June 30, 2005

INTERIM REPORT

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FINANCIAL HIGHLIGHTS

(in millions of euros)	Consolidated financial statements	
	First-half 2004	**First-half 2005**
REVENUES	**2,965**	**3,472**
OPERATING EXPENSES	3,009	3,410
OPERATING MARGIN		
- Amount	**(44)**	**62**
- %	(1.5)%	1.8%
OPERATING PROFIT/(LOSS)		
- Amount	**(120)**	**123**
- %	(4.0)%	3.5%
PROFIT/(LOSS) FOR THE PERIOD	**(157)**	**58**
NET MARGIN (%)	(5.3)%	1.7%
EARNINGS/(LOSS) PER SHARE		
- **Adjusted average number of shares**	132,290,268	132,669,877
- Diluted attributable earnings/(loss) per share (in euros)	(1.19)	0.43
NET CASH AND CASH EQUIVALENTS at June 30	**(125)**	**498**
TOTAL NUMBER OF EMPLOYEES at June 30	**55,171**	**59,190**

INTERIM FINANCIAL REVIEW

FIRST-HALF 2005 BUSINESS REVIEW

The marked upturn in growth in second-half 2004 was confirmed during first-half 2005. Like-for-like revenues (constant Group structure and exchange rates) were up 20.8% compared to first-half 2004 (up 17.1% based on published figures), and by 8.8% compared to second-half 2004.
First-half orders came in at €3,174 million. This figure was down on the previous two halves when the order book was bolstered by the signing of two new major outsourcing contracts: TXU in the first half and Schneider in the second. Orders for the Group's technology and consulting services stood at €2,415 million for the six months to June 30, 2005, significantly higher than in second-half 2004 (€2,177 million, excluding the part included in outsourcing mega deals), and on a par with the first-half 2004 showing.

Operating margin[1] calculated in accordance with new IFRS standards came in at 1.8%, yielding €62 million. This rate was up 3.3 points compared with first-half 2004, when it stood at a negative 1.5%.

Operating profit[2] totaled €123 million compared to a €120 million operating loss in first-half 2004. Restructuring costs of €77 million were largely offset by gains on disposals.

Net attributable profit for the six months to June 30, 2005 came in at €58 million, after allowing for net interest expense of €9 million and total income tax expense of €56 million.

The workforce numbered 59,190 at June 30, 2005, compared to 59,324 at January 1, 2005.

REVIEW OF OPERATIONS BY BUSINESS

The **Outsourcing** business posted growth of 64% as the three major contracts signed by the Group in 2004 (Inland Revenue, TXU and Schneider) came on stream. Overall, Outsourcing accounted for 36% of Group business during first-half 2005.
The start-up phases of the major contracts drove down overall profitability, leading to a negative operating margin of 1.8%. Owing to the boost received on account of these major contracts in 2004, the order book is predictably weaker than in the year-earlier period.

The **Consulting** business, which accounted for 14% of first-half revenues, slipped back slightly on first-half 2004, but recorded moderate growth of 2.0% compared with second-half 2004, against a background of relatively stable prices. Operating margin was positive, although it remained low at 1.3%, due to the dilutive impact of losses in the North American Consulting business.

The **Technology** business, which accounted for 34% of first-half revenues, expanded 6.7% on first-half 2004, and 8.9% compared to the six months to December 31, 2004. Underlying growth is even stronger since major outsourcing contracts often include system integration and sometimes consulting services. Operating margin for this business came in at 3.1%.

The **Local Professional Services** business, which accounted for 16% of first-half revenues, advanced 8.4% on the year-earlier period, reflecting both an improvement in staff utilization rates and a slight upward trend in sales prices. Operating margin, at 7.5%, remains the strongest of the Group's four businesses.

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[1] Operating margin, defined as the difference between revenues and operating expenses, is the key performance indicator for Group activity. Operating expenses are the total of: the cost of services rendered (expenses incurred during project delivery), selling expenses and general and administrative expenses.

[2] Operating profit is obtained by deducting from operating margin other income and expense, which include the charge resulting from the deferral of the fair value of stock options granted to employees, as well as non-recurring expenses and income.

Review of operations by geographical area

	% of total revenues	Growth* versus H1 2004	Operating margin	
			H1 2004	H1 2005
UNITED KINGDOM AND IRELAND	25%	+64.7%	-2.2%	**+3.2%**
FRANCE	24%	+11.1%	+2.5%	**+3.5%**
BENELUX COUNTRIES	13%	+12.9%	+5.5%	**+8.8%**
GERMANY AND CENTRAL EUROPE	6%	+12.6%	+2.7%	**+5.9%**
NORDIC COUNTRIES	6%	+22.4%	-2.7%	**+5.5%**
SOUTHERN EUROPE	5%	+2.0%	-6.2%	**+1.9%**
ASIA-PACIFIC	1%	-4.5%	-1.8%	**+0.9%**
NORTH AMERICA	20%	+8.9%	-6.0%	**-6.6%**

*on a like-for-like basis.

The Group posted a sharp rise in revenues in its European and Asia-Pacific operations. On a like-for-like basis, revenues advanced 24.1% compared to first-half 2004, and by 10.7% compared to second-half 2004. This strong revenue performance came hand in hand with a sharp upturn in the operating margin reported by Technology and Consulting businesses. The Outsourcing business also showed a marked rise in operating margin, with the exception of France, where, as expected, the start-up phase of the Schneider contract had a negative impact on results.

In the US, the ramp-up of the TXU contract triggered an upsurge in the Outsourcing business, while Local Professional Services reported sustained growth. While the Technology and Consulting businesses remained below the levels posted in first-half 2004, they did stabilize on the prior period figures. Operating margin in North America slipped from minus 6.0% to minus 6.6%, with the negative impact of the TXU contract start-up concealing the genuine progress reported by the other operations.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

Revenues for first-half 2005 came in at €3,472 million versus €2,965 million in first-half 2004, a rise of 17.1% based on published figures, and 20.8% on a like-for-like basis.

Operating margin of 1.8% yielded a €62 million profit, compared to a €44 million loss in first-half 2004. The upsurge in the Outsourcing business, where costs run particularly high during contract start-up phases, drove down the margin. However, this negative impact was offset by a sharp improvement in staff utilization rates and productivity within the Consulting and Technology businesses.
Despite increased revenues, total selling expenses and general and administrative expenses contracted by more than 12%.

Other income and expense came in at €61 million in first-half 2005, compared to a negative showing of €76 million in first-half 2004. This change essentially reflects:

- restructuring costs, which rose €10 million on first-half 2004 to €77 million. These related to staff cuts, mainly in North America and France, and to real estate streamlining efforts in North America,
- a €138 million gain realized during first-half 2005 on the sale to Accenture of the Group's Healthcare business in North America for €123 million, as well as the disposal of the 25.22% stake in IS Energy in Germany for €15 million,
- a €5 million gain on the sale of the finance lease concerning the Behoust site, which housed the Group's University until the new Fontaines site opened in 2003 at Gouvieux,
- a €4 million expense related to stock options granted.

Operating profit stood at €123 million compared to a loss of €120 million in first-half 2004.

Net interest expense came in at a leaner €9 million in first-half 2005, compared to €26 million in first-half 2004, reflecting:

- the impact of the measurement at fair value of an interest rate swap taken out on the convertible debenture loan issue of June 23, 2003, accounting for two-thirds of the above amount,
- the reduction of finance costs, particularly bank interest expense, accounting for the remaining part.

Income tax expense, which stood at €56 million at June 30, 2005, includes:

- deferred taxes, notably the utilization of deferred tax assets previously recognized on the tax losses of the French tax group, for a total of €30 million,
- current income tax expense. This included tax payable on profits, especially Canada (€5 million) and the Netherlands (€5 million), and minimum tax assessments for €4 million, mainly in the US and Italy.

Net profit came to €58 million in first-half 2005, against a loss of €157 million in first-half 2004. At June 30, 2005, diluted earnings per share were €0.43 based on 132,669,877 shares, versus a diluted loss per share of €1.19 at June 30, 2004 based on 132,290,268 shares.

CONSOLIDATED BALANCE SHEET

At June 30, 2005, consolidated equity including minority interests stood at €2,879 million, a €91 million increase compared with equity at December 31, 2004. This reflects:

- net profit for the period, totaling €58 million,
- the value of the equity component of the OCEANE 2005 bonds issued on June 16, 2005, amounting to €26 million,
- the acquisition of a purchase option aimed at neutralizing in full the potential dilutive impact of the OCEANE 2003 bonds issued on June 24, 2003, for €16 million,
- an increase of €23 million in cumulative translation adjustments.

Non-current assets totaled €3,366 million at June 30, 2005, a decrease of €9 million on December 31, 2004. This decrease can be broken down as follows:

- a €15 million increase in intangible assets, due mainly to the €54 million impact of exchange rate movements, particularly regarding the USD and GBP, which was partially offset by depreciation for the period of €36 million,
- a €9 million decrease in property, plant and equipment, due mainly to the derecognition of assets in IS Energy, which was sold in January 2005, and to the sale of the finance lease contract on the Behoust site, which previously housed the Group's University.
- a €12 million reduction in deferred tax assets resulting principally from the utilization of deferred tax assets recognized on the tax losses of the French tax group, and partially offset by the impact of euro-dollar exchange rate movements, and by the recognition of deferred tax assets on temporary differences in the US.

Accounts and notes receivable, mainly comprising trade receivables, amounted to €1,888 million at June 30, 2005, versus €1,814 million at December 31, 2004. At June 30, 2005, receivables represented 66 days' revenues versus 72 days' revenues at year-end 2004.

Accounts and notes payable, mainly composed of trade payables, amounts due to personnel, and accrued taxes, totaled €2,247 million at June 30, 2005, compared with €2,082 million at December 31, 2004. The increase in this item was essentially triggered by the ramp-up of the major Outsourcing contracts with Aspire, TXU and Schneider.

Cash and cash equivalents amounted to €498 million at June 30, 2005, compared with €286 million at the 2004 year-end. This increase by more than €200 million was due principally to the following factors:

- €112 million in net cash provided by operations, reflecting:
    - €88 million in cash flow from operations before net finance costs and income tax,
    - working capital requirements of €24 million after payment of income tax.

- €102 million in net cash generated by investing activities, mainly comprising:
    - a €143 million gain from the sale of the Healthcare business in North America, and a €21 million gain from the disposal of the stake in IS Energy in Germany,
    - €71 million in capital expenditure, of which almost one third (€17 million) related to Outsourcing contracts.

COMMENTS ON THE CAP GEMINI SA FINANCIAL STATEMENTS

Cap Gemini SA's combined operating revenue and interest income for first-half 2005 hit €364 million, versus €94 million for first-half 2004. This sharp rise stemmed from the payment of an interim dividend by the Dutch subsidiary Capgemini NV, within the scope of the reorganization of Sogeti-Transiciel operations in the Benelux countries.

Profit before tax came in at €426 million for first-half 2005, compared with €65 million for first-half 2004. This includes the interim dividend payment described above, as well as the gain realized during the reorganization of Sogeti-Transiciel operations in Sweden.

OUTLOOK FOR SECOND-HALF 2005

Due to the progress recorded during first-half 2005, the Group forecasts full-year like-for-like growth in revenue of 12%, and expects operating margin to exceed its initial target of 2.6%.

2005 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REVIEW REPORT

ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2005

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

To the shareholders of Cap Gemini S.A.

In our capacity as Statutory Auditors of the Company and as required by article L. 232-7 of the French Commercial Code *(Code de commerce),* we have performed a limited review of the accompanying condensed interim consolidated financial statements of Cap Gemini S.A. and its subsidiaries for the period from January 1 to June 30, 2005 and examined the information contained in the interim report.

These interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility, based on our limited review, is to report our conclusions concerning these interim consolidated financial statements.

As part of the conversion to International Financial Reporting Standards (IFRS) as endorsed by the European Union for the preparation of 2005 consolidated financial statements, the interim consolidated financial statements have been prepared for the first time in accordance with said standards. They include comparative data for full-year 2004 and first-half 2004 restated according to the same rules.

We conducted our limited review in accordance with the professional standards applicable in France. Those standards require that we perform limited procedures to obtain assurance, below the level resulting from a full audit, that the interim consolidated financial statements do not contain any material errors. A limited review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards applicable in France.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with IFRS as endorsed by the European Union.

Without qualifying our conclusion, we draw your attention to note 1 – "Accounting Policies", which sets out the reasons why the comparative information that will be presented in the consolidated financial statements for the year ending December 31, 2005 and the interim consolidated financial statements for the six months ending June 30, 2006 may differ from the information presented in the accompanying interim consolidated financial statements.

In accordance with professional standards applicable in France, we have also examined the information given in the interim report accompanying the interim consolidated financial statements that were the subject of our limited review.

We have no comments to make as to its fair presentation and its conformity with the interim consolidated financial statements.

Paris, September 8, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit** **Department of KPMG S.A.**
Bernard Rascle	Jean-Luc Decornoy – Frédéric Quélin Partner Partner

CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND JUNE 30, 2005

(in millions of euros)	*Notes*	First-half 2004 (restated in accordance with IAS/IFRS) Amounts	%	First-half 2005 Amounts	%
Revenues		**2,965**	**100.0**	**3,472**	**100.0**
Cost of services rendered		2,201	74.3	2,705	77.9
Selling expenses		327	11.0	274	7.9
General and administrative expenses		481	16.2	431	12.4
Operating Margin		**(44)**	**(1.5)**	**62**	**1.8**
Other operating income and expense, net	5	(76)	(2.5)	61	1.7
Operating profit/(loss)		**(120)**	**(4.0)**	**123**	**3.5**
Finance costs, net	6	(15)	(0.5)	(6)	(0.2)
Other financial income and expense, net	6	(11)	(0.4)	(3)	(0.1)
Income tax expense	7	(11)	(0.4)	(56)	(1.5)
Profit/(loss) for the period		**(157)**	**(5.3)**	**58**	**1.7**
Attributable to:					
Equity holders of the parent		(157)	(5.3)	58	1.7
Minority interests		-	-	-	-

	First-half 2004	First-half 2005
AVERAGE NUMBER OF SHARES	**131,214,636**	**131,377,935**
Weighted average number of potential dilutive shares (options)	567,032	783,342
Maximum number of potential dilutive shares (share warrants related to the acquisition of Transiciel)	508,600	508,600
DILUTED AVERAGE NUMBER OF SHARES	**132,290,268**	**132,669,877**
NUMBER OF SHARES AT PERIOD END	**131,381,578**	**131,388,178**

	Notes	First-half 2004	First-half 2005
Average number of shares		**131,214,636**	**131,377,935**
Basic earnings/(loss) per share (in euros)	1.E	(1.20)	0.44
Adjusted average number of shares		**132,290,268**	**132,669,877**
Adjusted earnings/(loss) per share (in euros)	1.E	(1.19)	0.43
Number of shares at period-end		**131,381,578**	**131,388,178**
Earnings/(loss) per share (in euros)	1.E	(1.20)	0.44

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2004 AND JUNE 30, 2005

ASSETS *in millions of euros*	*Notes*	**December 31, 2004 (restated in accordance with IAS/ IFRS)**	**June 30, 2005**
Intangible assets		1,963	1,978
Property, plant and equipment		449	440
Financial assets		64	51
Deferred income tax assets		775	763
Long-term receivables		124	134
TOTAL NON-CURRENT ASSETS		**3,375**	**3,366**
Accounts and notes receivable	9	1,814	1,888
Other receivables		178	219
Assets held for sale		17	-
Financial receivables and short-term investments	11	1,001	1,467
Cash	11	251	279
TOTAL CURRENT ASSETS		**3,261**	**3,853**
TOTAL ASSETS		**6,636**	**7,219**

