred to the Group as a result of these acquisitions in their success.
- A high degree of financial flexibility: Capgemini aims to ensure a good level of liquidity as well as durable financial resources, which means maintaining:
  - a high level of available funds (€2,859 million at December 31, 2006, including the proceeds from the €507 million capital increase carried out in December 2006), which could be expanded further by a €500 million undrawn multi-currency syndicated line of credit (expiring on November 14, 2011) and a €550 million commercial paper program;
  - durable financial resources: at December 31, 2006, 85% of the Group's debt falls due beyond two years (see Note 17.III).
- Diversified financing sources adapted to the Group's financial profile: Capgemini seeks to maintain a balance between bank financing (including the above-mentioned syndicated credit line, use of leasing to finance property and IT equipment in particular) and market financing (issue of OCEANE bonds convertible and/or exchangeable for new or existing shares for €460 million in June 2003 and €437 million in June 2005 (see Note 17.II). Lastly, the appropriate balance between the cash cost of financing and the return on cash investments, including the corresponding tax treatment, as well as the potential dilutive impact for Cap Gemini shareholders, are determining factors for the Group in its choice of financing sources. In this regard, with the issue of the OCEANE 2005 bonds Cap Gemini decided to neutralize the potential dilutive impact of the OCEANE bonds issued in June 2003 via the purchase of call options on 9,019,607 of its own shares (see section 4.8 above).

6.2. Market risks

- Equity risk: the Group does not hold any shares for financial investment purposes, and does not have significant interests in listed companies. However, it holds treasury shares in connection with:
  - the implementation of the liquidity contract under its share buyback program (the associated liquidity line amounts to €10 million), representing 80,280 shares at December 31, 2006;
  - the employee-retention scheme set up in the context of the acquisition of Ernst & Young's consulting business in May 2000, under which the shares are designated to be reallocated to Group employees (see Note 10.A).

The Group's resulting exposure to equity risk is negligible.

- Counterparty risk: the financial assets which could potentially give rise to counterparty risk essentially consist of financial investments. These investments mainly comprise money market securities managed by leading financial institutions and, to a lesser degree, negotiable debt instruments issued by companies or financial institutions with a high credit rating from a recognized rating agency. There is therefore no significant counterparty risk for the Group on these short-term investments.

  Moreover, in line with its policy for managing currency and interest rate risks (see below), Cap Gemini enters into hedging agreements with leading financial institutions; counterparty risk can therefore be deemed negligible.
- Liquidity risk: the principal financial liabilities whose early repayment could expose the Group to liquidity risk are the two convertible bonds mentioned above (OCEANE 2003 and OCEANE 2005) and the €500 million multi-currency syndicated line of credit. The OCEANE documentation contains the usual provisions relating to early repayment at the initiative of bondholders should pre-defined events occur. In addition to the early repayment clauses commonly found in these types of agreements, the documentation for the syndicated line of credit requires Cap Gemini to comply with certain financial ratios (covenants). As of December 31, 2006, the Group complied with all such ratios (see Note 17.II.D).

  It is also stated that a change in the credit rating attributed by Standard & Poor's to Cap Gemini would not affect the availability of these sources of financing and would therefore not expose the Group to liquidity risk. However, the cost of funding the syndicated line of credit could be increased or decreased (see Note 17.II.D).
- Interest rate risk: Capgemini's exposure to interest rate risk should be analyzed in light of (i) its cash position: at December 31, 2006 the Group had €2,859 million in cash and cash equivalents invested at market rates compared to gross debt of €1,224 million; and (ii) the Group's conservative policy with respect to management of interest rate risk: the uncapped variable-rate portion of gross debt was limited to 6% (capped and uncapped variable-rate debt combined accounted for 41% of the total – see Note 17.III). Consequently, based on the balance sheet at end-2006 a 1% increase in interest rates would have a positive €20 million impact on Capgemini's net finance costs. Conversely, a low interest rate environment (below 2%) would expose the Group to an increase in its net finance costs (see Note 17.III). The main exposure to interest rate risk is at the level of Cap Gemini S.A., which represented around 80% of Group financing and 66% of Group cash and cash equivalents at December 31, 2006.
- Currency risk: Capgemini's exposure to currency risk is low due to the fact that the bulk of its revenue is generated in countries where operating expenses are also incurred. However, the growing use of offshore production centers in Poland, India and China exposes Capgemini to currency risk with respect to a portion of its production costs. Currently, the amounts involved are not material but given that this trend is set to increase in the future, Cap Gemini has already defined and implemented an overall policy to minimize exposure to exchange rates and

manage the resulting risk, particularly through regular hedging of intercompany flows. These hedges mainly take the form of forward purchases and sales of currencies (see Note 18.B).

- Financial instruments: financial instruments are used to hedge in particular interest rate and currency risks. All hedging positions relate to existing assets or liabilities and/or operating or financial transactions. Gains and losses on financial instruments designated as hedges are recognized on a symmetrical basis with the loss or gain on the hedged items. The fair value of financial instruments is estimated based on market prices or data supplied by bank counterparties.

VII – FINANCIAL AUTHORIZATIONS

Pursuant to the delegations of authority given to the Board of Directors by the Extraordinary Shareholders' Meeting of May 11, 2006, the Board was granted a 26-month authorization to:

- increase the share capital by capitalizing reserves;
- issue new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments, with or without pre-emptive subscription rights;
- increase the amount of the issues if the requests for shares exceed the number of shares on offer, up to 15% of the initial issue at the same price as for the initial issue ("Greenshoe" options);
- issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, as payment for shares tendered to a public exchange offer made by the Company or contributions in kind to the Company of shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company.

The overall limits on the amounts of the issues that could be decided pursuant to the delegations of authority granted to the Board were set at:

- a maximum nominal amount of €1.5 billion for capital increases paid up by capitalizing reserves;
- a maximum nominal amount of €450 million for capital increases with pre-emptive subscription rights, enabling the share capital to be increased to a maximum nominal amount of approximately €1.5 billion, and a maximum of €3 billion in total issuance amounts;
- a maximum nominal amount of €200 million for capital increases without pre-emptive subscription rights, enabling the share capital to be increased to a maximum nominal amount of approximately €1.25 billion, and a maximum of €1.5 billion in total issuance amounts;
- a maximum aggregate nominal amount of €450 million and aggregate issuance amount of €3 billion for securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments.

On November 29, 2006, the Board decided to issue shares for cash without pre-emptive subscription rights or priority subscription period for existing shareholders, further to a delegation of authority without pre-emptive subscription rights. The total amount of the issue was €507 million, represented by 11,397,310 new shares with a nominal value of €8 each (i.e., a total nominal issue amount of €91 million).

The additional report required by law on the final terms and conditions applicable to this capital increase was drawn up on December 6, 2006 by Paul Hermelin, Chief Executive Officer, and is available to shareholders at this Meeting.

Accordingly, the Board of Directors has used almost half of the maximum nominal amount of €200 million set for capital increases in the event of elimination of pre-emptive subscription rights. Taking into consideration the fact that the current delegations of authority are valid up until July 11, 2008, the Board of Directors has decided not to submit their renewal to your approval at this Meeting.

A table summarizing the delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors with regard to share issues is provided on page 128 and 129 of the Registration Document.

VIII – COMMENTS REGARDING THE EXTRAORDINARY SHAREHOLDERS' MEETING

8.1 Authorization to cancel shares acquired under the buyback program

As stated above, the Board of Directors is seeking shareholders' authorization to cancel some or all of the shares purchased pursuant to articles L.225-209 et seq. of the French Commercial Code (the authorization to buy back shares is described in section 4.8 of this report), for up to 10% of its capital by 24-month period.

8.2 Allocation of shares free of consideration

Pursuant to article 83 of the 2005 Finance Act (amended by the French law of December 14, 2006 on employee profit-sharing and share ownership), the Group has set up a scheme under which it may allocate existing shares or shares to be issued free of consideration to its employees. In accordance with this Act, the allocation of such shares to their beneficiaries shall only be definitive at the end of a minimum vesting period of two years, with the minimum period for retention set at two years.

This scheme is not generally intended to supplement stock option awards but to replace such awards whenever the tax legislation of the countries in which beneficiaries are based is considered unfavorable for the employee and/or the Company (mainly the Netherlands and the Nordic countries). The Board is therefore asking shareholders to grant it authorization to allocate, free of consideration, existing shares or shares to be issued to employees of the Group, up to a maximum of 0.5% of the Company's capital (720,000 shares). Shareholders are asked to grant the Board full powers to determine the beneficiaries of the share awards, the terms and conditions for the issue and, where necessary, the criteria for allocating the shares. The allocation of the shares to their beneficiaries shall only be definitive at the end of a minimum vesting period of two years as from the date of allocation by the Board of Directors, with the minimum period of retention of the shares by the beneficiaries also set at two years as from their definitive allocation. The Board may, in accordance with the law, extend the minimum retention period for corporate officers, either by deciding that the shares granted free of consideration may not be transferred before the termination of their duties, or by setting the quantity of shares that said officers will be required to hold in registered form until the termination of their duties. This authorization is given for a period of 38 months.

8.3 Updating of the bylaws further to decree no. 2006-1566 of December 11, 2006

The Board of Directors is asking for authorization to bring article 19 of the bylaws ("General Shareholders' Meetings") into line with the provisions of decree no. 2006-1566 of December 11, 2006 amending the March 23, 1967 decree on commercial companies, particularly as regards evidence of shareholder identity and ownership. The procedure whereby shares are temporarily blocked prior to such Meetings will be replaced by a "record date" system, whereby ownership of the shares is evidenced by a snapshot of the company's share register taken at the closest possible time to the Meeting (as of 12:00 a.m. Paris time on the third working day preceding the Meeting).

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

I – PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

Cap Gemini is a French joint-stock company *(société anonyme)*, whose Board of Directors decided on July 24, 2002, based on a recommendation put forward on the initiative of the then Chairman and Chief Executive Officer, Serge Kampf, to separate the functions of Chairman and Chief Executive Officer further to the authorization granted to the Board by the General Shareholders' Meeting of April 25, 2002 and within the scope of the "New Economic Regulations" law (NRE).

1.1 The Board of Directors

The Board of Directors currently comprises 11 members:

- Two were elected at the General Shareholders' Meeting of May 12, 2005. The directors in question are:
  MM. - Daniel Bernard
  - Thierry de Montbrial.
- Nine were reelected at the General Shareholders' Meeting of May 11, 2006. The directors in question are:
  MM. - Yann Delabrière
  - Jean-René Fourtou
  - Paul Hermelin
  - Michel Jalabert
  - Serge Kampf
  - Phil Laskawy
  - Ruud van Ommeren
  - Terry Ozan
  - Bruno Roger

At the General Shareholders' Meeting of May 11, 2006, shareholders adopted the Board of Directors' proposal to <u>shorten directors' terms of office from six to four years,</u> with immediate effect on ongoing terms of office. The terms of office of the two directors appointed in 2005 will expire at the General Shareholders' Meeting called to approve the 2008 financial statements, and the terms of office of the nine directors appointed last year will expire at the General Shareholders' Meeting called to approve the 2009 financial statements.

The principal role of the Board of Directors is to determine the key strategies of the Company and the Group, and to ensure that these strategies are implemented. Particular emphasis is placed on the management of human resources, especially at managerial level, reflecting Capgemini's business as a service provider. The Board meets at least six times a year. Meetings are convened by the Chairman in accordance with a timetable agreed by the Board at the end of the previous year. However, this timetable may be amended during the year in response to unforeseen circumstances or at the request of more than one director. During 2006, the Board met eight times: <u>twice</u> when it numbered 13 directors (the 11 directors above, as well as Christian Blanc and Ernest-Antoine Seillière, who decided not to seek reelection to the Board); and <u>six times</u> when it numbered 11 directors. This represents a total of 92 theoretical attendances for all directors combined; there were only 12 absences, giving an overall attendance rate of 87%.

Within a reasonable period before these meetings, each Director is sent:

- a detailed agenda which has been approved by the Chairman in consultation with those directors who have submitted items for inclusion on the agenda and the members of Group Management responsible for preparing documentation concerning the items to be discussed;
- and, if the agenda includes items requiring specific analysis or prior consideration, supporting documentation prepared by members of Group Management, supplying detailed, relevant information to the directors in order that they may prepare their deliberations, provided that the sending of such documentation carries no risk that sensitive information, or any information that should remain confidential prior to the Board meeting, is disclosed to anyone but the Board members;
- a summary report comparing the performance of Cap Gemini shares to that of various general and sector indexes and that of its main competitors;
- and a table giving a breakdown of the last known consensus.

<u>For a number of years already,</u> the Company's Board of Directors has applied the main corporate governance rules now recommended as best practice. The Board has:

- prepared, adopted, amended and applied highly detailed internal rules of operation (see section 1.3);
- set up four specialized Board committees – the Audit Committee, the Selection & Compensation Committee, the Ethics & Governance Committee and the Strategy & Investments Committee, each with a clearly defined role (see section 1.4);
- indexed <u>all</u> director compensation (in the form of attendance fees) to attendance at Board and committee meetings (see section 1.5).
- reviewed on three separate occasions the personal situations of each director in light of the definition of independence provided

under French corporate governance guidelines ("a director is independent when he/she has no relationship of any sort with the Company, the Group or its Management, that is likely to impair his/her judgment") and the numerous criteria applied in the different countries in which the Group operates. Based on the aforementioned reviews, 7 out of the 11 Board directors (64%) qualify as "independent" under French corporate governance guidelines: Daniel Bernard, Yann Delabrière, Jean-René Fourtou, Michel Jalabert, Phil Laskawy, Thierry de Montbrial and Ruud van Ommeren.

The Board has also implemented a self-assessment procedure. This involved commissioning one of the three non-voting directors to prepare and send a detailed questionnaire to each director, about the composition, operation and efficiency of the Board and its committees. The completed questionnaires were then collated and analyzed and a summary presentation was submitted to the Board of Directors for discussion. The questionnaire was divided into the following three main sections:

- Overall assessment of the directors themselves: competence, contribution to deliberations, complementarity, assiduity, solidarity, independence, prestige, availability, etc.
- Meetings and their effectiveness: number, length and period of notice of meetings, pertinence of the agenda, quality of information, dialogue with management, discussions between directors, decisions made and strategic options chosen, as well as the quality of the minutes taken; and an assessment of the level of influence that the Board has – or should have – on the decisions taken by Management as well as the impact of committee recommendations on Board decisions, etc.
- Finally, a certain number of other issues relating, for example, to the conditions for possible changes in the composition of the Board and/or its committees.

A summary of the responses to this questionnaire was discussed at length during one of the Boards' meetings and proposed improvements have been implemented. At its meeting of July 26, 2006, the Board of Directors reviewed the composition of the specialized committees to ensure that the proportion of "independent" directors, whose number varies according to the committee, complies as closely as possible with the guidelines pertaining to good corporate governance.

1.2 Non-voting directors

The Board of Directors is assisted by three non-voting directors:

- two of these non-voting directors are former directors who were appointed as non-voting directors on July 24, 2002. The non-voting directors in question are: Pierre Hessler, who replaced Phil Laskawy, Mr. Laskawy was appointed a director; and Geoff Unwin, replacing Chris van Breugel, who resigned as a non-voting director.

  The terms of office of these two non-voting directors were renewed at the General Shareholders' Meeting of May 11, 2006;

- The third non-voting director, Marcel Roulet, was appointed as a non-voting director by the General Shareholders' Meeting of May 12, 2005.

At the General Shareholders' Meeting of May 11, 2006, shareholders adopted the Board of Directors' proposal to shorten non-voting directors' terms of office from six to two years, with immediate effect on ongoing terms of office. This has the following impact:

- Marcel Roulet's term of office expires at the General Shareholders' Meeting to be held on April 26, 2007;
- The terms of office of Pierre Hessler and Geoff Unwin will expire at the General Shareholders' Meeting called in the spring of 2008 to approve the 2007 financial statements.

1.3 Internal rules of operation

As provided for in article 16 of the Company's bylaws, internal rules of operation were drafted, discussed and adopted by the Board of Directors on July 24, 2002. This decision followed the resolution approved at the General Shareholders' Meeting of April 25, 2002, which authorized the separation of the functions of Chairman and Chief Executive Officer. On July 26, 2006, the Board made certain modifications and additions to the internal rules of operation, notably:

- the possibility of holding Board of Directors meetings using video conference or telecommunications facilities, as adopted by the General Shareholders' Meeting of May 11, 2006;
- the requirement for directors and non-voting directors to inform the French stock market authority *(Autorité des marchés financiers)*, and the Company itself, of any transactions they may have carried out personally involving the Company's shares within five trading days of the execution of such operations;
- an update to the rules governing share trading: notwithstanding the legal and regulatory provisions concerning insider trading, directors and non-voting directors must abstain from any direct, indirect or derivative transaction involving the Company's shares for a period of 15 trading days prior to the announcement of the Company's interim and full-year results, and for one trading day following such announcements;
- and a number of additional specifications to the general code of ethics.

These amended internal rules of operation:

- set out or provide additional details concerning the bases for exercising the various powers entrusted to:
  - the Board of Directors,
  - the four specialized committees created within the Board,
  - the Chairman,
  - the Chief Executive Officer.
- determine how roles and responsibilities are allocated between these individuals and bodies and stress in particular that the prior approval of the Board of Directors is required for any decision which is of major strategic importance or which is liable to have a material impact on the financial position or commitments of the Company or one of its principal subsidiaries;
- list the main obligations of the code of ethics which directors and non-voting directors of Cap Gemini S.A. undertake to comply with throughout their term of office concerning, inter alia, the rules governing securities transactions.

1.4 Board committees

Seven years ago, on May 23, 2000, the Board of Directors approved the recommendation of its Chairman to set up three specialized committees (an Audit Committee, a Selection & Compensation Committee and a Strategy & Investments Committee). Each committee was tasked with reviewing and preparing Board discussions in its sphere of competence, making proposals to the Board, and providing advice and recommendations to the Board on decisions to be taken.

The initial appointment of directors and non-voting directors to these committees was decided by the Board of Directors at its meeting of September 13, 2000. Each committee elected its own Chairman, and has specific internal rules of operation defining the nature and extent of its roles and responsibilities.

Following the appointment on May 12, 2005 of two new directors (Daniel Bernard and Thierry de Montbrial) and a new non-voting director (Marcel Roulet), on July 27, 2005 the Board of Directors decided, again on the initiative of the Chairman, to appoint a non-voting director and four directors to each of the three committees. The Chairman of the Board of Directors did not wish to be appointed to any of the three committees and allowed each committee Chairman to invite him to attend the various meetings of their committees at their own discretion. At its meeting of July 26, 2006, the Board also decided to create a fourth committee called the Ethics & Governance Committee, whose terms of reference include Group corporate governance – previously the responsibility of the Selection & Compensation Committee. Acting on the proposal of the Selection & Compensation Committee, the Board of Directors decided to appoint Serge Kampf as Chairman of the Ethics & Governance Committee. The Board consequently adopted the new composition of the four committees as presented below.

Lastly, at its meeting of February 14, 2007, the Board of Directors approved the internal rules of operation for each of the four specialized committees formed on July 26, 2006. This consisted of an update to the rules already in place for the existing committees, as well as a new set of internal rules of operation for the Ethics & Governance Committee.

1.4.1 Audit Committee

This committee assesses the appropriateness and the consistency of the accounting policies and methods used in the preparation of the full-year and interim financial statements, and checks the internal reporting and control procedures used to ensure the accuracy of financial information. The committee also assesses the various engagements conducted by the Statutory Auditors and gives an opinion as to whether they should be reappointed.

The composition of this committee is currently as follows:

- Chairman: Yann Delabrière
- Other directors: Michel Jalabert and Phil Laskawy
- Non-voting director: Marcel Roulet

This committee met six times in 2006, with an attendance rate of 89% (25/28). At the beginning of 2006, it reviewed the financial statements of the Group and the parent company for the year ended December 31, 2005 as well as the accounting treatment of significant events that took place during that year. In the middle of the year, the committee reviewed the Group's financial statements at June 30, 2006 as well as the International Financial Reporting Interpretations Committee's conclusions on the application of IFRS to outsourcing contracts (IFRIC 4). The committee also examined the consequences of the application of the new method of recognizing actuarial gains and losses (IAS 19 as amended) relating to pension obligations and the financial implications of the UK pension plan, as well as the provisions booked on certain major Group contracts. It also heard reports from (i) Philippe Christelle, the Internal Audit Director, on working methods and terms of reference, especially as regards the financial aspects of internal reporting, the main improvements made in the period 2003/2004 through 2005/2006, and potential further improvements; (ii) Gilles Taldu, the Production and Quality Director; and (iii) Lucia Sinapi-Thomas, the Corporate Finance and Risk Management Director. At year-end it reviewed the significant pre-closing issues. Finally, the committee examined various proposals to recapitalize certain subsidiaries and gave its opinion concerning the appropriateness and methods of implementing such proposals.

1.4.2 Selection & Compensation Committee

This committee is tasked with monitoring the human resources policy applied by Group companies to executive managerial posts (executive selection, career and succession planning, changes in theoretical and actual compensation policy, the setting of objectives that determine the variable portion of compensation, criteria applied for the granting of stock options, etc.) and making sure that this policy is both consistent – while complying with local particularities – and closely in line with individual and collective performances in the Business Unit to which each manager belongs. It is consulted prior to any decisions concerning the appointment or replacement of Executive Committee members and strategic Business Unit managers. The committee drafts and presents recommendations to the Board concerning the proposals made by the Chief Executive Officer in relation to the fixed and variable compensation of these executive managers, the Chairman's proposals on the compensation and performance assessment of the Chief Executive Officer, and its own proposals on the compensation and performance assessment of the Chairman.

The composition of this committee is currently as follows:

- Chairman: Ruud van Ommeren
- Other directors: Michel Jalabert, Thierry de Montbrial and Terry Ozan
- Non-voting director: Pierre Hessler

This committee met six times in 2006, with an attendance rate of 86% (25/29).

Besides matters relating to the general compensation policy applied by the Group in 2006, the committee reviewed compensation paid in 2005 (setting the variable portion) and 2006 (revising the fixed portion and setting individual objectives, used at year-end to calculate the variable portion) of the Chairman of the Board of Directors, the Chief Executive Officer and the Group's key senior executives, for whom half of the variable portion of executive compensation is based on the percentage of attainment of quantified objectives set out in the Group budgets (consolidated revenues, operating income, cost of corporate functions, etc.), and the other half on the degree to which a certain number of personal objectives have been achieved.

The committee reviewed, and occasionally modified or completed, and submitted for final approval by the Board of Directors, the list of the beneficiaries of the 2,067,000 stock options granted on October 1, 2006 to 692 Group employees.

The committee's proposal to modify the formula for allocating directors' attendance fees was accepted by the Board of Directors (see section 1.5).

The committee recommended the creation of a fourth specialized committee with responsibility for corporate governance matters, and proposed that it be chaired by Serge Kampf.

It also heard reports from the directors of the Group's strategic Business Units, who presented the key members of their management teams, their three-year business plans, as well as an overview of succession plan options.

Lastly, throughout the year the committee oversaw the review launched last year with the help of Towers Perrin aimed at setting up a Group-wide defined benefit pension scheme – of the like that exists within substantially all companies in the CAC 40 – for senior executives meeting a certain number of an objective criteria and who have made a major and lasting contribution to the Group's development. The committee's conclusions on this review were presented to the Board of Directors, which subsequently decided to authorize Group Management to set up such a plan with effect from January 1, 2007.

1.4.3 Ethics & Governance Committee

This committee is tasked with verifying that in all of its activities and in all subsidiaries under its control, in all internal and external communications – including advertising – and in all other acts undertaken in its name, the Group's seven core values are correctly applied and adhered to, defended and promoted by the Group's corporate officers, senior management and employees. It is also briefed with overseeing the application of good corporate governance rules within Cap Gemini S.A., validating succession plans put forward for (and often by) the Group's senior management – including the Chairman and the Chief Executive Officer, proposing to the Board of Directors any changes it considers relevant to its functioning and composition (co-opting new directors, limiting their number, etc.) as well as any legal or operational changes to the corporate governance rules currently in force within the Group (for example, switching to or from a legal form that separates or combines the functions of Chairman and Chief Executive Officer, etc.).

The composition of this Committee is currently as follows:

- Chairman: Serge Kampf
- Other directors: Daniel Bernard, Paul Hermelin, Phil Laskawy and Bruno Roger
- Non-voting director: none

The decision to set this committee up was only taken in the second half of 2006, and it is scheduled to hold formal meetings on two or three occasions during 2007.

1.4.4 Strategy & Investments Committee

This committee reviews and arbitrates between the various strategic options that the Group may adopt to ensure its continued growth, profitability and independence, calibrates the investment required to implement each of these possible strategies, oversees the subsequent implementation by management of the strategy decided by the Board of Directors, assesses potential or strategically necessary alliances or acquitions, and more generally, deliberates on any issue considered relevant to the Group's future and to guaranteeing operating and financial stability. The composition of this committee is currently as follows:

- Chairman: Jean-René Fourtou
- Other directors: Daniel Bernard, Paul Hermelin, Thierry de Montbrial and Bruno Roger
- Non-voting director: Geoff Unwin

This committee met four times in 2006, with an attendance rate of 78% (18/23).

In 2006, it devoted the bulk of its time to monitoring the global strategic plan approved in the previous year, aimed chiefly at enabling the Group to improve profitability and growth within each of its four disciplines: Consulting Services, Technology Services, Local Professional Services and Outsourcing Services. It reviewed the conclusions of an analysis of three major business and performance indicators (the Group's current situation, market developments and breakthrough technologies), and played an active part in the preparation of the transformation program baptized "I cubed" and based on three main avenues for development: innovation (choosing profitable segments and strengthening the Group's leadership position); industrialization (lowering costs and increasing productivity, notably on long-term contracts), and intimacy, promoting close client relationships – one of the Group's key differentiation factors. The committee put forward a number of useful suggestions for presenting the themes to be debated at the 21st *Rencontres* held in Montreal, which brought together approximately 500 Group executives from September 27 through September 30, 2006.

1.5 Compensation of directors

By way of compensation – albeit only partial – for their responsibilities, and for time spent preparing for and participating in Board and committee meetings, the Company was authorized by the General Shareholders' Meeting of May 11, 2006 to pay attendance fees to directors within an overall ceiling of €700,000 per year. Further to the Selection & Compensation Committee's proposal, the Board of Directors decided on July 26, 2006 to implement a new formula for allocating directors' attendance fees, based on the following principles:

- the elimination of the fixed portion that was attributed based on position: director, non-voting director or committee member (except for the chairmen of the specialized committees and the Chairman of the Board of Directors, who each receive a fixed fee of €20,000 per annum in view of their special responsibilities and the heavy workload required to discharge their duties);
- payment of a uniform amount of €3,000 per attendance at official meetings of the Board or one of the four specialized committees. This fixed fee may be readjusted in the event that an exceptional number of meetings leads aggregate attendance fees to exceed the annual ceiling of €700,000 set by the General Shareholders' Meeting of May 11, 2006;
- the payment of directors' attendance fees twice yearly on June 30 and December 31, as opposed to once per annum as was previously the case.

In accordance with these principles, the total amount of attendance fees paid to directors and non-voting directors in respect of 2006 amounted to €609,000 (€272,000 for the first half of the year, and €337,000 for the second half), i.e., 87% of the maximum authorized ceiling.

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

On the recommendation of Serge Kampf, then Chairman and Chief Executive Officer of the Company, the Board of Directors decided at its meeting of July 24, 2002 that the functions of Chairman and those of Chief Executive Officer should be separated from then on. Paul Hermelin was appointed as Chief Executive Officer. As mentioned above, the Board's internal rules of operation, adopted on the same day, detailed the functions and characteristics of the Board, its Chairman and Chief Executive Officer, established the modus operandi for the specialized committees, and organized the allocation of responsibilities between these different bodies.

As regards the role and powers of the Chief Executive Officer, the internal rules of operation stipulate that he must seek and obtain prior approval from the Board of Directors – or from its Chairman acting under delegated powers – for any decision which is of major strategic importance or which is liable to have a material effect on the financial position or commitments of the Company or on one of its principal subsidiaries.
This applies in particular to:

- the approval and updating of the three-year plan based on the strategy approved by the Board;
- the contracting of strategic alliances;
- significant changes to the structure of the Group or its range of business activities;
- significant internal restructuring operations;
- financial transactions with a material impact on the financial statements of the Company or the Group (in particular the issuance of shares or share equivalents);
- acquisitions or disposals of assets individually worth more than €50 million;
- increases or reductions in the capital of a major subsidiary;
- specific authorizations concerning the granting of pledges, security and guarantees.

III – INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

In 2006, the Group pressed ahead with the implementation of its transformation program for the internal finance function (known internally as the "Green Project"), and internal control procedures were adapted and modified accordingly. Key actions include:

- Updating the Group's accounting principles and methods contained in the "TransFORM" manual, as well as the main obligations with regard to internal control. In 2006, this update mainly concerned the management of currency risk for projects drawing on production resources located in countries exposed to significant inflation risk, and the rules relating to the recognition of transition and transformation costs on outsourcing contracts. In order to ensure the uniform interpretation of Group accounting rules, comprehensive training sessions are held regularly and backed up by a question-and-answer style intranet forum to assist participating employees in developing their understanding of specific issues.
- As regards organization, 2006 was marked by the transfer of part of the Dutch subsidiary's accounting services to a shared service center located in Poland, as well as the transfer to India of the UK accounting services. Lastly, as regards the new legal and regulatory financial reporting obligations, the program aimed at shortening closing deadlines launched at the end of 2005 was successfully implemented for the 2006 accounts closing, and work is well underway to meet an ambitious closing target for the first semester of 2007.
- In terms of IT systems, during 2006 a new single integrated management system was deployed in the Group's Belgian, Dutch, US and Polish subsidiaries, as well as in the French subsidiary, Sogeti. This system comprises key functional components – including a procurement management application – and was enhanced in 2006 by the progressive rollout of an electronic invoicing component designed to streamline internal billing processes.

These changes aim to further improve the various internal control procedures set up over the past ten years within the Capgemini Group, and their objectives are set out below.

3.1 Objectives of internal control procedures

The Group's internal control procedures are applicable to all of its businesses, and comprise a set of rules, guidelines and working practices designed to create a general internal control environment that is tailored to the Group's specificities.

The internal control procedures are designed to ensure:

- compliance with relevant laws and regulations;
- the correct application of instructions and guidelines set out by Group Management;
- the smooth functioning of the Group's internal control processes;
- the reliability of the Group's financial information; and
- respect for the Group's core values.

Irrespective of their quality and the success of their application,

internal control procedures cannot provide an absolute guarantee against risk, any more than they can guarantee that the Group's performance objectives are met.
Internal control procedures mainly concern two levels of the Group's organization:

- Group Management has prepared, drafted, approved and distributed a set of rules and procedures known as the Blue Book. A copy of the Blue Book is issued to each employee of Cap Gemini S.A. and its subsidiaries, and compliance is mandatory irrespective of function, position or Business Unit. It outlines the overall security framework within which the Group's activities must be conducted, and describes the tools and methods to be deployed in order to exercise the necessary degree of control and reduce the risks identified in each of the Group's main functions.
- Individual Business Units supplement the Blue Book with specific instructions designed to bring Group internal control procedures into line with the relevant laws, regulations and customary practices in their country of operation, and to provide more effective control over specific local risks.