EQUITY AND LIABILITIES *in millions of euros*	*Notes*	**December 31, 2004 (restated in accordance with IAS/ IFRS)**	**June 30, 2005**
Share capital		1,051	1,051
Additional paid-in capital		2,226	2,226
Retained earnings and other reserves		45	(456)
Profit/(loss) for the period		(534)	58
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		**2,788**	**2,879**
Minority interest		-	-
TOTAL EQUITY		**2,788**	**2,879**
Long-term debt	11	768	1,144
Deferred income tax liabilities		95	119
Provisions for pensions and other post-retirement benefits	12	427	441
Provisions for contingencies and charges	12	19	17
Other long-term liabilities		145	152
TOTAL NON-CURRENT LIABILITIES		**1,454**	**1,873**
Short-term debt and bank overdrafts	11	200	108
Accounts and notes payable		2,082	2,247
Provisions for contingencies and charges	12	19	23
Current income tax liabilities		56	70
Other payables		37	19
TOTAL CURRENT LIABILITIES		**2,394**	**2,467**
TOTAL EQUITY AND LIABILITIES		**6,636**	**7,219**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND JUNE 30, 2005

In millions of euros	**First-half 2004 (restated in accordance with IAS/ IFRS)**	**First-half 2005**
Profit/(loss) for the period	**(157)**	**58**
Impairment of goodwill	8	6
Depreciation, amortization and write-downs of fixed assets	107	91
Net additions to provisions (excluding current assets)	15	12
Unrealized gains and losses on changes in fair value	-	(7)
(Gains)/losses on disposals of assets	7	(138)
Stock option expenses	1	4
Dividends received from non-consolidated companies	-	-
Other	3	-
Finance costs, net	15	6
Net income tax expense	11	56
Cash flows from operations before finance costs net and income tax (A)	**10**	**88**
Income tax paid (B)	5	(10)
Change in accounts and notes receivable, net	(109)	(93)
Change in accounts and notes payable, net	102	193
Change in other receivables and payables, net	(145)	(66)
Change in operating working capital requirement (C)	**(152)**	**34**
NET CASH (USED IN)/FROM OPERATING ACTIVITIES (D=A+B+C)	**(137)**	**112**
Acquisitions of property, plant and equipment and intangible assets	(74)	(53)
Disposals of property, plant and equipment and intangible assets	7	10
	(67)	**(43)**
Acquisitions of financial assets	(49)	(18)
Disposals of financial assets	7	25
Proceeds from the sale of the North American healthcare business	-	143
	(42)	**150**
Effect of changes in Group structure	(2)	(5)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES (E)	**(111)**	**102**
Proceeds from borrowings	126	425
Repayments of borrowings	(233)	(142)
Finance costs, net	(15)	(6)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES (F)	**(122)**	**277**
NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)	**(370)**	**491**
Effect of exchange rate movements on cash and cash equivalents (H)	5	(14)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	**1,190**	**1,232**
CASH AND CASH EQUIVALENTS AT PERIOD END (G+H+I)	**825**	**1,709**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
JUNE 30, 2004, DECEMBER 31, 2004 AND JUNE 30, 2005

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Treasury stock (1)	Retained earnings	Translation adjustments	Attributable to equity holders	Minority interests	Total equity
At January 1, 2004	**131,165,349**	**1,049**	**2,220**	**(5)**	**43**		**3,307**	**-**	**3,307**
Increase in share capital upon exercise of options	5,100	-	-	-	-	-	-	-	-
Net increase in share capital for the acquisition of Transiciel	211,129	2	5	-	-	-	7	-	7
Disposal of treasury stock (209,477 shares) returned to the Company in 2003	-	-	1	5	-	-	6	-	6
Translation adjustments	-	-	-	-	-	30	30	-	30
Valuation of stock options (2)	-	-	-	-	1	-	1	-	1
Net loss	-	-	-	-	(157)	-	(157)	-	(157)
At June 30, 2004	**131,381,578**	**1,051**	**2,226**	**-**	**(113)**	**30**	**3,194**	**-**	**3,194**
Increase in share capital upon exercise of options	1,600	-	-	-	-	-	-	-	-
Transiciel earn-out payment (3)	-	-	-	-	9	-	9	-	9
Translation adjustments	-	-	-	-	-	(41)	(41)	-	(41)
Valuation of stock options (2)	-	-	-	-	3	-	3	-	3
Net loss	-	-	-	-	(377)	-	(377)		(377)
At December 31, 2004	**131,383,178**	**1,051**	**2,226**	**-**	**(478)**	**(11)**	**2,788**	**-**	**2,788**
Increase in share capital upon exercise of options	5,000	-	-	-	-	-	-	-	-
Issue of "OCEANE" convertible/exchangeable bonds (June 16, 2005) (4)	-	-	-	-	26	-	26		26
Purchase of a call on Capgemini shares to neutralize the dilutive impacts of the OCEANE convertible/exchangeable bonds issued on June 24, 2003 (5)	-	-	-	-	(16)	-	(16)	-	(16)
Translation adjustments	-	-	-	-	-	23	23	-	23
Valuation of stock options (2)	-	-	-	-	4	-	4	-	4
Other changes (6)	-	-	-	-	(4)	-	(4)	-	(4)
Net profit	-	-	-	-	58	-	58	-	58
At June 30, 2005	**131,388,178**	**1,051**	**2,226**	**-**	**(410)**	**12**	**2,879**	**-**	**2,879**

(1) See Note 1.K.

(2) Recognition and measurement of stock options in accordance with IFRS 2 "Share-based payment" are dealt with in Note 10 "Stock option plans", and in Note 16.F. "Share-based payment: stock options" concerning the impacts of the transition to IFRS.

(3) The second tranche of the public exchange offer for Transiciel shares launched by Cap Gemini S.A. on October 20, 2003, contains an earn-out mechanism. At December 31, 2004 the resulting additional purchase consideration is estimated at €9 million based on 2004 and 2005 estimated results.

(4) On June 16, 2005, Cap Gemini S.A. issued convertible/exchangeable bonds (OCEANE), due January 1, 2012, for a nominal value of €437 million (see Note 11 "Net cash and cash equivalents"). The after-tax difference between the nominal value of the bonds and their fair value at issue is recognized in equity.

(5) At the same time as the second convertible/exchangeable bonds (OCEANE) issue, the group decided to neutralize in full the potential dilutive impact of the "OCEANE" bonds issued on June 24, 2003, due January 1, 2010, via the purchase for a €16 million of a call option on approximately 9 million Capgemini shares, corresponding to the number of shares to be delivered assuming that all the bonds in the first OCEANE issue are converted/exchanged. In accordance with IAS 32 "Financial Instruments: Disclosure and Presentation", this call option is recorded in equity.

(6) A certain number of IFRS adjustments to transactions which took place prior to January 1, 2005 have been recognized in that statement of changes in equity in the first half of 2005. These adjustments concern non-material changes in accounting treatment compared to that applied in the IFRS transition financial statements presented in note 16 "Effects of the transition to IFRS on the 2004 financial statements".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Accounting policies

Pursuant to European Commission Regulation No. 1606/2002 of July 19, 2002, the 2005 consolidated financial statements have been prepared in accordance with the international financial reporting standards formulated by the International Accounting Standards Board (IASB). These international financial reporting standards are composed of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the related interpretations which had been endorsed by the European Union as of June 30, 2005 (publication in the Official Journal of the European Union). Standards and interpretations adopted by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) but not yet endorsed by the European Union as of June 30, 2005 have not been applied by anticipation. This concerns, in particular, IFRIC 4 “Rights to use assets: Determining whether an Arrangement contains a lease”.

The financial statements for the six months ended June 30, 2005, prepared in accordance with IAS 34 “Interim Financial Reporting” relating to the condensed interim financial statements, are the first full set of financial statements to be published by the Group under IAS/IFRS. They include comparative data consisting of the statement of income for the six months ended June 30, 2004 and the balance sheet at December 31, 2004, which opening balance sheet has been prepared in accordance with IFRS 1 “First-time adoption of IFRS”.

In order to comply with the recommendations of the Committee of European Securities Regulators (CESR) of December 30, 2003 concerning the preparation to the transition to IFRS, as well as those of the “Autorité des Marchés Financiers” (AMF), which urge companies to publish the quantified impact of transition as soon as possible, the Group has prepared pro forma 2004 financial statements under IAS/IFRS. These 2004 pro forma financial statements will be used as the basis of comparison of the 2005 financial statements prepared under IFRS, provided that there are no changes to, or new interpretations of the standards before the end of 2005. Note 16 “Effects of the transition to IFRS on the 2004 financial statements” sets out the accounting principles used to restate the opening balance sheet at January 1, 2004 and provides a detailed evaluation of the impacts on the balance sheet captions at January 1, 2004 and December 31, 2004, as well as on the statement of income for 2004.
In addition, Note 2 “Transition to IFRS at June 30, 2004” sets out the impacts of IAS/IFRS on equity at June 30, 2004, and on the statement of income and the statement of cash flows for the first half of 2004.

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

A) CONSOLIDATION METHODS

The accounts of Cap Gemini S.A. and its significant directly or indirectly fully-controlled subsidiaries are fully-consolidated.

Investments in companies which Cap Gemini S.A. directly or indirectly controls jointly with a limited number of other shareholders are accounted for by the method of proportional consolidation. This method consists of consolidating the income and expenses, assets and liabilities of jointly-controlled companies, line by line, based on the Group’s percentage interest in their capital. Additional information concerning jointly-controlled companies is provided in Note 25, “Interests in jointly-controlled companies” in the 2004 Annual Report.

Investments in affiliated companies over whose management Cap Gemini S.A. exercices 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.

Companies that, taken either individually or globally, would not have a material impact on consolidated revenue, profit, equity, indebtedness or fixed assets are not consolidated.

The scope of consolidation is provided in Note 27 of the 2004 annual report, “List of consolidated companies by country”, which has been updated by Note 3 “Scope of consolidation” of this report.

All consolidated companies and those accounted for by the equity method had a June 30, 2005 period-end.

Intercompany transactions are eliminated on consolidation, as well as intercompany gain.

The Group does not have any special purpose entities.

B) USE OF ESTIMATES

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

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 period-end rates of exchange with the exception of equity accounts, which are kept at their historical values. Statements of income of foreign subsidiaries are translated into euros at the weighted average rates of exchange for the period. However, for certain material transactions, it may be relevant to use a specific rate of exchange. Differences arising from the translation of profit at different rates are directly recognized under "Cumulative translation adjustment" 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 "Cumulative translation adjustment", for their amount net of tax.

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

	Average exchange rates		Period-end exchange rates	
	First-half 2004	First-half 2005	December 31, 2004	June 30, 2005
US Dollar	0.8150	0.7785	0.7342	0.8270
Pound Sterling	1.4849	1.4578	1.4183	1.4832
Canadian Dollar	0.6088	0.6299	0.6092	0.6711
Swedish Krona	0.1091	0.1094	0.1109	0.1061
Australian Dollar	0.6025	0.6015	0.5728	0.6295
Norwegian Krona	0.1184	0.1228	0.1214	0.1263
Indian Rupee	0.0181	0.0178	0.0168	0.0190
Polish Zloty	0.2113	0.2453	0.2448	0.2476
Japanese Yen (100)	0.7516	0.7342	0.7161	0.7465

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 stock options granted to employees.

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

Certain reclassifications have been made compared with the originally reported amounts for cost of services rendered, selling expenses and general and administrative expenses, to comply with the classification principles applied in 2005.

In order to provide more complete information, these operating expenses are analyzed by nature in Note 4 "Operating expenses by nature".

Operating profit is obtained by deducting other income and expense from operating margin. These include the charge resulting from the deferral of the fair value of 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, 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 period is then obtained by taking into account the following items:

- Finance costs and other financial income and expense,
- Income tax expense.

E) EARNINGS PER SHARE

Earnings per common share are calculated as follows:

- primary earnings per share: on the basis of the average number of shares outstanding during the period, excluding treasury stock held at the period-end;

- Diluted earnings per share: on the basis of the weighted average number of shares outstanding during the period, excluding treasury stock, plus the number of potential dilutive shares corresponding to (i) options granted to employees of the Group (Note 10 "Stock option plans"), (ii) OCEANE convertible/exchangeable bonds and (iii) equity warrants (see Note 13 "Commitments received from and given to third parties"), calculated based on a fair value determined using the average share price for the year. The weighted average number of shares is calculated by reference to the date of issue of shares during the year. Out-of-the-money instruments are not taken into account in the calculation of the number of potential dilutive 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:

- Time and materials contracts:

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

- 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.
  When the projected cost of the contract exceeds contractual revenues, a provision is made for forecast losses on completion.

- Outsourcing contracts:

  Revenues from outsourcing agreements are recognized over the life of the contract as the services are rendered. The related costs are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts may be capitalized and/or may be covered by the recognition of revenues, provided that such costs are incurred under a separately identifiable project.

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

Customer prepayments are recognized in liabilities under "Accounts and notes payable".

G) INTANGIBLE ASSETS

- **Goodwill**

Goodwill represents the excess of the cost of the 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.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is greater than the acquisition cost, the excess is recognized immediately in the statement of income.

- **Other intangible assets**

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

H) PROPERTY, PLANT AND EQUIPMENT

The gross value of property, plant and equipment carried in the balance sheet corresponds to their net historical cost. No items of property, plant and equipment have been revalued. Buildings owned by the Group are measured based on the components method.

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.

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 estimated useful lives of the assets concerned:

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 period-end.

I) IMPAIRMENT OF ASSETS

Assets are tested for impairment when there is any indication at the period-end 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 groups of assets whose continued use generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The assessment is performed using the discounted cash flows method and consists of assessing the recoverable amount of each Cash Generating Unit (CGU) within the Group, corresponding to a subsidiary or a geographic area where the Group has operations. Discounted cash flows are determined based on various parameters used in the budget procedure and on five-year projections, including growth and profitability rates considered reasonable. A standard discount rate and a standard long-term growth rate for the period beyond 5 years are applied to all valuations of CGUs. These rates are determined based on an analysis of the business segment 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 any remaining balance is charged to operation profit.

J) FINANCE LEASES

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

K) TREASURY STOCK

Cap Gemini S.A. shares held by the Company are shown as a deduction from equity, at cost. The proceeds from sales of treasury stock are allocated 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 in the statement of income and balance sheet to take into account temporary differences between the book values of certain assets and liabilities and their tax basis.

In accordance with the liability method, deferred taxes are 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 in respect of tax loss carryforwards that are considered as recoverable. They are presented net of any deferred tax liabilities. In accordance with IAS 12, deferred tax assets and tax liabilities are not discounted.

M) FINANCIAL INSTRUMENTS

Financial instruments consist of:
- financial assets, which include long-term investments, long-term receivables, accounts and notes receivable, other receivables and short-term investments;
- financial liabilities, which include long-term debt, other long-term liabilities, short-term 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, depending on their classification in the balance sheet, is based either on their fair value or amortized cost. 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 closing date. The loss in value is recognized in the statement of income.

The amortized cost corresponds to the initial book value (net of transaction costs), plus/minus interest expenses calculated using the effective interest rate, less cash outflows (interest payments and reimbursement of principal). Accrued interests (income and expense) are not recorded on the basis of the financial instrument's nominal interest rate, but on its effective rate (actuarial rate, including costs, commissions and any redemption premium).

a) Recognition and measurement of financial assets

- Financial assets and other long-term receivables

Financial assets mainly consist of shares in non-consolidated companies.
The Group holds shares in certain companies over whose management the Group 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 assets held for sale 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. In the event of an objective indicator of a loss in the value of the financial assets (in particular, a significant and lasting decrease in the assets' value), a provision for impairment is recognized in the income statement.

Financial assets also consist of "*aides à la construction*" (building aid program) loans, security deposits and guarantees and other long-term loans.
Other long-term receivables mainly include receivables resulting from an election to carry back tax losses held on the French Treasury, receivables due in over one year and non-current derivative instruments.

Investments and other long-term receivables are recognized at amortized cost, with the exception of:
- shares in non-consolidated companies
- non-current derivative instruments recognized at their fair value (see below).

- Accounts and notes receivable

Accounts and notes receivable mainly consist of trade receivables and correspond to the fair value of the expected counterpart to be received. In case of deferred payment over the usual Group payment term, of which effect is significant on fair value, future payments are discounted.

- Short-term investments

Short-term investments are recognized in the balance sheet at their fair value as of period 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 funds 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 banks, 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.

- For cash flow hedges of planned 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 affects profit, and (ii) the ineffective portion is recognized directly in income.

b) Recognition and measurement of financial liabilities

- Long-term debt

Long-term 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, plus transaction costs and any issue premiums.
The difference between the nominal value of the loan and its fair value as calculated above is recorded in 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 residual book value 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 net carrying amount of the loan. The difference between interest expense as calculated above and the nominal amount of interest is recorded in 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 - see 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-term and long-term debt. Cash and cash equivalents correspond to financial receivables, short-term investments and cash, less bank overdrafts and derivative instruments when the underlyings are included in net cash and cash equivalents.

O) PENSIONS AND OTHER POST-RETIREMENT BENEFITS

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 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 determined most of the time 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 Groups' final commitment.
The resulting obligation is discounted using the yield on investment grade corporate bonds.
For funded plans, only the deficit is covered by a provision.

Actuarial gains and losses correspond to the effect of changes in actuarial assumptions and experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred at the date accounts were established) on the amount of the defined benefit obligation or the value of plan assets. They are recognized in profit based on corridor method, which consists of recognizing at each period-end over the remaining service lives of plan participants, the portion of net cumulative unrecognized actuarial gains and losses that exceeds the greater of: (a) 10% of the present value of the defined benefit obligation at that date; and (a) 10% of the fair value of any plan assets at that date.

P) STOCK OPTIONS

Stock options may be granted to a certain number of Group employees entitling them to purchase Capgemini shares issued for this purpose within five or six years at an exercise price set when the options are granted.

Stock options are measured at fair value at the date of grant. Fair value corresponds to the value of the benefit granted to the employee. It is recognized in “Other operating expenses” in the statement of income on a straight-line basis over the option vesting period by adjusting equity.

The option’s fair value is calculated using the Black and Scholes option pricing model which incorporates assumptions concerning the option exercise price and vesting period, the share price at the date of grant, inherent share price volatility, staff turnover rates for eligible employee categories and the risk-free interest rate.

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, 2004, are measured and recognized in “Other operating expenses”. 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 when the Group has a present obligation as a result of an event prior to the closing date, and when an outflow of resources that can be measured in a reliable manner is probable. 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 manages its operations based on geographic areas, business lines and business segments. Only the geographic entities constitute profit centers for which detailed performance measurements exist. The primary reporting segment corresponds to the geographic areas housing the Group’s operations. The secondary reporting segment corresponds to the Groups’ business segments.

T) SPECIFIC RULES FOR VALUING INTERIM ACCOUNTING BALANCES

The interim financial statements, which are not necessarily indicative of the amounts that will be reported for the full year, include all the period-end accounting entries that management considers necessary to comply with the true and fair value principle.

Note 2 – Transition to IFRS at June 30, 2004

The effects of the transition to IFRS at January 1, 2004, December 31, 2004 and for the year 2004 are detailed in note 16 "Impact of the transition to IFRS on the 2004 financial statements".
The impact on the consolidated financial statements for the first half of 2004 is as follows:

Impact of transition on the statement of income for the first half of 2004:

(in millions of euros)

First-half 2004 profit under French GAAP	*Note 16 (1)*	**(135)**
Revenue recognition	V.A.	(4)
Recognition of outsourcing contract costs	V.B.	(9)
Provisions for pensions and other post-retirement benefits	V.C.	(9)
Cancellation of goodwill amortization	V.D.	4
OCEANE	V.G.	(2)
Stock options	V.F.	(1)
Other adjustments		(1)
First-half 2004 profit under IAS/IFRS		**(157)**

(1) Adjustment principles

Impact of transition on equity at June 30, 2004:

Equity at June 30, 2004 under French GAAP (in millions of euros)	*Note 16 (1)*	**3,268**
Revenue recognition	V.A.	7
Recognition of outsourcing contract costs	V.B.	(29)
Provisions for pensions and other post-retirement benefits	V.C.	(302)
Income tax	V.E.	222
Cancellation of goodwill amortization	V.D.	4
OCEANE net of deferred taxes	V.G.	33
Other adjustments		(9)
Equity at June 30, 2004 under IAS/IFRS		**3,194**

(1) Adjustment principles

The bases of these adjustments are explained in Note 16 "Impact of the transition to IFRS on the 2004 financial statements".

Impact of transition on the consolidated statement of cash flows:

in millions of euros	**French GAAP re-formatted in IFRS format**	**Finance leases**	**Carry-back credit**	**Other**	**IFRS**
Net cash used in operating activities	(123)	23	(34)	(2)	(136)
Net cash used in investing activities	(121)	10	-	-	(111)
Net cash used in financing activities	(126)	(33)	34	2	(123)
Net change in cash and cash equivalents	**(370)**	**-**	**-**	**-**	**(370)**

The main adjustments between French GAAP and IFRS are as follows:

Finance leases:

In accordance with IAS 7 “Cash Flow Statements”, investments and financing related to finance leases recognized in accordance with IAS 17 “Finance leases” have no impact on cash flows for the first half of 2004. Although finance leases were recognized as an asset and a liability in the consolidated balance sheet, no corresponding cash flows were generated during the period.
Under French GAAP, and in order to present all financial statements in a consistent manner, the amounts recognized in assets and liabilities in respect of finance leases were also recognized in cash flows from investing and financing activities in the Group cash flow statements.
Consequently, application of IFRS led to the cancellation of cash flows from investing and financing activities recognized in respect of finance leases recorded during the first half of 2004, for an amount of €10 million.

Moreover, the analyses performed in connection with the transition to IFRS led to the identification of additional leases meeting the criteria for recognition as finance leases (see Note 16.H. “Finance leases”). These leases were treated as operating leases in the French GAAP accounts at June 30, 2004. The impact of the transition to IFRS therefore also includes the reclassification of operating cash flows corresponding to lease payments for the period as cash flows from financing activities.

Carry-back tax credit:

The treatment under IFRS of carry-back tax credits is described in Note 16.E.b. “Sale of carry-back tax credits”. The impact at June 30, 2004 mainly consists of adding back to the consolidated balance sheet the fair value of an additional carry-back sold to a credit institution on June 28, 2004 for €33 million, thus leading to the recognition of a long-term debt in the same amount.

Note 3 – Scope of consolidation

The main changes in the scope of consolidation during the first half of 2005 were as follows:

At the end of 2004, a reorganization of French operations led to the formation of seven new entities (Capgemini Consulting, Capgemini Finance et Services, Capgemini Industrie et Distribution, Capgemini Est, Capgemini Ouest, Capgemini Sud and Capgemini Outsourcing services), via a succession of asset-for-share exchanges that took place early in 2005.
Furthermore, Capgemini OS Electric, formerly Cap Sogeti France S.A.S., was utilized in the context of the Schneider contract. The company is wholly-owned by the Group and fully consolidated.

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

In January 2005, the Group sold its 25.22 % interest in IS Energy for an amount of €21 million, further to the exercise by E.ON of its purchase option at year-end 2004.

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

Note 4 – Operating expenses by nature

The analysis of expenses by nature is as follows:

(in millions of euros)	First-half 2004	First-half 2005
Personnel costs	1,988	2,142
Purchases and sub-contracting	417	624
Travel expenses	162	163
Rent and local taxes	130	142
Depreciation, amortization and provisions	107	96
Other expenses	205	243
Total	**3,009**	**3,410**

Note 5 – Other operating income and expense

The analysis of other operating income and expenses is as follows:

(in millions of euros)	First-half 2004	First-half 2005
Restructuring costs	(67)	(77)
Impairment of goodwill	(8)	(1)
Stock option costs	(1)	(4)
Capital gains or losses on the sale of consolidated companies or businesses	-	138
Other income and expense	-	5
Total	**(76)**	**61**

In the first half of 2004, other operating income and expenses mainly consisted of restructuring costs:

- €40 million directly related to workforce reduction measures (1,294 employees), mainly in Europe;
- €12 million in other costs, mainly relating to measures taken to streamline the Group's real estate assets.

In the first half of 2005, other operating income and expenses mainly consisted of:

- **Restructuring costs:**

  - €26 million in costs directly related to workforce reduction measures (365 employees), mainly in North America (€10 million), France (€4 million), the Benelux countries (€2.5 million), the Nordic countries (€1.7 million) and the United Kingdom (€1.5 million);
  - €51 million in other costs, all of which relate to measures taken to streamline the Group's North American real estate assets.

- **Capital gains on disposal of consolidated companies or businesses:**

In January 2005, the Group sold its 25.22 % stake in IS Energy in Germany for an amount of €21 million further to the exercise by E.ON of its purchase option at year-end 2004. This transaction generated a capital gain of €15 million.

On June 16, 2005, the Group sold its US healthcare business to the Accenture Group for an amount of €143 million, generating a capital gain of €123 million.

- **Other income and expense**

In April 2005, the Group sold the finance lease on the Béhoust property, which housed the Group University until the opening in 2003 of the new university at "Les Fontaines" site in Gouvieux. This transaction generated a net capital gain of €5 million.

Note 6 – Net financial expense

The analysis of finance cost and other financial income and expenses is as follows:

(in millions of euros)	**First-half 2004**	**First-half 2005**
Gross borrowing costs	(23)	(18)
Income from cash and cash equivalents	8	12
Finance cost, net	**(15)**	**(6)**
Other financial income and expenses, net	**(11)**	**(3)**
Net financial expense	**(26)**	**(9)**

- **Gross borrowing costs**

Gross borrowing costs can be broken down as follows:

(in millions of euros)	**First-half 2004**	**First-half 2005**
Interest on OCEANE convertible/exchangeable bonds	(10)	(9)
Interest on bank loans	(13)	(9)
Total	**(23)**	**(18)**

- **Income from cash and cash equivalents**

This mainly consists of income on investments.

- **Other financial income and expenses, net**

Other financial income and expenses mainly consist of:

  - Expenses arising from the recording of financial instruments at amortized cost using the effective interest rate (see Note 1.M "Financial instruments"),
  - Impairment on investments in non-consolidated companies,
  - The gain arising from assessment at fair value of an interest rate swap taken out on OCEANE bonds issued on June 23, 2003 (see Note 11 "Net cash and cash equivalents"),
  - Interest cost and the expected long-term yield on defined benefit plan assets.

Note 7 – Income tax expense

First-half income tax expense can be primarily analyzed as follows:

(in millions of euros)	First-half 2004	First-half 2005
Current income taxes	20	(18)
Deferred income taxes	(31)	(38)
Total	**(11)**	**(56)**

Income tax expense for the first half of 2005 includes:

- Income taxes on profits, especially in Canada (€5 million) and in the Netherlands (€5 million),
- Taxes not based on taxable income mainly in the US and in Italy for an amount of €4 million,
- Utilization of deferred tax assets recognized on tax losses of the French tax group for an amount of €30 million.

It should be noted that deferred tax liabilities relating to the “equity” component of the “OCEANE” bond issue of June 16, 2005, calculated in accordance with note 4 to the consolidated statements of changes in equity, were recorded by adjusting equity.

Note 8 – Non-current assets

A) Change in property, plant & equipment and intangible assets

In the first half of 2005, the change in property, plant & equipment and intangible assets corresponds mainly to positive translation adjustments.

B) Goodwill

Total goodwill, amounting to €1.811 million as of June 30, 2005, mainly relates to the following geographic areas : United Kingdom (€479 million), France (€476 million), the Benelux countries (€442 million), North America (€216 million) and Germany and Central Europe (€95 million).

The change in the carrying amount of goodwill in the first half of 2005 mainly reflects translation differences arising on goodwill denominated in foreign currencies (€42 million).

C) Impairment tests on property, plant & equipment and intangible assets

It should be noted that at June 30, 2005, there were no indicators of impairment, apart from those that led to a €1 million impairment on United Kingdom goodwill.

D) Financial assets

Financial assets can be analyzed as follows:

(in millions of euros)	December 31, 2004	June 30, 2005
Shares in non-consolidated companies	5	2
Deposits and other long-term investments	59	49
Total	**64**	**51**

Note 9 – Accounts and notes receivable

(in millions of euros)	December 31, 2004	June 30, 2005
Trade accounts and notes receivable	1,773	1,822
Receivables from social security bodies	41	66
Total	**1,814**	**1,888**

- **Trade accounts and notes receivable**

Trade accounts and notes receivable can be analyzed as follows:

(in millions of euros)	December 31, 2004	June 30, 2005
Trade accounts receivable	1,329	1,282
Accrued income	463	547
Work in-progress (1)	18	36
Provisions for doubtful accounts	(37)	(43)
Total	**1,773**	**1,822**

(1) Work in-progress correspond to costs incurred during the initial phase of certain outsourcing contracts (TXU in North America, ASPIRE in Great-Britain and SCHNEIDER in France).

Advances received from customers, mainly arising from activities on projects, are recognized in “Accounts and notes payable” in accordance with the accounting principle whereby receivables and payables may not be netted off. However, accounts receivable and advances received from customers are netted for the needs of the total sales in days calculation.

(in millions of euros)	December 31, 2004	June 30, 2005
Total Trade accounts and notes receivable	**1,773**	**1,822**
Advances received from customers	(538)	(559)
Total accounts receivable net of advances received from customers	**1,235**	**1,263**
In number of days of total sales	**72**	**66**

Note 10 – Stock option plans

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 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 principal features of the plans in force at June 30, 2005 are summarized in the table in Note 14 "Shareholders' equity" in the 2004 annual report.

At June 30, 2005, the potential number of shares to be created upon exercise of outstanding options is 13,359,650:

- If all of the options outstanding were exercised at June 30, 2005 (including options that are out-of-the-money), the dilutive impact would be 9.2%,
- If only in-the-money options are included i.e., options for which the exercise price is less than or equal to the share price at June 30, 2005 (€26.28) and regardless of the date on which the options may be exercised, the dilutive impact would be 3.8%.