The Group's multidisciplinary Internal Audit function, composed of 18 auditors, reports directly to both the Group's Chairman and its Chief Executive Officer. It is tasked with reviewing the internal control procedures set up within the Business Units, to ensure that they comply with the principles and rules laid down by the Group, and with monitoring their application. It independently assesses the effectiveness of these internal control procedures given that, irrespective of how well they are drafted and how rigorously they are applied, they can only provide reasonable assurance – and not an absolute guarantee – against all risks. Each Business Unit is audited in line with a bi-annual program that both the Chairman and the Chief Executive Officer have the power to modify in the event of a contingency or delay or major divergence from budgetary commitments. In 2006, the Internal Audit team fulfilled 38 engagements – i.e., 1,500 days of field audits – throughout the Group's various Business Units.
The Internal Audit Director reports annually on the team's activities to the Audit Committee as regards the preparation and processing of the Group's accounting and financial information. However, the Internal Audit Director may at any moment draw up a special report for the Chairman or the Chief Executive Officer on any matter that he considers should be brought to their attention.

3.2 General organization of internal control procedures

The Group's internal control procedures are based on a close-knit executive management structure, clear lines of organization at operational level and clearly defined processes and methods.

3.2.1 Close-knit executive management structure

A close-knit executive management structure has been set up to model, explain, foster adherence to, apply and control implementation of the decisions and strategy defined by the Board of Directors. This structure is built around three main bodies:

- The Executive Committee composed of 9 members: the Chief Executive Officer, the Deputy Chief Executive Officer in charge of finance, IT and procurement, the General Secretary, the Communications Director, the Strategy Director, and four directors from the Group's main Business Units (Western Europe, Continental Europe and Asia-Pacific, Outsourcing Services and Local Professional Services). The members of this committee are tasked with assisting the Chief Executive Officer in the day-to-day management of the Group. It meets formally every other Monday, and by conference call in the intervening week. The Executive Committee implements the broad strategies decided by the Board of Directors, approves budgetary targets and oversees their implementation (annual and rolling three-year budgets), and if necessary, takes immediate corrective action to remedy any failures to deliver those objectives. In addition, it monitors the adequacy of the Group's organization in light of changes in the business environment.

- The Group Management Board composed of the nine members of the Executive Committee plus a variable number of other senior managers – currently six: the directors of the other main Business Units (North America and Financial Services), the Production Director, the Sales Director, the Director in charge of the global coordination of the Consulting Services businesses, and the Director in charge of the coordination of Capgemini-Kanbay operations in India. The Group Management Board usually meets on a monthly basis to discuss the agenda prepared and decided by the Chief Executive Officer. Its main brief is to contribute to the deliberations of the Executive Committee on any matter of general interest that is submitted to it, and to assist in the implementation of decisions taken. The Group Management Board also acts as the Steering Committee for the Group's Transformation Program launched in September 2006 and baptized "I cubed" – and whose project manager also attends all of the meetings.
- The Group Finance Department, currently headed up by the Deputy Chief Executive Officer, which is mainly tasked with:
  - preparing budgets and monitoring performance;
  - business control;
  - operational reporting;
  - consolidation;
  - accounting processes and standards;
  - treasury management;
  - taxation;
  - mergers and acquisitions; and
  - financial communications.

The Group Finance Department also handles procurement, internal information systems and risk management during the upstream phase of commercial propositions.

These three management bodies are complemented by a number of central functions that report directly to the Chief Executive Officer, and are organized into five central departments:

- The General Secretariat, which has particular responsibility for:
  - Legal affairs, whose brief is divided between two directors: one dealing with problems encountered in international operations and all legal matters related to the Group's operating activities; and the other concerned with the functioning of the Group's governing bodies (the Board, specialized committees, Shareholders' Meetings) and any changes made to the Group's legal structure.
  - The Human Resources Department, which is tasked with coor-

dinating policies in this sphere throughout the Group and monitoring the performance of managers with high potential.
- Capgemini University, which provides Group and staff managers with the additional training they require (in new technologies, assuming commercial functions, enhancing ability to handle large-scale projects, personal leadership development, etc.) and also forms a natural and convivial "meeting point".

- The Strategy Department which is also in charge of the Group's Transformation Program, and whose main role is to provide input and documentation for the deliberations on strategic issues by Group Management and by the Board's Strategy Committee.
- The Communications Department, which is responsible for defining the guiding principles of the Group's communications strategy and ensuring they are applied by the operating subsidiaries.
- The Sales and Alliances Department, which is in charge of coordinating the Groups' sales policy, monitoring the management of major accounts and facilitating contacts with the Group's partners.
- The Production and Quality Department, which is tasked with designing and disseminating proprietary production methodologies for internal use, providing certification for certain categories of staff (project leaders, architects, etc.), overseeing the smooth functioning and development of the Group's delocalized production centers and performing audits of risk-sensitive projects, conducted by specialized teams known as "flying squads" (93 audits of this type were carried out in 2006).

These bodies are supplemented by two ad hoc committees composed of the Chief Executive Officer, the Chief Financial Officer and the General Secretary. Their task is to review – within the scope of the restrictions placed on the powers of the Chief Executive Officer:

- with the Director of Risk Management and the Director of International Legal Affairs: major business proposals to be prepared or discussed, offers of strategic alliances and master contracts with clients or suppliers that meet a certain number of specific criteria (Group Review Board).
- with the Strategy Director and the M&A Director: plans for acquisitions or divestments up for discussion, selection or negotiation (M&A Committee).

3.2.2 Clear lines of organization at operational level

The Group's operations are based on a decentralized model, consisting of five Strategic Business Units (SBUs), with substantial autonomy in their management. Two of these units are each responsible for the worldwide management of one of the Group's four disciplines: one for Outsourcing Services and the other for Local Professional Services (*). The Group's other two disciplines (Consulting Services and Technology Services) are organized into three major geographic zones: North America, Western Europe (the UK, France, Spain and Portugal) and Continental Europe (the Nordic countries, Benelux, Germany, Switzerland, Austria, Italy and the other central and eastern European countries) within which Asia-Pacific has been provisionally classified.

Within each of these SBUs, the basic operating entity is the Business Unit (BU). These units are deliberately kept small enough to allow their managers to form strong relationships with their staff, and each one operates in a manner similar to a small business, complete with management and performance measurement tools that allow the manager to remain in close contact with staff and clients and to participate fully in the Group's results and development. BU managers are fully responsible for meeting quantifiable targets relating to financial performance (growth, profitability, etc.), business development, the quality of management and the level of satisfaction among their clients.

(*) A sixth SBU is in the process of being set up, and will have worldwide responsibility for Financial Services.

3.2.3 Clearly defined processes and methods

The proper functioning of the Group's executive management structure and its Business Units is rooted in compliance with processes and methods that ensure efficient and traceable decision-making.

3.2.3.1 Formal process for delegating powers and authorizing decisions

The decision-making process applied within the Group is based on rules for the delegation of powers. These rules are regularly updated, comply with the principle of subsidiarity and define three levels of decision-making depending on the issues involved, corresponding to the three levels of Capgemini's organization:

- the BU, for everything within its area of responsibility;
- the SBU, for everything that concerns the BUs under its authority;
- finally, the Group (Group Management, Executive Committee, etc.), for everything outside the scope of responsibility of a single SBU, for decisions which, by their nature, must be taken at Group level (acquisitions, disposals, etc.) or for other major operations whose impacts exceed well-defined materiality thresholds.

This process has been formalized in an "authorization matrix" which requires both prior consultation and the provision of sufficient information to the parties involved. Recommendations submitted to the final decision-maker must include the views of all interested parties as well as a balanced assessment of the advantages and drawbacks of each of the possible solutions.

3.2.3.2 A framework of general policies and procedures

The Blue Book sets out the main principles and basic guidelines underpinning the Group's internal control procedures, and covers

specific issues relating to the following areas:
- the internal organizational structure;
- human resources management;
- finance function organization and procedures;
- procurement organization and controls;
- the Group's information and communication systems;
- business knowledge management and protection sharing;
- production of services in a multinational context;
- project management (sales, technical and financial aspects).

3.2.3.3 A project risk control process

The Group has developed a formal process designed to identify and control risks associated with the delivery of information systems projects ordered by clients, from pre-sale to acceptance and payment by the client of the last invoice for the project. This process differentiates between:
- pre-sale controls;
- technical controls during the project execution phase; and
- business control.

a) Pre-sale controls

Projects are becoming ever more complex, both in terms of size and technical specifications, especially in outsourcing (long-term commitments, sometimes involving transfers of assets, staff and the related obligations). As a result, identifying and measuring the risks involved is essential at all stages of the selling process, not only for new contracts but also for extensions or renewals of existing contracts. This risk analysis is based in particular on:
- a reporting tool consolidating all commercial opportunities at Group level. Data concerning commercial opportunities are entered as and when identified, and are kept up to date throughout the sale process;
- the validation, at the various organizational levels of the Group's operational structure and at the different stages of the selling process (from qualification of an opportunity as investment-worthy from a Group perspective to the contract signing, via the submission of service proposals, often in several stages), of the main characteristics of the opportunity, in particular as regards technical, financial and contractual matters. As described in section 3.1, the decision to commit the Group to commercial opportunities meeting a number of pre-defined criteria including size and level of complexity, is the sole prerogative of the Group Review Board.

b) Production and quality control

The Group has approved policies for monitoring contract performance that are applied throughout the life of the project to ensure that it runs smoothly. Key features include:
- clear definition of the roles and responsibilities of each person regarding execution and supervision throughout the entire production process, in particular as regards the choice of project leader, client relationship management, billing, estimation of costs to completion, joint oversight arrangements with the client, etc.;
- use of proprietary production methodologies in all of the Business Units;
- global access to the expertise available through Capgemini's Applications Development Centers;
- the monthly Group-wide identification of all risk-sensitive projects in the execution phase, and the implementation of action plans aimed at containing such risks;
- commissioning of "quality audits" carried out independently of the teams in charge of a given project to identify the risks arising during the project execution phase, where performance appears to diverge from forecasts or from the commitments undertaken;
- measurement of client satisfaction via OTACE (On Time Above Client Expectations) surveys.

c) Business control

Depending on its size, each Business Unit has one or more business controllers, whose tasks include:
- financial oversight for each project, and primarily monitoring the correlation of project production costs with the initially approved budget. Progress reports and management indicators are built into the monitoring process, which relies mainly on the periodic analysis of the estimated costs to completion and their accounting impact;
- ongoing control over compliance with contractual commitments – particularly billing and payment milestones.

3.3 Procedures for the preparation and processing of financial and accounting information

These procedures are used to ensure the application of and compliance with Group accounting rules relating to the preparation of budgets and forecasts, financial reporting, consolidation, control and financial communications.

3.3.1 Financial and accounting structure

The operational control aspects of the Group's financial functions are decentralized, with a structure that parallels that of its Business Units. However, in order to safeguard the impartiality required in determining accounting results, the financial controllers of the Strategic Business Units (SBUs) report to the Deputy Chief Executive Officer in charge of finance. They are responsible for ensuring that high-quality financial and accounting information for the SBU is reported to the parent company in good time.
Each Business Unit has one dedicated financial controller, who in turn reports to the corresponding SBU's financial controller who is responsible for ensuring that the results of the BU's activities are accurately reported in the accounts in accordance and compliance with Group accounting rules and methods. To this effect, he also checks profit estimates for ongoing projects and assesses their accounting impact, makes sure that services are billed and paid for, as well as testifies to the quality of the information contained in the financial reports and accounting packages used as the basis for preparing the consolidated financial statements.

All financial controllers apply the Group's accounting procedures and policies contained in the TransFORM manual, which sets out:
- the key basic rules of internal control;
- what information must be reported, when, and how often;
- management rules and procedures;
- applicable accounting rules;
- performance indicators.

3.3.2 Financial processes

In order to exercise effective control over their operations, the

Group requires Business Units to submit weekly, monthly, quarterly, half-yearly and annual reports of all budget, forecast, operational and accounting information required for the general management of the Group:

- Budget and forecasting process: the budget is the fundamental management control tool and is drawn up by both the Company and its managers based upon past performance, the Group's chosen strategic priorities and expected market trends. It sets quantified targets for the SBUs and their component BUs. The process for preparing this budget is a key point in the relationship between the different levels of the Group's management and makes it possible to create a substantial link between the variable portion of the compensation paid to BU managers and the attainment of the budget targets that have been set for that BU and the corresponding SBU. Finally, a forecast income statement (for a rolling 7-month period, i.e., for the current month and following six months, and for the entire year) is prepared monthly. Variances from the budget are analyzed, so that any corrective action plans that may be needed can be drawn up as quickly as possible.
- Operational reporting and accounting consolidation process: reporting of information is organized per Business Unit forming an SBU and by business line. It therefore allows revenues and costs to be split either by type or function, and performance indicators to be measured against budget, the latest forecasts and the same figures for the prior year. Balance sheet items are analyzed on a quarterly basis. Reconciliations are performed systematically to ensure that financial information derived from the operational reporting system is perfectly consistent with the consolidated financial information provided by the legal entities in the Group.

  At each yearly or half-yearly closing, the scope of consolidation is redefined at Group level by the Finance Department and validated by the Legal Affairs Department. Written instructions are issued providing the schedule for period-end tasks (in particular, the reconciliation of intragroup transaction balances), highlighting current accounting issues requiring specific attention, and describing the control procedures applied to prepare the consolidated financial statements.

  The financial consolidation process is based on accounting packages, which must be signed off by the person responsible for preparing them. Income statements, balance sheets and other key management indicators required for subsequent analysis are stored in a single database maintained at Group level. Access to this information system is strictly controlled. A monthly management report is prepared for each SBU jointly by the manager and financial controller. This report is designed to give an explanation of performance figures, forecasts for the following six months and actions taken in the event of material variances with budget, and is sent to Group Management.
- Financial information controls: the interim and annual financial statements are subject to specific controls regarding financial information and its presentation. These include:
  - a systematic review carried out with the assistance of the Legal Affairs Department of all material operations and transactions occurring during the period;
  - a procedure to identify, collate and report off-balance sheet commitments and any other information liable to have significant repercussions on the financial position of the Group or one of its subsidiaries at the period-end;
  - a review of the tax position of each of the Group's legal entities;
  - a review of the value of intangible assets;
  - a detailed analysis of the statement of cash flows.

The controls described above carried out by the Group Finance Department are supplemented by the work of two independent bodies tasked with carrying out checks on the internal control environment and verifying the quality of the financial statements: the Internal Audit function and the Statutory Auditors.

- Internal Audit: based on its program covering the Group's Business Units drawn up in agreement with the Chairman and its Chief Executive Officer (as it reports to both directly), the Internal Audit function is responsible for carrying out controls to ensure that procedures relating to the safeguarding of assets, the valuation of work in-progress, the actual amount of trade accounts receivable, and the proper recognition of liabilities, are applied in each Business Unit in accordance with the rules and methods established by the Group. In particular, the Internal Audit function is required to pay special attention to revenue recognition methods and to controlling the percentage-of-completion of projects, so as to ensure that projects are accounted for on the basis of rigorous, up-to-date technical assessments. The Internal Audit brief also includes a review of the procedures and controls in place within the BU concerned to ensure the security and validity of transactions and accounting entries.
- The Statutory Auditors, whose main role consists in performing an ongoing review of internal control procedures with an impact on the preparation and quality of the financial statements.

- Communication of financial information: this is subject to rigorous internal control, with a particular focus on three key media used to report financial information:
  - the Annual Report (and the attached Registration Document);
  - financial press releases;
  - documents prepared for meetings with analysts and investors.

For the past 32 years, the Annual Report has been the cornerstone in the Group's financial communications strategy (the first edition contained the 1975 financial statements). The preparation of the report, its content, illustrations, production and distribution are therefore subject to particular attention on the part of Group

Management and, above all, the Chairman. All the sections of the Group's Annual Report are written internally by staff and managers of the Group: in their own specific area of competence, they are each responsible for designing and setting out a chapter of the Annual Report within the general framework proposed by the Communications Department. Inserted into the Annual Report, the Registration Document combines all the information that must be provided pursuant to legal and regulatory requirements and is drawn up under the responsibility of the Finance Department.

Financial press releases are only published further to the formal approval of the Board of Directors or the Chairman, and they must therefore be submitted sufficiently in advance to allow such approval. Financial press releases are published outside the trading hours of the Paris stock exchange, except in exceptional circumstances.

The documents prepared for meetings with analysts and investors are subject to specific preparation, and their content is presented to the Board of Directors or the Chairman prior to the meetings. This preparatory work is then used as a framework for comments and explanations provided by the Chief Executive Officer and/or the Chief Financial Officer during the meetings

3.3.3 Rules governing share trading

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

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE PRESIDENT OF THE BOARD OF CAP GEMINI S.A., ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of Cap Gemini S.A., and in accordance with article L.225 235 of the French Commercial Code *(Code de commerce)*, we report to you on the report prepared by the President of your company in accordance with article L.225-37 of the French Commercial code *(Code de commerce)* for the year ended December 31, 2006.

It is for the President to give an account, in his report, notably of the conditions in which the duties of the board of directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the President of the board's report, prepared in accordance with article L.225-37 of the French Commercial Code *(Code de commerce)*.

The Statutory Auditors

Neuilly-sur-Seine, February 15, 2007	Paris La Défense, February 15, 2007
PricewaterhouseCoopers Audit	**KPMG Audit** *Division of KPMG S.A.*
Bernard RASCLE	Frédéric QUÉLIN *Partner*

GROUP CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of CAP GEMINI S.A. for the year ended December 31, 2006.

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

I - Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2 to the consolidated financial statements describes the change in accounting methods that took place during the year following the application of the amendment to IAS 19 - "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", concerning the recognition in consolidated equity of actuarial gains and losses relating to defined benefit plans. In accordance with IAS 8, comparative information for 2005 and 2004 presented in the consolidated financial statements was restated to retrospectively take account of the application of this revised standard. Therefore, the comparative information differs from the consolidated financial statements published in 2005.

  As part of our assessments of the accounting principles adopted by the Group, we verified that the financial statements for 2005 and 2004 were correctly restated, and the information provided in this respect in Note 2 to the consolidated financial statements.
- Note 1.F to the consolidated financial statements sets out the methods used to account for revenues and costs related to long-term contracts.

  As part of our assessment of the accounting rules and principles adopted by the Group, we verified that the above-mentioned accounting methods and the related information provided in the note above were appropriate, and ensured they were properly applied. We also obtained assurance that the estimates used were reasonable.
- Deferred tax assets amounting to €888 million are recorded in the consolidated balance sheet. Note 13 to the consolidated financial statements describes the methods used to calculate these assets.

  As part of our assessments, we verified the overall consistency of the information and assumptions used to calculate these assets.
- Net intangible assets carried in the consolidated balance sheet include €1,849 million in unamortized goodwill. The accounting principles used and the methods applied to determine the value in use of these assets are described in notes 1.I and 11 to the consolidated financial statements.

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

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

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Neuilly-sur-Seine, February 15, 2007	Paris La Défense, February 15, 2007
PricewaterhouseCoopers Audit	**KPMG Audit** *Division of KPMG S.A.*
Bernard RASCLE	Frédéric QUÉLIN Partner

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006

	Notes	2004 (1)		2005		2006	
in millions of euros		**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Revenues	4	**6,235**	**100**	**6,954**	**100**	**7,700**	**100**
Cost of services rendered	5	4,712	75.6	5,377	77.3	5,920	76.9
Selling expenses	5	611	9.8	524	7.6	508	6.6
General and administrative expenses	5	936	15.0	828	11.9	825	10.7
Operating margin		**(24)**	**(0.4)**	**225**	**3.2**	**447**	**5.8**
Other operating income and expense, net	6	(257)	(4.1)	(11)	(0.1)	(113)	(1.5)
Operating profit/(loss)		**(281)**	**(4.5)**	**214**	**3.1**	**334**	**4.3**
Finance costs, net	7	(28)	(0.5)	(24)	(0.4)	(10)	(0.1)
Other financial income and expense, net	8	1	-	(14)	(0.2)	(18)	(0.2)
Finance expense, net		**(27)**	**(0.5)**	**(38)**	**(0.6)**	**(28)**	**(0.3)**
Income tax expense	9	(226)	(3.6)	(35)	(0.5)	(13)	(0.2)
Profit/(loss) for the year		**(534)**	**(8.6)**	**141**	**2.0**	**293**	**3.8**
Attributable to:							
Equity holders of the parent		(534)	(8.6)	141	2.0	293	3.8
Minority interests		-	-	-	-	-	-

	Note	2004 (1)	2005	2006
Weighted average number of ordinary shares		**131,292,801**	**131,391,243**	**132,782,723**
Basic earnings/(loss) per share (in euros)	10	(4.07)	1.07	2.21
Weighted average number of ordinary shares (diluted)		**132,789,755**	**138,472,266**	**147,241,326**
Diluted earnings/(loss) per share (in euros)	10	(4.02)	1.06	2.07

(1) Restated in accordance with IFRS.

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	*Notes*	December 31, 2004 (1)	December 31, 2005	December 31, 2006
ASSETS				
Goodwill	11	1,774	1,809	1,849
Intangible assets	11	189	142	122
Property, plant and equipment	12	449	399	375
Total fixed assets (3)		**2,412**	**2,350**	**2,346**
Deferred taxes (2)	13	778	828	888
Other non-current assets (2) (3)	14	185	164	295
TOTAL NON-CURRENT ASSETS		**3,375**	**3,342**	**3,529**
Accounts and notes receivable (3)	15	1,773	1,798	2,063
Other receivables and income taxes (3)	16	219	250	214
Assets held for sale		17	-	-
Short-term investments	17-18	1,001	1,805	2,460
Cash	17	251	416	442
TOTAL CURRENT ASSETS		**3,261**	**4,269**	**5,179**
TOTAL ASSETS		**6,636**	**7,611**	**8,708**

in millions of euros	*Notes*	December 31, 2004 (1)	December 31, 2005	December 31, 2006
EQUITY AND LIABILITIES				
Share capital		1,051	1,053	1,153
Additional paid-in capital		2,226	2,229	2,659
Retained earnings and other reserves (2)		13	(673)	(408)
Profit/(loss) for the year		(534)	141	293
Capital and reserves attributable to equity holders of the parent		**2,756**	**2,750**	**3,697**
Minority interests		-	-	-
TOTAL EQUITY		**2,756**	**2,750**	**3,697**
Long-term financial debt	17-18	768	1,145	1,160
Deferred taxes	13	95	121	118
Provisions for pensions and other post-employment benefits (2)	19	458	696	591
Non-current provisions	20	19	14	74
Other non-current liabilities	21	145	138	122
TOTAL NON-CURRENT LIABILITIES		**1,485**	**2,114**	**2,065**
Short-term financial debt and bank overdrafts	17-18	200	171	107
Accounts and notes payable (3)	22	1,544	1,881	2,019
Advances received from customers (3)	15	538	609	683
Current provisions	20	20	20	24
Other payables and income taxes	23	93	66	113
TOTAL CURRENT LIABILITIES		**2,395**	**2,747**	**2,946**
TOTAL EQUITY AND LIABILITIES		**6,636**	**7,611**	**8,708**

(1) Restated in accordance with IFRS.
(2) The balance sheets at December 31, 2004 and 2005 have been restated in line with the amendment to IAS 19 (see Note 2 – "Change in accounting method").
(3) Certain reclassifications have been made in relation to the amounts originally reported in the 2005 annual report in order to provide more accurate information (see Note 1 – "Accounting policies").

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	*Notes*	2004 (1)	2005	2006
Profit/(loss) for the year		**(534)**	**141**	**293**
Impairment of goodwill	6	19	6	3
Depreciation, amortization and write-downs of fixed assets	11-12	213	200	167
Additions to provisions and other non cash items, net (excluding current assets)		24	28	97
Gains and losses on disposals of assets		(14)	(166)	6
Expense relating to stock options and share grants	6	4	12	17
Finance costs, net	7	28	24	10
Income tax expense	9	226	35	13
Unrealized gains and losses on remeasurement at fair value	18	-	-	5
Cash flows from operations before finance costs, net and income tax (A)		**(34)**	**280**	**611**
Income tax paid (B)		4	(36)	(31)
Change in accounts and notes receivable and advances received from customers (2)		134	17	(181)
Changes in accounts and notes payable (2)		132	188	59
Change in tax and other receivables/payables		82	93	120
Change in operating working capital (C)		**348**	**298**	**(2)**
NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)		**318**	**542**	**578**
Acquisitions of property, plant and equipment and intangible assets	11-12	(125)	(106)	(101)
Proceeds from disposals of property, plant and equipment and intangible assets		24	14	27
		(101)	**(92)**	**(74)**
Acquisitions of consolidated companies		(55)	(3)	(33)
Proceeds from disposals of businesses and consolidated companies	6	18	194	-
Net proceeds/payments from disposals/acquisitions of non-consolidated companies		70	5	(136)
Payments related to derivative instruments		-	(16)	-
Net proceeds/payments relating to other investing activities		(10)	(2)	19
		23	**178**	**(150)**
Effect of changes in Group structure		(5)	(6)	6
NET CASH FROM/(USED IN) INVESTING ACTIVITIES (E)		**(83)**	**80**	**(218)**
Increase in share capital		-	5	517
Dividends paid		-	-	(66)
Net proceeds/payments relating to treasury stock transactions (3)		-	(2)	2
Increase in financial debt	17	43	474	45
Repayments of financial debt	17	(199)	(183)	(108)
Finance costs, net	7	(28)	(24)	(10)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES (F)		**(184)**	**270**	**380**
NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)		**51**	**892**	**740**
Effect of exchange rate movements on cash and cash equivalents (H)		(9)	12	(17)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	**17**	**1,190**	**1,232**	**2,136**
CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)	**17**	**1,232**	**2,136**	**2,859**

(1) Restated in accordance with IFRS.
(2) In 2004 and 2005, advances received from customers have been reclassified within “change in accounts and notes receivables”.
(3) In 2004 and 2005, net proceeds/payments relating to treasury stock transactions have been reclassified under net cash from/(used in) financing activities.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	Number of shares	Share capital	Additional paid-in capital	Treasury stock (2)	Consolidated retained earnings and other reserves	Translation adjustments	Total equity (3)
AT JANUARY 1, 2004 (1)	**131,165,349**	**1,049**	**2,220**	**(5)**	**43**	**-**	**3,307**
Increase in share capital upon exercise of options (4)	6,700	-	-	-	-	-	-
Net increase in share capital for the acquisition of Transiciel	211,129	2	5	-	-	-	7
Transiciel earn-out payment (6)	-	-	-	-	9	-	9
Disposal of 209,477 treasury shares returned to the Company in 2003	-	-	1	5	-	-	6
Valuation of stock options (4)	-	-	-	-	4	-	4
Income and expense recognized directly in equity	-	-	-	-	(33)	(10)	(43)
Loss for the year	-	-	-	-	(534)	-	(534)
AT DECEMBER 31, 2004 (1)	**131,383,178**	**1,051**	**2,226**	**-**	**(511)**	**(10)**	**2,756**
Increase in share capital upon exercise of options (4)	198,800	2	3	-	-	-	5
Transiciel earn-out payment (6)	-	-	-	-	2	-	2
Elimination of 85,000 treasury shares purchased under the share buyback program (8)	-	-	-	(2)	-	-	(2)
Consolidation and elimination of 576,438 shares attributed or attributable to employees of the Capgemini Group (4)	-	-	-	(16)	19	-	3
Valuation of stock options (4)	-	-	-	-	11	-	11
Income and expense recognized directly in equity	-	-	-	-	(192)	26	(166)
Profit for the year	-	-	-	-	141	-	141
AT DECEMBER 31, 2005	**131,581,978**	**1,053**	**2,229**	**(18)**	**(530)**	**16**	**2,750**
Increase in share capital upon exercise of options (4)	790,393	7	12	-	-	-	19
Dividends paid out for 2005 (5)	-	-	-	-	(66)	-	(66)
Issue of 312,127 treasury shares in connection with the Transiciel earn-out mechanism (6)	312,127	2	9	-	-	-	11
Reversal of provision for the Transiciel earn-out mechanism (6)	-	-	-	-	(11)	-	(11)
Issue of 11,397,310 new shares in connection with the increase in share capital of December 6, 2006 (7)	11,397,310	91	407	-	-	-	498
Disposal of 84,779 treasury shares returned to the Company	-	-	2	-	1	-	3
Elimination of 4,720 shares in connection with the share buyback program (8)	-	-	-	(1)	2	-	1
Remeasurement and elimination of shares attributed or attributable to employees of the Capgemini Group (4)	-	-	-	6	(3)	-	3
Valuation of stock options (4)	-	-	-	-	15	-	15
Income and expense recognized directly in equity	-	-	-	-	198	(17)	181
Profit for the year	-	-	-	-	293	-	293
AT DECEMBER 31, 2006	**144,081,808**	**1,153**	**2,659**	**(13)**	**(101)**	**(1)**	**3 ,697**

(1) Restated in accordance with IFRS.
(2) See Note 1.K. – "Treasury stock".
(3) There were no minority interests at December 31, 2006 (see Note 3.B. – "Changes in Group structure: 2006").
(4) The method for measuring and recognizing stock options and share grants is described in Note 10.A. – "Stock option plans and share grants".
(5) Dividends paid to shareholders for 2005 totaled €66 million (€0.50 per share).
(6) The second tranche of the alternative public exchange offer for Transiciel shares launched by Cap Gemini S.A. on October 20, 2003, contained an earn-out mechanism. At December 31, 2005, this additional purchase consideration was estimated at €11 million.
In accordance with section 1.4.13.6 of the prospectus approved on October 29, 2003 by the *Commission des Opérations de Bourse* under reference number 03-935, the third-party mediator authorized, on June 27, 2006, a maximum number of 315,332 Cap Gemini shares to be allocated on exercise of 8,137,600 equity warrants. At the close of the exercise period for these equity warrants (June 30, 2006 to July 31, 2006), 8,055,558 warrants had been exercised, giving rise to the issue of 312,127 new shares during the second half of 2006 totaling €11 million.
The provisions set aside in 2004 and 2005 in connection with the earn-out mechanism have been reversed (€9 million and €2 million, respectively).
(7) In connection with the increase in share capital of December 6, 2006, the Company issued 11,397,310 new Cap Gemini shares (after exercise of the greenshoe option relating to 1,036,119 shares) with no preferential subscription rights or priority timing for existing shareholders, at a price of €44.50 per share. Gross proceeds from this share issue including the issue premium amounted to €507 million. Issue costs totaled €9 million.
(8) See Note 10.B. – "Share buyback program".