In the first half of 2005, the change in the number of shares to be created upon exercise of option that are currently exercisable is as follows:

EVOLUTION	**1996 Plan** (plan n°4)	**Exercise price range (in euros)**	**2000 Plan** (Plan n°5)	**Exercise price range (in euros)**	**Total**
Potential number of shares to be created upon exercise of outstanding options at December 31, 2004	1,411,950	114 to 178	10,877,200	21 to 161	12,289,150
Number of new stock options granted during the first half of 2005	Plan terminated	N/A	1,623,000	27	1,623,000
Number of options forfeited or cancelled during the first half of 2005	5,000	114 to 178	542,500	21 to 161	547,500
Number of options exercised during the first half of 2005	-	-	5,000	(1)	5,000
Potential number of shares to be created upon exercise of outstanding options at June 30, 2005 Weighted average remaining life (in years)	1,406,950 0.69	114 to 178	11,952,700 3.03	21 to 61	13,359,650

(1) At June 30, 2005, 5,000 stock options had been exercised, all exclusively granted at an exercise price of €24.

The average share price for first-half 2005 is €25.86.

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, 2004, are measured and recognized in "Other operating expenses". Recognition and measurement of stock options granted prior to November 7, 2002 is not required, thus they are not measured and recognized.

Fair value of options granted

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

Summary	**Plan No. 5 covering a five-year period**				**Plan No. 6 covering a 38-month period** (1)
Date of Shareholders' Meeting :	May 23, 2000				May 12, 2005
Potential number of shares to be created:	12,000,000				6,000,000
Deadline for exercising stock options after their grant date:	5 years based on progressive tranches				
Subscription price as a % of the average share price over the twenty stock market trading days preceding the grant date:	100%				
Dates of the stock option grants concerned by the adjustments under IFRS 2:	October 1, 2003	April 1, 2004	October 1, 2004	April 1, 2005	
Number of stock options initially granted:	1,406,000	566,000	3,634,500	1,623,000	
Subscription price (per share and in euros) of the various stock option grants:	40	31	21	27	
Share price at the grant date:	35.88	31.19	19.09	27.06	
Number of shares subscribed at 30/06/05:	-	-	-	-	
Principal market conditions at the stock option grant date:					
Volatility	*37-38%*	*38.1-38.8%*	*37.5-38.5%*	*32.4-33.8%*	
Average length of the option exercise period (years)	*3.5-4.25*	*3.5-4.25*	*3-4.25*	*3-4.25*	
Risk-free interest rate	*2.7-3.1%*	*2.8-3%*	*3-3.3%*	*2.2-2.9%*	
Off-market conditions:					
Effective presence at the exercise date	*yes*	*yes*	*yes*	*yes*	
Other	*no*	*yes (2)*	*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	
Potential number of shares to be created upon exercise of outstanding options at June 30, 2005:	1,142,000	410,500	3,491,500	1,606,000	

(1) At June 30, 2005, no shares to be created upon exercise of option were granted on plan No.6.

(2) Certain Transiciel employees were granted stock options that were subject to exercise conditions set out in a prospectus which was approved by the Commission des Opérations de Bourse under visa no. 03-935 on October 29, 2003.

Impact on the financial statements

Based on the calculation parameters used to determine fair value under the Black & Scholes option pricing method (see Note 1.P Stock options granted to employees), the charge recorded in "Other operating income and expense" with regard to the four stock option grants amounts to €4 million for the first half of 2005.

Note 11 – Net cash and cash equivalents

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

(in millions of euros)	December 31, 2004	June 30, 2005
Cash and cash equivalents	1,232	1,709
Debt	946	1,211
Net cash and cash equivalents	**286**	**498**

Net cash and cash equivalents include derivative instruments recognized in assets – under "Long-term receivables" – for €5 million and in liabilities – under "Other long-term liabilities" – for €1 million.

Short-term debt (due within the next twelve months) and bank overdrafts break down as follows:

(in millions of euros)	December 31, 2004	June 30, 2005
Short-term debt	180	71
Bank overdrafts	20	37
Short-term debt and bank overdrafts	**200**	**108**

I) Cash and cash equivalents

Cash and cash equivalents reported in the consolidated statement of cash flows correspond to financial receivables, short-term investments and cash, less bank overdrafts.

(in millions of euros)	December 31, 2004	June 30, 2005
Financial receivables and short-term investments	1,001	1,467
Cash	251	279
Bank overdrafts	(20)	(37)
Cash and cash equivalents	**1,232**	**1,709**

II) Short- and long-term debt

Debt is broken down into long and short-term debt, with short-term debt referring both to the current portion of long-term debt and amounts originally due within one year.

(in millions of euros)	December 31, 2004	June 30, 2005
"OCEANE" convertible and/or exchangeable bonds	408	802
Obligations under finance leases	164	143
Other debt	196	199
Derivative instruments	(2)	(4)
Long-term debt	**766**	**1,140**
Drawdowns on bank and similar facilities	46	5
Obligations under finance leases	64	43
Other debt	70	23
Short-term debt	**180**	**71**
Total debt	**946**	**1,211**

II-1) ANALYSIS OF DEBT

(i) "OCEANE" bonds convertible and/or exchangeable for Cap Gemini SA shares.

"OCEANE" bonds issued on June 24, 2003

On June 24, 2003, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing shares ("OCEANE"), maturing on January 1, 2010. The effective issue and settlement date of the bonds was July 2, 2003. The total amount of the issue was €460 million, represented by 9,019,607 bonds with a nominal value of €51 each. The bonds bear interest at 2.50 % per year. On October 28, 2004, the Company took out an interest rate swap to convert interest on the bonds from fixed to variable rate (see II-3 below, "Financial instruments").

The terms and conditions of this issue are set out in Note 15 "Cash and cash equivalents" of the Reference Document at December 31, 2004.

At the time of the "OCEANE" bond issue of June 16, 2005, Capgemini decided to neutralize in full the potential dilutive impact of the "OCEANE" bonds issued on June 24, 2003 and maturing on January 1, 2010 by purchasing from Société Générale at a cost of €16 million a call option on approximately 9 million of Capgemini shares, corresponding to the number of shares to be delivered assuming that all the bonds in the OCEANE issue due 2010 are converted/exchanged. The option's strike price and maturity correspond to those of the "OCEANE" issue due 2010.

RECOGNITION OF THE "OCEANE" BOND ISSUE AT FAIR VALUE

In accordance with the accounting principle set out in Note 1.M.b. "Long-term debt", the fair value of the corresponding debt carried in liabilities, as well as the embedded option recognized in equity, were calculated at the date of issue of the "OCEANE" bonds on June 24, 2003.

The fair value of debt in the balance sheet, recognized in long-term debt, was calculated based on the implied interest rate for an issue of bonds at the same date as the "OCEANE" issue (i.e., 4.8%). The difference between the nominal value of the "OCEANE" bonds and their fair value was recognized in equity, under "Other reserves", net of deferred taxes.

At June 30, 2005, the debt component of the "OCEANE" bond issue amounted to €413 million. Based on the effective interest rate of 4.8% (5.1% including issue costs), the first-half interest charge is €9 million, compared with a coupon of €5.7 million based on the bonds' nominal rate (2.5%).

"OCEANE" bonds issued on June 16, 2005

On June 16, 2005, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing Cap Gemini shares ("OCEANE"), maturing on January 1, 2012. 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.

TERMS AND CONDITIONS OF THE "OCEANE" BONDS ISSUED ON JUNE 16, 2005

- Conversion and/or exchange of the bonds for shares
  Each bond may be converted and/or exchanged for one Cap Gemini S.A. share, at any time between the settlement date (June 24, 2005), and the seventh business day preceding the normal or early redemption date, subject to the adjustments provided for. The Company may choose to issue either new and/or existing shares.

- Redemption at maturity
  The bonds will be redeemed in full on January 1, 2012 (or the first business day following this date if this is not a business day) at a price of €41.90 per bond, representing a premium of 13.24% over the bonds' nominal value.

- Early redemption at the Company's option
  The Company may redeem all or some of the bonds by anticipation as follows:
  - At any time, without limitation on price or quantity, by buying back 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, subject to a 30-day notice period, 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 shared on the "Premier Marché" of Euronext Paris S.A. over a period of 20 trading days selected by the Company from among the 40 trading days immediately preceding the date of publication the early redemption announcement, exceeds 130% of such early redemption price;
  - 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
  Early repayment may take place subject to the terms and conditions set out in the prospectus approved by the AMF under visa No. 05-564 on June 16, 2005.

Any upgrade or downgrade in Cap Gemini S.A.'s credit rating would not constitute any early redemption event and would not have any impact on the applicable interest rate.

RECOGNITION OF THE "OCEANE" BOND ISSUE AT FAIR VALUE

In accordance with the accounting principle set out in Note 1.M.b "Long-term debt", the fair value of the corresponding debt carried in liabilities, as well as the embedded option recognized in equity, were calculated at the date of issue of the "OCEANE" bonds June 16, 2005.

The fair value of debt in the balance sheet, recognized in long-term debt, was calculated based on the implied interest rate for an issue of bonds at the same date as the "OCEANE" issue (i.e., 4.5%). The difference between the nominal value of the "OCEANE" bonds and their fair value was recognized in equity, under "Other reserves", net of deferred taxes.

At June 30, 2005, the debt component of the "OCEANE" bond issue amounted to €389 million. Based on the effective interest rate of 4.5% (4.8% including issue costs), the first-half interest charge is €0.4 million, compared with a coupon of €0.1 million based on the nominal rate of the loan (1%).

(ii) Drawdowns on bank and similar facilities

Syndicated credit facility obtained by Cap Gemini S.A.

On July 31, 2001, the Company signed a €600 million multi-currency line of credit with a syndicate of banks, expiring on July 31, 2006. The syndicate was made up of BNP Paribas and Barclays Capital Group (acting as lead arrangers); Banca di Roma, Bank of America, CIC-Crédit Mutuel, Crédit Agricole Indosuez, Crédit Lyonnais, Deutsche Bank, HSBC/CCF, ING BANK, Natexis Banques Populaires and Société Générale (acting as co-arrangers); and CADIF, Dresdner Bank AG and Fuji Bank Limited (acting as participants). The facility's terms and conditions were amended on October 15, 2004.

The terms and conditions of this loan are set out in Note 15 "Cash and cash equivalents" of the Reference Document at December 31, 2004.

At June 30, 2005 the Group complied with the financial ratios stipulated in the agreement, which are calculated under French GAAP.

To date, this facility has not been utilized.

(iii) Obligations under finance leases

A certain number of leases signed with Schneider Electric in connection with an outsourcing contract entered into with this customer on October 28, 2004 have not yet been transferred to the Group. These leases will be analyzed by reference to the criteria of IAS 17 "Leases". Following this analysis, the restatement of finance leases may lead to recognition of additional debt for an estimated maximum amount of €20 million, corresponding to the total lease commitments. At June 30, 2005, these commitments are included in "Commitments received from and given to third parties".
The amount reported under this caption at June 30, 2005 corresponds to debt relating to restated finance leases previously accounted for as operating leases. These mainly concern the financing of the Group University located at Gouvieux and investments in IT equipment made by Capgemini UK Plc, Capgemini Outsourcing BV, and New Horizons Systems Solutions LLP.

(iv) Other debt

At June 30, 2005, the amount of €222 million in other debt mainly consisted of:

- €114 million corresponding to €74 million and €33 million in tax credits arising from the carryback of 2002 tax losses in France that were sold on June 26, 2003 and June 28, 2004 respectively. The sold receivables were recognized in debt in the IFRS balance sheet at the transition date as explained in Note 16.V.E. "Taxes".
- €61 million corresponding to the present value of the put option held by the TXU Group in connection with the 10-year outsourcing contract signed on May 17, 2004. The put covers the TXU Group's 2.9% minority interest in Gapgemini Energy LLP and certain assets (essentially the IT platform owned by the TXU group and used by Capgemini Energy LLP for the term of the contract). It has a total value of USD 200 million (€165 million) and is exercisable by the TXU group during the 10 years following the end of the contract. The put option's carrying amount is adjusted at each period-end. The adjustment between December 31, 2004 and June 30, 2005 corresponds to the recognition of notional interest and the effect of the change in the USD/euro exchange rate.
- A debt of €21 million owed to TXU under the terms of the contract, in July 2004;
- The €10 million balance due on the acquisition of the IT services subsidiaries of the Drägerwerk AG group, payable in February 2006.

II-2) CHANGE IN DEBT

(i) "OCEANE" convertible and/or exchangeable bonds

On June 16, 2005, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing Cap Gemini shares ("OCEANE"), maturing on January 1, 2012. 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, as well as the restatement of the "OCEANE" bond issue at fair value are set out in Section II-1 above "Analysis of debt".

(ii) Drawdowns on bank and similar facilities

The movement in "Drawdowns on bank and similar facilities" between December 31, 2004 (€46 million) and June 30, 2005 (€5 million) is mainly due to the reduction in drawdowns by Group operating companies on lines of credit. In some circumstances, these drawdowns are backed by a guarantee from Cap Gemini S.A.

(iii) Obligations under finance leases

In April 2005, the Group transferred its finance lease on the property located in Béhoust, which housed the Group University until the opening in 2003 of the new university at "Les Fontaines" site, located in Gouvieux. The corresponding debt amounted to €27 million.

(iv) Other debt

The change in other debt between December 31, 2004 (€266 million) and June 30, 2005 (€222 million) can mainly be explained by the non-utilization during the period by Transiciel of its receivables factoring facility.

II-3) FINANCIAL INSTRUMENTS

(i) Interest rate hedges

At June 30, 2005, two interest rate hedges were outstanding in the form of swaps and options (caps and floors) on a total amount of €498.5 million (versus €500.2 million at December 31, 2004), for periods ranging from 5 to 9 years, as follows:

- €38.5 million interest rate swap contract over a remaining period of 9 years, covering 50% of the finance lease taken out by S.A.R.L Immobilière Les Fontaines (Capgemini University) in December 2002. Under the terms of the swap, S.A.R.L. Immobilière Les Fontaines pays a fixed rate of 3.51% and receives the 3-month Euribor.
  The market value of this hedging instrument as of June 30, 2005 shows a realized loss of €1.1 million (compared with a loss of € 0.4 million as of December 31, 2004).

- An interest rate swap contracted by the Company on October 28, 2004 as a hedge of the "OCEANE" bonds convertible and/or exchangeable into Cap Gemini S.A. shares, issued by the Company on June 24, 2003. This swap covers a total amount of €460 million over a remaining period of 5 years. Under the terms of the swap contract, the Company pays a variable rate (12-month post-fixed Euribor less 0.59%) against the fixed rate of the OCEANE bonds (2.5%). The variable rate is capped at 3.41% and has a floor of 1.41%. This interest rate swap also contains a zero-cost automatic deactivation clause in the event that the Company

exercises its right (under certain conditions) to redeem the bonds early (see “Early redemption at the Company’s option” in Note 15 of the Reference Document at December 31, 2004).
The measurement of this hedging instrument at fair value at June 30, 2005 led to the recognition of interest income of €7 million in the statement of income.

ii) Currency hedges

At June 30, 2005, currency hedges totaled €147.8 million, as follows:

- Hedges of commercial transactions expiring in 2005 and 2006 in the form of currency swaps for a total equivalent value of €23.6 million and relating to amounts denominated in euros, US dollars, Polish zlotys, Indian rupees and Australian dollars,
- Currency swaps expiring in 2005, acquired as hedges of intercompany financing transactions, including:
  - USD 100.3 million, for an equivalent value of €82.8 million,
  - GBP 20.3 million, for an equivalent value of €29.3 million,
  - HKD 25.2 million, for an equivalent value of €2.6 million,
  - AUS 15.2 million, for an equivalent value of €9.5 million,

The market value of this hedging instrument as of June 30, 2005 shows a realized gain of €1.2 million.