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

FOR THE YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	2004 (1)	2005	2006
Profit/(loss) for the year	**(534)**	**141**	**293**
Purchase of a call option on Cap Gemini shares to neutralize the dilutive impacts of the "OCEANE 2003" convertible/exchangeable bonds issued on June 24, 2003 (2)	-	(16)	-
Equity component of the June 16, 2005 bond issue ("OCEANE 2005") (3)	-	40	-
Actuarial gains and losses related to provisions for pensions and other post-employment benefits (4)	(36)	(220)	150
Deferred taxes recognized in equity (5)	3	5	43
Translation adjustements	(10)	26	(17)
Other	-	(1)	5
Income and expense recognized directly in equity	**(43)**	**(166)**	**181**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(577)**	**(25)**	**474**

(1) Restated in accordance with IFRS.
(2) Simultaneously to the "OCEANE 2005" bond issue, the Group decided to neutralize in full the potential dilutive impact of the "OCEANE 2003" convertible/exchangeable bonds issued on June 24, 2003 for a nominal amount of €460 million and due on January 1, 2010 via the purchase of a call option for €16 million (before tax) on approximately 9 million Cap Gemini shares, representing the total number of shares underlying the "OCEANE 2003" convertible/exchangeable bond issue.
(3) On June 16, 2005, the Group issued bonds convertible/exchangeable into new or existing Cap Gemini shares ("OCEANE 2005") for a nominal amount of €437 million. These bonds mature on January 1, 2012 (see Note 17 – "Net cash and cash equivalents").
(4) See Note 2 – "Change in accounting method" for 2004 and 2005 and Note 19 – "Provisions for pensions and other post-employment benefits" for 2006. Actuarial gains and losses related to provisions for pensions and other post-employment benefits in the table above are based on the average exchange rate for each corresponding accounting period.
(5) In 2004, 2005 and 2006, deferred taxes mainly relate to the actuarial gains and losses for the period recognized in equity. In 2005, this item also includes deferred tax liabilities relating to the equity component of the bonds issued on June 16, 2005 for an amount of €14 million (see (3) above) and deferred tax assets of €6 million relating to the call option on Cap Gemini shares (see (2) above). Deferred tax assets for 2006 include particularly the recognition in the United Kingdom of tax assets in an amount of €52 million. This amount concerns items recognized directly in equity between 2004 and 2006 and related to provisions for pensions and other post-employment benefits.

NOTE 1 – **ACCOUNTING POLICIES**

Pursuant to European Commission Regulation No. 1606/2002 of July 19, 2002, the 2006 consolidated financial statements have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the related interpretations endorsed by the European Union at December 31, 2006 and published in the Official Journal of the European Union.

The Group also takes account of the positions adopted by Syntec Informatique – an organization representing major consulting and computer services companies in France – regarding the application of IFRSs.

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

The Group has not opted for early application of certain standards and interpretations issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union at December 31, 2006. This essentially concerns:

- IFRS 7 – "Financial Instruments: Disclosures".
- Amendment to IAS 1 – "Presentation of Financial Statements: Capital Disclosures".

The Group has not opted for early application of standards and interpretations issued by the IASB or IFRIC but not yet endorsed by the European Union at December 31, 2006. This essentially concerns IFRIC 10 – "Interim Financial Reporting and Impairment", whose early adoption would not have had any impact on the 2006 consolidated financial statements.

Certain reclassifications have been made in relation to the amounts originally reported in the 2005 annual report in order to provide more accurate information:

- "Financial assets" were reclassified to "Other non-current assets".
- "Receivables from social security bodies" were reclassified within "Other receivables and income taxes".

The 2006 consolidated financial statements and related notes were approved by the Board of Directors on February 14, 2007.

The principal accounting policies applied in the preparation of the consolidated financial statements are described hereafter:

A) Consolidation methods

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

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

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

Details of the scope of consolidation are provided in Note 29 – "List of consolidated companies by country".

All consolidated companies prepared their accounts at December 31, 2006 in accordance with the accounting policies and methods applied by the Group.

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

The Group does not control any special purpose entities that have not been consolidated.

B) Use of estimates

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

C) Foreign currency translation

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

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

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

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

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

	Average exchange rates			Rates at December 31		
	2004	2005	2006	2004	2005	2006
US dollar	0.80512	0.80461	0.79710	0.73416	0.84767	0.75930
Pound sterling	1.47413	1.46235	1.46681	1.41834	1.45921	1.48920
Canadian dollar	0.61874	0.66459	0.70258	0.60916	0.72860	0.65441
Swedish krona	0.10960	0.10779	0.10808	0.11086	0.10651	0.11061
Australian dollar	0.59241	0.61292	0.60016	0.57277	0.62077	0.59913
Norwegian krona	0.11950	0.12485	0.12434	0.12141	0.12523	0.12139
Indian rupee	0.01777	0.01823	0.01760	0.01684	0.01867	0.01716
Polish zloty	0.22119	0.24873	0.25682	0.24483	0.25907	0.26103

D) Statement of income

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

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

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

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

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

E) Earnings per share

Earnings per share are measured as follows:

- Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury stock. The weighted average number of ordinary shares outstanding is adjusted by the number of ordinary shares bought back or issued during the period and is calculated by reference to the date of redemption or issue of shares during the year.
- Diluted earnings per share are calculated by dividing profit or loss attributable to equity holders of the parent as used to calculate basic earnings per share by the weighted average number of ordinary shares outstanding, excluding treasury stock, both items being adjusted, where appropriate, for the effects of all potentially dilutive ordinary shares corresponding to (i) stock options (see Note 10.A. – "Stock option plans and share grants") and (ii) bonds convertible/exchangeable into existing or new Cap Gemini shares.

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

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

A. TIME AND MATERIALS CONTRACTS:

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

B. LONG-TERM FIXED PRICE CONTRACTS:

Revenues from long-term fixed price contracts, including systems development and integration contracts, are recognized under the "percentage-of-completion" method. Costs related to long-term fixed price contracts are recognized as they are incurred.

C. OUTSOURCING CONTRACTS:

Revenues from outsourcing agreements are recognized over the life of the contract as the services are rendered. When the services are made up of various different components which are not separately identifiable, the related revenues are recognized on a straight-line basis over the life of the contract.

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

When the projected cost of the contract exceeds contract revenues, an expense is recognized for the amount of the difference.

Revenues receivable from these contracts are recognized in assets under "Accounts and notes receivable" when invoiced to customers, and under "Accrued income" when they are not yet invoiced.

G) Goodwill and intangible assets

A. GOODWILL

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, which is generally the date on which control is acquired. Goodwill is not amortized.

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

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is greater than the cost of the business combination, the excess is recognized immediately in the statement of income for the year of the acquisition, once the value of the identifiable assets, liabilities and contingent liabilities of the acquiree as well as the valuation of the cost of the business combination have been verified.

B. INTANGIBLE ASSETS

Computer software and user rights acquired on an unrestricted ownership basis, as well as software developed for internal use which has a positive, lasting and quantifiable effect on future results, are capitalized and amortized over three to five years.

The capitalized costs of software developed for internal use represent costs that directly relate to its production, i.e., the salary costs of staff that developed the software concerned, as well as a directly attributable portion of production overheads.

H) Property, plant and equipment

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

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

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets concerned. It is calculated based on the acquisition cost, less the residual value.

Property, plant and equipment are depreciated over the following estimated useful lives:

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

Residual values and estimated useful lives are reviewed at each balance sheet date.

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

I) Impairment of goodwill, intangible and tangible assets

Intangible and tangible assets are tested for impairment when there is an indication at the balance sheet date that their recoverable amount may be less than their carrying amount. Goodwill is tested for impairment at least once a year.

The impairment test consists of assessing the recoverable amount of each asset or group of assets (cash generating unit – CGU). The assessment is notably performed using the discounted cash flows method and the recoverable amount of each CGU is calculated based on various parameters used in the budget procedure and three-year strategic plan extrapolated over a period of five years, including growth and profitability rates considered reasonable. Standard discount rates (based on the weighted average cost of capital) and standard long-term growth rates for the period beyond five years are applied to all valuations of CGUs. These rates are determined based on analyses of the business segments in which the Group operates. When the recoverable amount of a CGU is less than its carrying amount, the impairment loss is deducted from goodwill to the extent possible and charged to operating profit under "Other operating income and expense, net".

J) Leases

Contracts and agreements entered into by the Group are analyzed to determine if they are, or contain, leases.

Leases that do not transfer to the Group substantially all of the risks and rewards incidental to ownership are classified as operating leases, and give rise to lease payments recorded in expense over the lease term.
However, when the Group assumes substantially all of the risks and rewards incidental to ownership, the lease is classified as a finance lease and is recognized as an asset at the lower of the fair value of the leased asset and the present value of future minimum lease payments, with the related obligation recorded in liabilities within financial debt. The asset is depreciated over the period during which it is expected to be used by the Group and the obligation is amortized over the lease term. Deferred tax is recognized accordingly.

K) Treasury stock

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

L) Deferred taxes

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

Deferred tax is recognized in profit or loss for the period when the related transaction or other event is recognized in profit or loss, except to the extent that the tax arises from a transaction or event which is charged or credited directly to equity, in which case the related deferred tax is also recognized directly in equity (see the consolidated statement of recognized income and expense).

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

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

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

M) Financial instruments

Financial instruments consist of:

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

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

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

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a arm's length transaction.

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

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

a) Recognition and measurement of financial assets

Other non-current assets

Other non-current assets chiefly comprise:

i. Shares in non-consolidated companies:
   The Group holds shares in certain companies over whose management it does not exercise significant influence or control. These shares mainly represent long-term investments supporting strategic alliances with the companies concerned. The investments in non-consolidated companies are analyzed as available-for-sale financial assets and are thus recognized at fair value. For listed shares, fair value corresponds to the share price. If the fair value cannot be determined reliably, the shares are recognized at cost.
   Shares in non-consolidated companies are recorded as follows:
   – Any change in the fair value of shares in non-consolidated companies after initial recognition is recorded through equity.

- In the event of an objective indication of a decrease in fair value (in particular, a significant or prolonged decline in the asset's value), an impairment loss is recognized in profit or loss.
- When the impact of a change in fair value has previously been recognized in equity and there is objective evidence that the asset is impaired, or in the event of the disposal of the shares, the impairment loss or impact of derecognition of the shares is dealt with through financial income and expense, and offset where appropriate by a full or partial write-back of the amount recorded in equity.

ii. *Aides à la construction* (building aid program) loans in France, security deposits and guarantees, and other long-term loans;
iii. Receivables due from the French Treasury resulting from an election to carry back tax losses;
iv. Receivables which are expected to be settled beyond the normal operating cycle of the business to which they relate; and
v. Non-current derivative instruments.

These other non-current assets are carried at amortized cost, with the exception of:

- shares in non-consolidated companies, which are recognized at fair value (see above);
- non-current derivative instruments, which are recognized at their fair value (see below).

Accounts and notes receivable
Accounts and notes receivable correspond to the fair value of the expected consideration to be received. Where payment is deferred beyond the usual periods applied by the Group and whose effect is material on the fair value revaluation, the future payments concerned are discounted.

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

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

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

The accounting treatment applied to these instruments is as follows:

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

The effectiveness of a hedge is demonstrated by means of prospective and retrospective tests performed at each balance sheet date. These tests are designed to validate whether the hedge qualifies for hedge accounting, by demonstrating that the hedging relationship is effective. The 80% to 125% range set in IAS 39 for retrospective tests is also used for the prospective tests.

b) Recognition and measurement of financial liabilities
Long-term financial debt
Long-term financial debt mainly consists of loans granted by banks, bonds and obligations under finance leases.
Loans granted by banks and bonds are initially recognized at fair value and are subsequently measured at amortized cost at each period-end up to maturity.

Fair value determined for the purpose of initial recognition corresponds to the present value of future cash outflows discounted at the market interest rate, minus transaction costs and any issue premiums.
Regarding convertible bonds, the difference between the nominal amount of the bonds and the fair value of the liability component as calculated above is recorded under equity.

In each subsequent period, the interest expense recorded in the statement of income corresponds to the theoretical interest charge calculated by applying the effective interest rate to the carrying amount of the loan. The effective interest rate is calculated when the loan is taken out and corresponds to the rate that exactly discounts estimated future cash payments through the expected life of the loan to the initial fair value of the liability component of the loan.

The difference between interest expense thus calculated and the nominal amount of interest is recorded in profit or loss, with the corresponding adjustment posted to liabilities.

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

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

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

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

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

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

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

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

Actuarial gains and losses correspond to the effect of changes in actuarial assumptions and experience adjustments (i.e., differences between projected actuarial assumptions and actual data) on the amount of the defined benefit obligation or the value of plan assets.

The Group has decided to recognize in equity the full amount of actuarial gains and losses relating to defined benefit plans in the period in which they arise, in line with the amendment to IAS 19 – "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", effective January 1, 2006 (see Note 2 – "Change in accounting method").

P) Stock options granted to employees
Stock options may be granted to a certain number of Group employees entitling them to purchase Cap Gemini shares issued for this purpose over a period of five or six years, at an exercise price set when the options are granted.

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

The fair value of stock options is calculated using the Black and Scholes option pricing model which incorporates assumptions concerning the option exercise price and the vesting period, the share price at the date of grant, implicit share price volatility, and the risk-free interest rate. The expense recognized also takes into account staff attrition rates for eligible employee categories.
In accordance with IFRS 1 – "First-time Adoption of International Financial Reporting Standards", only stock options granted after November 7, 2002 with a vesting date after January 1, 2005, are measured and recognized as "Other operating income and expense, net". Recognition and measurement of stock options granted prior to November 7, 2002 is not required.

Q) Provisions
A provision is recognized in the balance sheet if, and only if, (i) the Group has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the impact of the time value of money is material.

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

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

T) Exchange gains and losses on intragroup transactions

The results and financial position of a foreign subsidiary are included in the Group's consolidated financial statements using normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions. However, an intragroup short- or long-term monetary asset (or liability) cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the Group to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements, such an exchange difference continues to be recognized in profit or loss or is classified in equity if the underlying forms an integral part of the net investment in the foreign operation.

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

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

NOTE 2 – CHANGE IN ACCOUNTING METHOD

The Group has decided to recognize in equity the full amount of actuarial gains and losses relating to defined benefit plans in the period in which they arise, in line with the amendment to IAS 19 – "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", effective January 1, 2006. It will no longer use the corridor method, which consists of recognizing the portion of net cumulative unrecognized actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the defined benefit obligation and (ii) 10% of the fair value of the plan assets at the balance sheet date, over the average remaining service lives of plan participants.

This change in accounting method was applied retrospectively in accordance with the transitional provisions of the amended IAS 19, as follows:

- In the statement of income, this change in accounting method did not have any impact on the results reported for 2005 and previous years as actuarial gains and losses fell within the thresholds stipulated by the corridor method.
- In the balance sheet, this change of method resulted in all cumulative actuarial gains and losses – previously unrecognized due to the application of the corridor method being recorded under provisions for pensions and other post-employment benefits – and the corresponding deferred tax impacts, with the corresponding entry posted in shareholders' equity.

Retrospective impacts of this change in method in the balance sheet are set out below:

in millions of euros	December 31, 2004 (1)	December 31, 2005 (1)
Cumulative impact on provisions for pensions and other post-employment benefits	35	259
Cumulative impact on deferred tax assets	3	17
Cumulative impact on equity	(32)	(242)

(1) Amounts calculated using the exchange rate applicable at the balance sheet date of the corresponding accounting period.

Accordingly, at December 31, 2004 and 2005, actuarial gains and losses recognized retrospectively correspond to net actuarial losses of €35 million and €259 million, respectively. At December 31, 2005, €244 million related to funded defined benefit plans, and €15 million related to unfunded defined benefit plans (see Note 19 – "Provisions for pensions and other post-employment benefits").

At December 31, 2006, the application of the new method led to recognition in equity of a net actuarial gain amounting to €150 million (excluding deferred taxes), and a corresponding decrease in provisions for pensions and other post-employment benefits (see Note 19 – "Provisions for pensions and other post-employment benefits" and the consolidated statement of recognized income and expense).

NOTE 3 – CHANGES IN GROUP STRUCTURE

A) 2004 and 2005

The main changes in Group structure in 2004 and 2005 were as follows:

In the United States, the Group formed Capgemini Energy LP as part of a ten-year service contract, effective July 1, 2004, with the American power company TXU Energy Company LLC. At December 31, 2004, Capgemini Energy LP, was 97.1%-owned by the Group and was fully consolidated.

In January 2005, the Group sold its 25.22% stake in IS Energy for €21 million, further to the exercise by E.ON of the call option it held on IS Energy's shares.

On June 16, 2005, the Group sold its US healthcare business to the Accenture group for €143 million.

On August 12, 2005, the Group entered into an alliance with the Japanese group NTT Data Corporation and sold its 95% stake in Capgemini Japan K.K. for €30 million.

B) 2006

The main changes in Group structure in 2006 were as follows:

On September 30, 2006, the Group acquired 100% of the capital of German group FuE (FuE-Future Engineering GmbH, FuE-Future Engineering & Consulting GmbH and Computer Konzept EDV Beratung und Betreuung GmbH). The FuE group is Germany's leading aerospace consulting and engineering firm, based mainly in Hamburg, Bremen, Baden-Baden and Toulouse. The Group has a headcount of approximately 250.
The provisional allocation of the acquisition price led to the recognition of €3 million in amortizable intangible assets and €29 million in goodwill. At the acquisition date, the FuE group's net assets stood at €8 million, including cash and cash equivalents amounting to €5 million. Its contribution to consolidated revenues and profit for 2006 is €6 million and €1 million, respectively.

On October 11, 2006, the Group purchased 51% of the capital of Unilever Shared Service Limited (also known as Indigo), a subsidiary of Hindustan Lever Limited (Unilever group). Indigo is an administrative, financial and control service center for Unilever in India, and owns centers in Bangalore and Chennai, employing nearly 600 service professionals. Indigo is fully consolidated at December 31, 2006.
The purchase agreement includes a call/put option for Capgemini/Hindustan Lever Limited on the remaining 49% of Indigo, exercisable from October 1, 2008 for a period of six months. If exercised, the Group would own 100% of Indigo. At December 31, 2006, the Group recognized a financial debt for an amount equal to the present value of the option at that date. The difference between the present value of the option and the carrying amount of the related minority interests is recorded in goodwill.
The provisional allocation of the acquisition price led to the recognition of €2 million in amortizable intangible assets and €20 million in goodwill. At the acquisition date, Indigo's net assets stood at €1 million, including financial debt of €1 million. Indigo's contribution to consolidated revenues for 2006 is €3 million. Its contribution to consolidated profit for the year is not material.

NOTE 4 – REVENUES

Revenues break down as follows by geographic areas:

	2004		2005		2006	
in millions of euros	Amount	%	Amount	%	Amount	%
North America	1,351	22	1,353	20	1,341	17
United Kingdom and Ireland	1,288	20	1,738	25	2,126	28
Nordic countries	391	6	415	6	441	6
Benelux	857	14	956	14	1,046	14
Germany and Central Europe	477	8	443	6	514	7
France	1,479	24	1,666	24	1,816	23
Southern Europe	299	5	310	4	339	4
Asia-Pacific	93	1	73	1	77	1
TOTAL	**6,235**	**100**	**6,954**	**100**	**7,700**	**100**

The year-on-year increase in revenues in 2006 is 10.7% on a current Group structure and exchange rate basis and 12.1% on a like-for-like basis (based on constant exchange rates and Group structure).

NOTE 5 – OPERATING EXPENSES BY NATURE

The analysis of operating expenses by nature is as follows:

in millions of euros	2004 Amount	2004 % revenues	2005 Amount	2005 % revenues	2006 Amount	2006 % revenues
Personnel costs	4,001	64.2	4,175	60.0	4,336	56.3
Travel expenses	309	5.0	309	4.5	340	4.4
	4,310	**69.2**	**4,484**	**64.5**	**4,676**	**60.7**
Purchases and sub-contracting expenses	1,437	23.0	1,808	26.0	2,068	26.9
Rent and local taxes	282	4.5	240	3.5	268	3.5
Depreciation, amortization and provisions	230	3.7	197	2.8	241	3.1
TOTAL	**6,259**	**100.4**	**6,729**	**96.8**	**7,253**	**94.2**

Foreign currency gains and losses included within operating items in 2006 are not material.

Personnel costs break down as follows:

in millions of euros	2004	2005	2006
Wages and salaries	3,171	3,283	3,429
Payroll taxes	747	803	818
Pension costs related to defined benefit plans and other post-employment benefit expenses (1)	83	89	89
TOTAL	**4,001**	**4,175**	**4,336**

(1) See Note 19 – "Provisions for pensions and other post-employment benefits".

NOTE 6 – OTHER OPERATING INCOME AND EXPENSE, NET

in millions of euros	2004	2005	2006
Restructuring costs	(240)	(164)	(94)
Expenses relating to stock options and share grants (1)	(4)	(12)	(17)
Impairment of goodwill	(19)	(6)	(3)
Capital gains on the sale of consolidated companies or businesses	6	166	-
Other operating income and expense	-	5	1
TOTAL	**(257)**	**(11)**	**(113)**

(1) These expenses are calculated as explained in Note 10.A. – "Stock option plans and share grants".

In 2004 and 2005, restructuring costs are chiefly related to workforce reduction measures and the streamlining of the Group's real estate assets (respectively €153 million and €87 million in 2004; and €83 million and €66 million in 2005). In 2005, restructuring costs also include €15 million euros related to the accelerated amortization of software in North America.

In 2005, other operating income and expense, net, also includes capital gains on the sales of consolidated companies (arising from the sale of the Group's interests in IS Energy in Germany and the subsidiary Capgemini Japan K.K.) and businesses relating to the disposal of the healthcare business in North America.

In 2006, other operating income and expense, net, essentially concerns restructuring costs incurred within the scope of the "MAP" program for streamlining the Group's outsourcing activities, breaking down as follows:

- €67 million in costs directly related to workforce reduction measures, mainly concerning France (€24 million), the United Kingdom (€15 million), Benelux (€8 million), the United States (€6 million) and Germany and Central Europe (€6 million).
- €16 million relating to measures taken to streamline the Group's real estate assets, principally in the United Kingdom.
- €11 million in industrialization and migration costs relating to the implementation of the Rightshore strategy.

NOTE 7 – FINANCE COSTS, NET

Finance costs, net, can be analyzed as follows:

in millions of euros	2004	2005	2006
Gross finance costs	(46)	(57)	(67)
Income from cash and cash equivalents	18	33	57
FINANCE COSTS, NET	**(28)**	**(24)**	**(10)**

Gross finance costs

Gross finance costs can be broken down as follows:

in millions of euros	2004	2005	2006
Interest on convertible bonds	(20)	(30)	(43)
Other interest expenses	(26)	(27)	(24)
TOTAL	**(46)**	**(57)**	**(67)**

Interest on convertible bonds relates to interest expense on the "OCEANE 2003" and "OCEANE 2005" bonds convertible/exchangeable into new or existing Cap Gemini shares, issued on June 24, 2003 and June 16, 2005, respectively. In 2006, this includes €24 million in notional interest.

The change in this item over the periods presented is a result of the "OCEANE 2005" convertible/exchangeable bond issue, representing an expense (coupon and notional interest) of €10 million in 2005 and €19 million in 2006.

Other interest expenses in 2006 mainly correspond to:

- €10 million in notional interest related to finance leases (mainly concerning the United Kingdom and France);
- €5 million in notional interest related to the recognition of financial debt following the recognition in the balance sheet of carry-back tax credits sold in 2003 and 2004. The financial expense is offset by notional income related to the carry back tax credits and recorded in operating income;
- €5 million in notional interest related to the recognition in financial debt of the present value of the put option granted to the TXU group in connection with the 10-year outsourcing contract signed on May 17, 2004.

Income from cash and cash equivalents

Income from cash and cash equivalents mainly consists of income on investments. The increase in income from cash and cash equivalents chiefly reflects increased cash available, due in particular to the reinvestment of funds generated by the June 16, 2005 convertible/exchangeable bond issue ("OCEANE 2005") and the increase in interest rates, particularly in Europe.

NOTE 8 – OTHER FINANCIAL INCOME AND EXPENSE, NET

Other financial income and expense, net consists of:

in millions of euros	2004	2005	2006
Remeasurement of financial instruments at fair value	3	2	5
Capital gains on the sale of investments in non-consolidated companies	18	3	-
Exchange gains and other	6	4	8
TOTAL OTHER FINANCIAL INCOME	**27**	**9**	**13**
Remeasurement of financial instruments at fair value	(3)	(2)	(9)
Impairment of investments in non-consolidated companies	-	(3)	-
Net interest cost on defined benefit plans (1)	(9)	(8)	(9)
Expenses related to the measurement of financial liabilities in accordance with the amortized cost method	(5)	(4)	(3)
Exchange losses and other	(9)	(6)	(10)
TOTAL OTHER FINANCIAL EXPENSES	**(26)**	**(23)**	**(31)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSE, NET	**1**	**(14)**	**(18)**

(1) See Note 19 – "Provisions for pensions and other post-employment benefits".

The changes in this caption are primarily attributable to:

- Between 2004 and 2005: the impact of the €18 million capital gain on the sale of the Group's non-consolidated stake in Vertex in 2004;
- Between 2005 and 2006: changes in the market value of the interest rate swap relating to the June 24, 2003 convertible/exchangeable bond issue ("OCEANE 2003"). This generated €1 million in financial income in 2005, compared to financial expense of €5 million during 2006.

NOTE 9 – INCOME TAX EXPENSE

Income tax expense can be analyzed as follows:

in millions of euros	2004	2005	2006
Current income taxes	11	(34)	(49)
Deferred income taxes	(237)	(1)	36
TOTAL	**(226)**	**(35)**	**(13)**

Current income tax expense for 2006 comprises:

- €39 million in income taxes on profits, chiefly relating to the Netherlands, Germany and India.
- €10 million in taxes not based on taxable income, mainly related to North America and Italy.

Net deferred tax income for 2006 primarily reflects:

- deferred tax assets recognized on temporary differences and tax loss carry-forwards arising in previous years and in 2006 (€94 million), due to an improved profitability in various countries over the past two years and to future growth expectations. This recognition concerns France (€40 million, see Note 13 – "Deferred taxes"), the United Kingdom (€32 million, see Note 13 – "Deferred taxes"), Germany (€22 million), Norway (€8 million), and €8 million reversals of temporary differences in several countries.
- A total expense of €58 million related to the utilization of deferred tax assets on tax loss carry-forwards previously recognized in balance sheet due to taxable net income for the period. Of this amount, €43 million concern France.

In 2006, the Group's average effective rate of income tax was 4.2% of pre-tax profit. The effective rate of income tax in 2006 is also significantly affected by the recognition of deferred tax assets arising from temporary differences and tax loss carry-forwards available to the Group. As the Group operates in countries with different tax regimes, the effective rate of income tax varies from one year to the next based on changes in each country's contribution to consolidated profit.

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

in millions of euros	2004	2005	2006
STANDARD TAX RATE IN FRANCE (%)	**35.4**	**34.9**	**34.4**
Tax (expense)/income at the standard rate	**109**	**(61)**	**(105)**
Impact of:			
Deferred tax assets unrecognized or depreciated on temporary differences and tax loss carry-forwards	(117)	(16)	(11)
Impact of revaluation of deferred tax assets recognized in North America related to the Ernst & Young acquisition	(226)	-	-
Impact of revaluation of deferred tax assets recognized in France	36	36	40
Recognition of deferred tax assets on temporary differences and tax loss carry-forwards arisen prior to January 1, 2006	-	10	53
Utilization of previously unrecognized tax loss carry-forwards	-	4	41
Difference in tax rates between countries	3	1	6
Permanent differences and other items	(31)	(9)	(37)
Tax expense at the effective rate	**(226)**	**(35)**	**(13)**
EFFECTIVE RATE OF INCOME TAX (%)	**(73.4)**	**19.9**	**4.2**

In 2006, the Group's effective tax rate principally reflects:

- The non-recognition of deferred tax assets on temporary differences and tax loss carry-forwards for an amount of €11 million.
- The revaluation impact of deferred tax assets recognized in France in accordance with the procedures described in Note 13 – "Deferred taxes".
- €53 million in deferred tax assets recognized on temporary differences and tax loss carry-forwards arising in previous years, other than those relating to France.
- The utilization of previously unrecognized tax loss carry-forwards against taxable profit, chiefly in the United Kingdom and Norway, representing an amount of €41 million.
- Permanent differences and other items amounting to €37 million in 2006, including:
  - €10 million in taxes not based on taxable income, mainly related to North America and Italy.
  - €27 million in permanent differences and other items.

Deferred tax liabilities relating to the equity component of the "OCEANE 2005" bonds issued on June 16, 2005, and deferred tax assets relating to (i) the purchase of a call option aimed at neutralizing the dilutive impact of the "OCEANE 2003" bonds issued on June 24, 2003, and (ii) actuarial gains and losses, were recorded through equity (see the consolidated statement of recognized income and expense).

During 2006 and in previous financial years, some Group companies have undergone tax audits leading in some cases to tax reassessments. A number of these reassessments have been challenged and certain litigation proceedings were in progress at the balance sheet date.

NOTE 10 – SHAREHOLDERS' EQUITY

A) Stock option plans and share grants

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

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

	1996 Plan	2000 Plan		2005 Plan	Total
Date of Shareholders' Meeting	May 24, 1996	May 23, 2000		May 12, 2005	
Maximum number of shares to be issued on exercise of options	6,000,000	12,000,000		6,000,000	
Date options first granted under the plan	July 1, 1996	September 1, 2000	October 1, 2001	October 1, 2005	
Deadline for exercising stock options after their grant date (based on progressive tranches)	6 years	6 years	5 years	5 years	
Exercise price as a % of the average share price over the twenty stock market trading days preceding the grant date	80%	80%	100%	100%	
Exercise price (per share and in euros) of the various stock option grants:					
Low	-	139.00	21.00	30.00	
High	-	139.00	40.00	43.00	
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2005	559,000	10,627,300		1,915,500	13,101,800
Number of new stock options granted during the year	Plan expired	Plan expired		2,067,000	2,067,000
Number of options forfeited or canceled during the year	559,000	3,188,197		112,500	3,859,697
Number of options exercised in 2006	-	773,838 (1)		16,555 (2)	790,393
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2006	-	6,665,265 (3)		3,853,445 (4)	10,518,710
Residual weighted average life (in years)	-	2.22		4.29	-

(1) At December 31, 2006, the following stock options had been exercised: 498,441 stock options granted at a price of €24; 16,300 stock options granted at a price of €40; 21,802 stock options granted at a price of €31; 206,845 stock options granted at a price of €21; and 30,450 stock options granted at a price of €27.
(2) Representing 16,555 stock options purchased at a price of €30.
(3) Representing 486,500 shares purchased at a price of €139; 892,359 shares at €24; 917,300 shares at €40; 240,101 shares at €31; 2,814,155 shares at €21; and 1,314,850 shares at €27.
(4) Representing 1,787,945 shares purchased at a price of €30 and 2,065,500 shares purchased at a price of €43.