Note 12 – Provisions for contingencies and charges, pensions and other post-retirement benefits

in millions of euros	December 31, 2004	June 30, 2005
Provisions for pensions and other post-retirement benefits	427	441
Provisions for contingencies and charges	38	40
TOTAL	**465**	**481**

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

in millions of euros	December 31, 2004	Additions	Reversals (utilization)	Change in scope of consolidation	Other	June 30, 2005
Provisions for pensions and other post-retirement benefits	427	48	(34)	(9)	9	441
Provisions for contingencies and charges	38	5	(7)	2	2	40
TOTAL	**465**	**53**	**(41)**	**(7)**	**11**	**481**

Provisions for pensions and other post-retirement benefits

Provisions for pensions and other post-retirement benefits at December 31, 2004 and June 30, 2005 can be analyzed as follows:

(in millions of euros)	December 31, 2004	June 30, 2005
Provisions for funded defined benefit plans	**329**	**346**
- United Kingdom and Ireland	298	324
- United States, Canada, Germany, Switzerland, France, Benelux Countries	31	22
Provisions for unfunded defined benefit plans	**98**	**95**
- Provisions for pensions (Canada, Germany)	26	19
- Provisions for retirement bonuses (France, Italy)	31	31
- Provisions for medical expenses and other	41	45
Total	**427**	**441**

There are two categories of retirement plans

- Defined contribution plans
Defined contribution plans exist in the majority of European countries – including France, Benelux, Germany/Central Europe, the Nordic countries, Italy, Spain and Portugal – as well as in the United States and the Asia-Pacific region.
These plans are funded by contributions paid to authorized agencies, which are booked as an expense.

- Defined benefit plans
These can be either:

- Funded defined benefit plans: These plans exist in the United States, Canada, the United Kingdom, Ireland, Germany, Switzerland, Benelux and in France (Transiciel);
- Unfunded defined benefit plans: Obligations under unfunded retirement and other post-retirement benefit plans are covered by provisions recorded in the balance sheet under “Provisions for pensions and other post-retirement benefits”. The main countries concerned are France, Italy, Germany and Central Europe, the Nordic countries, and North America.

a) Provisions for funded defined benefit plans

Breakdown of obligation

in millions of euros	United Kingdom and Ireland	Canada	Other	Total
Discounted benefit obligation	1,328	166	76	**1,570**
Fair value of plan assets	943	157	62	**1,162**
Gross benefit obligation	**385**	**9**	**14**	**408**
Unrecognized actuarial gains and losses	(61)	(1)	-	**(62)**
Unrecognized prior service cost	-	-	-	**-**
Net benefit obligation in balance sheet	**324**	**8**	**14**	**346**
Assets	-			
Liabilities	324	8	14	**346**
Net benefit obligation in balance sheet	**324**	**8**	**14**	**346**

Employees

	United Kingdom and Ireland	Canada	Other	Total
Current employees	5,210	1,031	9,180	**15,421**
Former employees	5,473	16	658	**6,147**
Retirees	757	50	18	**825**
Total	**11,440**	**1,097**	**9,856**	**22,393**

Actuarial assumptions

	2004			**2005**		
	United Kingdom and Ireland	Canada	Other	United Kingdom and Ireland	Canada	Other
Pension obligation discounting rate (%)	4.7 - 5.4	6.0	3.5 - 7.0	4.5 - 5.0	6.0	3.5 - 7.3
Salary inflation rate (%)	3.5	3.3	1.5 - 6.0	3.0 - 3.5	3.3	1.7 - 7.0
Expected return on plan assets (%)						

b) Provisions for unfunded defined benefit plans

Breakdown of obligation

in millions of euros	France	Canada	Other	Total
Discounted benefit obligation	24	26	52	**102**
Fair value of plan assets				
Gross benefit obligation	24	26	52	**102**
Unrecognized actuarial gains and losses	(2)	2	(2)	**(2)**
Unrecognized prior service cost	(5)	-	-	**(5)**
Net benefit obligation in balance sheet	**17**	**28**	**50**	**95**
Assets				
Liabilities	17	28	50	**95**
Net benefit obligation in balance sheet	17	**28**	**50**	**95**

Employees

	France	Canada	Other	Total
Current employees	12,679	1,031	2,140	**15,850**
Former employees	-	16	970	**986**
Retirees	3	50	63	**116**
Total	**12,682**	**1,097**	**3,173**	**16,952**

ACTUARIAL ASSUMPTIONS

	2004			2005		
	France	Canada	Other	France	Canada	Other
Pension obligation discounting rate (%)	4.7 - 5.0	6.0	2.0 - 6.0	4.7 - 6.0	6.0	4.4 - 6.0
Salary inflation rate (%)	1.5 - 2.0	3.3	1.0 - 3.5	1.5 - 4.0	3.3	1.0 - 6.0
Expected return on plan assets (%)						

Note 13 – Commitments received from and given to third parties

a) Commitments received

(in millions of euros)	December 31, 2004	June 30, 2005
Commitments received from third parties:		
- on contracts	7	13
- other	4	4
Total	**11**	**17**

b) Commitments given

(in millions of euros)	December 31, 2004	June 30, 2005
Commitments given to third parties:		
- on non-cancelable leases	1,070	1,054
- on contracts	79	79
- other	75	49
Total	**1,224**	**1,182**

Commitments given on contracts mainly represent purchase orders to be issued under global purchase contracts.

At June 30, 2005, the Group's commitments under non-cancelable leases by type and maturity were as follows:

(in millions of euros)	Computer equipment	Offices	Cars	Other	Total
y+1	38	155	40	2	235
y+2	15	158	35	2	210
y+3	6	135	21	-	162
y+4	2	115	9	-	126
y+5	-	92	2	-	94
y+6 and subsequent years	-	226	-	1	227
Total	**61**	**881**	**107**	**5**	**1,054**

Office lease terms depend on the geographic area and vary between 5 and 25 years. Vehicle leases are short-term contracts of 3 to 5 years.
Commitments relating to non-cancelable leases are mainly given in North America (€251 million), the Benelux countries (€204 million), the United Kingdom (€192 million), France (€182 million), and Germany and Central Europe (€103 million).

Other commitments relate mainly to:
- guarantees given to the tax authorities in connection with tax disputes in France and Spain;
- commitments to employees in the Netherlands and Sweden.

c) Other commitments

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

Cap Gemini S.A. as well as all subsidiaries and any company at least 50%-owned, either directly or indirectly, are insured for possible financial losses resulting from general or professional liability claims arising in the course of their business. The coverage has been taken out with several different insurance companies as part of a

worldwide insurance program. The program is reviewed and adjusted periodically to take into account any changes in the Group's revenues, businesses and risks.
€20 million of this program is covered by a consolidated captive reinsurance entity whose commitments are totally covered or re-insured.

On June 26, 2003 and June 28, 2004, Cap Gemini S.A. sold to a credit institution for €74 million and €33 million respectively, a tax receivable of €90 million and an additional tax receivable of €39 million due from the French Treasury resulting from the election to carry back the French tax loss generated in 2002. Under the sale agreements, Cap Gemini S.A. undertook to compensate the buyer for any difference between the amount of the credit sold and the amount effectively recoverable from the French Treasury. This undertaking expires on June 30, 2011.
Under IFRS, the sale of carry-back tax credits is treated as a guaranteed financing transaction. Further to an analysis of the risks and rewards related to these carry-back tax credits, they have been taken back to the consolidated balance sheet at present value, with a corresponding adjustment to debt. The related debt and carry-back tax credits should be derecognized in 2011, when the effective amount of payments due by the French Treasury in 2008 and 2009 to the buyer of the carry-back tax credits is known.

On October 20, 2003 Cap Gemini filed a public exchange offer to acquire all of the outstanding share capital of Transiciel, in which Transiciel shareholders were invited to exchange their shares under one of the two following options:
• Option 1: an exchange ratio of 1 new Capgemini share for every 3 Transiciel shares;
• Option 2: an exchange ratio of 5 new Capgemini shares plus 16 warrants giving entitlement to new Capgemini shares, for 16 Transiciel shares.
Option 2 includes an earn-out mechanism which would allow Transiciel shareholders to receive additional Capgemini shares subject to the Sogeti/Transiciel entity attaining certain earnings targets over the next two years. This earn-out mechanism is described in the prospectus which was approved by the "Commission des Opérations de Bourse" under visa no.03-935 on October 29, 2003. If the targets under Option 2 are met by the new Sogeti/Transiciel entity, shareholders who have chosen Option 2 would be entitled to receive a maximum of 508,600 new Capgemini shares – with a dividend entitlement date of Janaury 1, 2006 – at the close of the extended public exchange offer for Transiciel shares on January 28, 2004. As of December 31, 2004, the resulting additional purchase consideration is estimated at €9 million, i.e. 245,398 new shares valued at €35.44 each (market price on December 18, 2003, the date of Extraordinary Shareholders' Meeting which approved the transaction).

For various large contracts signed by Group entities (in particular the "ASPIRE" contract signed with the Inland Revenue on January 5, 2004 for an estimated amount of £3 billion, the TXU contract signed on May 17, 2004 for an amount of US$ 3.5 billion and the Schneider Electric Industries SAS contract signed on October 28, 2004 for an amount of €1.6 billion), the Group has provided a performance and/or a financial guarantee. The outsourcing contract signed with TXU Energy Company LLC and Oncor Electric Delivery Company provides, besides the standard clauses, for a termination right of the contract in the event the Group's corporate credit rating is lowered below investment grade. Following the downgrade of the Group's credit rating by Standard & Poors on January 7, 2005, TXU has confirmed the continuation of the contract.

On May 25, 2004, the Capgemini Group signed an agreement with France Telecom providing for the outsourcing of part of its telecommunications network for a term of eight years. Under the agreement, an indemnity is payable to either Capgemini or France Telecom depending on whether or not actual purchase volumes are higher or lower than the level specified in the agreement. Capgemini's maximum liability under this agreement amounts to €21.7 million at June 30, 2005.

Note 14 – Subsequent events

On August 12, 2005, the Group entered into an alliance with the Japanese Group N.T.T. Data Corporation providing for the sale of its 95% stake in CG Japan for €31 million.

Note 15 – Segment information

a) Segment information by geographic area

Statement of income for the first half of 2004

(in millions of euros)	North America	United Kingdom and Ireland	Nordic Countries	Benelux	Germay and Central Europe	France	South Europe	Asia-Pacific	Corporate	Elimination	Total
External revenue											
Amount	658	534	191	415	225	744	156	42	-	-	**2,965**
%	*22*	*18*	*7*	*14*	*8*	*25*	*5*	*1*	-	-	*100*
inter-segment revenue	6	17	6	19	11	31	5	24	18	(137)	-
Total Revenues	**664**	**551**	**197**	**434**	**236**	**775**	**161**	**66**	**18**	**(137)**	**2,965**
Operating Margin :											
Amount	(39)	(12)	(5)	23	6	18	(10)	(1)	(24)	-	(44)
% of external revenue	*(6.0)*	*(2.2)*	*(2.7)*	*5.5*	*2.7*	*2.5*	*(6.2)*	*(1.8)*	*n/a*	-	*(1.5)*
Operating profit/(loss)	**(40)**	**(17)**	**(8)**	**3**	**(3)**	**(8)**	**(21)**	**(1)**	**(25)**	**-**	**(120)**
Number of employees at June 30											
Employees	7,285	6,485	3,553	8,347	3,284	18,421	5,178	2,467	151	-	55,171
%	*13*	*12*	*6*	*15*	*6*	*34*	*9*	*5*	-	-	*100*

Statement of income for the first half of 2005

(in millions of euros)	North America	United Kingdom and Ireland	Nordic Countries	Benelux	Germay and Central Europe	France	South Europe	Asia-Pacific	Corporate	Elimination	Total
External revenue											
Amount	685	864	215	468	216	826	160	38	-	-	**3,472**
%	*20*	*25*	*6*	*13*	*6*	*24*	*5*	*1*	-	-	*100*
inter-segment revenue	9	23	7	26	15	31	10	30	16	(167)	-
Total Revenues	**694**	**887**	**222**	**494**	**231**	**857**	**170**	**68**	**16**	**(167)**	**3,472**
Operating Margin :											
Amount	(45)	28	12	41	13	28	3	-	(18)	-	62
% of external revenue	*(6.6)*	*3.2*	*5.5*	*8.8*	*5.9*	*3.5*	*1.9*	*0.9*	*n/a*	-	*1.8*
Operating profit/(loss)	**15**	**25**	**10**	**38**	**26**	**18**	**3**	**1**	**(13)**	**-**	**123**
Number of employees at June 30											
Employees	6,997	8,660	3,427	8,361	3,461	19,205	5,205	3,726	148	-	59,190
%	*12*	*15*	*6*	*14*	*6*	*32*	*9*	*6*	-	-	*100*

b) Segment information by discipline

Revenues for the first half of 2005

(in millions of euros)	
Consulting Services	486
Technology Services	1,173
Outsourcing Services	1,267
Local Professional Services	546
TOTAL	**3,472**

Note 16 Impact of the transition to IFRS on the 2004 financial statements

I BACKGROUND

In accordance with European Commission Regulation no. 1606/2002 of July 19, 2002 on the application of international accounting standards, the consolidated financial statements of the Capgemini Group for the year ending December 31, 2005 will be prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), applicable at December 31, 2005 and endorsed by the European Union. This interim report sets out Capgemini's first published IFRS consolidated financial statements for the six months ended June 30, 2005. Comparative information is provided for first-half 2004, restated in accordance with IAS/IFRS.

In preparation for the publication of the IFRS financial statements for full-year 2005 and the related comparative information, and in accordance with the recommendation of the French securities regulator ("Autorité des Marchés Financiers") concerning financial communication during the transition period, the Capgemini Group has prepared financial information for 2004 concerning the transition to IAS/IFRS, which sets out preliminary information relating to the expected impact of the adoption of IFRS on:

- The balance sheet at the transition date (January 1, 2004), which will include in equity the final impacts of the transition at the time of publishing the 2005 consolidated financial statements;
- The Group's financial position at December 31, 2004 and its performance during the year then ended.

The 2004 financial information concerning the expected impact of IFRS transition has been prepared by applying to 2004 data the IFRSs/IASs and interpretations that the Capgemini Group expects to be required to apply when preparing the comparative 2004 financial statements to be published with the IFRS financial statements for full-year 2005. The 2004 financial information described in the notes has therefore been prepared on the basis of:

- The IFRSs/IASs and related interpretations whose application is compulsory at December 31, 2005, based on current information;
- The options chosen and exemptions applied which the Group will in all probability use to prepare its IFRS consolidated financial statements for full-year 2005.

For these reasons, the audited opening balance sheet presented in this report may differ from the opening balance sheet used to prepare the consolidated financial statements for the year ending December 31, 2005.

This information was subject to a review by the Audit Committee and to audit procedures by the Statutory Auditors.

II ORGANIZATION OF THE TRANSITION PROJECT

Preparations for the transition to IAS/IFRS launched in 2003 continued throughout 2004, with identification of differences between these standards and the French GAAP applied by the Group, analysis of the impact of these differences, restatement of 2004 financial statements based on the interpretations of these standards available at the end of 2004 and analysis of the possible options planned for their first-time adoption.