The Group has no contractual or implicit obligations to purchase or settle the options in cash.
In the event of a notice of authorization of a tender offer or public exchange offer for some or all of the Company's shares published by Euronext, option holders would be entitled, if they so wish, to exercise all of their remaining unexercised options immediately.

Fair value of options granted and impact on the financial statements

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

Summary	2000 Plan				2005 Plan	
Dates of the stock option grants impacted by restatements in accordance with IFRS 2	October 1, 2003	April 1, 2004	October 1, 2004	April 1, 2005	October 1, 2005	October 1, 2006
Number of stock options initially granted	1,406,000	566,000	3,634,500	1,623,000	1,915,500	2,067,000
Exercise price (per share and in euros) of the various stock option grants	40	31	21	27	30	43
Share price at the grant date	35.88	31.19	19.09	27.06	32.59	41.84
Number of shares subscribed at December 31, 2006	16,300	21,802	235,645	30,450	16,555	-
Principal market conditions at the grant date						
Volatility	37-38%	38.1-38.8%	37.5-38.5%	32.4-33.8%	27.4-29.4%	32.4-35.9%
Average length of the option exercise period (years)	3.5-4.25	3.5-4.25	3-4.25	3-4.25	3-4.25	3-4.25
Risk-free interest rate	2.7-3.1%	2.8-3%	3-3.3%	2.2-2.9%	2.3-2.7%	3.5-3.6%
Expected dividend rate	1%	1%	1%	1%	1%	1%
Off-market conditions						
Employee presence within the Group at the exercise date	yes	yes	yes	yes	yes	yes
Other	no	yes (1)	no	no	no	no
Pricing model used to calculate stock option fair values	Black & Scholes model					
Range of fair values in euros	8.7-10.3	9.2-10.3	4.5-5.7	6.2-7.8	7.6-9.4	10.7-11.7
Maximum number of shares to be issued on exercise of outstanding options at December 31, 2006	917,300	240,101	2,814,155	1,314,850	1,787,945	2,065,500

(1) Certain Transiciel employees were granted stock options whose final number was subject to the Sogeti entity attaining a target adjusted gross operating profit, set out in a prospectus which was approved by the *Commission des Opérations de Bourse* under reference number 03-935 on October 29, 2003.

Based on the calculation parameters used to determine fair value under the Black & Scholes option pricing model (see Note 1.P. – "Stock options granted to employees"), the expense to be recorded between 2007 and 2010 with respect to the six option grants falling within the scope of IFRS 2 totals €25 million. The expense recorded in 2006 in "Other operating income and expense, net" amounts to €15 million.

Share grants made in connection with agreements signed on the May 2000 acquisition of Ernst & Young's consulting business

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

In application of the amendment to Interpretation 12 of the Standing Interpretations Committee (SIC 12) issued in November 2004, the Cap Gemini shares and cash corresponding to the proceeds from the sale of Cap Gemini shares held in the trusts and bank accounts set up at the time of the May 2000 acquisition of Ernst & Young's consulting business were consolidated as from January 1, 2005.

In 2006, the above-mentioned entities granted 130,400 Cap Gemini shares to their respective employees (primarily in North America). In view of the applicable vesting conditions and the number of shares reallocated since November 7, 2002, the related expense for 2006 calculated in accordance with IFRS 2 and recognized in "Other operating income and expense, net" amounts to €2 million. The total expense to be amortized between 2007 and 2010 amounts to €7 million.

B) Share buyback program

The share buyback program has been described in a prospectus launched on March 30, 2006.
At December 31, 2006, the €1 million change in treasury shares held within the scope of the share buyback program (exlusively acquired in the context of a liquidity contract set from September 30, 2005) is deducted from consolidated equity.

C) Earnings per share

Basic earnings per share

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

	2004	2005	2006
Attributable profit/(loss) for the year *(in millions of euros)*	(534)	141	293
Weighted average number of ordinary shares	131,292,801	131,391,243	132,782,723
BASIC EARNINGS/(LOSS) PER SHARE *(in euros)*	**(4.07)**	**1.07**	**2.21**

The increase in the number of shares between 2004 and 2005 is due to the exercise of stock options held by employees. The increase in the number of shares between 2005 and 2006 reflects the exercise of stock options held by employees, the Transiciel earn-out payment and the issue of new shares in connection with the capital increase of December 6, 2006.

Diluted earnings per share

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

The average share price in 2006 was €42.37.
At December 31, 2006, instruments considered dilutive for the purpose of calculating earnings per share include:

- Employee stock options considered to be potentially dilutive when the average market price of ordinary shares during the period exceeds the exercise price of the option including its fair value.
- "OCEANE 2005" convertible/exchangeable bonds issued on June 16, 2005, as the €12 million interest expense recorded (net of taxes) on the bonds is lower than basic earnings per share (see Note 17 – "Net cash and cash equivalents").

	2004	2005	2006
Attributable profit/(loss) for the year *(in millions of euros)*	**(534)**	**141**	**293**
Interest expense on "OCEANE 2005" bonds (net of taxes)	-	6	12
Diluted attributable profit/(loss) for the year *(in millions of euros)*	**(534)**	**147**	**305**
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares	131,292,801	132,391,243	132,782,723
Adjustments:			
– conversion of "OCEANE 2003" bonds	-	-	-
– conversion of "OCEANE 2005" bonds (weighted average)	-	5,905,405	11,810,810
– exercise of share warrants relating to the acquisition of the Transiciel group	508,600	315,790	-
– exercise of employee stock options	988,354	859,828	2,647,793
Weighted average number of ordinary shares (diluted)	**132,789,755**	**138,472,266**	**147,241,326**
DILUTED EARNINGS/(LOSS) PER SHARE *(in euros)*	**(4.02)**	**1.06**	**2.07**

Dilutive impact of the June 24, 2003 convertible/exchangeable bond issue ("OCEANE 2003"):

- These bonds were not considered dilutive at December 31, 2005 as the interest expense recorded (net of taxes) exceeded basic earnings per share.
- The bonds are not considered dilutive at December 31, 2006 – even though the €14 million interest expense recognized on the bonds (net of taxes) is less than basic earnings per share (see Note 17 – "Net cash and cash equivalents") – because the Group acquired a call option in June 2005 on an equivalent number of shares to those underlying the bond issue (approximately 9 million shares), designed to neutralize in full the potential dilutive impact of the bonds. Accordingly, attributable net profit has not been adjusted to reflect the interest expense, net of taxes, on convertible bonds.

For information purposes, had the "OCEANE 2003" convertible/exchangeable bond issue been considered dilutive at December 31, 2006, the weighted average number of ordinary shares would have stood at 156,260,933 and diluted earnings per share would have amounted to €2.04.

NOTE 11 – GOODWILL AND INTANGIBLE ASSETS

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

in millions of euros	Goodwill	Software	Internally generated intangible assets	Other intangible assets	Total
GROSS VALUE					
AT JANUARY 1, 2004	**1,788**	**146**	**37**	**38**	**2,009**
Translation adjustments	(16)	(7)	-	(6)	(29)
Acquisitions/Increase	-	22	2	50	74
Disposals/Decrease	(14)	(29)	-	(14)	(57)
Changes in Group structure	35	2	-	85	122
Other movements	(7)	50	-	1	44
AT DECEMBER 31, 2004	**1,786**	**184**	**39**	**154**	**2,163**
Translation adjustments	41	10	-	13	64
Acquisitions/Increase	1	19	2	5	27
Disposals/Decrease	(5)	(20)	-	(13)	(38)
Changes in Group structure	4	(16)	-	(2)	(14)
Other movements	-	8	-	(16)	(8)
AT DECEMBER 31, 2005	**1,827**	**185**	**41**	**141**	**2,194**
Translation adjustments	(13)	(3)	-	(9)	(25)
Acquisitions/Increase	-	13	9	8	30
Disposals/Decrease	-	(59)	(1)	(15)	(75)
Changes in Group structure	56	-	-	6	62
Other movements	-	(16)	12	1	(3)
AT DECEMBER 31, 2006	**1,870**	**120**	**61**	**132**	**2,183**
ACCUMULATED AMORTIZATION					
AT JANUARY 1, 2004		**98**	**21**	**23**	**142**
Translation adjustments		(5)	-	1	(4)
Additions		33	7	12	52
Disposals		(22)	-	(13)	(35)
Changes in Group structure		-	-	8	8
Other movements		15	-	2	17
AT DECEMBER 31, 2004		**119**	**28**	**33**	**180**
Translation adjustments		7	-	2	9
Additions		44	7	16	67
Disposals		(19)	-	(12)	(31)
Changes in Group structure		(12)	-	(1)	(13)
Other movements		2	-	-	2
AT DECEMBER 31, 2005		**141**	**35**	**38**	**214**
Translation adjustments		(3)	-	(2)	(5)
Additions		13	6	18	37
Disposals		(56)	(1)	(8)	(65)
Changes in Group structure		-	-	-	-
Other movements		-	-	-	-
AT DECEMBER 31, 2006		**95**	**40**	**46**	**181**
IMPAIRMENT					
AT JANUARY 1, 2004	**-**	**4**	**-**	**-**	**4**
Translation adjustments	-	-	-	-	-
Additions	19	-	-	-	19
Changes in Group structure	-	-	-	-	-
Other movements	(7)	4	-	-	(3)
AT DECEMBER 31, 2004	**12**	**8**	**-**	**-**	**20**
Translation adjustments	-	-	-	-	-
Additions	6	3	-	-	9
Changes in Group structure	-	-	-	-	-
Other movements	-	-	-	-	-
AT DECEMBER 31, 2005	**18**	**11**	**-**	**-**	**29**
Translation adjustments	-	-	-	-	-
Additions	3	-	(2)	1	2
Changes in Group structure	-	-	-	-	-
Other movements	-	(7)	7	-	-
AT DECEMBER 31, 2006	**21**	**4**	**5**	**1**	**31**
NET					
AT DECEMBER 1, 2004	**1,774**	**57**	**11**	**121**	**1,963**
AT DECEMBER 1, 2005	**1,809**	**33**	**6**	**103**	**1,951**
AT DECEMBER 31, 2006	**1,849**	**21**	**16**	**85**	**1,971**

Net value of goodwill

At December 31, 2006, goodwill breaks down by geographic area as follows: France (€477 million), United Kingdom (€477 million), Benelux (€438 million), North America (€199 million), and Germany and Central Europe (€132 million).

Changes in the net value of goodwill in 2006 primarily reflect:

- goodwill relating to the acquisition of German group FuE on September 30, 2006, amounting to €29 million;
- goodwill relating to the acquisition of Unilever Shared Service Limited (also known as Indigo) on October 11, 2006, amounting to €20 million (including the call option on minority interests);
- an impairment loss on United Kingdom goodwill amounting to €3 million;
- translation losses arising on goodwill denominated in foreign currencies, amounting to €13 million.

Goodwill impairment tests

The carrying amounts of goodwill at December 31, 2006 were tested for impairment in accordance with the Group's related specific procedure. Based primarily on the discounted cash flows method, this procedure consists of assessing the recoverable amount of each cash generating unit (CGU) within the Group.
CGUs correspond either to subsidiaries or to geographic areas in which the Group has operations.

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

Cash generating units	North America	United Kingdom	Benelux	Sogeti	Other	Total
Net carrying amount of goodwill *(in millions of euros)*	199	477	307	505	361	**1,849**
Method used to measure the value of the CGU	Value in use					
Number of years over which cash flows are estimated and extrapolated indefinitely	5 years					
Long-term growth rate	3%					
After-tax discount rate at December 31, 2006 (1)	10.9 %	10.1%				
After-tax discount rate at December 31, 2005 (1)	10.5 %	10.1%				
After-tax discount rate at December 31, 2004 (1)	10.1 %					

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

Reconciliation of the acquisition cost of intangible assets in the balance sheet with the amount reported in the cash flow statement

The acquisition cost of intangible assets reported in the balance sheet (€30 million) is different from the figure provided in the cash flow statement (€29 million), which excludes transactions with no cash impact (i.e., acquisitions of assets held under finance leases amounting to €1 million in 2006).

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

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

in millions of euros	Land, buildings, fixtures and fittings	Computer equipment	Other tangible assets	Total
GROSS VALUE				
AT JANUARY 1, 2004	**456**	**579**	**126**	**1,161**
Translation adjustments	(6)	(4)	(1)	(11)
Acquisitions/Increase	32	98	11	141
Disposals/Decrease	(27)	(116)	(8)	(151)
Changes in Group structure	5	10	8	23
Other movements	1	(42)	(8)	(49)
AT DECEMBER 31, 2004	**461**	**525**	**128**	**1,114**
Translation adjustments	13	17	3	33
Acquisitions/Increase	16	89	10	115
Disposals/Decrease	(79)	(135)	(15)	(229)
Changes in Group structure	(2)	(54)	(1)	(57)
Other movements	19	(3)	(9)	7
AT DECEMBER 31, 2005	**428**	**439**	**116**	**983**
Translation adjustments	(2)	(5)	(1)	(8)
Acquisitions/Increase	18	100	13	131
Disposals/Decrease	(41)	(145)	(5)	(191)
Changes in Group structure	1	-	-	1
Other movements	3	(9)	(4)	(10)
AT DECEMBER 31, 2006	**407**	**380**	**119**	**906**
o/w finance leases	*107*	*158*	*10*	*275*
ACCUMULATED DEPRECIATION				
AT JANUARY 1, 2004	**180**	**375**	**90**	**645**
Translation adjustments	(4)	(4)	-	(8)
Additions	43	102	16	161
Reversals	(20)	(103)	(8)	(131)
Changes in Group structure	5	7	1	13
Other movements	-	(13)	(2)	(15)
AT DECEMBER 31, 2004	**204**	**364**	**97**	**665**
Translation adjustments	9	11	1	21
Additions	40	80	10	130
Reversals	(63)	(117)	(13)	(193)
Changes in Group structure	-	(39)	(1)	(40)
Other movements	5	(2)	(5)	(2)
AT DECEMBER 31, 2005	**195**	**297**	**89**	**581**
Translation adjustments	(1)	(2)	(1)	(4)
Additions	36	86	9	131
Reversals	(28)	(136)	(5)	(169)
Changes in Group structure	-	-	-	-
Other movements	(10)	-	(1)	(11)
AT DECEMBER 31, 2006	**192**	**245**	**91**	**528**
o/w finance leases	*29*	*83*	*9*	*121*
IMPAIRMENT				
AT DECEMBER 31, 2004	**-**	**-**	**-**	**-**
AT DECEMBER 31, 2005	**3**	**-**	**-**	**3**
AT DECEMBER 31, 2006	**3**	**-**	**-**	**3**
NET				
AT DECEMBER 31, 2004	**257**	**161**	**31**	**449**
AT DECEMBER 31, 2005	**230**	**142**	**27**	**399**
AT DECEMBER 31, 2006	**212**	**135**	**28**	**375**
o/w finance leases	*78*	*75*	*1*	*154*

Reconciliation of the acquisition cost of property, plant and equipment in the balance sheet with the amount reported in the cash flow statement

The acquisition cost of property, plant and equipment reported in the balance sheet (€131 million) is different from the figure provided in the cash flow statement (€72 million), which excludes transactions with no cash impact (i.e., acquisitions of assets held under finance leases amounting to €59 million in 2006).

NOTE 13 – DEFERRED TAXES

I. RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

A) Analysis by recovery date

At December 31 *(in millions of euros)*	2004	2005	2006
Deferred tax assets:			
– Deferred tax assets recoverable over one year	705	737	761
– Deferred tax assets recoverable within one year	73	91	127
TOTAL DEFERRED TAX ASSETS	**778**	**828**	**888**
Deferred tax liabilities:			
– Deferred tax liabilities payable over one year	75	105	108
– Deferred tax liabilities payable within one year	20	16	10
TOTAL DEFERRED TAX LIABILITIES	**95**	**121**	**118**

Deferred tax assets at December 31, 2004 and 2005 have been restated in line with the amended IAS 19 (see Note 2 – "Change in accounting method").

B) Changes in recognized deferred taxes

in millions of euros	Deferred tax assets arising from tax loss carry-forwards	Deferred tax assets arising from the acquisition of Ernst & Young's consulting business	Deferred tax assets arising from temporary differences	Total deferred tax assets	Total deferred tax liabilities (1)	Total, net
At January 1, 2006	**583**	**140**	**105**	**828**	**(121)**	**707**
Translation adjustments	-	(15)	(3)	(18)	5	**(13)**
Deferred taxes recognized in profit or loss	5	-	31	36	-	**36**
Deferred taxes recognized in equity	-	-	45	4	(2)	**43**
Other movements	(5)	-	2	(3)	-	**(3)**
At December 31, 2006	**583**	**125**	**180**	**888**	**(118)**	**770**

(1) Deferred tax liabilities relate to temporary differences.

The breakdown of deferred taxes recognized in profit or loss (€36 million) is provided in Note 9 – "Income tax expense".

Deferred tax income recorded in equity (€43 million) essentially relates to actuarial gains and losses recognized in equity. The change reflects the end-2006 recognition in the United Kingdom of €52 million in tax assets on actuarial losses (see below, "Deferred tax assets arising from temporary differences in the United Kingdom"), as well as €8 million in actuarial gains for the year recorded in Canada.

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

The difference between the acquisition price of Ernst & Young's North American consulting business and the tax base of the assets and liabilities acquired (€3,034 million at December 31, 2006) is amortized over 15 years for tax purposes, representing an income tax saving of around €1,183 million based on current tax rates. Over recent fiscal years, these amortization charges have led to an increase in tax losses generated by North American operations that may be carried forward over a period of 20 years. In view of the above, the Group has potential tax savings available in the form of tax losses and tax-deductible future amortization allowances that may be utilized up to 2034 under current regulations.

The value of the related deferred tax asset is reviewed based on an estimate of the taxable profit of the Group's North American operations over the next five years using growth and profitability rates considered reasonable.

At December 31, 2006, the value of the deferred tax asset recognized in North America is €125 million.

Deferred tax assets arising from tax loss carry-forwards in France

In 2002, Cap Gemini S.A. recognized a €2.8 billion net short-term capital loss for tax purposes, further to the reorganization of the Group's North American operations. Since December 31, 2003, the corresponding tax loss may be carried forward indefinitely against future taxable profit generated in France.

At each balance sheet date, this deferred tax asset is adjusted to reflect the estimated taxable profit of the Group's French operations over the next 15 years. The calculation is based on growth and profitability assumptions considered reasonable, using the following visibility parameters:

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

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

- approximately 60% is utilized in the first five years,
- the remaining 40% is utilized between the sixth and fifteenth year.

At December 31, 2006, the corresponding deferred tax asset recognized in France amounts to €522 million (breaking down into a long-term portion of €460 million and a short-term portion of €62 million).

Deferred tax assets arising from temporary differences in the United Kingdom

At December 31, 2006, the United Kingdom recognized deferred tax assets on temporary differences, chiefly relating to provisions for pensions and other post-employment benefits.

The recognition of this deferred tax asset was adjusted to reflect the estimated taxable profit of UK operations over the next five years. The calculation is based on growth and profitability assumptions considered reasonable.

In 2006, an amount of €52 million was recognized through equity (underlying items recorded in equity between 2004 and 2006 – see the consolidated statement of recognized income and expense), and €32 million was recorded in the income statement (€28 million of which relates to prior years, and €4 million to 2006).

At December 31, 2006, deferred tax assets recognized amount to €86 million.

Other tax loss carry-forwards recognized

Deferred tax assets recognized on tax loss carry-forwards at Group level (€61 million), excluding deferred tax assets recognized in France, relate to Germany (€31 million), Norway and Sweden (€11 million), Belgium (€6 million), the United Kingdom (€5 million) and other countries (€8 million).

C) Analysis by type

Recognized deferred tax assets at December 31, 2006 can be analyzed as follows by type:

At December 31 *(in millions of euros)*	**2006**
Tax loss carry-forwards	513
Acquisition of Ernst & Young's consulting business	125
Provisions for pensions and other post-employment benefits	92
Other	31
Total deferred tax assets recoverable over one year	**761**
Tax loss carry-forwards	70
Amortization adjustments	20
Provisions for pensions and other post-employment benefits	10
Revaluation of work-in-progress	8
Other	19
Total deferred tax assets recoverable within one year	**127**
TOTAL RECOGNIZED DEFERRED TAX ASSETS	**888**

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

Deferred tax liabilities at December 31, 2006 can be analyzed as follows by type:

At December 31 *(in millions of euros)*	**2006**
Restatement of tax-deductible goodwill amortization	51
Equity component of "OCEANE 2003 and 2005" bonds	21
Restatement of finance leases	10
Provisions	10
Other	16
Total deferred tax liabilities over one year	**108**
Revaluation of work-in-progress	9
Other	1
Total deferred tax liabilities within one year	**10**
TOTAL DEFERRED TAX LIABILITIES	**118**

II. UNRECOGNIZED DEFERRED TAX ASSETS

Unrecognized deferred tax assets can be analyzed as follows:

At December 31 *(in millions of euros)*	**2004**	**2005**	**2006**
Tax loss carry-forwards	564	524	437
Acquisition of Ernst & Young's consulting business (1)	1,067	1,183	1,058
Temporary differences	211	380	188
TOTAL	**1,842**	**2,087**	**1,683**

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

Unrecognized deferred tax assets relating to tax loss carry-forwards amounting to €437 million primarily concern France (€130 million) and North America (€160 million) at the 2006 year-end.

At December 31, 2006, unrecognized deferred tax assets on temporary differences mainly relate to:

- Changes in provisions for pensions and other post-employment benefits (€72 million), essentially in the United Kingdom.
- Differences in revenue recognition in the individual company accounts and the consolidated accounts (€25 million).
- Differences in the methods used for capitalizing and amortizing fixed assets in the individual company accounts and consolidated accounts (€12 million).
- Restructuring costs (€11 million), provisions (€23 million) and other miscellaneous items (€45 million).

At December 31, 2006, unrecognized deferred tax assets are essentially attributable to North America for €1,308 million (€1,058 million of which relates to Ernst & Young's consulting business, €160 million to deferred taxes on tax loss carry-forwards and €90 million to deferred taxes on temporary differences).

III. EXPIRY DATES OF TAX LOSS CARRY-FORWARDS

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

	2004		**2005**		**2006**	
At December 31 *(in millions of euros)*	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
y+1	4	-	3	-	62	2
y+2	3	-	69	2	57	1
y+3	52	1	48	1	64	2
y+4	37	1	43	1	8	-
y+5	23	1	9	-	16	-
Over 5 years	4,188	97	4,442	96	4,202	95
TOTAL	**4,307**	**100**	**4,614**	**100**	**4,409**	**100**

Tax loss carry-forwards do not include tax-deductible amortization charges recorded against goodwill arising from the acquisition of Ernst & Young's consulting business, amounting to €1,627 million at December 31, 2006.

NOTE 14 – OTHER NON-CURRENT ASSETS

Other non-current assets can be analyzed as follows:

At December 31 *(in millions of euros)*	2004 (1)	2005 (1)	2006
Shares in non-consolidated companies	5	5	140
Carry-back tax credits	112	116	121
Deposits and other long-term investments	56	32	23
Derivative instruments	1	-	3
Other	11	11	8
TOTAL	**185**	**164**	**295**

(1) The balance sheets at December 31, 2004 and 2005 have been restated in line with the amendment to IAS 19 (see Note 2 – "Change in accounting method").

Shares in non-consolidated companies

At December 31, 2006, shares in non-consolidated companies chiefly concern:

- The 14.7% interest in Kanbay International, Inc. ("Kanbay"), representing €132 million.
  On November 21, 2006, Capgemini North America Inc. acquired 14.7% of the capital and voting rights of Kanbay (at a price of USD 29 per share), a global IT services provider specializing in the financial services industry. The share acquisition followed contracts agreed with certain core shareholders as described in the information document filed with the United States Securities and Exchange Commission (SEC) on November 13, 2006.
  In parallel, on October 26, 2006 Capgemini and Kanbay entered into an agreement under which Capgemini undertook to acquire the entire capital of Kanbay through its US subsidiary Capgemini North America Inc., subject to certain conditions (see Note 28 – "Subsequent events").
- The interest in MEDecision, for a total amount of €5 million, which was remeasured through equity following the initial public offering in December 2006.
- The 5% stake in Zacatii Consulting Inc. (formerly Capgemini Japan K.K.) for €1 million, subject to a call/put option (see Note 25 – "Off balance sheet commitments").

Carry-back tax credits

On June 26, 2003 and June 28, 2004, Cap Gemini S.A. sold a tax receivable of €90 million and an additional tax receivable of €39 million to a credit institution for €74 million and €33 million, respectively. These receivables are measured at amortized cost.

Deposits and other long-term investments

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

Derivative instruments

Interest and currency rates hedges contracts are described in Note 18 – "Derivative instruments".

NOTE 15 – ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable can be analyzed as follows:

At December 31 *(in millions of euros)*	2004	2005	2006
Accounts receivable	1,329	1,337	1,459
Provisions for doubtful accounts	(37)	(33)	(25)
Accrued income	459	467	530
Work-in-progress	22	27	99
TOTAL	**1,773**	**1,798**	**2,063**

Total accounts receivable net of advances received from customers can be analyzed as follows in number of days' revenues:

At December 31 *(in millions of euros)*	2004	2005	2006
Accounts and notes receivable (excluding work-in-progress)	1,751	1,771	1,964
Advances received from customers	(538)	(609)	(683)
TOTAL ACCOUNTS RECEIVABLE NET OF ADVANCES RECEIVED FROM CUSTOMERS	**1,213**	**1,162**	**1,281**
In number of days' revenues	70	60	60

NOTE 16 – OTHER RECEIVABLES AND INCOME TAXES

At December 31 *(in millions of euros)*	2004	2005	2006
Income taxes	29	21	20
Receivables from social security bodies	41	70	55
Prepaid expenses	139	134	118
Other	10	25	21
TOTAL	**219**	**250**	**214**

NOTE 17 – NET CASH AND CASH EQUIVALENTS

Net cash and cash equivalents correspond to available cash and cash equivalents less short- and long-term financial debt and derivative instruments when the underlying elements to which these relate are included in net cash and cash equivalents.

At December 31 *(in millions of euros)*	2004	2005	2006
Cash and cash equivalents	1,232	2,136	2,859
Financial debt	(948)	(1,231)	(1,224)
Derivative instruments (1)	1	(1)	(3)
NET CASH AND CASH EQUIVALENTS	**285**	**904**	**1,632**

(1) Derivative instruments recognized in assets are shown under "Other non-current assets", while derivative instruments recognized in liabilities are shown under "Other non-current liabilities". These derivatives relate to interest rate and currency hedges as described in Note 18 – "Derivative instruments".

I. CASH AND CASH EQUIVALENTS

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

At December 31 *(in millions of euros)*	2004	2005	2006
Short-term investments	1,001	1,805	2,460
Cash	251	416	442
Bank overdrafts (1)	(20)	(85)	(43)
CASH AND CASH EQUIVALENTS	**1,232**	**2,136**	**2,859**

(1) Bank overdrafts are included in liabilities within "Short-term financial debt and bank overdrafts"

The year-on-year increase in short-term investments in 2006 primarily reflects the investment of the proceeds from the shares issued by Cap Gemini on December 6, 2006, and cash generation over the period.

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

II. SHORT- AND LONG-TERM FINANCIAL DEBT

Financial debt breaks down into short- and long-term debt, as follows:

At December 31 *(in millions of euros)*		**2004**	**2005**	**2006**
"OCEANE 2003 and 2005" bonds	*(A)*	408	814	838
Obligations under finance leases	*(B)*	164	124	107
Other long-term financial debt	*(C)*	196	207	215
Long-term financial debt		**768**	**1,145**	**1,160**
Obligations under finance leases	*(B)*	64	50	49
Drawdowns on bank and similar facilities (1)		46	8	6
Commercial paper		-	15	-
Other short-term financial debt	*(C)*	70	13	9
Short-term financial debt (2)		**180**	**86**	**64**
TOTAL FINANCIAL DEBT		**948**	**1,231**	**1,224**

(1) Drawdowns on bank and similar facilities mainly correspond to drawdowns by Group operating companies on lines of credit. In some circumstances, these lines of credit are secured by a guarantee from Cap Gemini S.A.

(2) Short-term financial debt, including both the current portion of long-term financial debt and all other debt due within one year, is shown in liabilities under "Short-term financial debt and bank overdrafts".

Analysis of movements in financial debt in the cash flow statement:

- The €45 million rise in financial debt reported in the cash flow statement chiefly relates to an increase in bond debt (€24 million) and other financial debt (€14 million) mainly comprising accrued interest on bond issues (€7 million). Increases in debt relating to acquisitions of fixed assets under finance leases – amounting to €60 million in 2006 – are not taken into account in the cash flow statement.
- The €108 million repayment of financial debt in the cash flow statement mainly concerns the settlement of obligations under finance leases (€77 million), commercial paper (€15 million) and other financial debt (€16 million).

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

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

On June 16, 2005, Cap Gemini S.A. issued bonds convertible/exchangeable into new or existing Cap Gemini shares, maturing on January 1, 2012 ("OCEANE 2005"). The effective issue and settlement date of the bonds was June 24, 2005.

The total amount of the issue was €437 million, represented by 11,810,810 bonds with a nominal value of €37 each. The bonds bear interest at 1% per year.

The terms and conditions of this issue are set out in the prospectus approved by the AMF on June 16, 2005 under the reference number 05-564.

SUMMARIZED MAIN TERMS AND CONDITIONS OF THE "OCEANE 2005"

Conversion and/or exchange of the bonds for shares

At any time between June 24, 2005 and January 1, 2012 at the latest.

Redemption at maturity

January 1, 2012 at a price of €41.90 per bond, representing a premium of 13.2% over the bonds' nominal value.

Early redemption at the Company's option

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

Upon early redemption, the bonds may be redeemed either in cash or converted into Cap Gemini S.A. shares, at the option of the bondholders.
- At any time, for all outstanding bonds, if less than 10% of the bonds are still outstanding.

Early redemption at the option of bondholders
Bondholders may request the early redemption of all or some of their bonds in the event of a change of control of the Company.

Early repayment
At the initiative of a majority of bondholders, particularly in the event of a failure to pay sums due or to comply with other obligations set out in the documentation (beyond any "grace" periods, if applicable), cross default (in excess of a minimum threshold), liquidation, dissolution or sale of all of the Company's assets, or delisting of the Company's shares from the *Premier Marché* of Euronext Paris S.A.

An upgrade or downgrade in Cap Gemini S.A.'s credit rating would not constitute an early redemption event and would have no impact on the applicable interest rate.

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

RECOGNITION OF THE "OCEANE 2005" CONVERTIBLE/EXCHANGEABLE BOND ISSUE AT FAIR VALUE
At December 31, 2006, the liability component of the "OCEANE 2005" convertible/exchangeable bonds amounted to €411 million (€396 million at December 31, 2005).
Based on the effective interest rate of 4.5% (4.8% including issue costs), the annual interest charge recorded is €19 million, compared with a paid coupon of €4.4 million calculated on the basis of the bonds' nominal interest rate (1%).