All of the Group's finance teams have been given specific training on IAS/IFRS and on the new tools developed as part of the transition process. IT systems have been modified in order to integrate the new rules for financial reporting. Lastly, a new manual to be provided to each user concerned has been prepared describing the international accounting standards adopted by the Group.

III STANDARDS AND INTERPRETATIONS APPLIED TO PREPARE THE PRELIMINARY IFRS FINANCIAL INFORMATION

A) Description of the standards applied

The Group has opted to apply IAS 32, *Financial Instruments: Disclosure and Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*, as from January 1, 2004.

The Group has not opted for early application of IFRIC 4 "Rights to Use Assets: Determining whether an Arrangement contains a Lease", which is applicable from January 1, 2006 subject to endorsement by the European authorities.

B) Description of accounting treatments applied by the Group on first-time adoption of IFRS

As allowed under IFRS 1, *First-time Adoption of International Financial Reporting Standards,* the Group has selected the following accounting treatments for first-time adoption*:*

(a) Business combinations

The Group has elected not to restate business combinations carried out prior to January 1, 2004, as proposed by IFRS 3, *Business Combinations*.

(b) Actuarial gains and losses on employee benefits

The Group has elected to recognize in equity all cumulative actuarial gains and losses on employee benefits at the date of transition to IFRS. This adjustment had a €(9) million after-tax impact on consolidated equity at January 1, 2004.

(c) Translation adjustments

The Capgemini Group has reclassified under retained earnings the cumulative translation adjustment at January 1, 2004 relating to the conversion of the accounts of foreign subsidiaries. The total amount reclassified was €(236) million. This adjustment had no impact on total opening equity at January 1, 2004. The value of translation adjustments in the IFRS consolidated financial statements has therefore been set to zero as at January 1, 2004. If one of the subsidiaries concerned is subsequently sold, the gain or loss on disposal will not include the impact of any translation adjustments recorded prior to January 1, 2004.

(d) Share-based payment

The Group has applied IFRS 2, *Share-based Payment,* for stock options granted after November 7, 2002 which had not yet vested at January 1, 2004. This restatement had no impact on opening equity. The related expense recorded in the 2004 statement of income amounted to €4 million.

Apart from the treatments applied on first-time adoption, the value of assets and liabilities in the opening balance sheet at January 1, 2004 has been restated retrospectively as if the Group had always applied IAS/IFRS.

IV RECONCILIATIONS BETWEEN THE FRENCH GAAP AND IFRS BALANCE SHEETS AND INCOME STATEMENTS

A) Reconciliation between French GAAP and re-formatted IFRS consolidated balance sheets at January 1, 2004 (reclassifications)

ASSETS *in millions of euros*	French GAAP at Jan. 1, 2004	Advances received from customers	Accounts and notes receivable	Deferred income taxes	Assets held for sale	Other	French GAAP re-formatted into IFRS format	ASSETS *in millions of euros*
Notes (section V)		*(J)*						
Intangible assets	1,849	-	-	-	-	14	1,863	Intangible assets
Property, plant and equipment	471	-	-	-	(21)	(2)	448	Property, plant and equipment
Financial assets	88	-	-	-	-	-	88	Financial assets
Long-term deferred tax assets	671	-	-	103	-	-	774	Deferred income tax assets
	-	-	7	-	-	(1)	6	Long-term receivables
Total non-current assets	**3,079**	**-**	**7**	**103**	**(21)**	**11**	**3,179**	**Total non-current assets**
Accounts and notes receivable	1,411	343	(28)	-	-	12	1,738	Accounts and notes receivable
Other receivables	320	-	21	(103)	-	(6	232	Other receivables
	-	-	-	-	21	-	21	Assets held for sale
Financial receivables and short-term investments	929	-	-	-	-	-	929	Financial receivables and short-term investments
Cash	292	-	-	-	-	-	292	Cash
Total current assets	**2,952**	**343**	**(7)**	**(103)**	**21**	**6**	**3,212**	**Total current assets**
Total assets	**6,031**	**343**	**-**	**-**	**-**	**17**	**6,391**	**Total assets**

EQUITY AND LIABILITIES *in millions of euros*	French GAAP at Jan. 1, 2004	Advances received from customers	Provisions for pensions and other post-retirement benefits	Provisions for other liabilities and charges	Other liabilities	Employee profit-sharing reserve	Current income tax liabilities	Deferred income taxes	Other	French GAAP re-formatted into IFRS format	EQUITY AND LIABILITIES *in millions of euros*
Notes (section V)		*(J)*									
Share capital	1,049	-	-	-	-	-	-	-	-	1,049	Share capital
Additional paid-in capital	2,220	-	-	-	-	-	-	-	-	2,220	Additional paid-in capital
Retained earnings and other reserves	82	-	-	-	-	-	-	-	-	82	Retained earnings and other reserves
Shareholders' equity	**3,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,351**	**Capital and reserves attributable to equity holders**
Long-term debt	722	-	-	-	-	-	-	-	(3)	719	Long-term debt
	-	-	-	-	-	-	-	70	-	70	Deferred income tax liabilities
	-	-	101	-	-	-	-	-	(1)	100	Prov. for pensions and other post-retirement benefits
Provisions and other long-term liabilities	258	-	(101)	(19)	-	(62)	-	(52)	-	24	Prov. for contingencies and charges
	-	-	-	-	50	62	-	-	1	113	Other long-term liabilities
Total long-term liabilities	**980**	**-**	**-**	**(19)**	**50**	**-**	**-**	**18**	**(3)**	**1,026**	**Total non-current liabilities**
Short-term debt and bank overdrafts	233	-	-	-	-	-	-	-	3	236	Short-term debt and bank overdrafts
Accounts and notes payable	1,384	343	-	-	(50)	(13)	-	-	9	1,673	Accounts and notes payable
	-	-	-	19	-	-	-	-	-	19	Prov. for contingencies and charges
	-	-	-	-	-	-	53	-	8	61	Current income tax liabilities
Other payables	83	-	-	-	-	13	(53)	(18)	-	25	Other payables
Total current liabilities	**1,700**	**343**	**-**	**19**	**(50)**	**-**	**-**	**(18)**	**20**	**2,014**	**Total current liabilities**
Total equity and liabilities	**6,031**	**343**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**6,391**	**Total equity and liabilities**

N.B: The columns entitled "Other" in Table A and the following tables include an aggregate of adjustments which are non-material when taken individually.

B) Reconciliation between re-formatted IFRS and restated IFRS consolidated balance sheets at January 1, 2004 (restatements)

ASSETS *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Carry-back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Other	Restated under IFRS Jan. 1, 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(E)*	*(E)*	*(G)*	*(H)*		
Intangible assets	1,863	-	-	-	-	-	-	-	1	1,864
Property, plant and equipment	448	-	-	-	-	-	-	65	1	514
Financial assets	88	-	-	-	-	-	-	-	-	88
Deferred income tax assets	774	-	9	7	-	218	-	-	6	1,014
Long-term receivables	6	-	-	-	75	-	-	-	1	82
Total non-current assets	**3,179**	**-**	**9**	**7**	**75**	**218**	**-**	**65**	**9**	**3,562**
Accounts and notes receivable	1,738	12	-	-	-	-	-	-	-	1,750
Other receivables	232	-	(29)	-	-	-	(8)	-	2	197
Assets held for sale	21	-	-	-	-	-	-	-	-	21
Financial receivables and short-term investments	929	-	-	-	-	-	-	-	-	929
Cash	292	-	-	-	-	-	-	-	-	292
Total current assets	**3,212**	**12**	**(29)**	**-**	**-**	**-**	**(8)**	**-**	**2**	**3,189**
Total assets	**6,391**	**12**	**(20)**	**7**	**75**	**218**	**(8)**	**65**	**11**	**6,751**
Commitments received	9									

EQUITY AND LIABILITIES *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-retirement benefits	Carry-back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Other	Restated under IFRS Jan. 1, 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(E)*	*(E)*	*(G)*	*(H)*		
Share capital	1,049	-	-	-	-	-	-	-	-	1,049
Additional paid-in capital	2,220	-	-	-	-	-	-	-	-	2,220
Retained earnings and other reserves	82	12	(20)	(279)	-	218	33	(1)	(7)	38
Capital and reserves attributable to equity holders	**3,351**	**12**	**(20)**	**(279)**	**-**	**218**	**33**	**(1)**	**(7)**	**3,307**
Long-term debt	719	-	-	-	75	-	(61)	56	1	790
Deferred income tax liabilities	70	-	-	-	-	-	20	-	4	94
Provisions for pensions and other post-retirement benefits	100	-	-	285	-	-	-	-	-	385
Provisions for contingencies and charges	24	-	-	-	-	-	-	-	-	24
Other long-term liabilities	113	-		-	-	-	-	-	10	123
Total non-current liabilities	**1,026**	**-**		**285**	**75**	**-**	**(41)**	**56**	**15**	**1,416**
Short-term debt and bank overdrafts	236	-	-	-	-	-	-	10	-	246
Accounts and notes payable	1,673	-	-	-	-	-	-	-	-	1,673
Provisions for contingencies and charges	19	-	-	1	-	-	-	-	-	20
Current income tax liabilities	61	-	-	-	-	-	-	-	-	61
Other payables	25	-		-	-	-	-	-	3	28
Total current liabilities	**2,014**	**-**		**1**	**-**	**-**	**-**	**10**	**3**	**2,028**
Total equity and liabilities	**6,391**	**12**	**(20)**	**7**	**75**	**218**	**(8)**	**65**	**11**	**6,751**
Commitments given	1,343									

N.B:
Off-balance sheet commitments are now disclosed in separate tables (see notes IV-I and IV-J) rather than at the foot of the balance sheet.

C) Reconciliation between French GAAP and re-formatted IFRS consolidated balance sheets at December 31, 2004 (reclassifications)

ASSETS *in millions of euros*	French GAAP at Dec. 31, 2004	Advances received from customers	Accounts and notes receivable	Deferred income taxes	Assets held for sale	Other	French GAAP re-formatted into IFRS format	ASSETS *in millions of euros*
Notes (section V)		*(J)*						
Intangible assets	1,884	-	-	-	-	2	1,886	Intangible assets
Property, plant and equipment	460	-	-	-	(17)	(3)	440	Property, plant and equipment
Financial assets	64	-	-	-	-	-	64	Financial assets
Long-term deferred tax assets	558	-	-	95	-	(5)	648	Deferred income tax assets
	-	-	18	-	-	(9)	9	Long-term receivables
Total non-current assets	**2,966**	**-**	**18**	**95**	**(17)**	**(15)**	**3,047**	**Total non-current assets**
Accounts and notes receivable	1,316	484	(18)	-	-	23	1,805	Accounts and notes receivable
Other receivables	296	-	-	(95)	-	10	211	Other receivables
	-	-	-	-	17	-	17	Assets held for sale
Financial receivables and short-term investments	1,001	-	-	-	-	-	1,001	Financial receivables and short-term investments
Cash	251	-	-	-	-	-	251	Cash
Total current assets	**2,864**	**484**	**(18)**	**(95)**	**17**	**33**	**3,285**	**Total current assets**
Total assets	**5,830**	**484**	**-**	**-**	**-**	**18**	**6,332**	**Total assets**

EQUITY AND LIABILITIES *in millions of euros*	French GAAP at Dec. 31, 2004	Advances received from customers	Provisions for pensions and other post-employ-ment benefits	Provisions for other liabilities and charges	Other liabilities	Employee profit-sharing reserve	Current income tax liabilities	Deferred income taxes	Other	French GAAP re-formatted into IFRS format	EQUITY AND LIABILITIES *in millions of euros*
Notes (section V)		*(J)*									
Share capital	1,051	-	-	-	-	-	-	-	-	1,051	Share capital
Additional paid-in capital	2,226	-	-	-	-	-	-	-	-	2,226	Additional paid-in capital
Retained earnings and other reserves	82	-	-	-	-	-	-	-	-	82	Retained earnings and other reserves
Loss for the year	(359)	-	-	-	-	-	-	-	-	(359)	Loss for the year
Shareholders' equity	**3,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,000**	**Capital and reserves attributable to equity holders**
Minority interest	2	-	-	-	-	-	-	-	-	2	Minority interest
Total equity	**3,002**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,002**	**Total equity**
Long-term debt	653	-	-	-	-	-	-	-	1	654	Long-term debt
	-	-	-	-	-	-	-	78	(4)	74	Deferred income tax liabilities
	-	-	123	-	-	-	-	-	(3)	120	Provisions for pensions and other post-retirement benefits
Provisions and other long-term liabilities	255	-	(123)	(18)	-	(38)	-	(55)	(2)	19	Provisions for contingencies and charges
	-	-	-	-	78	38	-	-	-	116	Other long-term liabilities
Total long-term liabilities	**908**	**-**	**-**	**(18)**	**78**	**-**	**-**	**23**	**(8)**	**983**	**Total non-current liabilities**
Short-term debt and bank overdrafts	197	-	-	-	-	-	-	-	(1)	196	Short-term debt and bank overdrafts
Accounts and notes payable	1,634	484	-	-	(78)	(23)	-	-	23	2,040	Accounts and notes payable
	-	-	-	18	-	-	-	-	4	22	Provisions for contingencies and charges
	-	-	-	-	-	-	56	-	-	56	Current income tax liabilities
Other payables	89	-	-	-	-	23	(56)	(23)	-	33	Other payables
Total current liabilities	**1,920**	**484**	**-**	**18**	**(78)**	**-**	**-**	**(23)**	**26**	**2,347**	**Total current liabilities**
Total equity and liabilities	**5,830**	**484**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**6,332**	**Total equity and liabilities**

D) Reconciliation between re-formatted IFRS and restated IFRS consolidated balance sheets at December 31, 2004 (restatements)

ASSETS *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-employment benefits	Impairment and amortization of goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	OCEANE bonds	Finance leases	Put option on minority interests	Other	Restated under IFRS Dec. 31, 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(G)*	*(H)*	*(I)*		
Intangible assets	1,886	-	(4)	-	26	(16)	-	-	-	-	71	-	1,963
Property, plant and equipment	440	-	-	-	-	-	-	-	-	7	-	2	449
Financial assets	64	-	-	-	-	-	-	-	-	-	-	-	64
Deferred income tax assets	648	-	9	7	-	-	-	106	-	-	-	5	775
Long-term receivables	9	-	-	-	-	-	112	-	-	-	-	3	124
Total non-current assets	**3,047**	**-**	**5**	**7**	**26**	**(16)**	**112**	**106**	**-**	**7**	**71**	**10**	**3,375**
Accounts and notes receivable	1,805	2	7	-	-	-	-	-	-	-	-	-	1,814
Other receivables	211	-	(26)	-	-	-	-	-	(6)	-	-	(1)	178
Assets held for sale	17	-	-	-	-	-	-	-	-	-	-	-	17
Financial receivables and short-term investments	1,001	-	-	-	-	-	-	-	-	-	-	-	1,001
Cash	251	-	-	-	-	-	-	-	-	-	-	-	251
Total current assets	**3,285**	**2**	**(19)**	**-**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**(1)**	**3,261**
Total assets	**6,332**	**2**	**(14)**	**7**	**26**	**(16)**	**112**	**106**	**(6)**	**7**	**71**	**9**	**6,636**
Commitments received	11												