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

On June 24, 2003, Cap Gemini S.A. issued bonds convertible/exchangeable into new or existing Cap Gemini shares, maturing on January 1, 2010 ("OCEANE 2003"). The effective issue and settlement date of the bonds was July 2, 2003.
The total amount of the issue was €460 million, represented by 9,019,607 bonds with a nominal value of €51 each. The bonds bear interest at 2.5% per year.
The terms and conditions of this issue are set out in the prospectus approved by the AMF on June 24, 2003 under the reference number 03-607.
The interest rate swap entered into in 2004 – on which Cap Gemini S.A. paid a variable rate (12-month post-fixed Euribor less 0.59%) against the fixed rate of the OCEANE convertible or exchangeable bonds (2.5%) – was amended in September 2006. The revised terms and conditions are described in Note 18 – "Derivative instruments".

SUMMARIZED MAIN TERMS AND CONDITIONS OF THE "OCEANE 2003"

Conversion and/or exchange of the bonds for shares
At any time between August 11, 2003 and the seventh business day preceding January 1, 2010.

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

Early redemption at the Company's option
- At any time, without limitation on price or quantity, by buying back all or some of the bonds either on or off market or by means of a public buyback or exchange offer.
- From July 2, 2007 and until the seventh business day preceding January 1, 2010, at an early redemption price equal to par plus accrued interest, if the product of (i) the then current conversion/exchange ratio and (ii) the arithmetic average of the opening quoted prices of the Company's ordinary share on the *Premier Marché* of Euronext Paris S.A. calculated over a period of 20 stock exchange trading days, exceeds 125% of such early redemption price. Upon early redemption, the bonds may be redeemed either in cash or converted into Cap Gemini S.A. shares, at the option of the bondholders.

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

Early repayment
At the initiative of a majority of bondholders, particularly in the event of a failure to pay sums due or to comply with other obligations set out in the documentation (beyond any "grace" periods, if applicable), cross default (in excess of a minimum threshold), liquidation, dissolution or sale of all of the Company's assets, or delisting of the Company's shares from the *Premier Marché* of Euronext Paris S.A.

An upgrade or downgrade in Cap Gemini S.A.'s credit rating would not constitute an early redemption event and would have no impact on the applicable interest rate.

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

RECOGNITION OF THE "OCEANE 2003" CONVERTIBLE/EXCHANGEABLE BOND ISSUE AT FAIR VALUE
At December 31, 2006, the liability component of the "OCEANE 2003" convertible/exchangeable bonds amounted to €427 million (€418 million at December 31, 2005).
Based on the effective interest rate of 4.8% (5.1% including issue costs), the annual interest charge recorded is €21.4 million, compared with a paid coupon of €11.5 million calculated on the basis of the bonds' nominal interest rate (2.5%).

B) Obligations under finance leases

The amount reported under this caption at December 31, 2006 corresponds mainly to the finance lease relating to the "Les Fontaines" site of the Group University located at Gouvieux and investments in Computer equipment made by Capgemini UK Plc and New Horizons Systems Solutions LP (Canada).

in millions of euros	Earliest start date of leases	Latest expiry date of leases	Weighted average interest rate	December 31, 2006
Capgemini University (Les Fontaines)	Dec. 2002	July 2014	3-month Euribor +0.75%	67
Capgemini UK Plc	Oct. 2000	Nov. 2010	Fixed rate (10.4%)	37
New Horizons System Solutions LP	Feb. 2003	Oct. 2010	Fixed rate (6.0%)	13
Other	April 1999	Nov. 2011	-	39
TOTAL SHORT- AND LONG-TERM OBLIGATIONS UNDER FINANCE LEASES				**156**

A certain number of leases included in the outsourcing contract signed with Schneider Electric on October 28, 2004 have not yet been transferred to the Group. The restatement of finance leases may lead to the recognition of additional financial debt for an estimated maximum amount of €8 million, corresponding to the total lease commitments. At December 31, 2006, these commitments are included in "Off balance sheet commitments".

C) Other financial debt

At December 31, 2006, other financial debt of €224 million mainly consists of:

- €121 million relating to the recognition in the balance sheet of carry-back tax credits (see Note 14 – "Other non-current assets").
- €65 million corresponding to the present value of the put option held by the TXU group in connection with the outsourcing contract signed in May 2004.
- €19 million in financial debt owed to TXU under the terms of the contract.
- €9 million corresponding to the present value of the put option granted to Hindustan Lever Limited in connection with the acquisition of Indigo.

D) Syndicated credit facility obtained by Cap Gemini S.A.

On November 14, 2005, Cap Gemini S.A. signed a €500 million multi-currency credit facility with a group of banks maturing on November 14, 2010 at the latest. On September 14, 2006, Cap Gemini S.A. exercised the one-year extension option on this credit facility (agreed by the banks on October 27, 2006), thereby extending its maturity to November 14, 2011.

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

- A margin of 0.50% as of today (above Euribor or Libor 1 to 12 months). In addition, a utilization fee of 0.025% to 0.050% may apply for drawdowns in excess of certain amount of the credit facility. The margin may be adjusted according to the Company's credit rating.
- A fee on undrawn amounts initially set at 35% of the margin (i.e. currently 0.175%) that may be reduced to 30% if Cap Gemini S.A.'s rating improves.

An upgrade or downgrade of Cap Gemini S.A.'s credit rating would have no impact on the availability of this credit line.

Cap Gemini S.A. has agreed to comply with the following covenants regarding financial ratios (as defined in IFRS):

- the net financial debt to consolidated equity ratio must be less than 1 at all times;
- interest cover – i.e., the extent to which finance costs (net) adjusted for certain items are covered by consolidated operating margin – must be equal to or greater than 3 as at December 31 and June 30 of each year (based on the 12 months then ended).

At December 31, 2006, the Group complied with these financial ratios:

- Net financial debt to consolidated equity ratio is not relevant due to a positive net cash and cash equivalents situation.
- The interest cover requirement was not relevant insofar as adjusted finance costs (net) were nil.

The facility agreement includes covenants restricting the Company's ability to carry out certain operations. These covenants also apply to Group subsidiaries. They include restrictions primarily relating to:
- pledging certain assets as collateral,
- asset sales, mergers or similar transactions.

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

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

At the date of this report, no drawdowns had been made on this credit facility.

III. MAIN CHARACTERISTICS OF FINANCIAL DEBT

A) Interest rates and currencies

Average interest rate on Group financial debt

In 2006, the average interest rate on the Group's financial debt was 5.3%.

Fixed rates/variable rates

At December 31, 2006, 41% of Group financial debt is at variable rates, of which 35% is capped, and 59% is at fixed rates.

Analysis of the sensitivity of net finance costs in 2006 to a rise in interest rates

The impact on gross finance costs of a theoretical 1% annual average rise in interest rates based on an annual average financial debt position, is an estimated €1 million (€6 million at December 31, 2005).

The impact on income from cash and cash equivalents of a theoretical 1% annual average rise in interest rates based on an annual average cash and cash equivalents position, is an estimated €20 million (€14 million at December 31, 2005).

Accordingly, a 1% increase in interest rates would have an estimated €19 million positive impact on net finance costs.

Effective interest rates (EIR) and maturities of financial debt

At December 31	2004		2005		2006					
	EIR	Amount (€ millions)	EIR	Amount (€ millions)	EIR	Amount (€ millions)	Within 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
Short-term investments	2.20%	**1,001**	2.50%	**1,805**	3.70%	**2,460**	2,460	-	-	-
Cash	1.90%	**251**	1.90%	**416**	2.40%	**442**	442	-	-	-
Bank overdrafts	2.60%	**(20)**	2.80%	**(85)**	3.50%	**(43)**	(43)	-	-	-
CASH AND CASH EQUIVALENTS		**1,232**		**2,136**		**2,859**	2,859	-	-	-
"OCEANE 2003" bonds	5.10%	**408**	5.10%	**418**	5.10%	**427**	-	-	427	-
"OCEANE 2005" bonds	-	**-**	4.80%	**396**	4.80%	**411**	-	-	-	411
Drawdowns on bank and similar facilities	2.80%	**46**	6.10%	**8**	6.80%	**6**	6	-	-	-
Obligations under finance leases	4.90%	**228**	4.60%	**174**	6.00%	**156**	49	31	50	26
Other financial debt	4.60%	**266**	5.40%	**220**	5.40%	**224**	9	94	37	84
Commercial paper	-	**-**	2.65%	**15**	-	**-**	-	-	-	-
TOTAL FINANCIAL DEBT		**948**		**1,231**		**1,224**	**64**	**125**	**514**	**521**

Effective interest rates (EIR) by currency

At December 31	2006							
	Euro		US dollar		Pound sterling		Other	**Total**
	EIR	Amount (€ millions))	EIR	Amount (€ millions)	EIR	Amount (€ millions)	Amount (€ millions)	**Amount (€ millions)**
"OCEANE 2003" bonds	5.10 %	427	-	-	-	-	-	**427**
"OCEANE 2005" bonds	4.80 %	411	-	-	-	-	-	**411**
Drawdowns on bank and similar facilities	-	-	6.40%	1	-	-	5	**6**
Obligations under finance leases	3.40%	94	6.10%	11	10.40%	37	14	**156**
Other financial debt	3.90%	138	5.50%	84	-	-	2	**224**
TOTAL FINANCIAL DEBT	**-**	**1,070**	**-**	**96**	**-**	**37**	**21**	**1,224**

B) Fair values

At December 31 *in millions of euros*	2004 Carrying amount	2004 Fair value	2005 Carrying amount	2005 Fair value	2006 Carrying amount	2006 Fair value
ASSETS						
Short-term investments	1,001	1,001	1,805	1,805	2,460	2,460
Cash	251	251	416	416	442	442
Bank overdrafts	(20)	(20)	(85)	(85)	(43)	(43)
LIABILITIES						
"OCEANE 2003" bonds (1)	408	426	418	425	427	434
"OCEANE 2005" bonds (2)	-	-	396	350	411	364
Drawdowns on bank and similar facilities	46	46	8	8	6	6
Obligations under finance leases	228	(3) -	174	(3) -	156	(3) -
Other financial debt	266	267	220	220	224	222
Commercial paper	-	-	15	15	-	-

(1) At December 31, 2006, the fair value (stock market value) of the financial instrument amounted to €517 million, versus €465 million and €456 million, respectively, at December 31, 2005 and 2004. In view of comparison, the amounts shown as "Fair value" in the table above correspond to the debt composant of the bonds.
(2) At December 31, 2006, the fair value (stock market value) of the financial instrument amounted to €611 million, versus €496 million at December 31, 2005. In view of comparison, the amounts shown as "Fair value" in the table above correspond to the debt composant of the bonds.
(3) In view of the number and diverse types and maturities of finance leases, this information is not deemed to be relevant.

NOTE 18 – DERIVATIVE INSTRUMENTS

A) Interest rate hedges

At December 31, 2006, three interest rate hedges were outstanding in the form of swaps and options (caps and floors) on a total amount of €593 million (versus €497 million at December 31, 2005), for periods ranging from two months to eight years: the main characteristics of these contracts are as follows:

- An interest rate swap contracted by Cap Gemini S.A. on October 28, 2004 and maturing in January 2010, as a hedge of the "OCEANE 2003" convertible/exchangeable bonds. This swap covers a notional amount of €460 million over a remaining period of three years.

In view of the increase in short-term interest rates in 2006 and current market forecasts through to the maturity of the "OCEANE 2003" bonds on January 1, 2010, this interest rate swap was amended on September 15, 2006. Under the revised terms of the swap contract, Cap Gemini S.A. pays a variable rate of 3-month post-fixed Euribor (12-month post-fixed Euribor less 0.59% under the previous terms) against the fixed rate of the OCEANE bonds (2.5%). The variable rate is now capped at 3.07% (3.41% under the previous terms), while the floor is unchanged at 1.41%. The revised terms of the interest rate swap contract do not affect the zero-cost automatic deactivation clause in the event that the Company exercises its right (under certain conditions) to redeem the bonds early (the terms and conditions of the contract are set out in Note 17 – "Cash and cash equivalents" and in the prospectus approved by the AMF on June 24, 2003 under the reference number 03-607).

The measurement of this contract at market value at December 31, 2006 resulted in a loss of €5 million recorded under "Other financial income and expense, net". In the balance sheet at December 31, 2006, this contract is valued at €6 million and is included under the line "Other non-current liabilities".

- An interest rate swap contract maturing in July 2014, covering 50% of a finance lease taken out by S.A.R.L. Immobilière Les Fontaines (Capgemini University) in 2002, for a notional amount of €33 million. Under the terms of the swap, S.A.R.L. Immobilière Les Fontaines pays a fixed rate of 3.51% and receives 3-month Euribor.

The measurement of this contract at market value at December 31, 2006 resulted in a gain of €1 million recorded under "Other financial income and expense, net". In the balance sheet at December 31, 2006, this contract is valued at €1 million and is included under the line "Other non-current assets".

- End of February, an interest rate swap contract covering Cap Gemini S.A.'s short-term investments, maturing in February 2007, and for a notional amount of €100 million. Under the terms of the swap, the Group pays a variable rate (Eonia) and receives a fixed rate of 2.86%.

The measurement of this contract at market value at December 31, 2006 resulted in a loss of €0.2 million recorded under "Other financial income and expense, net". In the balance sheet at December 31, 2006, this contract is valued at €0.2 million and is included under the line "Other non-current liabilities".

B) Currency hedges

Group exposure to currency risks

The Group's exposure to currency risks arising from transactions recognized at December 31, 2006 by Group operating subsidiaries and denominated in currencies other than the functional currency, is as follows:

in millions of euros	2006 Euro	US dollar	Pound sterling	Swedish krona	Other currencies (1)
TOTAL ASSETS	**48**	**27**	**11**	**8**	**16**
TOTAL LIABILITIES	**(34)**	**(10)**	**(295)**	**(1)**	**(14)**
Exposure to currency risks before hedging	14	17	(284)	7	2
Amounts hedged	**(6)**	**(10)**	**280**	**(5)**	**(6)**
Exposure to currency risks after hedging	8	7	(4)	2	(4)

(1) Other currencies essentially include Australian and Canadian dollars, and Swiss francs.

At December 31, 2006, hedges acquired concern Cap Gemini S.A. for intercompany financing transactions, and Group subsidiary Capgemini Consulting India Private Ltd. for its subcontracting activities realized for other Group regions.

Currency hedges

At December 31, 2006, currency swaps totaled €416 million (versus €207 million at December 31, 2005), as follows:

- Hedges of commercial transactions in India expiring in 2007 and 2008 in the form of currency swaps for a total equivalent value of €90 million. The swaps relate to amounts denominated in euros, US dollars and Pounds sterling.
- Currency swaps expiring in 2007, acquired as hedges of intercompany financing transactions and concern amounts in Pounds sterling, US dollars, Australian dollars, Swedish krona and Swiss francs for a total equivalent value of €326 million.

Besides, on November 3, 2006, Cap Gemini S.A. purchased a currency option conferring the right (but not the obligation) to purchase until February 26, 2007– at a pre-set price – USD 650 million for an equivalent value of €518 million. This contract is designated to hedge a portion of the Group currency risk exposure arising from the acquisition of Kanbay in 2007 announced October 26, 2006 for 1.26 billion (see Note 28 – "Subsequent events"). Considering the acquisition of 14.7% of Kanbay on November 21, 2006, this option, expiring on February 26, 2007, hedges 60% of the remaining currency risk exposure as at December 31, 2006. The cost of this contract is recorded within "Other financial income and expense, net" in an amount of €3.3 million. At December 31, 2006, its carrying amount in the balance sheet is not material.

All of the currency hedges contracts are designated and treated as fair value or cash flow hedges, and are recorded in the balance sheet at December 31, 2006 under "Other non-current assets" in an amount of €2 million. In the statement of income, these contracts led to a €2.6 million loss, including a net finance cost of €0.3 million recorded under "Other financial income and expense, net".

NOTE 19 – PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

in millions of euros	**Provisions for pensions and other post-employment benefits**
December 31, 2005	**696**
Translation adjustments	3
Increase – Personnel costs	98
Decrease – Benefits and contributions	(61)
Change in actuarial gains and losses recognized in equity	(150)
Other movements	5
December 31, 2006	**591**

Provisions for pensions and other post-employment benefits at December 31, 2005 have been restated in line with the amendment to IAS 19 (see Note 2 – "Change in accounting method").

There are two categories of retirement plans:

Defined contribution plans

Defined contribution plans have been set up in the majority of European countries (France, Benelux, Germany and Central Europe, Nordic countries, Italy and Spain) as well as in the United States and Asia-Pacific countries.

These plans are funded by contributions paid to authorized agencies, which are expensed as incurred. The Group's obligation under these plans is recorded in "Accounts and notes payable".

Defined benefit plans

Two types of defined benefit plans are recognized in provisions for pensions and other post-employment benefits:

- Funded defined benefit plans. These plans exist in the United Kingdom and Canada, as well as in other regions (the United States, Ireland, Sweden, Benelux, Germany, Switzerland and France).
- Unfunded defined benefit plans. These plans correspond to retirement bonuses and healthcare coverage and mainly concern Canada, Germany and Central Europe, France, Italy and Sweden.

I. PROVISIONS FOR FUNDED DEFINED BENEFIT PLANS

A) Analysis of obligation

	2004				2005				2006			
in millions of euros	United Kingdom	Canada	Other	**Total**	United Kingdom	Canada	Other	**Total**	United Kingdom	Canada	Other	**Total**
Present value of obligation	993	138	72	**1,203**	1,572	212	104	**1,888**	1,647	197	113	**1,957**
Fair value of plan assets	673	132	52	**857**	1,045	182	76	**1,303**	1,212	193	84	**1,489**
FUNDING DEFICIT	**320**	**6**	**20**	**346**	**527**	**30**	**28**	**585**	**435**	**4**	**29**	**468**
o/w actuarial gains and losses recognized in equity	24	6	3	**33**	198	33	13	**244**	75	9	7	**91**
NET PROVISIONS IN THE BALANCE SHEET	**320**	**6**	**20**	**346**	**527**	**30**	**28**	**585**	**435**	**4**	**29**	**468**
Assets (1)	-	(13)	-	**(13)**	-	-	-	**-**	-	(3)	-	**(3)**
Liabilities	320	19	20	**359**	527	30	28	**585**	435	7	29	**471**

(1) These amounts correspond to funding surpluses in one of the Canadian plans.

At December 31, 2006, the net benefit obligation for other regions, amounting to €29 million, primarily concerns the United States (€18 million), Germany and Central Europe (€4 million), Ireland (€3 million), Benelux (€1 million) and Nordic countries (€1 million).

B) Analysis of movements in provisions

Analysis of changes in the present value of pension obligations and plan assets

in millions of euros	Present value of obligation	Fair value of plan assets	Net provisions in the balance sheet
At January 1, 2005	**1,203**	**(857)**	**346**
Net expense for the year:			
– Service cost	78	-	78
– Interest cost	73	-	73
– Expected return on plan assets	-	(68)	(68)
Benefits paid to employees	(31)	28	(3)
Contributions paid	-	(57)	(57)
Changes in actuarial gains and losses	313	(120)	193
Translation adjustments	63	(50)	13
Aspire Plan at transfer date (1)	178	(165)	13
Other movements	11	(14)	(3)
At December 31, 2005	**1,888**	**(1,303)**	**585**
Net expense for the year:			
– Service cost	91	-	91
– Interest cost	93	-	93
– Effect of curtailments and settlements (2)	(27)	17	(10)
– Expected return on plan assets	-	(89)	(89)
Contributions paid by employees	6	(6)	-
Benefits paid to employees	(37)	37	-
Contributions paid	-	(57)	(57)
Changes in actuarial gains and losses	(81)	(73)	(154)
Translation adjustments	6	-	6
Other movements	18	(15)	3
At December 31, 2006	**1,957**	**(1,489)**	**468**

(1) Commitments related to the signing of the Aspire contract in the UK were transferred in 2005, as the voluntary subscription period open to employees in respect of Capgemini UK Plc's retirement plan expired during the first half of 2005. At the transfer date, the previous service provider undertook to refinance the plan, concerning 1,530 employees, based on a valuation performed by actuaries.

(2) In 2006, plan curtailments and settlements essentially concern employee transfers in connection with the sale of infrastructure and network management services to British Telecom in the United Kingdom.

Service cost for the year amounts to €91 million – mainly concerning the United Kingdom (€68 million) and Canada (€12 million) – and is calculated on the basis of the assumptions detailed below.

Interest cost for the year corresponds to the discounting of the obligation in an amount of €93 million, which chiefly concerns the United Kingdom (€76 million) and Canada (€11 million) and is calculated on the basis of the assumptions detailed below.

The expected return on plan assets (€89 million) mainly concerns the United Kingdom (€72 million) and Canada (€13 million) and is calculated on the basis of the assumptions detailed below.

Benefits paid to employees, totaling €37 million, chiefly relate to the United Kingdom (€20 million) and Canada (€10 million).

Contributions to plan assets totaled €57 million during the year. The main contributors were the United Kingdom (€40 million) and Canada (€12 million).

Analysis of changes in recognized actuarial gains and losses

Changes in actuarial gains and losses reflect increases or decreases in the present value of the obligation or the fair value of the related plan assets.

Actuarial gains and losses include (i) the impacts of changes in actuarial assumptions (essentially the discount rate and expected rate of return on plan assets) and (ii) the effects of differences between the projected actuarial assumptions and actual outcomes (experience adjustments, as described in section III – "Analysis of actuarial gains and losses: experience adjustments").

The €193 million recognized actuarial loss in 2005 arises essentially from the decrease in rates used to discount obligations in the United Kingdom and Canada, and also from the adoption of a new mortality table in the United Kingdom.

The €154 million recognized actuarial gain in 2006 reflects changes in actuarial assumptions, of which €125 million is due to the 0.5-point increase in the discount rate in the United Kingdom.

C) Analysis of plan assets

The main plan asset categories can be analyzed as follows:

in millions of euros	2004	%	2005	%	2006	%
Shares	567	66	852	65	958	64
Bonds	231	27	388	30	456	31
Real estate assets	26	3	32	3	39	3
Cash and cash equivalents	21	3	14	1	16	1
Other	12	1	17	1	20	1
TOTAL	**857**	**100**	**1,303**	**100**	**1,489**	**100**

D) Employees of funded defined benefit plans

	2004	2005	2006			
	Total	Total	United Kingdom	Canada	Other	Total
Current employees	**5,991**	**10,939**	4,290	932	6,961	**12,183**
Former employees	**5,651**	**6,307**	6,207	37	1,175	**7,419**
Retirees	**811**	**936**	1,028	107	32	**1,167**
TOTAL	**12,453**	**18,182**	**11,525**	**1,076**	**8,168**	**20,769**

The increase in employees is attributable to the expansion of Group operations in India.
At December 31, 2006, total other employees are primarily based in India (6,152 employees) and the present value of the related obligation amounted to €2 million. In India, the Group has taken out an insurance contract to cover its obligation to pay bonuses to employees with at least two years' service who leave the Group.

E) Principal actuarial assumptions

Discount rate and salary inflation rate

	2004	2005	2006		
(%)			United Kingdom	Canada	Other
Discount rate	3.5 - 7.0	2.6 - 7.4	5.3	5.3	2.6 - 8.1
Salary inflation rate	1.5 - 6.0	1.5 - 6.0	3.5	3.3	1.5 - 6.0

Analysis of the expected rate of return on plan assets

	2004	2005	2006		
in millions of euros			United Kingdom	Canada	Other
Shares	4.0 - 8.6	4.8 - 8.6	8.0	8.5	6.0 - 7.3
Bonds	2.5 - 7.0	2.4 - 7.8	4.6 - 5.3	5.3	2.5 - 7.3
Real estate assets	6.3 - 6.5	6.0 - 6.5	6.5	-	5.0 - 6.3
Cash and cash equivalents	3.8	3.8	3.8	-	2.0

F) Contributions to plans in 2007

The Group expects to pay €62 million in contribution into its defined benefit pension plans in 2007.

II. PROVISIONS FOR UNFUNDED DEFINED BENEFIT PLANS

A) Analysis of obligation

in millions of euros	2004 Total	2005 Total	2006 France	2006 Canada	2006 Germany and Central Europe	2006 Italy	2006 Sweden	2006 Total
Present value of obligation	**105**	**116**	38	34	25	15	13	**125**
Fair value of plan assets								
FUNDING DEFICIT	**105**	**116**	**38**	**34**	**25**	**15**	**13**	**125**
o/w actuarial gains and losses recognized in equity	**2**	**15**	7	3	5	-	3	**18**
Unrecognized past service costs	**(5)**	**(5)**	(5)	-	-	-	-	**(5)**
NET PROVISIONS IN BALANCE SHEET	**100**	**111**	**33**	**34**	**25**	**15**	**13**	**120**
Assets								
Liabilities	**100**	**111**	33	34	25	15	13	**120**

In France and Italy, the defined benefit plan concerns retirement bonuses. In Canada, it relates mainly to healthcare coverage, and in Germany and Central Europe chiefly concerns supplementary pension plans provided in addition to the statutory scheme.

B) Analysis of movements in obligation

in millions of euros	Present value of obligation	Fair value of plan assets	Unrecognized past service costs	Net provision in the balance sheet
AT JANUARY, 1 2005	**105**		**(5)**	**100**
Changes in Group structure	(11)		-	(11)
Net expense for the year:				
– Service cost	11		-	11
– Interest cost	3		-	3
Benefits paid to employees	(5)		-	(5)
Changes in actuarial gains and losses	13		-	13
Translation adjustments	3		-	3
Other movements	(3)		-	(3)
AT DECEMBER 31, 2005	**116**		**(5)**	**111**
Changes in Group structure	-		-	-
Net expense for the year:				
– Service cost	9		-	9
– Interest cost	5		-	5
– Effect of curtailments and settlements	(1)		-	(1)
Benefits paid to employees	(4)		-	(4)
Changes in actuarial gains and losses	4		-	4
Translation adjustments	(3)		-	(3)
Other movements	(1)		-	(1)
AT DECEMBER 31, 2006	**125**		**(5)**	**120**

Service cost for the year, amounting to €9 million, relates to Italy (€3 million), Canada (€3 million), France (€2 million) and Germany and Central Europe (€1 million).

Benefits paid to employees mainly concern Italy (€2 million), Canada (€1 million) and Germany and Central Europe (€1 million).

Analysis of recognized actuarial gains and losses
Actuarial losses for the year include the impact in France of the social security financing law published on December 22, 2006.

C) Employees of unfunded defined benefit plans

	2004	2005	2006					
	Total	**Total**	France	Canada	Germany and Central Europe	Italy	Sweden	**Total**
Current employees	**23,767**	**19,989**	20,086	1,864	400	1,271	32	**23,653**
Former employees	**986**	**1,148**	-	74	100	-	811	**985**
Retirees	**116**	**120**	-	214	57	-	11	**282**
TOTAL	**24,869**	**21,257**	**20, 086**	**2,152**	**557**	**1,271**	**854**	**24,920**

D) Principal actuarial assumptions

	2004	2005	2006				
(%)			France	Canada	Germany and Central Europe	Italy	Sweden
Discount rate	4.4 - 6.0	3.7 - 6.0	4.2	5.3	4.5	4.4	3.9
Salary inflation rate	1.5 - 4.8	2.0 - 4.5	1.5	3.3	2.0	4.5	2.0

III. ANALYSIS OF ACTUARIAL GAINS AND LOSSES: EXPERIENCE ADJUSTMENTS

This analysis concerns both funded and unfunded defined benefit plans.
Experience adjustments are the effects of differences between the projected actuarial assumptions and what has actually occurred.

The amounts relating to the current year and the prior years presented break down as follows:

in millions of euros	2004	2005	2006
Experience adjustment on liabilities (1)	17	37	37
Experience adjustment on assets (2)	27	112	50

(1) + : liabilities increase / - : liabilities decrease
(2) + : assets increase / - : assets decrease

The experience adjustments chiefly concern the United Kingdom and Canada.

IV. SENSITIVITY TO CHANGES IN HEALTHCARE ASSISTANCE COSTS

Healthcare assistance costs exclusively concern Canada. In 2004, 2005 and 2006, a 1% change in healthcare assistance costs would have an impact of approximately €1 million in the statement of income (service cost and interest cost), and an impact of between a negative €4 million and a positive €5 million in the balance sheet.

NOTE 20 – **CURRENT AND NON-CURRENT PROVISIONS**

Changes in current and non-current provisions can be analyzed as follows:

in millions of euros	2005	2006
AT JANUARY 1	**39**	**34**
Additions	18	73
Reversals (utilization of provisions)	(18)	(9)
Reversals (surplus provisions)	(10)	(3)
Other	5	3
AT DECEMBER 31	**34**	**98**

At December 31, 2006, current and non-current provisions mainly concerned risks relating to projects and contracts amounting to €88 million and risks relating to tax and labor disputes in an amount of €10 million (€6 million at December 31, 2005).

NOTE 21 **– OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities primarily relate to restructuring costs concerning real estate streamlining measures mainly implemented in previous years in the United States and United Kingdom, the non-current portion of the special employee profit-sharing reserve in France as well as interest rate hedges (see Note 18 – "Derivative instruments").

NOTE 22 **– ACCOUNTS AND NOTES PAYABLE**

Total accounts and notes payable excluding advances received from customers (as presented separately), break down as follows:

At December 31 *(in millions of euros)*	2004	2005	2006
Accounts payable	534	735	817
Accrued taxes other than on income	251	294	306
Personnel costs	697	787	858
Other	62	65	38
TOTAL	**1,544**	**1,881**	**2,019**

The change in accounts and notes payable is directly in line with movements in "Purchases and sub-contracting expenses" and "Personnel costs", and reflects the growth in the Group's business.

NOTE 23 **– OTHER PAYABLES AND INCOME TAXES**

At December 31 *(in millions of euros)*	2004	2005	2006
Taxes payable	56	47	65
Other payables	37	19	48
TOTAL	**93**	**66**	**113**

Other payables include the current portion of the special employee profit-sharing reserve and other current liabilities. The year-on-year change reflects employee profit-sharing in France and the balance outstanding on the acquisition of the FuE group in Germany.

NOTE 24 – GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of compensation due to members of the Group Management team (24 members at December 31, 2006 against 20 members at December 31, 2005).

in thousands of euros	2005	2006
Short-term benefits excluding employer payroll taxes (1)	14,632	17,693
Short-term benefits: employer payroll taxes	2,451	3,257
Post-employment benefits (2)	504	497
Share-based payment (3)	973	1,527

(1) Includes gross wages and salaries, bonuses, profit-sharing, directors' fees and advantages in kind.
(2) This amount mainly includes statutory retirement indemnities.
(3) This amount corresponds to the annual expense relating to the award of stock options.