EQUITY AND LIABILITIES *in millions of euros*	French GAAP re-formatted into IFRS format	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-employment benefits	Impairment and amortization of goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	Stock options	OCEANE bonds	Finance leases	Put option on minority interests	Other	Restated under IFRS Dec. 31, 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(F)*	*(G)*	*(H)*	*(I)*		
Share capital	1,051	-	-	-	-	-	-	-	-	-	-	-	-	1,051
Additional paid-in capital	2,226	-	-	-	-	-	-	-	-	-	-	-	-	2,226
Retained earnings and other reserves	82	14	(20)	(278)	-	-	-	218	4	33	(1)	-	(7)	45
Loss for the year	(359)	(55)	6	(19)	26	(16)	-	(112)	(4)	(5)	1	(2)	5	(534)
Capital and reserves attributable to equity	**3,000**	**(41)**	**(14)**	**(297)**	**26**	**(16)**	**-**	**106**	**-**	**28**	**-**	**(2)**	**(2)**	**2,788**
Minority interest	2	-	-	-	-	-	-	-	-	-	-	(2)	-	-
Total equity	**3,002**	**(41)**	**(14)**	**(297)**	**26**	**(16)**	**-**	**106**	**-**	**28**	**-**	**(4)**	**(2)**	**2,788**
Long-term debt	654	-	-	-	-	-	112	-	-	(52)	4	51	(1)	768
Deferred income tax liabilities	74	-	-	-	-	-	-	-	-	18	-	-	3	95
Provisions for pensions and other post-retirement benefits	120	-	-	306	-	-	-	-	-	-	-	-	-	426
Provisions for contingencies and charges	19	-	-	-	-	-	-	-	-	-	-	-	-	19
Other long-term liabilities	116	-		-	-	-	-	-	-	-	-	24	5	145
Total non-current liabilities	**983**	**-**	**-**	**306**	**-**	**-**	**112**	**-**	**-**	**(34)**	**4**	**75**	**7**	**1,453**
Short-term debt and bank overdrafts	196	-	-	-	-	-	-	-	-	-	3	-	1	200
Accounts and notes payable	2,040	43	-	-	-	-	-	-	-	-	-	-	(1)	2,082
Provisions contingencies and charges	22	-	-	(2)	-	-	-	-	-	-	-	-	-	20
Current income tax liabilities	56	-	-	-	-	-	-	-	-	-	-	-	-	56
Other payables	33	-	-	-	-	-	-	-	-	-	-	-	4	37
Total current liabilities	**2,347**	**43**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**4**	**2,395**
Total equity and liabilities	**6,332**	**2**	**(14)**	**7**	**26**	**(16)**	**112**	**106**	**-**	**(6)**	**7**	**71**	**9**	**6,636**
Commitments given	1,379													

E) Reconciliation between French GAAP income statement and re-formatted IFRS income statement for the year ended December 31, 2004 (reclassifications)

in millions of euros	French GAAP 2004	Carry-back credit	Foreign exchange gains and losses	Restructuring costs	Discontinued operations	Disposal of Vertex	Goodwill impairment	Other income and expense	French GAAP re-formatted into IFRS format 2004
Revenues	6,291	-	-	-	-	-	-	-	6,291
Cost of services rendered	(4,699)	-	-	-	-	-	-	-	(4,699)
Selling expenses	(610)	-	-	-	-	-	-	-	(610)
General and administrative expenses	(924)	(6)	(6)	-	-	-	-	(4)	(940)
Operating margin	**58**	**(6)**	**(6)**	**-**	**-**	**-**	**-**	**(4)**	**42**
Other operating income and expense, net	-	-	-	(220)	6	-	(11)	-	(225)
Operating profit/(loss)	**58**	**(6)**	**(6)**	**(220)**	**6**	**-**	**(11)**	**(4)**	**(183)**
Finance costs	(38)	-	-	-	-	-	-	(1)	(39)
Income from cash and cash equivalents	18	-	-	-	-	-	-	-	18
Finance costs, net	**(20)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(21)**
Other financial income and expense, net	(4)	-	(1)	-	-	18	-	(3)	10
Other income and expense	(217)	6	7	220	(6)	(18)	-	8	-
Net income before taxes	**(183)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(194)**
Income tax expense	(125)	-	-	-	-	-	-	-	(125)
Net income before minority interests	**(308)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(319)**
Minority interest	-	-	-	-	-	-	-	-	-
Net income before amortization of goodwill	**(308)**	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(319)**
Goodwill amortization	(51)	-	-	-	-	-	11	-	(40)
Net income (Group share)	**(359)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(359)**

The main presentation change in relation to the income statement concerns the items "*Operating margin*" and "*Operating profit/(loss)*". The difference between the two headings is due to the fact that "*Operating profit/(loss)*" takes into account "*Other operating income and expense, net*". In accordance with the definition set out in Recommendation no. 2004-R.02 issued by the French National Accounting Board ("Conseil National de la Comptabilité") on October 27, 2004, "*Other operating income and expense*" may include a very limited number of unusual items which occur infrequently and which represent particularly material amounts (see details at the foot of note F).

F) Reconciliation between re-formatted IFRS income statement and restated IFRS income statement for the year ended December 31, 2004 (restatements)

in millions of euros	French GAAP re-formatted into IFRS format 2004	Revenue recognition	Recognition of outsourcing contract costs	Provisions for pensions and other post-employment benefits	Goodwill	Consolidation of Transiciel	Carry-back credit	Cancellation of deferred tax discounting	Stock options	OCEANE bonds	Other	Restated under IFRS 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(D)*	*(D)*	*(E)*	*(E)*	*(F)*	*(G)*		
Revenues	6,291	(56)	-	-	-	-	-	-	-	-	-	6,235
Cost of services rendered	(4,699)	-	6	(11)	(5)	-	-	-	-	-	(3)	(4,712)
Selling expenses	(610)	-	-	(1)	-	-	-	-	-	-	-	(611)
General and administrative expenses	(940)	-	-	(1)	-	-	4	-	-	-	1	(936)
Operating margin	**42**	**(56)**	**6**	**(13)**	**(5)**	**-**	**4**	**-**	**-**	**-**	**(2)**	**(24)**
Other operating income and expense, net (1)	(225)	-	-	-	(8)	(25)	-	-	(4)	-	5	(257)
Operating profit/(loss)	**(183)**	**(56)**	**6**	**(13)**	**(13)**	**(25)**	**4**	**-**	**(4)**	**-**	**3**	**(281)**
Finance costs	(39)	-	-	-	-	-	-	-	-	(9)	5	(43)
Income from cash and cash equivalents	18	-	-	-	-	-	-	-	-	-	-	18
Finance costs, net (2)	**(21)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**5**	**(25)**
Other financial income and expense, net (3)	10	-	-	(6)	-	-	(4)	-	-	-	(2)	(2)
Net income before taxes	**(194)**	**(56)**	**6**	**(19)**	**(13)**	**(25)**	**-**	**-**	**(4)**	**(9)**	**6**	**(308)**
Income tax expense	(125)	1	-	-	(1)	9	-	(112)	-	3	(1)	(226)
Net income before minority interests	**(319)**	**(55)**	**6**	**(19)**	**(14)**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income before amortization of goodwill	**(319)**	**(55)**	**6**	**(19)**	**(14)**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**
Goodwill amortization	(40)	-	-	-	40	-	-	-	-	-	-	-
Net income (Group share)	**(359)**	**(55)**	**6**	**(19)**	**26**	**(16)**	**-**	**(112)**	**(4)**	**(6)**	**5**	**(534)**

(1) Other operating income and expense, net, primarily includes:

- restructuring costs in an amount of €240 million;
- a €19 million impairment loss recorded in relation to goodwill;
- a €4 million expense relating to stock options granted;
- a €6 million gain on disposal of business.

(2) Finance costs, net, primarily include:

- €20 million in interest on OCEANE bonds;
- €14 million in interest on finance leases;
- €9 million in interest on other borrowings;
- €18 million in income from short-term investments.

(3) Other financial income and expense, net, primarily includes:

- an €18 million gain on the disposal of Vertex shares;
- a €6 million expense relating to the discounting of pension and other post-retirement benefit obligations;
- €4 million in notional interest on borrowings as a result of restating the carry-back credit.

G) Reconciliation between French GAAP cash flow statement and re-formatted IFRS cash flow statement, for the year ended December 31, 2004 (reclassifications)

in millions of euros	French GAAP 2004	Finance costs, net	Current and deferred taxes	Denetting of debt	Goodwill amortiza-tion	Advances received from customers	Other	French GAAP re-formatted into IFRS 2004	
Notes (section V)					*(D)*	*(J)*			
Profit/(loss) for the year	**(359)**	**-**	**-**	**-**	**-**	**-**	**-**	**(359)**	**Profit/(loss) for the year**
		-	-	-	11	-	-	11	Impairment of goodwill
Depreciation, amortization and write-downs of fixed assets	256	-	-	-	(11)	-	-	245	Depreciation, amortization and write-downs of fixed assets
Net additions to provisions (excluding current assets)	13	-	-	-	-	-	-	13	Net additions to provisions (excluding current assets)
		-	-	-	-	-	-	-	Unrealized gains and losses on changes in fair value
(Gains)/losses on disposals of assets	(14)	-	-	-	-	-	-	(14)	(Gains)/losses on disposals of assets
Changes in deferred taxes	140	-	(140)	-	-	-	-		
		-	-	-	-	-	-	-	Stock option expenses
		-	-	-	-	-	-	-	Equity in the results of affiliates
		-	-	-	-	-	-	-	Dividends received from non-consolidated companies
Other	(1)	1	-	-	-	-	-	-	Other
Cash flows from operations after net interest & income taxe	**35**								
		21		-	-	-	-	21	Net interest
		-	129	-	-	-	-	129	Net tax charge
		22	**(11)**	**-**	**-**	**-**	**-**	**46**	**Cash flows from operations before net interest and income tax (A)**
		-	4	-	-	-	-	4	Income tax paid (B)
Changes in working capital requirement relating to: - accounts and notes receivable (net)	101	-	-	-	-	(149)	36	(12)	Changes in working capital requirement relating to: - accounts and notes receivable (net)
Changes in working capital requirement relating to: accounts and notes payable (net)	108	-	-	-	-	114	8	230	Changes in working capital requirement relating to: accounts and notes payable (net)
Changes in working capital requirement relating to: other receivables and payables (net)	81	-	7	-	-	35	(44)	79	Changes in working capital requirement relating to: other receivables and payables (net)
Change in operating working capital	**290**	**-**	**7**	**-**	**-**	**-**	**-**	**297**	**Change in operating working capital (C)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**325**	**22**	**-**	**-**	**-**	**-**		**347**	**NET CASH GENERATED FROM OPERATING ACTIVITIES (D=A+B+C)**
Acquisitions of property, plant and equipment and intangible assets	(176)	-	-	-	-	-	1	(175)	Acquisitions of property, plant and equipment and intangible assets
Disposals of property, plant and equipment and intangible assets	41	-	-	-	-	-	-	41	Disposals of property, plant and equipment and intangible assets
	(135)	**-**	**-**	**-**	**-**	**-**	**1**	**(134)**	
Acquisitions of financial assets	(73)	-	-	-	-	-	-	(73)	Acquisitions of financial assets
Disposals of financial assets	78	-	-	-	-	-	-	78	Disposals of financial assets
Dividends received from affiliates and non-consolidated companies	-	-	-	-	-	-	-	-	Dividends received from affiliates and non-consolidated companies
	5	**-**	**-**	**-**	**-**	**-**	**-**	**5**	
Effect of changes in Group structure	(4)	-	-	-	-	-	-	(4)	Effect of changes in Group structure
		-	-	-	-	-	-	-	Movements in loans and advances granted
NET CASH USED IN INVESTING ACTIVITIES	**(134)**	**-**	**-**	**-**	**-**	**-**	**1**	**(133)**	**NET CASH USED IN INVESTING ACTIVITIES (E)**
Increase in share capital	-	-	-	-	-	-	-	-	Increase in share capital
Exercise of stock options	-	-	-	-	-	-	-	-	Exercise of stock options
Treasury stock transactions	-	-	-	-	-	-	-	-	Treasury stock transactions
Dividends paid	-	-	-	-	-	-	-	-	Dividends paid
Net change in borrowings	(152)	(3)	-	234	-	-	(1)	78	Proceeds from borrowings
		1	-	(234)	-	-	-	(233)	Repayments of borrowings
		(19)	-	-	-	-	-	(19)	Net interest
NET CASH USED BY FINANCING ACTIVITIES	**(152)**	**(21)**	**-**	**-**	**-**	**-**	**(1)**	**(174)**	**NET CASH USED IN FINANCING ACTIVITIES (F)**
CHANGE IN CASH AND CASH EQUIVALENTS	**39**	**1**	**-**	**-**	**-**	**-**	**-**	**40**	**NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)**
Effect of exchange rate movements on cash and cash equivalents	3	(1)	-	-	-	-	-	2	Effect of exchange rate movements on cash and cash equivalents (H)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,190	-	-	-	-	-	-	1,190	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,232	-	-	-	-	-	-	1,232	CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)

H) Reconciliation between re-formatted IFRS cash flow statement and restated IFRS cash flow statement, for the year ended December 31, 2004 (restatements)

in millions of euros	French GAAP re-formatted into IFRS format	Revenue recogni-tion	Recogni tion of out-sour-cing contract costs	Provi-sions for pensions	Finance leases	Cancel-lation of discoun ting of deferred taxes	OCEANE bonds	Carry-back credit	Stock options	Amortiz -ation of goodwill	Put option on minority interests	Consoli-dation of Transi-ciel	Non cash items: leases	Other	Restated under IFRS 2004
Notes (section V)		*(A)*	*(B)*	*(C)*	*(H)*	*(E)*	*(G)*	*(E)*	*(F)*	*(D)*	*(I)*	*(D)*			
Profit/(loss) for the year	**(359)**	**(55)**	**6**	**(19)**	**1**	**(112)**	**(6)**	**-**	**(4)**	**26**	**(2)**	**(16)**	**-**	**6**	**(534)**
Impairment of goodwill	11	-	-	-	-	-	-	-	-	-	-	-	-	8	19
Depreciation, amortization and write-downs of fixed assets	245	-	-	-	2	-	-	-	-	(27)	3	-	-	(10)	213
Net additions to provisions (excluding current assets)	13	-	-	19	-	-	-	-	-	-	-	-	-	-	32
Unrealized gains and losses on changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Gains)/losses on disposals of assets	(14)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
Stock option expenses	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4
Equity in the results of affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received from non-consolidated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-
Net interest	21	-	-	-	1	-	10	-	-	-	-	-	-	(7)	25
Net tax charge	129	-	-	-	-	112	(3)	-	-	1	-	(9)	-	-	230
Cash flows from operations before net interest and income tax (A)	**46**	**(55)**	**6**	**-**	**4**	**-**	**1**	**-**	**-**	**-**	**-**	**(25)**	**-**	**(2)**	**(25)**
Income tax paid (B)	4	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Changes in working capital requirement relating to: - accounts and notes receivable (net)	(12)	8	(8)	-	-	-	-	-	-	-	-	-	-	2	(10)
Changes in working capital requirement relating to: accounts and notes payable (net)	230	43	-	-	-	-	-	-	-	-	-	-	-	(2)	271
Changes in working capital requirement relating to: other receivables and payables (net)	79	-	(3)	-	-	-	2	(36)	-	-	-	25	-	(8)	59
Change in operating working capital (C)	**297**	**51**	**(11)**	**-**	**-**	**-**	**2**	**(36)**	**-**	**-**	**-**	**25**	**-**	**(8)**	**320**
NET CASH GENERATED FROM OPERATING ACTIVITIES (D=A+B+C)	**347**	**(4)**	**(5)**	**-**	**4**	**-**	**3**	**(36)**	**-**	**-**	**-**	**-**	**-**	**(10)**	**299**
Acquisitions of property, plant and equipment and intangible assets	(175)	-	5	-	(3)	-	-	-	-	-	-	-	47	1	(125)
Disposals of property, plant and equipment and intangible assets	41	-	-	-	1	-	-	-	-	-	-	-	-	-	42
	(134)	**-**	**5**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**1**	**(83)**
Acquisitions of financial assets	(73)	-	-	-	-	-	-	-	-	-	-	-	-	-	(73)
Disposals of financial assets	78	-	-	-	-	-	-	-	-	-	-	-	-	-	78
Dividends received from affiliates and non-consolidated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Effect of changes in Group structure	(4)	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(5)
Movements in loans and advances granted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH USED IN INVESTING ACTIVITIES (E)	**(133)**	**-**	**5**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**1**	**(83)**
Increase in share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	78	-	-	-	-	-	6	-	-	-	-	-	(47)	6	43
Repayments of borrowings	(233)	-	-	-	-	-	-	36	-	-	-	-	-	(2)	(199)
Net interest	(19)	-	-	-	(1)	-	(9)	-	-	-	-	-	-	5	(24)
NET CASH USED IN FINANCING ACTIVITIES (F)	**(174)**	**-**	**-**	**-**	**(1)**	**-**	**(3)**	**36**	**-**	**-**	**-**	**-**	**(47)**	**9**	**(180)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (G=D+E+F)	**40**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36**
Effect of exchange rate movements on cash and cash equivalents (H)	2	4	-	-	-	-	-	-	-	-	-	-	-	-	6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	**1,190**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,190**
CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)	**1,232**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,232**