NOTE 25 – OFF BALANCE SHEET COMMITMENTS

A) Commitments given

At December 31 *(in millions of euros)*	2004	2005	2006
On non-cancelable leases	1,078	1,046	867
On suppliers contracts	70	89	91
Other commitments given	75	44	42
TOTAL	**1,223**	**1,179**	**1,000**

- The Group's commitments under non-cancelable leases can be analyzed as follows:

in millions of euros	Computer equipment	Offices	Vehicles	Other	Total
y+1	31	146	50	6	233
y+2	17	131	37	7	192
y+3	7	110	21	4	142
y+4	2	87	6	-	95
y+5	2	69	-	-	71
y+6 and subsequent years	-	134	-	-	134
TOTAL AT DECEMBER 31, 2006	**59**	**677**	**114**	**17**	**867**
TOTAL AT DECEMBER 31, 2005	**100**	**817**	**117**	**12**	**1,046**
TOTAL AT DECEMBER 31, 2004	**69**	**888**	**112**	**9**	**1,078**

At December 31, 2006, commitments relating to non-cancelable leases were mainly given in the United Kingdom (€149 million), Benelux (€146 million), France (€140 million), Germany and Central Europe (€122 million) and North America (€105 million). Lease payments recognized in the income statement during the year totaled €229 million.

The year-on-year decrease in commitments under computer equipment leases reflects the expiry of a certain number of contracts in 2006, notably in the United Kingdom and France.

Office lease terms depend on the geographic area and vary between five and twenty-five years. Vehicle leases are short-term contracts of three to five years. The year-on-year change in 2006 in commitments under non-cancelable office leases essentially reflects the streamlining of the Group's real estate assets.

- Commitments given on suppliers contracts primarily represent purchase orders to be issued under global purchase contracts.
- Other commitments given relate mainly to:
  – bank guarantees given to the tax authorities in connection with tax disputes in France and Spain;
  – commitments relating to employees in the Netherlands and Sweden.

B) Commitments given and received on minority interests

On April 12, 2005, the Group entered into an alliance with the Japanese group NTT Data Corporation to sell 95% of its stake in Capgemini Japan K.K. for €30 million. The sale agreement granted a put option to the Capgemini Group on its residual 5% interest in Zacatii Consulting Inc. (formerly Capgemini Japan K.K.) and a call option to NTT Data Corporation in relation to the same shares. These options are exercisable for a period of two years as from July 14, 2008 at the higher of the market value of the shares at the exercise date and the valuation of the shares as determined based on the initial transaction cost (i.e., €1 million for the residual 5% stake in Zacatii Consulting Inc. at December 31, 2006).

C) Commitments given on clients' contracts

For various large contracts signed by Group entities, the Group has provided performance and/or financial guarantees, in particular concerning the "Aspire" contract signed with the UK Inland Revenue on January 5, 2004 for an estimated amount of £3 billion, the TXU contract signed on May 17, 2004 for USD 3.5 billion, the Schneider Electric Industries SAS contract signed on October 28, 2004 for €1.6 billion, Metropolitan Police for £350 million and the framework contract of Euroclear.
The Group has also provided limited financial guarantees, relating to client contracts, for a total amount of €91 million at December 31, 2006.
Certain clients have been granted bank guarantees given by the Group for a global amount of €55 million at December 31, 2006.

In addition to the standard clauses, the outsourcing contract signed with TXU Energy Company LLC and TXU Electric Delivery Company (formerly Oncor Electric Delivery Company) entitles the TXU group to terminate the contract if the Group's corporate credit rating is downgraded to below investment grade. The contract nevertheless remained in force following the downgrade of the Group's credit rating by Standard & Poor's on January 7, 2005.

D) Financial debts secured by assets

Some financial debts are secured by assets recorded in the balance sheet. At December 31, 2006, these borrowings included €156 million relating to obligations under finance leases, and €121 million relating to the reinstatement in the balance sheet of carry-back tax credits (see Note 17 – "Net cash and cash equivalents", Note 12 – "Property, plant and equipment" and Note 14 – "Other non-current assets").

NOTE 26 – SEGMENT INFORMATION

I. SEGMENT REPORTING BY GEOGRAPHIC AREA

The Group has operations in the following eight geographic areas:

Geographic area	Countries
North America	Canada, Mexico, United States
United Kingdom and Ireland	Ireland, United Kingdom
Nordic countries	Denmark, Finland, Norway, Sweden
Benelux	Belgium, Luxembourg, Netherlands
Germany and Central Europe	Austria, Germany, Poland, Switzerland and other eastern European countries
France	France
Southern Europe	Italy, Portugal, Spain
Asia-Pacific	Australia, China, India

A) Analysis of results by geographic area

Results for 2006 break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allocated (1)	Eliminations	Total
REVENUES											
- external	1,341	2,126	441	1,046	514	1,816	339	77	-	-	7,700
- inter-geographic area	12	48	23	45	60	74	28	130		(420)	
TOTAL REVENUES	**1,353**	**2,174**	**464**	**1,091**	**574**	**1,890**	**367**	**207**	**-**	**(420)**	**7,700**
OPERATING MARGIN	**72**	**164**	**32**	**142**	**52**	**5**	**15**	**13**	**(48)**	**-**	**447**
%	*5.4*	*7.7*	*7.4*	*13.5*	*10.2*	*0.3*	*4.4*	*16.4*	*-*	*-*	*5.8*
OPERATING PROFIT/(LOSS)	**66**	**127**	**29**	**131**	**40**	**(30)**	**9**	**11**	**(49)**	**-**	**334**
Finance costs, net											(10)
Other financial income and expense, net											(18)
Income tax expense											(13)
PROFIT FOR THE YEAR											**293**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT											**293**

(1) Items not allocated correspond to headquarters' expenses.

Operating margin improved in all geographic areas except France, where the overall profitability of the Consulting Services and Technology Services businesses is not sufficient to offset the impact of difficulties encountered on the Schneider Electric contract (delays in the delivery of the Global Core System, and the greater-than-expected complexity of its future operation).

As regards other operating income and expense for the year, refer to Note 6 – "Other operating income and expense, net".

Results for 2005 break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allocated (1)	Eliminations	Total
REVENUES											
– external	1,353	1,738	415	956	443	1,666	310	73	-	-	6,954
– inter-geographic area	17	50	17	49	42	67	22	70	-	(334)	-
TOTAL REVENUES	**1,370**	**1,788**	**432**	**1,005**	**485**	**1,733**	**332**	**143**	**-**	**(334)**	**6,954**
OPERATING MARGIN	**(26)**	**67**	**24**	**101**	**36**	**44**	**9**	**9**	**(39)**	**-**	**225**
%	*(1.9)*	*3.8*	*5.9*	*10.6*	*8.2*	*2.6*	*2.9*	*12.1*	*-*	*-*	*3.2*
OPERATING PROFIT/(LOSS)	**20**	**56**	**14**	**85**	**50**	**16**	**5**	**8**	**(40)**	**-**	**214**
Finance costs, net											(24)
Other financial income and expense, net											(14)
Income tax expense											(35)
PROFIT FOR THE YEAR											**141**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT											**141**

(1) Items not allocated correspond to headquarters' expenses.

Results for 2004 break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allocated (1)	Eliminations	Total
REVENUES											
– external	1,351	1,288	391	857	477	1,479	299	93	-	-	6,235
– inter-geographic area	13	35	12	45	23	64	12	50	-	(254)	-
TOTAL REVENUES	**1,364**	**1,323**	**403**	**902**	**500**	**1,543**	**311**	**143**	**-**	**(254)**	**6,235**
OPERATING MARGIN	**(108)**	**8**	**1**	**46**	**15**	**54**	**(10)**	**3**	**(33)**	**-**	**(24)**
%	*(8.0)*	*0.6*	*0.3*	*5.4*	*3.1*	*3.6*	*(3.3)*	*3.2*	-	-	*(0.4)*
OPERATING PROFIT/(LOSS)	**(149)**	**(26)**	**(15)**	**(2)**	**(6)**	**(10)**	**(41)**	**1**	**(33)**	**-**	**(281)**
Finance costs, net											(28)
Other financial income and expense, net											1
Income tax expense											(226)
LOSS FOR THE YEAR											**(534)**
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT											**(534)**

(1) Items not allocated correspond to headquarters' expenses.

B) Analysis of depreciation, amortization and other expenses with no cash impact

Depreciation, amortization and other expenses with no cash impact break down as follows for 2006:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allocated	Total
Depreciation and amortization expense	(31)	(54)	(7)	(17)	(21)	(25)	(5)	(6)	(1)	(167)
Additions to provisions, net (1)	(2)	(6)	-	(2)	(10)	(42)	(1)	(2)	-	(65)
TOTAL	**(33)**	**(60)**	**(7)**	**(19)**	**(31)**	**(67)**	**(6)**	**(8)**	**(1)**	**(232)**

(1) This item includes net movements in provisions for doubtful accounts and current and non-current provisions.

Depreciation, amortization and other expenses with no cash impact break down as follows for 2005:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allocated	Total
Depreciation and amortization expense	(47)	(47)	(8)	(25)	(24)	(25)	(4)	(5)	(1)	(186)
Additions to provisions, net (1)	1	(1)	-	(1)	-	(10)	(1)	1	-	(11)
TOTAL	**(46)**	**(48)**	**(8)**	**(26)**	**(24)**	**(35)**	**(5)**	**(4)**	**(1)**	**(197)**

(1) This item includes net movements in provisions for doubtful accounts and current and non-current provisions.

Depreciation, amortization and other expenses with no cash impact break down as follows for 2004:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allo-cated	Total
Depreciation and amortization expense	(49)	(60)	(9)	(28)	(32)	(27)	(5)	(4)	(1)	(215)
Additions to provisions (1)	(2)	(1)	-	(2)	(3)	(3)	(1)	(3)	-	(15)
TOTAL	**(51)**	**(61)**	**(9)**	**(30)**	**(35)**	**(30)**	**(6)**	**(7)**	**(1)**	**(230)**

(1) This item includes net movements in provisions for doubtful accounts and current and non-current provisions.

C) Analysis of assets and liabilities by geographic area

The location of assets corresponds to the location of the Group's clients, except for those concerning outsourcing centers such as in India. At December 31, 2006, assets and liabilities break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allo-cated	Eli-mina-tions	Total
Assets by geographic area:											
– external	748	1,053	316	883	420	1,455	193	103	166	-	5,337
– inter-geographic area	10	22	6	21	16	49	6	25	23	(178)	-
TOTAL ASSETS BY GEOGRAPHIC AREA	**758**	**1,075**	**322**	**904**	**436**	**1,504**	**199**	**128**	**189**	**(178)**	**5,337**
Deferred income tax assets											888
Recoverable income tax											20
Short-term investments											2,460
Derivative instruments (1)											3
TOTAL ASSETS											**8,708**
Liabilities by geographic area:											
– external	566	1,214	195	262	203	953	136	50	19	-	3,598
– inter-geographic area	40	33	15	25	15	39	8	(8)	10	(177)	-
TOTAL LIABILITIES BY GEOGRAPHIC AREA	**606**	**1,247**	**210**	**287**	**218**	**992**	**144**	**42**	**29**	**(177)**	**3,598**
Total equity											3,697
Deferred income tax liabilities											118
Current income tax liabilities											65
Financial debt											1,224
Derivative instruments (1)											6
TOTAL EQUITY AND LIABILITIES											**8,708**

(1) Interest rate hedges (see Note 18 – "Derivative instruments").

At December 31, 2005, assets and liabilities break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allo-cated	Eli-mina-tions	Total
Assets by geographic area:											
– external (1)	674	981	257	899	348	1,348	201	71	178	-	4,957
– inter-geographic area	22	22	9	19	15	65	9	18	36	(215)	-
TOTAL ASSETS BY GEOGRAPHIC AREA	**696**	**1,003**	**266**	**918**	**363**	**1,413**	**210**	**89**	**214**	**(215)**	**4,957**
Deferred income tax assets (1)											828
Recoverable income tax											21
Short-term investments											1,805
TOTAL ASSETS											**7,611**
Liabilities by geographic area:											
– external (1)	634	1,100	159	321	174	864	143	38	28	-	3,461
– inter-geographic area	41	46	11	32	18	45	10	(1)	10	(212)	-
TOTAL LIABILITIES BY GEOGRAPHIC AREA	**675**	**1,146**	**170**	**353**	**192**	**909**	**153**	**37**	**38**	**(212)**	**3,461**
Total equity (1)											2,750
Deferred income tax liabilities											121
Current income tax liabilities											47
Financial debt											1,231
Derivative instruments											1
TOTAL EQUITY AND LIABILITIES											**7,611**

(1) Total assets and liabilities by geographic area have been restated in accordance with the amendment to IAS 19 (see Note 2 – "Change in accounting method").

At December 31, 2004, assets and liabilities break down as follows by geographic area:

in millions of euros	North America	United Kingdom and Ireland	Nordic countries	Benelux	Germany and Central Europe	France	Southern Europe	Asia-Pacific	Not allo-cated	Eli-mina-tions	Total
Assets by geographic area:											
– external (1)	687	1,010	299	814	383	1,210	209	57	158	-	4,827
– inter-geographic area	29	23	6	21	11	35	6	15	21	(167)	-
TOTAL ASSETS BY GEOGRAPHIC AREA	**716**	**1,033**	**305**	**835**	**394**	**1,245**	**215**	**72**	**179**	**(167)**	**4,827**
Deferred income tax assets (1)											778
Recoverable income tax											29
Short-term investments											1,001
Derivative instruments											1
TOTAL ASSETS											**6,636**
Liabilities by geographic area:											
– external (1)	465	757	178	225	202	757	161	34	2	-	2,781
– inter-geographic area	36	23	7	23	31	23	8	9	3	(163)	-
TOTAL LIABILITIES BY GEOGRAPHIC AREA	**501**	**780**	**185**	**248**	**233**	**780**	**169**	**43**	**5**	**(163)**	**2,781**
Total equity (1)											2,756
Deferred income tax liabilities											95
Current income tax liabilities											56
Financial debt											948
TOTAL EQUITY AND LIABILITIES											**6,636**

(1) Total assets and liabilities by geographic area have been restated in accordance with the amendment to IAS 19 (see Note 2 – "Change in accounting method").

D) Analysis of acquisitions of intangible assets and property, plant and equipment

Acquisitions of intangible assets and property, plant and equipment can be analyzed as follows:

in millions of euros	2004	2005	2006
North America	35	38	31
United Kingdom and Ireland	61	27	47
Nordic countries	8	8	4
Benelux	20	9	6
Germany and Central Europe	54	20	26
France	29	24	30
Southern Europe	2	8	4
Asia-Pacific	7	8	13
TOTAL	**216**	**142**	**161**

The acquisition cost of intangible assets and property, plant and equipment reported in the balance sheet for 2006 is different from the figure provided in the cash flow statement (€101 million) which excludes transactions with no cash impact (e.g. acquisitions of assets held under finance leases).

II. SEGMENT REPORTING BY BUSINESS SEGMENTS

The Group's services are organized into four businesses:

Consulting Services, which involves helping to enhance the performance of organizations, based on in-depth knowledge of client industries and processes.
Technology Services, which involves integrating IT systems and applications that enable the planning, design, management and development of IT systems and applications.
Outsourcing Services, which involves managing all or part of a company's IT or business process needs ("Business Process Outsourcing").
Local Professional Services, which involves providing IT assistance and expertise within client companies.

Revenues break down as follows by business:

	2004		2005		2006	
in millions of euros	Amount	%	Amount	%	Amount	%
Consulting Services	1,027	16	918	13	851	11
Technology Services	2,163	35	2,307	33	2,619	34
Outsourcing Services	2,034	33	2,611	38	3,008	39
Local Professional Services	1,011	16	1,118	16	1,222	16
TOTAL	**6,235**	**100**	**6,954**	**100**	**7,700**	**100**

Operating margin breaks down as follows by business:

	2004		2005		2006	
in millions of euros	Amount	%	Amount	%	Amount	%
Consulting Services	10	1.1	41	4.5	86	10.1
Technology Services	(44)	(2.0)	118	5.1	196	7.5
Outsourcing Services	(40)	(2.0)	3	0.1	93	3.1
Local Professional Services	83	7.8	102	9.1	120	9.8
Not allocated	(33)	-	(39)	-	(48)	-
TOTAL	**(24)**	**(0.4)**	**225**	**3.2**	**447**	**5.8**

NOTE 27 – NUMBER OF EMPLOYEES

A) Average number of employees

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

	2004		2005		2006	
	Employees	%	Employees	%	Employees	%
North America	8,338	15	7,381	12	6,272	10
United Kingdom and Ireland	7,471	13	8,668	15	8,894	14
Nordic countries	3,652	6	3,439	6	3,480	5
Benelux	8,356	15	8,402	14	8,807	14
Germany and Central Europe	3,256	6	3,487	6	4,336	7
France	18,443	32	19,196	32	19,924	31
Southern Europe	5,210	9	5,246	9	5,982	9
Asia-Pacific	2,509	4	3,762	6	6,167	10
Not allocated	152	-	153	-	151	-
TOTAL	**57,387**	**100**	**59,734**	**100**	**64,013**	**100**

B) Number of employees at December 31

The breakdown of headcount at the year end across the Group's geographic areas is as follows:

At December 31	2004		2005		2006	
	Employees	%	Employees	%	Employees	%
North America	8,893	15	6,351	10	6,441	10
United Kingdom and Ireland	8,534	14	8,826	15	8,785	13
Nordic countries	3,485	6	3,429	6	3,608	5
Benelux	8,306	14	8,613	14	9,014	13
Germany and Central Europe	3,390	6	3,732	6	5,137	8
France	18,508	31	19,714	32	20,287	30
Southern Europe	5,151	9	5,591	9	6,235	9
Asia-Pacific	2,901	5	4,628	8	8,231	12
Not allocated	156	-	152	-	151	-
TOTAL	**59,324**	**100**	**61,036**	**100**	**67,889**	**100**

NOTE 28 – SUBSEQUENT EVENTS

- In the dispute between Cap Gemini S.A. and Georges Cohen, the former managing director of Transiciel (acquired by the Company in 2003 through a public exchange offer whose exchange ratio was challenged by Georges Cohen), the Paris Commercial Court rejected all of the plaintiff's demands in a judgement handed down on January 19, 2007. Georges Cohen has signaled his intention to appeal the judgement.

- On February 8, 2007, Kanbay's Annual Shareholders' Meeting approved the company's acquisition by Capgemini in accordance with the terms and conditions of the agreement announced on October 26, 2006.
  Capgemini agreed to pay a consideration of USD 29 per share – including Kanbay stock options, share warrants and preferred shares – thereby valuing the transaction at USD 1.26 billion.

Founded in 1989 and listed on the Nasdaq since 2004, Kanbay provides highly integrated management consulting, technology integration & development and outsourcing solutions through its single global delivery platform specialized mainly in financial services and consumer products, but also covering the telecommunications, media, life sciences and travel and leisure sectors.

In 2005, Kanbay recorded revenues of USD 230.5 million and operating profit of USD 41.3 million. For 2006, preliminary revenues and net income (unaudited) stands respectively at USD 414.0 million and USD 34.3 million (figures in US GAAP).

As at end-October 2006, Kanbay had a worldwide headcount of approximately 6,900, including 5,000 employees in India and 1,600 employees in North America. Kanbay is a CMM Level 5 assessed company (the universal Capability Maturity Model,

used by organizations to identify best practices in software development and maintenance) headquartered in Rosemont, Illinois. It has offices in North America, London, Singapore, Hong Kong, Tokyo and Melbourne, and owns production sites in India at Pune, Hyderabad, Chennai and Bangalore.
A detailed description of Kanbay and its activities may be obtained from the company's 10-K filing for 2005 from the SEC's website at www.sec.gov, or the "Investor Relations" section of Kanbay's website at www.kanbay.com.

- On February 8, 2007, Sogeti USA acquired Chicago-based company Software Architects. Software Architects has a total headcount of 500 and operations in 10 American cities. In 2005, the company posted revenues and profit of USD 66 million and USD 4 million, respectively. In 2006, revenues came in at USD 68 million (figures in US GAAP).

- At the Annual Shareholders' Meeting, the Board of Directors will recommend a dividend payment of €0.70 per share for 2006.

NOTE 29 – LIST OF CONSOLIDATED COMPANIES BY COUNTRY

At December 31, 2006 a total of 109 companies were consolidated by the Group.

Country	Consolidated company	% interest	Consolidation method
GERMANY	Capgemini Deutschland GmbH (Berlin)	100.0%	FC
	Capgemini Deutschland Holding GmbH	100.0%	FC
	Capgemini Systems GmbH (Stuttgart)	100.0%	FC
	SD&M Software Design and Management AG (Münich)	100.0%	FG
	Plecto AG (Traustein)	100.0%	FC
	Sogeti Deutschland GmbH (Berlin)	100.0%	FC
	Cap Gemini Telecom Media & Networks Deutschland GmbH	100.0%	FC
	FuE-Future Engineering Gmbh	100.0%	FC
	FuE-Future Engineering & Consulting Gmbh	100.0%	FC
	Computer Konzept EDV Beratung und Betreuung Gmbh	100.0%	FC
AUSTRALIA	Capgemini Australia Pty Ltd.	100.0%	FC
	Capgemini Business Services Australia Pty Ltd.	100.0%	FC
AUSTRIA	Capgemini Consulting Österreich AG	100.0%	FC
BELGIUM	Capgemini Belgium N.V./S.A.	100.0%	FC
	Sogeti Belgium S.A.	100.0%	FC
	Sogeti NV/SA (Belgium)	100.0%	FC
	Sogeti International S.A.	100.0%	FC
CANADA	Capgemini New Brunswick Inc.	100.0%	FC
	Capgemini Nova Scotia Ltd.	100.0%	FC
	Capgemini Canada Inc.	100.0%	FC
	Inergi Inc.	100.0%	FC
	Inergi LP	100.0%	FC
	New Horizons System Solutions LP	100.0%	FC
	New Horizons System Solutions Inc.	100.0%	FC
CHINA	Capgemini (Shanghai) Co. Ltd.	100.0%	FC
	Capgemini Hong Kong Ltd.	100.0%	FC
	Capgemini Business Services (China) Ltd.	100.0%	FC
	Capgemini Business Services (Asia) Ltd.	100.0%	FC
DENMARK	Capgemini Danmark AS	100.0%	FC
	Sogeti Danmark	100.0%	FC
SPAIN	Capgemini España, S.L.	100.0%	FC
	Sogeti España S.L.	100.0%	FC
	InQA Test Labs SL	100.0%	FC
	QAlis Solutions SL	100.0%	FC
UNITED STATES	Capgemini America Inc.	100.0%	FC
	Capgemini Applications Services LLC	100.0%	FG
	Capgemini Financial Services LLC	100.0%	FC
	Capgemini U.S. Consulting B.V.	100.0%	FC
	Capgemini Holding Inc.	100.0%	FC
	Capgemini U.S. LLC	100.0%	FC
	Capgemini North America Inc.	100.0%	FC
	Capgemini Technologies LLC	100.0%	FC
	Capgemini Government Solutions LLC	100.0%	FC
	Capgemini Energy GP LLC	100.0%	FC
	Capgemini Energy Holdings LLC	100.0%	FC
	Capgemini Energy LP	97.1%	FC
	Sogeti USA LLC	100.0%	FC
FINLAND	Capgemini Finland Oy	100.0%	FC

FC = Full consolidation

Country	Consolidated company	% interest	Consolidation method
FRANCE	Cap Gemini S.A.	Parent company	FC
	Capgemini France S.A.S	100.0%	FC
	Capgemini Gouvieux S.A.S	100.0%	FC
	Capgemini Service S.A.S.	100.0%	FC
	Capgemini Université S.A.S	100.0%	FC
	Immobilière Les Fontaines S.A.R.L.	100.0%	FC
	SCI Béhoust	100.0%	FC
	SCI Paris Etoile	100.0%	FC
	Capgemini Consulting S.A.S.	100.0%	FC
	Capgemini Finance et Services S.A.S.	100.0%	FC
	Capgemini Industrie et Distribution S.A.S.	100.0%	FC
	Capgemini Est S.A.S.	100.0%	FC
	Capgemini Ouest S.A.S.	100.0%	FC
	Capgemini Sud S.A.S.	100.0%	FC
	Capgemini Outsourcing Services S.A.S.	100.0%	FC
	Capgemini OS Electric S.A.S.	100.0%	FC
	Cap Gemini Telecom & Media S.A.S	100.0%	FC
	Sogeti S.A.S.	100.0%	FC
	Sogeti Infrastructure Service S.A.S.	100.0%	FC
	Sogeti Application Service S.A.S.	100.0%	FC
	Sogeti Régions S.A.S	100.0%	FC
	Sogeti Services S.A.S.	100.0%	FC
	Sogeti High Tech	100.0%	FC
	Chryseis Micro et Réseaux E.U.R.L.	100.0%	FC
UNITED KINGDOM	Capgemini UK Plc	100.0%	FC
	CGS Holdings Ltd.	100.0%	FC
	Sogeti UK	100.0%	FC
HUNGARY	Capgemini Magyarorszag Kft	100.0%	FC
INDIA	Capgemini Consulting India Private Ltd.	100.0%	FC
	InQA Test Labs Private Ltd (India)	100.0%	FC
	Unilever Shared Service Ltd	51.0%	FC
IRELAND	Sogeti Ireland Ltd.	100.0%	FC
ITALY	Capgemini Italia S.p.A.	100.0%	FC
LUXEMBOURG	Sogeti Luxembourg S.A.	100.0%	FC
	Capgemini Reinsurance Company S.A.	100.0%	FC
	Sogeti PSF Luxembourg S.A.	100.0%	FC
MEXICO	Capgemini Mexico S. de R.L. de C.V.	100.0%	FC
NORWAY	Capgemini Norge AS	100.0%	FC

FC = Full consolidation

Country	Consolidated company	% interest	Consolidation method
NETHERLANDS	Capgemini Outsourcing B.V.	100.0%	FC
	Capgemini Interim Management B.V	100.0%	FC
	Capgemini Nederland B.V.	100.0%	FC
	Capgemini Sourcing B.V.	100.0%	FC
	Capgemini Educational Services B.V.	100.0%	FC
	Capgemini N.V.	100.0%	FC
	Paul Postma Marketing Consultancy B.V.	100.0%	FC
	Capgemini Datacenter Amsterdam B.V.	100.0%	FC
	Sogeti Nederland B.V.	100.0%	FC
	Capgemini International B.V.	100.0%	FC
	Cap Gemini Telecom Media & Networks Nederland B.V.	100.0%	FC
POLAND	Capgemini Polska Sp z.o.o.	100.0%	FC
PORTUGAL	Capgemini Portugal, Serviços de Consultoria e Informatica S.A.	100.0%	FC
CZECH REPUBLIC	Capgemini Czech Republic S.r.o.	100.0%	FC
SERBIA	Capgemini d.o.o (Serbia and Montenegro)	100.0%	FC
SINGAPORE	Capgemini Asia Pacific Pte Ltd.	100.0%	FC
SLOVAKIA	Capgemini Slovensko, s.r.o.	100.0%	FC
SWEDEN	Capgemini AB	100.0%	FC
	Capgemini Sverige AB	100.0%	FC
	Sogeti Sverige AB	100.0%	FC
SWITZERLAND	Capgemini Suisse S.A. (Zurich)	100.0%	FC
	SD&M Schweiz AG (Zurich)	100.0%	FC
	Sogeti Suisse S.A.	100.0%	FC

FC = Full consolidation

CAP GEMINI S.A. SUMMARIZED FINANCIAL STATEMENTS

The Statutory's Auditors' report of February 15, 2007 on the full parent company financial statements, including the notes thereto, are free from qualification. These documents are available upon request from the Company.

SUMMARIZED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	2004	2005	2006
Operating revenue	130	162	183
Operating expenses	(42)	(29)	(35)
OPERATING INCOME	88	133	148
Interest income/(expenses), net	(756)	28	21
Other income and expenses, net	(324)	(9)	3
Income tax	43	21	23
NET INCOME/(LOSSES)	(949)	173	195

SUMMARIZED BALANCE SHEETS

AS OF DECEMBER 31, 2004, 2005 AND 2006

in millions of euros	2004	2005	2006
ASSETS			
Non-current assets	6 251	6 013	6 533
Current assets	804	1 703	1 977
Other assets	7	81	70
TOTAL ASSETS	7 062	7 797	8 580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders'equity	6 433	6 611	7 268
Provisions	10	11	17
Long and short-term debt	482	1 148	1 272
Other liabilities	137	27	23
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	7 062	7 797	8 580

FIVE-YEAR FINANCIAL SUMMARY

in millions of euros	2002	2003	2004	2005	2006
I - SHARE CAPITAL AT YEAR-END					
Share capital	1 004	1 049	1 051	1 053	1 153
Number of common shares outstanding	125 479 105	131 165 349	131 383 178	131 581 978	144 081 808
Maximum number of future shares to be created:					
- through exercise of share warrants	10 951 340	10 004 465	12 289 150	13 101 800	10 518 710
- through conversion of convertible bonds	-	9 019 607	9 019 607	20 830 417	(1) 20 830 416
- through warrants related to Transiciel acquisition	-	503 602	508 600	315 790	(2) -
II - OPERATIONS AND RESULTS OF THE CURRENT YEAR					
Operating revenue	162	136	130	162	183
Operating revenue and financial revenue	248	175	876	547	376
Income before taxes, amortization and provisions	(1 523)	108	(491)	395	202
Income tax	(92)	(4)	(43)	(21)	(23)
Net income / (losses)	(4 135)	(42)	(949)	173	195
Distributed income	0	0	0	66	(3) 101
III - EARNINGS PER SHARE (in euros)					
Earnings after taxes, but before amortization and provisions	(11,40)	0,86	(3,41)	3,16	1,56
Net earnings	(32,96)	(0,32)	(7,22)	1,31	1,35
Dividend per share, net	0	0	0	0,50	(3) 0,70
IV - EMPLOYEE DATA					
Average number of employee during the year	-	-	-	-	-
Total payroll	-	-	-	-	-
Total benefits	-	-	-	-	-

(1) Cap Gemini S.A. decided to neutralize in full the potential dilutive impact of the OCEANE bonds issued on June 24, 2003 and due January 1, 2010, through the acquisition from Société Générale in June 2005 of a call option on a number of shares equal to the underlying number of shares of this OCEANE, and with an exercise price and maturity matching those of the OCEANE.

(2) 312 127 Cap Gemini shares have been created in august 2006 following the exercice of the warrants issued in the context of the Transiciel acquisition

(3) Subject to approval by the Extraordinary Shareholders' Meeting of April 26, 2007 (April 10, 2007 on first call).

CHANGES ON SHAREHOLDERS' EQUITY

in millions of euros	December 31, 2005	Net income appropriation 2005	Other changes	December 31, 2006
Share capital	1 053	-	100	1 153
Additional paid-in-capital	5 074	-	428	5 502
Legal reserve	80	5	20	105
Untaxed reserves	-	-	-	-
Other reserves	231	-	(20)	211
Retained earnings	-	102	-	102
Dividends paid	-	66	(66)	-
Net income / (losses)	173	(173)	195	195
TOTAL	6 611	0	657	7 268

III - SUBSIDIARIES AND INVESTMENTS

in millions of euros	Capital	Other shareholders' equity (including net income for the year)	% interest	Number of shares owned	Book value of shares		Loans & advances granted	Guarantees given (1)	2006 Revenue	Dividends received
					Gross	Net				
SUBSIDIARIES										
Capgemini North America Inc	1	1 754	100,00%	982 000	5 515	1 247	129	-	3	-
CGS HOLDINGS Ltd	791	1	100,00%	558 777 061	721	721	-	-	-	-
Gemini Consulting Holding Ltd	0	11	100,00%	1 083	23	23	-	-	-	-
Capgemini Oldco Ltd	15	32	100,00%	1 033 938 857	801	264	-	-	-	-
Capgemini Old Ireland Ltd	0	0	100,00%	71 662	16	0	-	-	-	-
Capgemini AB (Sweden)	3	243	100,00%	24 714	352	352	5	9	-	-
Capgemini NV (Benelux)	2	209	100,00%	45 787 968	1 467	1 179	-	-	-	-
Capgemini TMN Nederland BV	0	1	100,00%	18 000	5	5	-	-	7	-
Capgemini Deutschland Holding GmbH	102	23	94,43%	1	581	460	18	50	10	-
Capgemini Deutschland GmbH	12	101	2,90%	1	10	10	-	-	207	-
Cap Gemini Telecom Media & Networks Deutschland GmbH	0	17	100,00%	1	51	14	37	-	21	-
Capgemini Consulting Österreich AG	0	2	100,00%	36 791	42	30	-	-	55	-
Capgemini Suisse AG	0	1	100,00%	500	39	32	-	44	52	-
Capgemini Polska Sp Z.o.o (Poland)	4	3	100,00%	129 111	24	16	-	44	43	-
Capgemini Magyarorszag Kft	0	3	100,00%	1	2	2	-	-	8	3
Capgemini France SAS	54	317	100,00%	3 475 508	673	673	-	21	87	-
Capgemimi Telecom & Media SAS	17	244	100,00%	1 090 762	171	171	-	-	206	8
SOGETI S.A.	0	0	99,80%	619	0	0	-	-	-	-
SOGETI SAS	261	363	100,00%	52 106 876	754	754	-	-	29	9
Capgemini Italia S.p.A.	11	– 8	100,00%	2 200 000	489	4	1	8	88	-
Cap Gemini Telecom Media & Networks Italia S.p.A.	0	1	100,00%	20 000	14	0	-	-	-	-
Capgemini España S.L. (Sociedad Unipersonal)	11	– 2	100,00%	106 245	194	150	17	-	198	-
Capgemini Portugal, Serviços de Consultoria e Informatica, SA	8	3	100,00%	1 698 842	44	44	-	-	28	1
Capgemini Asia Pacific Pte. Ltd. (Singapour)	116	– 105	100,00%	235 204 000	134	35	-	-	1	-
Capgemini Australia Pty Ltd (Australie)	28	– 26	100,00%	1 450 000	166	54	6	24	53	-
Unilever India Shared Services Ltd	9	– 8	50,90%	2 545	9	9	-	-	3	-
Capgemini Service S.A.S	2	0	100,00%	1 500 000	59	0	-	15	159	-
SCI Paris Etoile	0	4	99,99%	9 999	48	31	-	-	3	2
SCI du Château de Béhoust	0	0	99,00%	99	0	0	-	-	-	-
Immobilière les Fontaines S.A.R.L	2	7	99,84%	619 000	32	32	-	67	6	-
Capgemini Université SAS	0	0	100,00%	2 500	0	0	-	-	16	-
Capgemini Gouvieux SAS	0	0	100,00%	10 000	0	0	-	-	22	-
Other French compagnies	nm	nm	nm	nm	4	4	nm	nm	nm	nm
Other foreign compagnies	nm	nm	nm	nm	4	1	nm	nm	nm	nm

INVESTMENTS

As of December 31, 2006, investments held by Cap Gemini S.A. are not material

nm : not meaningful

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

(1) As of December 31, 2006, the amount of guarantees and letters of comfort granted by the Company to its subsidiaries for financial facilities amounts to 320 million euros, of which 46 million euros have been used.

Cap Gemini S.A. is at the head of the French tax group made up of 25 companies. The impact of tax consolidation in 2006 is a benefit of 21 million euros.

The book value at year end is the fair value for the group. This value is mainly calculated using discounted net cash flows adjusted by the net debt

A depreciation is booked when the fair value represents less than the gross book value.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

YEAR ENDED DECEMBER 31, 2006

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments with third parties.

<u>Regulated agreements and commitments entered into during the year</u>

In accordance with article L.225-40 of the French Commercial Code (Code de commerce), we have been advised of the following agreements and commitments which were authorized by the Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, on the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article 92 of the March 23, 1967 decree, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We carried out our work in accordance with the professional standards applicable in France. These standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

• Underwriting agreement entered into with Lazard Frères Banque S.A. authorized by the Board of Directors' meeting of November 29, 2006

Director concerned: Bruno Roger

Nature and purpose: in connection with the Company's capital increase decided on December 6, 2006, the Company entered into an underwriting agreement on December 6, 2006 with a banking syndicate including Lazard Frères Banque S.A., IXIS Corporate & Investment Bank and Morgan Stanley & Co. International Limited. The contract provides for the placement of shares to be issued.

Main terms and conditions of the underwriting agreement:

- On December 13, 2006 Lazard Frères Banque S.A. undertook on behalf of Cap Gemini S.A., severally but not jointly with IXIS Corporate & Investment Bank (known as Lazard-Natixis), to place or subscribe themselves 3,367,388 Cap Gemini shares at a minimum subscription price of €43.87 per share (the definitive subscription price was set at €44.50 per share), with the possibility for Lazard-Natixis to purchase 336,739 additional shares within the scope of the "greenshoe" option provided for in the contract;

- On the same date, Cap Gemini S.A. undertook to pay Lazard-Natixis, in consideration of its payment on December 13, 2006 of the subscription price for 3,367,387 Cap Gemini shares, and if applicable the 336,739 additional shares within the scope of the "greenshoe" option, the following fees:
  - an underwriting fee;
  - a placement fee;
  - if applicable, a variable fee (calculated based on the difference between the subscription price and the weighted average Cap Gemini share price over the three days prior to the issue launch date), and at the entire discretion of Cap Gemini S.A., an additional success fee.

In total, Lazard-Natixis received remuneration of €2,603,858 in respect of this agreement for 2006.

• The registration of the two corporate officers on the list of beneficiaries of the collective supplementary pension scheme set up by the Company and authorized by the Board of Directors' meeting of December 13, 2006

Parties concerned: Serge Kampf and Paul Hermelin

Nature, purpose and terms: The Board of Directors has authorized the creation of a collective pension scheme to supplement the obligatory pension scheme, in favor of certain senior executives. The characteristics and strict eligibility criteria of the plan are as follows:

- 10 years minimum service in the Group;
- open to employees having been a member of the Group Management team for five years; or of a Group management function reporting directly to a member of the Group Management team for a period of 10 years; or having made a notable and undisputed contribution to the success of the Group for a period of 10 years;
- minimal theoretical remuneration of eight times the French Social Security ceiling;

- reference salary for calculating the pension: average of 3 of the 10 best years, capped at sixty times the French Social Security ceiling;
- progressive acquisition of rights capped at 40% of the reference salary, and the combined sum of all the party's pension plans capped at 50% of the reference salary;
- application of the Fillon law dated August 21, 2003: rights retained in the event of dismissal (except in case of gross misconduct) after age 55;
- 60% reversionary annuity in the event of death;
- loss of plan benefits in the event of departure from the Company for whatever reason before age 55.

In light of the above-mentioned criteria, Serge Kampf and Paul Hermelin, respectively Chairman of the Board of Directors and Chief Executive Officer of the Company, are among the beneficiaries eligible for this plan. This agreement came into force from January 1, 2007, and neither party received any benefits under the agreement in 2006.

The Statutory Auditors

Neuilly-sur-Seine, February 15, 2007

PricewaterhouseCoopers Audit

Bernard RASCLE

Paris La Défense, February 15, 2007

KPMG Audit
Division of KPMG S.A.

Frédéric QUÉLIN
Partner

STATUTORY AUDITORS' SPECIAL REPORT ON THE CANCELLATION OF SHARES BOUGHT BACK BY THE COMPANY

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 26, 2007 (APRIL 10, ON FIRST CALL) - 8TH RESOLUTION)

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Cap Gemini S.A. and pursuant to the provisions of article L.225-209, paragraph 7 of the French Commercial Code *(Code de commerce)* relating to the cancelling of shares bought back by the Company, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed capital reduction.

We conducted our work in accordance with the professional standards applicable in France. Those standards require that we plan and perform a review to examine the fairness of the reasons for the terms and conditions of the proposed capital reduction.

The proposed capital reduction would take place further to the buy-back of shares representing a maximum of 10% of the Company's share capital, in accordance with the provisions of article L.225-209 of the French Commercial Code. The Board of Directors is seekingan 18-month authorization by the Shareholders' Meeting for this buy-back program.

Shareholders are also asked to grant the Board of Directors full powers to cancel the shares acquired, provided that the aggregate number of shares cancelled in any given period of 24 months does not exceed 10% of the Company's capital. These powers would be exercisable for a period of 24 months.

We have no comment to make on the reasons for or terms of the proposed capital reduction, the implementation of which depends on the Shareholders' Meeting approving the buyback of the Company's shares.

The Statutory Auditors

Neuilly-sur-Seine, February 15, 2007

PricewaterhouseCoopers Audit

Bernard RASCLE

Paris La Défense, February 15, 2007

KPMG Audit
Division of KPMG S.A.

Frédéric QUÉLIN
Partner

STATUTORY AUDITORS' SPECIAL REPORT ON THE ALLOCATION, FREE OF CONSIDERATION, OF EXISTING SHARES OR SHARES TO BE ISSUED TO EMPLOYEES AND/OR CORPORATE OFFICERS

(COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 26, 2007 (APRIL 10, ON FIRST CALL) - 9TH RESOLUTION)

This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with article L.225-197-1 of the French Commercial Code *(Code de commerce),* we hereby present our report on the proposed allocation, free of consideration, of existing shares or shares to be issued, to employees and/or corporate officers of Cap Gemini S.A. and certain related companies within the meaning of article L.225-197-2 of the French Commercial Code.

The Board of Directors is asking shareholders to grant it authorization to allocate, free of consideration, existing shares or shares to be issued. It is the responsibility of the Board of Directors to prepare a report on this operation. It is our responsibility to inform shareholders of any observations concerning the information provided in this respect.

Given the absence of a professional standard applicable to this operation, undertaken pursuant to legislative measures adopted on December 30, 2004, we have implemented those procedures that we deemed necessary. These notably consisted of verifying that the proposed terms and conditions and the information given in the Board of Directors' report are in line with the provisions provided for by law.

We have no matters to report on the information provided in the Board of Directors' report on the proposed allocation of shares free of consideration.

The Statutory Auditors

Neuilly-sur-Seine, February 15, 2007

PricewaterhouseCoopers Audit

Bernard RASCLE

Paris La Défense, February 15, 2007

KPMG Audit
Division of KPMG S.A.

Frédéric QUÉLIN
Partner

TEXT OF THE DRAFT RESOLUTIONS

PRESENTED BY THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 26, 2007 (APRIL 10, 2007 ON FIRST CALL)

I – RESOLUTIONS PRESENTED AT THE ORDINARY SHAREHOLDERS' MEETING

First resolution

Approval of the 2006 Company financial statements

After hearing the following:

- the management report presented by the Board of Directors,
- the general report of the Statutory Auditors on their audit of the Company financial statements,

the General Shareholders' Meeting approves the Company financial statements for the year ended December 31, 2006, which show profit for the year of €195 million, and gives discharge to the Board of Directors for its management of the Company's affairs during the year.

Second resolution

Approval of the 2006 consolidated financial statements

After hearing the following:

- the Group management report of the Board of Directors for 2006,
- the report presented by the Statutory Auditors,

the General Shareholders' Meeting approves the consolidated financial statements for the year ended December 31, 2006, which show profit for the year of €293 million.

Third resolution

Approval of a regulated agreement relating to the underwriting agreement entered into with parties including Lazard Frères Banque SA

After hearing the special report of the Statutory Auditors on agreements governed by article L.225-38 *et seq.* of the French Commercial Code *(Code de Commerce)*, the General Shareholders' Meeting approves the agreement referred to in said report.

Fourth resolution

Approval of a regulated agreement relating to the registration of the two corporate officers on the list of beneficiaries of the collective pension scheme set up by the Company

After hearing the special report of the Statutory Auditors on agreements governed by article L.225-38 *et seq.* of the French Commercial Code *(Code de Commerce)*, the General Shareholders' Meeting approves the agreement referred to in said report.

Fifth resolution

Appropriation of profit for the year and approval of dividend payout

The General Shareholders' Meeting approves the recommendations of the Board of Directors with regard to the appropriation of distributable profit for the year ended December 31, 2006 and accordingly decides to appropriate this distributable profit amounting to €194,560,397.44 as follows:

- to the legal reserve (to increase it to €115,265,446,40 i.e. 10 % of the share capital at December 31, 2006) an amount of €9,999,864.00
- as a dividend to be paid to shareholders, an amount of €0.70 per share, i.e. €100,857,266.30
- and with the balance being allocated to retained earnings, i.e. €83,703,267.14

Making a total of.. €194,560,397.44

Shareholders are reminded that the dividend accordingly set at €0.70 for each of the 144,081,809 shares bearing dividend rights at January 1, 2006 is eligible for the 40% tax rebate referred to in sub-paragraph 2 of paragraph 3 of article 158 of the French General Tax Code for individuals subject to personal income tax in France. It will be paid as from Monday, April 30, 2007. If the Company holds any of its own shares at the time of this dividend payment, the amount corresponding to the dividend that would have been paid in respect of these shares will be allocated to retained earnings.

Pursuant to article 243 bis of the French General Tax Code, the General Shareholders' Meeting notes that a dividend of €0.50 per share (fully eligible for the 40% tax rebate) was paid for 2005 and that no dividends were paid for 2004 or 2003.

Sixth resolution

Renewal of Marcel Roulet's term of office as a non-voting director

Based on the recommendation of the Board of Directors, the General Shareholders' Meeting renews for a two-year period the term of office of the non-voting director Marcel Roulet, whose current term of office expires at the close of this Meeting. Mr. Roulet's new term of office will expire at the close of the General Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2008.

Seventh resolution

Authorization to be given to the Board of Directors to enable the Company to buy back its own shares within the limit of a number of shares equal to a maximum of 10% of its share capital

In accordance with articles L.225-209 *et seq.* of the French Commercial Code and European Commission Regulation no. 2273/2003 of December 22, 2003 which came into effect on October 13, 2004, and after hearing the report presented by the Board of Directors, the General Shareholders' Meeting grants the Board of Directors an authorization to enable the Company to buy back its own shares on the open market.

This authorization is given to allow the Company, if required (in descending order of priority):

- to enter into a share management process with an investment services provider within the scope of a liquidity agreement in accordance with the ethics charter recognized by the AMF;
- to remit the shares thus purchased to holders of securities convertible, redeemable, exchangeable or otherwise exercisable for Cap Gemini SA shares upon exercise of the rights attached thereto, in accordance with the applicable Stock Exchange regulations;
- to purchase shares to be retained with a view to remitting them in future in exchange or payment for potential external growth transactions;
- to award shares to employees and corporate officers (on the terms and by the methods provided for by law), in particular in connection with stock option plans, plans involving the allocation of shares free of consideration, or company savings plans;
- to cancel the shares thus purchased subject to adoption of the eighth resolution of the Extraordinary Shareholders' Meeting included in the agenda of this Shareholders' Meeting.

The transactions described above may be carried out by any method allowed under the applicable laws and regulations, including through the use of derivative instruments and by means of a block purchase or transfer of shares.

The share buybacks may be carried out at any time, except during the suspension periods specified in the General Regulations of the *Autorité des marchés financiers.*

The General Shareholders' Meeting resolves that the maximum purchase price for shares under the buyback program may not exceed €70 per share and that, in accordance with article L 225-209 of the French Commercial Code, the maximum number of shares that may be acquired under this resolution may not exceed 10% of the Company's issued capital as of December 31, 2006, corresponding to 14,408,180 shares. The total funds invested in the share buybacks may therefore not exceed €1,008,572,600 (€70 × 14,408,180 shares).

In the case of a capital increase paid up by capitalizing additional paid-in capital, reserves, profit or other amounts by allocating shares free of consideration during the period of validity of this authorization, as well as in the case of a stock-split or reverse stock-split, the above maximum price per share will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction.

The General Shareholders' Meeting gives full powers to the Board of Directors (including the power of delegation subject to the applicable law) to:

- implement this authorization;
- place any and all buy and sell orders and enter into any and all agreements, in particular for the keeping of registers of share purchases and sales, in accordance with the applicable Stock Exchange regulations;
- carry out any and all filings and other formalities and generally do whatever is necessary.

The Board of Directors will be required to report to the shareholders at each Annual General Meeting on all of the transactions carried out during the year under this authorization.

This authorization is given for a period of 18 months as from the date of this Shareholders' Meeting, and replaces the authorization given in the twentieth resolution adopted by the Ordinary Shareholders' Meeting of May 11, 2006.

II – RESOLUTIONS PRESENTED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING

Eighth resolution

Authorization to be given to the Board of Directors to cancel shares acquired by the Company pursuant to the seventh resolution

After hearing the report of the Board of Directors and the special report of the Statutory Auditors, the General Shareholders' Meeting authorizes the Board of Directors, with the possibility of delegating such powers, to:

- cancel – in accordance with article L.225-209 of the French Commercial Code – on one or several occasions at its sole discretion, all or some of the Capgemini shares held by the Company, provided that the aggregate number of shares cancelled in any given period of twenty-four months does not exceed 10% of the Company's capital; and to reduce the capital accordingly;
- charge the difference between the purchase price of the cancelled shares and their par value to additional paid-in capital or any distributable reserves.

The General Shareholders' Meeting gives full powers to the Board of Directors to use the authorization given in this resolution, to amend the bylaws to reflect the new capital and to carry out all necessary formalities. These powers may also be delegated.

This authorization is granted for a period of 24 months as from the date of this Shareholders' Meeting and replaces the authorization given in the twenty-first resolution adopted by the Extraordinary Shareholders' Meeting of May 11, 2006.

Ninth resolution

Authorization to be given to the Board of Directors to potentially allocate shares free of consideration (whether the shares are to be issued or are shares that have been previously bought back by the Company)

In accordance with articles L. 225-197-1 *et seq.* of the French Commercial Code, and after hearing the report of the Board of Directors and the Statutory Auditors' special report, the General Shareholders' Meeting:

- authorizes the Board of Directors, on one or several occasions, to allocate, free of consideration, existing shares or shares to be issued, to employees or corporate officers of the Company and/or companies or economic interest groups that are related to it under the conditions set out in article L 225-197-2 of the French Commercial Code, or to certain categories of such employees or corporate officers;
- resolves that, without prejudice to the effect of the adjustments mentioned below, the total number of shares allocated without consideration may not exceed 0.5% of the Company's share capital (i.e. 720,000 shares);
- resolves that the allocation of the shares to their beneficiaries shall only be definitive at the end of a minimum vesting period of 2 years as from the allocation of such shares by the Board of Directors. However, the shares may be definitively allocated in the event of death or incapacity of a beneficiary, corresponding to Category 2 or 3 disability as defined in article L. 341-1 of the French Social Security Code;
- sets the minimum period for retention of the shares by their beneficiaries at 2 years as from their definitive allocation. However, no minimum retention period is required in the event of death or incapacity of a beneficiary, corresponding to the above-mentioned categories under the French Social Security Code;
- notes that, as an exception to the above minimum retention period, for shares allocated to corporate officers who fall within the scope of article L.225-197-1, II paragraph 4 of the French Commercial Code, the Board of Directors may decide that the shares may not be transferred by the beneficiaries before the termination of their duties, or may set the quantity of shares that said officers will be required to hold in registered form until the termination of their duties;
- notes that if the allocation concerns shares to be issued, this authorization will automatically entail the waiver of shareholders' pre-emptive rights to purchase such shares;
- gives powers to the Board of Directors to implement this authorization, and in particular:
  - to define the terms and conditions for the issue(s) and, in such an event, the criteria for allocating the shares and defining the beneficiaries thereof;
  - to decide, in the event that transactions are carried out during the vesting period that affect the Company's issued capital, whether or not to adjust the number of the shares allocated in order to protect the rights of the beneficiaries and, if appropriate, define the terms and conditions of such adjustment;
  - to draw any amount from the reserves and/or additional paid-in capital of the Company in order to carry out the capital increase or increases following the definitive allocations of shares to be issued, to set the entitlement dates applicable to the new shares, and to amend the bylaws accordingly;
  - to carry out all formalities and, more generally, to do whatever is necessary.

This authorization is given for a period of 38 months as from the date of this General Shareholders' Meeting.

Tenth resolution

Updating of the bylaws further to Decree no. 2006-1566 of December 11, 2006

The General Shareholders' Meeting resolves to amend the third, fourth, fifth and sixth paragraphs of article 19 of the Company's bylaws (relating to Annual General Meetings) to read as follows:

"General Shareholders' Meetings shall be called by the Board of Directors.
They shall be held either at the Company's registered office or at any other premises in the same "département" or an adjoining "département", as specified in the notice of meeting.

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 ownership of the shares. Ownership of the shares is evidenced by an entry in the Company's share register in the name of the shareholder (or of the intermediary acting on their behalf if they are domiciled outside France), or in the register of bearer shares held by the applicable authorized intermediary. Such entries must be recorded by 12:00 a.m. (Paris time) on the third working day preceding the Meeting and any related notices must be filed at the address indicated in the notice of meeting.
In the case of bearer shares, the authorized intermediary shall provide a certificate of participation for the shareholders concerned.

Shareholders who have informed the Company that they wish to participate in a Meeting in person, by proxy or by casting a postal vote may not alter their method of participation. However, attendance at a Meeting by a shareholder in person shall cancel any proxy or postal votes cast.

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

Where a shareholder has given proxy to a third party and has also sent in a postal voting form, if there is any difference in the two votes, the postal vote will be taken into account and the proxy ignored.

General Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or in his absence, by a director specially authorized for this purpose by the Board of Directors. If such a director has not been appointed to chair the meeting, the General Shareholders' Meeting itself shall appoint a chairman.

Minutes of General Shareholders' Meetings shall be drafted and copies certified and distributed in accordance with the law."

Eleventh resolution

Powers to carry out formalities

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

SPECIFIC INFORMATION

Company name and head office

Name: Cap Gemini
Head office: 11, rue de Tilsitt, 75017 Paris, France

Legal form and governing law

The company is a "société anonyme" governed by the French Companies Act of July 24, 1966 (Law no. 66-537) and Decree no. 67-236 of March 23, 1967 (modified by Decree no. 2006-1566 of December 11, 2006).

Date of incorporation and term
The Company was incorporated on September 17, 1984. It was registered on October 4, 1984.

The Company was set up for a period of ninety-nine years from the date of its registration. It may be wound up in advance or have 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 in managing and developing their businesses by providing them with the benefit of its knowledge of their industry, its know-how in the area of business process engineering and re-engineering, and its expertise in the area of information technologies.

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

1. Management consulting

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

2. Information systems development

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

3. Outsourcing

The Company manages all or part of its clients' IT resources on their behalf. Where requested by clients, 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 clients' own clientele. In addition, it may work in partnership with clients within a structure conducting all or some of these activities.

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

- create specialist subsidiaries or acquire interests in the capital of other companies and manage their business in exchange for a fee. Management services include the provision of technical, marketing, legal and financial assistance, promotion of a consistent image, organization of financial structures, assistance in negotiations to help these companies win new contracts, training, research and development support, etc.,
- invest and manage the Company's available funds, make cash advances, and provide any and all guarantees or collateral on behalf of subsidiaries and affiliates,
- obtain or acquire and use any and all patents and manufacturing processes and sell, contribute or license any such patents and processes.

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

Incorporation details

The Company is registered with the Paris Companies Registry (Registre du Commerce des Sociétés) under number 330 703 844. APE business identifier code: 741 J.

Consultation of legal documents

Documents relating to the Company, including the bylaws, the financial statements, the reports of the Board of Directors (or the Directoire, from May 24, 1996 through May 23, 2000) to the General Shareholders' Meetings, and the Statutory Auditors' reports are available for consultation at the Company's head office at 11, rue de Tilsitt, 75017 Paris, France.

Fiscal year

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

Appropriation and distribution of earnings

The General Shareholders' Meeting has sole discretionary powers to decide the appropriation of distributable income, as defined by French company law. Consequently, the General Shareholders'

Meeting may decide to appropriate all or part of distributable earnings to revenue reserves, special reserves or retained earnings, or to distribute all or part of the amount to shareholders.

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

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

General Shareholders' Meetings

Shareholders may participate in Meetings in person, by proxy or by casting a postal vote, subject to submitting evidence of their identity and ownership of the shares. Ownership of the shares is evidenced by an entry in the Company's share register in the name of the shareholder (or of the intermediary acting on their behalf if they are domiciled outside France), or in the register of bearer shares held by the applicable authorized intermediary. Such entries must be recorded by 12:00 a.m. (Paris time) on the third working day preceding the Meeting and any related notices must be filed at the address indicated in the notice of meeting.

Shareholders who have informed the Company that they wish to participate in a Meeting in person, by proxy or by casting a postal vote may not alter their method of participation. However, attendance at a Meeting by a shareholder in person shall cancel any proxy or postal votes cast.

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

Where a shareholder has given proxy to a third party and has also sent in a postal voting form, if there is any difference in the two votes, the postal vote will be taken into account and the proxy ignored.

Disclosure thresholds

The Extraordinary Shareholders' Meeting of April 25, 2002 added specific disclosure obligations to the Company's bylaws. The bylaws now state that shareholders are required to notify the Company if their interest in the Company's capital or voting rights is increased to above or reduced to below 1% or any multiple thereof. In the event of failure to comply with these disclosure rules, at the request of one or several shareholders with combined holdings representing at least 1% of the Company's capital or voting rights, the undisclosed shares will be stripped of voting rights. Said sanction will apply for all General Shareholders' Meetings for a period of two years from the date on which the failure to disclose is rectified. Said request and the decision of the General Shareholders' Meeting must be recorded in the minutes of the Meeting.

Shareholder identification

The Company is authorized to obtain details of identifiable holders of bearer shares.

The Extraordinary Shareholders' Meeting of April 25, 2002 added a new article to the Company's bylaws according to which the Company may request from the share transaction clearing organization, the name, address, nationality and year of birth for an individual or the name, address and date of registration for a Company, of any holders of shares and securities convertible, exchangeable, redeemable or otherwise exercisable for shares carrying voting rights at General Shareholders' Meetings. The Company may also obtain details of how many shares are held by each shareholder and any applicable restrictions on said shares.

Voting rights

The voting right attached to shares is proportionate to the capital represented by the shares. All shares have the same par value and they therefore all carry one voting right.
No shares have double voting rights.
There are no bonus shares. All registered and bearer shares carry one voting right each.

Changes in share capital and related rights

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

SHARE CAPITAL

Amount of capital

As of December 31, 2006, the Company's share capital amounted to €1,152,654,464, represented by 144,081,808 fully paid-up common shares with a par value of €8.

Shares may be issued in either registered or bearer form, at the shareholder's discretion.

Financial authorizations

Financial authorizations currently applicable

The Combined Shareholders' Meeting of May 11, 2006 authorized the Board of Directors to carry out various transactions in respect of the Company's capital. Under the authorizations the Board of Directors may increase capital by a maximum nominal amount of €450 million (excluding capital increase through capitalization of retained earnings or reserved for employees) and carry out issues for an aggregate amount of €3 billion, subject to the following ceilings:

Type of securities	Maximum amount *(in euros)*	Date of authorization	Expiry date of authorization
Common shares paid up by capitalizing retained earnings, income or additional paid-in capital	1.5 billion (nominal value)	May 11, 2006	July 11, 2008
Common shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, with PSR	450 million (nominal value) (1) 3 billion (2)	May 11, 2006	July 11, 2008
Common shares and/or other securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, without PSR (3)	200 million (nominal value) (1) 1.5 billion (2)	May 11, 2006	July 11, 2008
Common shares without PSR (French law on employee savings plans)	28 million (nominal value)	May 11, 2006	July 11, 2008

PSR = pre-emptive subscription rights

(1) Ceiling for increases in the Company's share capital (nominal value) permissible through the issuance of shares or of securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company.

(2) Overall ceiling for the issuance of securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments.

(3) Including those issued to provide payment for shares/securities tendered to a share exchange offer initiated by the Company for shares in a company listed on a regulated market, or as payment for contributions in kind to the Company of shares and/or securities. Apart from the specific ceilings set out in the table above, capital increases carried out as payment for contributions in kind are also capped at 10% of the Company's current share capital.

In the event that securities are issued without pre-emptive subscription rights, shareholders may be given a non transferable priority right to subscribe for the securities by the Board of Directors.

On November 29, 2006, the Board of Directors decided to issue shares for cash without pre-emptive subscription rights or priority subscription period for existing shareholders, further to a delegation of authority without pre-emptive subscription rights. The total amount of the issue was €507 million, represented by 11,397,310 new shares with a nominal value of €8 each (i.e., a total nominal issue amount of €91 million).

Proposed renewals of financial authorizations

Taking into consideration the fact that the delegations of authority are valid until July 11, 2008, the Board of Directors decided not propose their renewal to the Extraordinary Shareholders' Meeting of April 26, 2007 (April 10, 2007 on first call).

Share equivalents

Stock options

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

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

Summary presentation	1996 plan (plan no. 4)	2000 plan (plan no. 5)		2005 plan (plan no. 6)
Date of Shareholders' Meeting	May 24, 1996	May 23, 2000		May 12, 2005
Total number of stock options that may be subscribed	6,000,000	12,000,000		6,000,000
First options granted on:	July 1, 1996	September 1, 2000	October 1, 2001	October 1, 2005
Exercise period	6 years	6 years	5 years	5 years
Exercise price as a % of the average of prices quoted for Cap Gemini shares over twenty trading days preceding the date of grant	80%	80%	100%	100%
Exercise price per share in:				
– Minimum	-	139.00	21.00	30.00
– Maximum	-	139.00	40.00	43.00
Number of shares at December 31, 2005 that may be subscribed in respect of options previously granted and not yet exercised	559,000	10,627,300		1,915,500
Number of new options granted during the year	Plan terminated	Plan terminated		2,067,000
Number of options that lapsed or were cancelled during the year	559,000	3,188,197		112,500
Number of options exercised at December 31, 2006	-	773,838 (1)		16,555 (2)
Number of shares at December 31, 2006 that may be subscribed in respect of options granted previously that have not been exercised	-	6,665,265 (3)		3,853,445 (4)
Weighted average residual life	-	2.22		4.29

(1) At December 31, 2006, the following stock options had been exercised: 498,441 stock options granted at a price of €24; 16,300 stock options granted at a price of €40; 21,802 stock options granted at a price of €31; 206,845 stock options granted at a price of €21; and 30,450 stock options granted at a price of €27.

(2) Representing 16,555 stock options purchased at a price of €30.

(3) Representing 486,500 shares purchased at a price of €139; 892,359 shares at €24; 917,300 shares at €40; 240,101 shares at €31; 2,814,155 shares at €21; and 1,314,850 shares at €27.

(4) Representing 1,787,945 shares purchased at a price of €30 and 2,065,500 shares purchased at a price of €43.

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

In the event of the publication by Société des Bourses Françaises 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 at the option holders' discretion.

The potential number of shares to be created on the exercise of options outstanding as of December 31, 2006 amounted to 10,518,710. If all of these options were exercised at December 31, 2006 – irrespective of whether the exercise price is higher than the market price – the dilutive effect would be 6.80%.

Issuance of bonds convertible into new shares and/or exchangeable for existing Cap Gemini S.A. shares (OCEANEs)

On June 24, 2003, Cap Gemini S.A. issued bonds convertible into new shares and/or exchangeable for existing shares maturing on January 1, 2010 (OCEANE 2003) in the amount of €460 million. The 9,019,607 OCEANEs created on July 2, 2003 have a nominal value of €51 each. A prospectus concerning this bond issue was approved by the Commission des Opérations de Bourse on June 24, 2003 under number 03-607.

On June 16, 2005, Cap Gemini S.A. issued bonds convertible into new shares and/or exchangeable for existing shares, maturing on January 1, 2012 (OCEANE 2005) in the amount of €437 million. The 11,810,810 OCEANEs created on June 24, 2005 have a nominal value of €37 each. A prospectus concerning this bond issue was approved by the French Financial Markets Authority (AMF) on June 16, 2005 under number 05-564.

If these bonds were converted into new Cap Gemini shares as of December 31, 2006, the dilutive impact would be 12.63%. It should however be pointed out that the potential dilutive impact of the 2003 OCEANEs would be fully neutralized if the Company exercised its stock options acquired on June 27, 2005. In this case, the dilutive impact of the 2005 OCEANEs would be 7.58%.

Other securities giving access to the Company's capital

As of December 31, 2006, if the maximum number of potential shares was issued through the exercise of stock options, the conversion of OCEANE bonds issued in 2003 and 2005, the dilutive impact would be 17.87% (13.42% taking into account the dilutive impact of the 2005 OCEANEs only).

Changes in the Company's capital over the past five years

	Number of shares	Share capital *(in euros)*	Additional paid-in capital *(in euros)*
AS OF JANUARY 1, 2002	**125,244,256**	**1,001,954,048**	**11,771,288,329**
Dividend paid out of additional paid-in capital	-	-	(50,097,702)
Capital reduction:			
– by cancellation of shares returned by former Ernst & Young partners who have left the Group	(237,352)	(1,898,816)	(18,106,308)
Issuance of shares for cash:			
– shares issued upon exercise of stock options	472,201	3,777,608	8,653,224
AS OF DECEMBER 31, 2002	**125,479,105**	**1, 003,832,840**	**11,711,737,543**
Net loss for 2002 and losses brought forward from prior year	-	-	(5,806,779,517)
Capital reduction:			
– by cancellation of shares returned by former Ernst & Young partners who have left the Group	(41,360)	(330,880)	(1,193,207)
Increase in share capital:			
– upon the public exchange offer for Transiciel shares	5,689,304	45,514,432	156,114,502
– share issuance costs charged against additional paid-in capital	-	-	(4,675,700)
Issuance of shares for cash:			
– shares issued upon exercise of stock options	38,300	306,400	612,800
AS OF DECEMBER 31, 2003	**131,165,349**	**1,049,322,792**	**6,055,816,421**
Increase in share capital:			
– shares issued upon extension of the public exchange offer for Transiciel shares	211,129	1,689,032	5,793,380
– share issuance costs charged against additional paid-in capital	-	-	(679,180)
Issuance of shares for cash:			
– shares issued upon exercise of stock options	6,700	53,600	107,200
AS OF DECEMBER 31, 2004	**131,383,178**	**1,051,065,424**	**6,061,037,821**
Net loss for 2004 and losses for the prior year charged against additional paid-in capital	-	-	(990,396,277)
Issuance of shares for cash:			
– shares issued upon exercise of stock options	198,800	1,590,400	3,094,400
AS OF DECEMBER 31, 2005	**131,581,978**	**1,052,655,824**	**5,073,735,944**
Increase in share capital:			
– upon the public exchange offer for Transiciel shares	312,127	2,497,016	8,564,765
– share issuance costs charged against additional paid-in capital	-	-	(237,000)
Issuance of shares for cash:			
By subscription of 11,397,310 shares issued at 44.5 euros	11,397,310	91,178,480	416,001,815
– share issuance costs charged against additional paid-in capital	-	-	(8,735,175)
– shares issued upon exercise of stock options	790,393	6,323,144	12,629,847
AS OF DECEMBER 31, 2006	**144,081,808**	**1,152,654,464**	**5,501,960,196**

Current ownership structure

The ownership structure as of December 31, 2006 is presented on page 34. No shares carry double voting rights.
As of December 31, 2006, the Company held 80,280 of its own shares acquired under the liquidity contract which was set up by CA Cheuvreux. In accordance with French company law, these shares are stripped of their voting rights.

As of December 31, 2006, there were 1,506 holders of registered shares.

On the basis of the information received by the Company (on September 8 and September 12, 2006, respectively), and in the absence of any subsequent disclosures, as of December 31, 2006 Goldman Sachs Asset Management LP and Barclays plc each held, directly or indirectly, more than 5% of the share capital or rights to vote in the Shareholders' Meetings of our Company.

In accordance with article 10 of the Company's bylaws, the companies listed below made the following disclosures to the Company during the 2006 fiscal year:

- Trief Corporation SA (100%-owned by Wendel Investissement) disclosed that it had fallen below the threshold of 1% of the Company's capital and voting rights;
- Caisse Nationale des Caisses d'Epargne et de Prévoyance disclosed that it had exceeded the threshold of 1% of the Company's capital and voting rights;
- The funds managed by Arnhold and S. Bleichroeder Advisers LLC disclosed that they had fallen below the threshold of 1% of the Company's capital and voting rights;
- Caisse des Dépôts et Consignations disclosed that it had fallen below the threshold of 1% of the capital followed by 1% of the voting rights;
- Société Générale Group disclosed that it had successively fallen below the thresholds of 4%, then 3%, then 2% of the capital and voting rights, and had subsequently successively exceeded and then fallen below the threshold of 3% of the Company's capital and voting rights;
- UBS Global Asset Management disclosed that it had fallen below the threshold of 1% of the Company's capital and voting rights;
- UBS Investment Bank disclosed that it had successively fallen below the threshold of 1%, and then exceeded the thresholds of 1%, then 2%, then fell below the thresholds of 2%, then 1% and finally exceeded the threshold of 1% of the capital and voting rights.

Shares held by members of the Board of Directors represent 4.3% of the Company's capital.

Changes in ownership structure over the last three years

	As of December 31, 2004			As of December 31, 2005			As of December 31, 2006		
	Number of shares	% interestl	% voting rights	Number of shares	% interestl	% voting rights	Number of shares	% interestl	% voting rights
Wendel Investissement	3,118,514	2.4	2.4	2,068,514	1.6	1.6	NS	NS	NS
Serge Kampf	6,819,947	5.2	5.2	6,121,641	4.6	4.6	5,951,641	4.1	4.1
Paul Hermelin	140,048	0.1	0.1	140,048	0.1	0.1	140,048	0.1	0.1
Public (1) (bearer + registered)	121,292,429	92.3	92.3	123,165,891	93.6	93.7	137,909,839	95.8	95.8
Treasury stock (2)	12,240	0.0	0.0	85,884	0.1	0	80,280	NS	NS
Own shares	-	-	-	-	-	-	-	-	-
TOTAL	131,383,178	100.0	100.0	131,581,978	100.0	100.0	144,081,808	100.0	100.0

(1) Including capital held by managers, particularly those who have exercised stock options in the past and retained their shares, as well as shares received in May 2000 by former Ernst & Young Consulting partners who became Group employees after the acquisition of the Ernst & Young Consulting businesses.
(2) As of December 31, 2006, the Company held 80,280 of its own shares which were acquired under the liquidity contract set up by CA Cheuvreux. These shares are stripped of voting rights in accordance with the law.
The Company does not hold any "own shares" other than those classified as treasury stock.

Based on a study carried out on December 29, 2006, the Company has 87,793 identifiable holders of bearer shares holding at least 10 shares.

No shares carry double voting rights.

Shareholders' agreements

There are no shareholder pacts or agreements in force.

CORPORATE GOVERNANCE

To avoid repetition, please refer to Chapter I of the Chairman's Report for further details.

Board of Directors

- Members: 11 directors
  - Directors:
    - Serge KAMPF, *Chairman*
    - Daniel BERNARD
    - Yann DELABRIÈRE
    - Jean-René FOURTOU
    - Paul HERMELIN, *CEO*
    - Michel JALABERT
    - Phil LASKAWY
    - Thierry de MONTBRIAL
    - Ruud van OMMEREN
    - Terry OZAN
    - Bruno ROGER

After extensive examination of their personal situations, the 7 directors whose names have been underlined were considered by the Board as being "independent".

- Term of office: 4 years.

  Given that the Shareholders' Meeting of May 11, 2006 decided, in response to the proposal of the Board of Directors, to reduce the term of office of directors of the Company from 6 years to 4 years (with this measure being applied immediately to the current terms of office),
  - the term of office of Mr. Daniel Bernard and that of Mr. Thierry de Montbrial, directors appointed by the Shareholders' Meeting of May 12, 2005, will end on the date of the Ordinary Shareholders' Meeting which will be convened in spring 2009 to approve the financial statements of the year ending December 31, 2008,
  - the terms of office of Messrs. Yann Delabrière, Jean-René Fourtou, Paul Hermelin, Michel Jalabert, Serge Kampf, Phil Laskawy, Ruud van Ommeren, Terry Ozan and Bruno Roger, renewed by the Shareholders' Meeting of May 11, 2006, will end on the date of the Ordinary Shareholders' Meeting which will be convened in spring 2010 to approve the financial statements of the year ending December 31, 2009.

- Minimum number of shares:

  Each director must personally hold at least 100 shares in the Company. Non-voting directors are not subject to this obligation.

- Meetings:
  - 6 times per year at the registered office of the Company in Paris (or at any other venue stated in the notice of meeting).
  - Attendance rate in 2006: 87% (the Board met 8 times in 2006).

Non-voting membership

- Members: 3 non-voting members
  - Pierre HESSLER
  - Marcel ROULET
  - Geoff UNWIN
- Term of office: 2 years.

  Given that the Shareholders' Meeting of May 11, 2006 decided, in response to the proposal of the Board of Directors, to reduce the term of office of non-voting directors of the Company from 6 years to 2 years (with this measure being applied immediately to the current terms of office),
  - the term of office of Mr. Marcel Roulet, non-voting director appointed by the Shareholders' Meeting of May 12, 2005, will end on the date of the Shareholders' Meeting of April 26, 2007 (initially convened April 10, 2007),
  - the term of office of Mr. Pierre Hessler and that of Mr. Geoff Unwin, renewed by the Shareholders' Meeting of May 11, 2006, will end on the date of the Ordinary Shareholders' Meeting which, in spring 2008, will be convened to approve the financial statements of the year ending December 31, 2007.

Rules of Procedure

The Board has established Rules of Procedure (which it amended on July 26, 2006), principally in order to lay down the breakdown of tasks between the Board itself, the Committees set up by (and within) the latter, the Chairman and the CEO. It also provides the list of obligations that directors and non-voting members shall undertake to abide by.

Specialized Committees

The general purpose of such Committees is to examine or to prepare certain resolutions involving their particular areas of expertise, to draft proposals and to transmit viewpoints or recommendations to the Board with regard to any decisions to be made. They have no decision-making authority – decisions being taken by the Board of Directors, meeting according to the requisite procedure – and may not treat subjects outside their own fields of competence.

There are four such Committees:

- Audit Committee
  - Chairman: Yann Delabrière
  - Other Directors: Michel Jalabert, Phil Laskawy and Marcel Roulet (non-voting director)
  - Meetings: 6 in 2006, with an attendance rate of 89%
- Appointments and Remuneration Committee
  - Chairman: Ruud van Ommeren
  - Other Directors: Michel Jalabert, Thierry de Montbrial, Terry Ozan and Pierre Hessler (non-voting director)
  - Meetings: 6 in 2006, with an attendance rate of 86%
- Ethics and Corporate Governance Committee
  - Chairman: Serge Kampf
  - Other Directors: Daniel Bernard, Paul Hermelin, Phil Laskawy and Bruno Roger
  - This committee, which was created in the second half of 2006, did not hold any official meetings in 2006.
- Strategy and Investment Committee
  - Chairman: Jean-René Fourtou
  - Other Directors: Daniel Bernard, Paul Hermelin, Thierry de Montbrial, Bruno Roger and Geoff Unwin (non-voting director)
  - Meetings: 4 in 2006, with an attendance rate of 78%

List of Directorships and other offices held by members of the Board of Directors

Directorships and other offices held by the 11 voting members of the Board of Directors in 2006 are as follows:

MEMBERS OF THE BOARD	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2006 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Serge KAMPF Date of birth: October 13, 1934	2000-2009	Principal office: Chairman of the Board of Directors of: • CAP GEMINI S.A. Other offices: Chairman of: • Capgemini Service S.A.S. • Capgemini Suisse S.A. Director of: • Capgemini North America Inc. (U.S.A.) • SANOFI-AVENTIS S.A. Member of the Selection, Remuneration and Corporate Governance Committee of: • SANOFI-AVENTIS S.A. Number of shares held as of December 31, 2006: 5,951,641	Member of the Supervisory Board and Chairman of the Selection and Remuneration Committee of: • AVENTIS
Daniel BERNARD Date of birth: February 18, 1946	2005 -2008	Principal office: Chairman of: • PROVESTIS Other offices: Vice-Chairman of the Board of Directors of: • KINGFISHER Director of: • ALCATEL LUCENT • CAP GEMINI S.A. Number of shares held as of December 31, 2006: 150	Chairman and Chief Executive Officer of: • CARREFOUR Director of: • SAINT-GOBAIN

* At the date of the Shareholders' Meeting held to approve the financial statements of the year concerned.

MEMBERS OF THE BOARD	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2006 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Yann DELABRIÈRE Date of birth: December 19, 1950	2004-2009	<u>Principal office:</u> Chairman and Chief Executive Officer of: • FAURECIA <u>Other offices:</u> <u>Director of:</u> • CAP GEMINI S.A. <u>Number of shares held as of December 31, 2006:</u> 800	Member of the Executive Committee and Chief Financial Officer of: • PSA PEUGEOT CITROËN Chairman and Chief Executive Officer of: • BANQUE PSA FINANCE • CREDIPAR (Compagnie Générale de Crédit aux Particuliers) Chairman of the Supervisory Board of: • PEUGEOT FINANCE INTERNATIONAL NV Chairman of the Board of Directors of: • PEUGEOT CITROËN ARGENTINA • PERGOLESE INVESTISSEMENTS Vice-Chairman and Mananing Director of: • PSA INTERNATIONAL Director of: • PEUGEOT CITROËN AUTOMOBILES • AUTOMOBILES CITROËN • GEFCO Manager (Gérant) of: • GIE PEUGEOT CITROËN Finance et Comptabilité (Belgium) • PSA Services S.R.L. (Italy)
Jean-René FOURTOU Date of birth: June 20, 1939	2002-2009	<u>Principal office:</u> Chairman of the Supervisory Board of: • VIVENDI <u>Other offices:</u> Chairman of the Supervisory Board of: • GROUPE CANAL+ Vice-chairman and member of the Supervisory Board of: • AXA Member of the Supervisory Board of: • MAROC TELECOM Director of: • CAP GEMINI S.A. • SANOFI-AVENTIS S.A. • AXA MILLESIMES S.A.S • NBC UNIVERSAL INC. (USA) • NESTLE (Switzerland) Member of the Selection, Remuneration and Corporate Governance Committee of: • SANOFI-AVENTIS S.A. Honorary Chairman of: • THE INTERNATIONAL CHAMBER OF COMMERCE <u>Number of shares held as of December 31, 2006:</u> 4,000	Chairman of the Supervisory Board of: • VIVENDI ENVIRONNEMENT Vice-chairman of the Supervisory Board and Member of the Strategic Committee of: • AVENTIS Chairman and Chief Executive Officer of: • VIVENDI UNIVERSAL Director of: • PERNOD • RHODIA • AXA FINANCIAL • THE EQUITABLE LIFE ASSURANCE • E.A.D.S. • SCHNEIDER

* At the date of the Shareholders' Meeting held to approve the financial statements of the year concerned.

MEMBERS OF THE BOARD	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2006 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Paul HERMELIN Date of birth: April 30, 1952	2000-2009	Principal offices: Director and Chief Executive Officer of: • CAP GEMINI S.A. Chief Executive Officer *of Capgemini Group* Other offices: Chairman of: • Capgemini France S.A.S. • CAP SOGETI 2005 S.A.S. • CAP SOGETI FRANCE 2005 S.A.S. • SOGETI FRANCE 2005 S.A.S. • Capgemini North America Inc. (U.S.A.) • Capgemini Holding Inc. (U.S.A.) • Capgemini Energy GP LLC (USA) Chief Executive Officer of: • Capgemini Service S.A.S. • Capgemini North America Inc. (U.S.A.) Director of: • Capgemini America, Inc. (USA) • Capgemini US LLC (USA) • Cgs Holdings Ltd (UK) • SOGETI (Belgium) • Capgemini Australia Pty Ltd Member of the Supervisory Board of: • Capgemini N.V. Number of shares held as of December 31, 2006: 140,048	Nil
Michel JALABERT Date of birth: January 20, 1933	2000-2009	Principal office: Director of: • CAP GEMINI S.A. Other offices: Nil Number of shares held as of December 31, 2006: 425	Nil

* At the date of the Shareholders' Meeting held to approve the financial statements of the year concerned.

MEMBERS OF THE BOARD	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2006 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Phil LASKAWY Date of birth: March 31, 1941	2002-2009	Principal offices: Director of: • CAP GEMINI S.A. • GENERAL MOTORS CORPORATION Other offices: Director of: • HENRY SCHEIN, INC. • LOEWS CORPORATION • THE PROGRESSIVE CORPORATION Number of shares held as of December 31, 2006: 7,600	Chairman and Chief Executive Officer of: • ERNST & YOUNG Director of: • THE GOODYEAR TIRE & RUBBER Company • HEIDRICK & STRUGGLES International, Inc.
Thierry de MONTBRIAL Date of birth: March 3, 1943	2005-2008	Principal office: Founder and Chief Executive Officer of: • L'INSTITUT FRANÇAIS DES RELATIONS INTERNATIONALES (IFRI) Other offices: Chairman of: • CENTRE FRANCO-AUTRICHIEN POUR LE RAPPROCHEMENT ÉCONOMIQUE EN EUROPE Professor of Applied Economics and International Relations at: • CONSERVATOIRE NATIONAL DES ARTS ET MÉTIERS Member of: • L'INSTITUT DE FRANCE (ACADÉMIE DES SCIENCES MORALES ET POLITIQUES) Number of shares held as of December 31, 2006: 100	Director of: • SOCIETE DU LOUVRE
Ruud van OMMEREN Date of birth: September 11, 1936	2000-2009	Principal office: Director of: • CAP GEMINI S.A. Other offices: Chairman of the Supervisory Board of: • Capgemini N.V. • GAK ONROEREND GOED V.O.F. • DELFTS INSTRUMENTS N.V. Member of the Supervisory Board of: • WILLEM VAN RIJN B.V. • KONINKLYKE GROLSCH N.V. Number of shares held as of December 31, 2006: 100	Member of the Supervisory Board of: • GTI N.V. • ANWB Member of: • NATIONAL CIVIL LIBERTIES PROTECTION COMMITTEE IN THE NETHERLANDS

* At the date of the General Shareholders' Meeting held to approve the financial statements of the year concerned.

MEMBERS OF THE BOARD	FIRST APPOINTMENT AND EXPIRY* OF TERM OF OFFICE	OFFICES HELD IN 2006 AND TODAY	OTHER OFFICES HELD DURING THE LAST FIVE YEARS OUTSIDE THE GROUP
Terry OZAN Date of birth: July 21, 1946	2000-2009	Principal office: Director of: • CAP GEMINI S.A. Other offices: Director of: • NOTEWORTHY MEDICAL SYSTEMS, INC. • COHESANT TECHNOLOGIES, INC. Member of the Strategy Committee of: • STATE INDUSTRIAL PRODUCTS Number of shares held as of December 31, 2006: 24,300	Director of: • KANISA Corporation
Bruno ROGER Date of birth: August 6, 1933	2000-2009	Principal office: Chairman of: • LAZARD FRERES S.A.S. Other offices: Chairman of: • GLOBAL INVESTMENT BANKING of LAZARD Director of: • CAP GEMINI S.A. Non-voting Director of: • EURAZEO Number of shares held as of December 31, 2006: 20,226	Member of the Supervisory Board of: • AXA • PINAULT PRINTEMPS REDOUTE Director of: • COMPAGNIE DE SAINT-GOBAIN • THALES

* At the date of the General Shareholders' Meeting held to approve the financial statements of the year concerned.

As far as the Company is aware, none of the current members of the Board of Directors:
– has been sentenced for fraud at any time during the last five years;
– has been involved in bankruptcy, receivership or liquidation at any time during the last five years;
– has been subject to any form of official public sanction and/or criminal liability, pronounced by a statutory or regulatory authority (including any form of professional organization, as designated);
– has been prevented by the courts from acting as a member of a governing body, supervisory board or board of directors, or from acting for purposes of managing or leading the business of an issuer at any time during the last five years.

As far as the Company is aware, there has been no:
– conflict of interest, among the members of the Board of Directors, between their duties towards Capgemini and their private interests and/or any other duties;
– service contract binding the members of the Board of Directors of Cap Gemini S.A. or any of its subsidiaries whatsoever, granting any advantages at the term thereof.

DIRECTORS' INTERESTS

This information is provided in paragraph 4.10 of the Management Report presented to the Board of Directors at the Combined Ordinary and Extraordinary Shareholders' Meeting of April 26, 2007 (April 10, 2007 on first call).

Regulated agreements

In the year ended December 31, 2006, the Board of Directors authorized two agreements falling within the scope of article L.225-38 of the French Commercial Code:

- a guarantee contract was signed notably with Lazard Frères Banque SA with respect to the offer and placement of shares to be issued under the proposed capital increase;
- two directors were included in the list of beneficiaries of the collective defined benefit pension plan set up by the Company in favor of senior management executives that have made a significant long-term contribution to the development of the Cap Gemini group.

Loans and guarantees given to directors of the Company

None.

EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

Profit-sharing and incentive plan agreements

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

Stock options

Stock options granted by Cap Gemini S.A. to the top ten employee grantees (non-directors) receiving the highest number of options granted and the number of options exercised by the ten non-director employees with the highest number of shares subscribed in this manner are as follow:

	Total number of options granted//shares subscribed	Weighted average exercise price *(in euros)*	Plan
Options granted during the year to the ten employees of all companies included in the scope of the option allocation, with the highest number of options granted in this manner	200,000	43.00	Plan No. 6
Options exercised during the year by the ten employees of all companies included in the scope of the option allocation, with the highest number of shares subscribed in this manner	125,650	23.34	Plan No. 5 and No. 6

GROUP MANAGEMENT STRUCTURE

The Group's operational management structure is organized as follows:

- The Executive Committee (*) has 9 members (1):

Paul Hermelin	Chief Executive Officer
Henk Broeders	Continental Europe and Asia-Pacific
Pierre-Yves Cros	Strategy
Philippe Donche-Gay	Western Europe and TS Global Coordination
Alain Donzeaud	General Secretary & Human Resources
Nicolas Dufourcq	Deputy CEO - Chief Financial Officer
Philippe Grangeon	Communications
Luc-François Salvador	Local Professional Services (Sogeti)
Paul Spence	Outsourcing

- Other Group directors

Didier Bonnet	Telecom, Media & Entertainment sector
Philippe Christelle	Internal Audit
Lany Cohen(*)	North America CS/TS
Stanislas Cozon	Public Sector
Jean-Pierre Durant des Aulnois	Operational Control
Hubert Giraud	Business Process Outsourcing
Bernard Helders	Manufacturing, Retail & Distribution sector

François Hucher(*)	Quality and Production
Ian Jordan	"I³" Transformation Program Manager
Bertrand Lavayssière	Financial Services Sector
Colette Lewiner	Marketing and Energy & Utilities Sector
Patrick Nicolet(*)	Sales
Salil Parekh(*)	Coordination Capgemini – Kanbay in India
Baru Rao	Capgemini India
Antonio Schnieder(*)	Global Coordination Consulting (CS)
Raymond J. Spencer(*)	Chairman and CEO Kanbay International

(1) The role and function of this committee are described in the Report of Chairman (section 3.2.1).
(*) Members of the G.M.B. (Group Management Board) of which the 9 members of the Executive committee are also members.

PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

Statutory Auditors:

- PricewaterhouseCoopers Audit
  63, rue de Villiers, 92208 NEUILLY-SUR-SEINE,
  represented by Bernard RASCLE
  First appointed at the Ordinary Shareholders' Meeting of May 24, 1996.
  Current term expiring at the close of the Shareholders' Meeting to be called to approve the 2007 financial statements.

- KPMG S.A.
  Immeuble le Palatin, 3, cours du Triangle,
  92939 PARIS LA DÉFENSE Cedex
  represented by Frédéric QUÉLIN
  First appointed at the Ordinary Shareholders' Meeting of April 25, 2002.
  Current term expiring at the close of the Shareholders' Meeting to be called to approve the 2007 financial statements.

Substitute Auditors:

- Philippe GUEGUEN
  20, rue Garibaldi, 69006 Lyon, France
  Substitute for PricewaterhouseCoopers Audit,
  Appointed at the Ordinary Shareholders' Meeting of May 7, 2003.
  Term expiring at the close of the Shareholders' Meeting to be called to approve the 2007 financial statements.

- Guillaume LIVET
  Immeuble le Palatin, 3, cours du Triangle,
  92939 PARIS LA DÉFENSE Cedex
  Substitute for KPMG S.A.,
  Appointed at the Ordinary Shareholders' Meeting of April 25, 2002.
  Term expiring at the close of the Shareholders' Meeting to be called to approve the 2007 financial statements.

Fees paid by the Group to the Statutory Auditors and members of their networks

in thousands of euros	KPMG				PWC			
	Amount		%		Amount		%	
Audit	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Statutory audit, certification of the individual company and consolidated financial statements	2,230	2,154	58%	65%	3,190	3,433	49%	65%
Issuer	*307*	*403*	*8%*	*12%*	*463*	*488*	*7%*	*10%*
Fully consolidated subsidiaries	*1,923*	*1,751*	*50%*	*53%*	*2,727*	*2,945*	*42%*	*55%*
Other work and services directly related to the statutory audit assignment	663	495	17%	15%	586	689	9%	13%
Issuer	*443*	*359*	*11%*	*11%*	*170*	*606*	*3%*	*11%*
Fully consolidated subsidiaries	*220*	*136*	6%	4%	*416*	*83*	*6%*	*2%*
SUBTOTAL	**2,893**	**2,649**	**75%**	**80%**	**3,776**	**4,122**	**58 %**	**78%**
Other services								
Legal, tax and employee-related	811	491	21%	14%	213	244	4%	5%
Other (1)	154	190	4%	6%	2,472	956	31%	18%
SUBTOTAL	**965**	**681**	**25%**	**20%**	**2,685**	**1 200**	**42%**	**22%**
TOTAL	**3,858**	**3,330**	**100%**	**100%**	**6,461**	**5 322**	**100%**	**100%**

(1) These services essentially relate to assignments carried out with the scope of client projects and in accordance with the "SAS 70" standard. These assignments relate to sites where applications are maintained by our clients covered by the Sarbanes-Oxley Act.

PERSON RESPONSIBLE FOR INFORMATION

Nicolas DUFOURCQ
Chief Financial Officer
11, rue de Tilsitt, 75017 Paris, France
Tel.: +33 (0)1 47 54 50 00

2007 PROVISIONAL FINANCIAL CALENDAR

First quarter 2007 revenue announcement: April 26, 2007
Second quarter 2007 revenue announcement: July 27, 2007
First half 2007 results announcement: July 27, 2007
Third quarter 2007 revenue announcement: November 7, 2007
Fourth quarter 2007 revenue announcement: February 15, 2008

This provisional calendar is given for information purposes only and is subject to subsequent amendments.

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the registration document and examined the information about the financial position and the historical accounts contained therein.

The statement from the Statutory Auditors does not contain any observation."

Paul Hermelin,
Chief Executive Officer

This registration document (document de référence) was filed with the Autorité des Marchés Financiers (AMF) on April 16, 2007, pursuant to article 212-13 of the AMF's General Regulations. It may not be used in connection with a financial transaction unless it is accompanied by an Information Memorandum approved by the AMF.

In accordance with article 28 of European regulation no. 809/2004 of April 29, 2004, the following information is incorporated in this registration document by reference:

1. Relating to the year ended December 31, 2005:
   - the management report consolidated financial statements and Statutory Auyditors' report on the consolidated fnancial statements, set out in the registration document filed on April 25, 2006 under no. D. 06-0323 (pages 37 to 51 and 62 to 129 respectively).
   - the simplified parent company financial statements of Cap Gemini S.A. set out in the registration document filed on April 25, 2006 under no. D. 06-0323 (pages 130 to 132).
   - the Statutory Auditors' special report on certain related party agreements, set out in the registration document filed on April 25, 2006 under no. D. 06-0323 on page 133.

2. Relating to the year ended December 31, 2004:
   - the management report, consolidated financial statements and Statutory Auditors' report on the consolidated financial statements, set out in the registration document filed on April 27, 2005 under no. D. 05-0562 (pages 27 to 36 and 48 to 88 respectively).
   - the simplified parent company financial statements of Cap Gemini S.A. set out in the registration document filed on April 27, 2005 under no. D. 05-0562 (pages 89 to 91).
   - the Statutory Auditors' special report on certain related party agreements, set out in the registration document filed on April 27, 2005 under no. D. 05-0562 on page 92.

The information included in these two registration documents, other than that referred to above, has been replaced and/or updated where necessary, with information included in this registration document.

Copies of the registration document are available from Cap Gemini S.A., 11, rue de Tilsitt, 75017 Paris, on the website: http://investor.capgemini.com and on the website of the AMF: www.amf-france.org

CROSS-REFERENCE TABLE

To facilitate reading the annual report filed as a registration document (document de référence), the table below provides the key information required under Commission Regulation (EC) No 809/2004 dated April 29, 2004.

N/A: Not applicable.