I) Analysis of IFRS transition relating to off-balance sheet commitments at January 1, 2004

OFF-BALANCE SHEET COMMITMENTS *in millions of euros*	French GAAP re-formatted into IFRS format	Finance leases	Restated under IFRS Jan. 1, 2004
Notes (section V)		*(H)*	
Commitments received	9	-	9
Commitments given	1,343	(66)	1,277

J) Analysis of IFRS transition relating to off-balance sheet commitments at December 31, 2004

OFF-BALANCE SHEET COMMITMENTS *in millions of euros*	French GAAP re-formatted into IFRS format	Finance leases	Put option on minority interests	Restated under IFRS Dec. 31, 2004
Notes (section V)		*(H)*	*(I)*	
Commitments received	11	-	-	11
Commitments given	1,379	(8)	(147)	1,224

V MAIN IMPACTS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS A RESULT OF ADOPTING IAS/IFRS

A) Revenue recognition

Application of IAS 18 “Revenue” resulted in a negative pre-tax impact of €56 million on 2004 profit and a positive impact of €12 million on equity at January 1, 2004.

The impact of IAS 18 on the Group consolidated financial statements is mainly a result of the following two effects:

Under French GAAP, revenues from outsourcing contracts are recognized based on the terms of the contract. Under IAS 18, revenues are recognized as the services are rendered. This new accounting treatment led to a €47 million decrease in 2004 revenues on the outsourcing contract signed with the U.S.-based companies TXU Energy Company LLC and Oncor Electric Delivery Company.

Revenue recognition based on the percentage-of-completion method previously used by the Group under French GAAP for systems integration and consulting led to contract overruns recognized more rapidly than recommended under IAS 18. As a result of adopting this standard, work-in-progress (services rendered but not yet invoiced) increased by €12 million at January 1, 2004, and €3 million at December 31, 2004, with corresponding adjustments to equity. The related impact on 2004 revenue was a negative €9 million.

B) Recognition of outsourcing contract costs

Under French GAAP, certain costs incurred in the initial phase of outsourcing contracts were either recognized in income for the period or capitalized and deferred over the life of the contract provided that revenues were recognized over the same period, or recognized in profit and covered by the recognition of revenues where this was provided for under the terms of the contract. Under IFRS, a portion of costs incurred in the initial phase of outsourcing contracts (transition/transformation costs) may be capitalized and/or may be covered by the recognition of revenues, provided that such costs are incurred under a separately identifiable project.

Under French GAAP, according to the matching of revenue with expenses principle, operating costs for certain outsourcing contracts were deferred over the life of the contract. The amount of deferred costs was adjusted periodically based on forecast profit over the life of the contract. Conversely, under IFRS, operating costs may no longer be deferred and must be expensed as incurred.

These two differences resulted in a decrease in opening equity of €20 million corresponding to the neutralization of prepaid expenses at January 1, 2004, and a €6 million increase in profit related mainly to changes in 2004 prepaid expenses and the capitalization of the costs of the TXU contract, previously recognized in profit but covered by revenue recognition under French GAAP (see A) above – Revenue recognition).

C) Employee benefits – pension obligations

The Group operates the following two types of pension plans:

- Defined contribution plans

Defined contribution plans have been set up in the majority of European countries – including France, Benelux, Germany and Central Europe, the Nordic countries, Italy, Spain and Portugal – as well as in the United States and the Asia-Pacific region.
These plans are funded by contributions paid to authorized agencies, which are booked as an expense. There are no differences between French GAAP and IFRS concerning the accounting treatment of defined contribution plans.

- Defined benefit plans

The Group operates both funded and unfunded defined benefit plans and records the related provision as a liability in the balance sheet under “Provisions for pensions and other post-retirement benefits”. Funded defined benefit plans are in place in the United States, Canada, the United Kingdom, Ireland, Germany, Switzerland and France (Transiciel). Unfunded defined benefit plans mainly concern France, Italy, Germany and Central Europe, the Nordic countries and North America.

In the French GAAP accounts, the method used for calculating provisions for pensions and other post-retirement benefits was based on the regulations and practices in force in the countries in which the Group operates. The related liability mainly represented a portion of the difference between the projected benefit obligation and the fair value of any plan assets.

Measurement and recognition rules for pension obligations under IAS 19, *Employee Benefits*, do not differ significantly from those applied in accordance with the above-mentioned local regulations and practices, except in the case of the United Kingdom. Under UK accounting rule SSAP 24, pension obligations were discounted based on the expected long-term rate of return on plan assets. In relation to Capgemini's UK plan, this return was set at 8% for equity-invested assets at December 31, 2003. Under IAS 19, the present value of pension obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, representing 5.5% at end-2003. In addition, under SSAP 24, any deficit arising where the fair value of plan assets was lower than the projected benefit obligation was not immediately recognized in the balance sheet but amortized through additional contribution payments, based on the expected average remaining working lives of employees. IAS 19, however, requires this deficit to be recorded under provisions. The differences between these two accounting treatments led the Group to book an additional €267 million provision for pensions and other post-retirement benefits at January 1, 2004, which was deducted from equity.

Furthermore, using the option available on first-time adoption of IFRS, the Capgemini Group has recognized cumulative unrealized actuarial gains and losses in equity. This explains most of the residual impact at January 1, 2004. It resulted in a €14 million increase in provisions for pensions and other post-retirement benefits (primarily corresponding to North America) and a €9 million reduction in equity at January 1, 2004.

Overall, application of IAS 19, *Employee Benefits*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, led to:
- a €286 million increase in provisions for pensions and other post-retirement benefits and a €7 million increase in deferred tax assets, representing a net €279 million decrease in equity at January 1, 2004.
- an additional expense of €19 million for the year ended December 31, 2004, primarily reflecting the difference between the rates used for discounting pension obligations in the United Kingdom before and after adopting IFRS (see above).

D) Goodwill

Goodwill represents the difference between the cost of shares in a consolidated company and the Group's equity in the fair value of the underlying net assets at the date it acquired control of the company, which is generally the acquisition date.

Under French GAAP, goodwill was amortized on a straight-line basis over a period not exceeding forty years. An impairment loss was recorded when events or circumstances indicated that the net book value of goodwill was higher than its value in use on an other-than-temporary basis. Value in use was calculated using the discounted cash flows method.
Under IFRS 3, *Business Combinations*, goodwill is no longer amortized. Instead, it has to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment testing consists of comparing the carrying amount of the goodwill with its recoverable amount (corresponding to the higher of an asset's fair value less costs to sell and its value in use). Value in use is determined based on discounting future cash flows.
Besides, while french GAAP allowed an enterprise to record negative goodwill as a liability in the balance sheet and to write it back to the income statement on a straight-line basis over a period not exceeding forty years, if the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeded the cost of the acquisition, IFRS 3 requires this excess to be recognized immediately as a gain in the income statement.

In application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, amortization carried in the balance sheet at January 1, 2004 has been deducted from the gross value of the goodwill recognized. This reclassification, which neutralized the goodwill amortization previously recognized, did not impact equity.
In the IFRS accounts, negative goodwill has been reversed against equity, resulting in a €5 million increase in opening equity in the IFRS balance sheet at January 1, 2004.
Impairment tests required under IFRS 1 were carried out at January 1, 2004 and did not give rise to any additional goodwill impairment losses at that date.

Application of IFRS 3, *Business Combinations*, primarily resulted in the following impacts on the 2004 income statement:

- Cancellation of goodwill amortization of €40 million recognized under French GAAP;
- Recognition of an €8 million impairment on goodwill no longer amortized under IFRS, further to impairment testing at December 31, 2004;
- Recognition of €5 million in amortization relating to intangible assets acquired in 2004. In the French GAAP accounts, these assets were classified as goodwill and amortized over the term of the related contract. Under IFRS, as said assets can be identified separately from goodwill they have been recorded as intangible assets and continue to be amortized over the term of the contract. The goodwill amortization expense previously recorded has been reclassified as an operating expense in the IFRS financial statements;
- Recognition of restructuring costs totaling €16 million net of taxes. Whereas under French GAAP the Group was able to record under goodwill a fair value adjustment arising in 2004 relating to Transiciel (acquired in December 2003), in accordance with IFRS 3 this adjustment now has to be recognized directly in the income statement.

E) Taxes

Deferred Taxes

Deferred taxes are recorded to take into account temporary differences between the carrying amount of certain assets and liabilities and their tax basis, and tax loss carryforwards that the Group considers recoverable.

North American and French deferred taxes

North American deferred tax, recorded further to the merger of Ernst and Young's North American consultancy business, considering the Group's possibility to amortize for tax purposes over 15 years the difference between the acquisition cost of this business and the historical cost of the assets and liabilities acquired, was initially determined based on a forecast of the taxable earnings of the North American business over 15 years. These earnings were subject to visibility parameters where probable recoveries were covered by provisions calculated at a rate of 35% as from the sixth year and increased to 70% in the thirteenth year.

At December 31, 2004, in light of its underperforming operations in the United States, particularly in 2004, the Group decided to take account of potential tax savings over a limited period of five years.

The deferred tax assets recognized in France following the restructuring of our North American operations in 2002 were calculated, given the possibility of carrying forward tax losses indefinitely and in view of the forecast of the Group's taxable results in France, over a period limited to 15 years, based on the same afore-mentioned visibility parameters intially applied for the United States business.

(a) Discounting deferred taxes

In the French GAAP accounts, deferred taxes were discounted when the impact of discounting was material and the timing of their utilization could be reasonably estimated. Under IAS 12, *Income Taxes*, deferred taxes may not be discounted. This difference in accounting treatment resulted in a revaluation of net deferred tax assets, with a corresponding adjustment to equity at January 1, 2004, as well as the cancellation in the 2004 income statement of the annual impact of discounting deferred taxes.

At January 1, 2004, the cancellation of the discounting effect led to a €218 million increase in deferred tax assets, which can be analyzed as follows:

- A €104 million increase from €248 million to €352 million in relation to the net deferred tax assets recognized in the U.S. at the time of the acquisition of the Ernst & Young consulting business;
- A €114 million increase from €421 million to €535 million, for the net deferred tax assets recognized in France following the restructuring of the Group's North American operations.

At December 31, 2004, the cancellation of the discounting effect led to a €106 million increase in deferred tax assets, breaking down as follows:

- An €18 million increase from €102 million to €120 million in relation to the net deferred tax assets recognized in the U.S. at the time of the acquisition of the Ernst & Young consulting business;
- An €88 million increase from €434 million to €522 million, for the net deferred tax assets recognized in France following the restructuring of the Group's North American operations.

Besides, IFRS restatements concerning the discounting effect also led to the cancellation in the income statement of a deferred tax benefit in the amount of €112 million, breaking down as €86 million relating to the U.S. and €26 million relating to France.

(b) Sale of carry-back tax credits

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

Under French GAAP, sales of carry-back credits were recorded as sales with a guarantee. Under IFRS, this type of sale is treated as a guaranteed financing transaction. Further to an analysis of the risks and rewards related to these carry-back credits, they have been taken back to the consolidated balance sheet at present value, with a corresponding adjustment to debt. As the carry-back credits correspond to long-term tax credits, they are not included when calculating net cash and cash equivalents, which in turn causes a decrease in the notional amount of net cash and cash equivalents. The related debt and carry-back credits should be derecognized in 2011, when the effective amount of payments due by the French Treasury in 2008 and 2009 to the buyer of the carry-back credits is known.

The carry-back credits and debt have been recorded at amortized cost in the consolidated balance sheet at January 1, 2004 and December 31, 2004 in amounts of €75 million and €112 million respectively, determined in accordance with the effective interest method. Until 2008 and 2009, the related notional income will be recorded as operating income with a corresponding increase in the carry-back credits. This recognition of income will be offset by notional interest expense recorded under finance costs, with a corresponding increase in debt.

F) Share-based payment: stock options

Since 1996, Capgemini has launched several stock option plans which allow a certain number of Group employees to purchase shares issued for this purpose, based on conditions relating to length of service and performance. The stock option plans entitle the grantees to purchase Capgemini shares within five years at an exercise price set when they are granted.

Under French GAAP, the Group did not record any related expense when the options were granted. In case Capgemini issued new shares on exercise of the options, the difference between the par value and the exercise price was recorded under additional paid-in capital.

IFRS measurement and recognition rules relating to stock options are described in IFRS 2, *Share-based Payment.*
In accordance with this standard, stock options are measured at fair value at the date of grant, with fair value corresponding to the amount of the benefit granted to the employee. The Group uses the "Black & Scholes" option pricing model for measuring fair value, whereby calculations are performed based on criteria such as the exercise price of the options, the life of the options, the share price at the date of grant, the inherent volatility of the share price, and risk-free interest rates.

The fair value of the options granted is recognized in "Other operating income and expense, net" over the vesting period, with a corresponding impact in equity.

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, 2004, are measured and recognized in "Other operating expenses". Recognition and measurement of stock options granted prior to November 7, 2002 is not required, thus they are not measured and recognized.

Application of IFRS 2 had no impact on the Group's opening IFRS equity, but it did have a €4 million negative impact on the 2004 income statement.

G) OCEANE bonds

On June 24, 2003, Cap Gemini S.A. issued bonds convertible and/or exchangeable into new or existing shares ("OCEANE"), maturing January 1, 2010. The effective issue and settlement date of the bonds was July 2, 2003. The terms and conditions of this issue are set out in Note 15 "Cash and cash equivalents" of the Reference Document at December 31, 2004.

In the French GAAP accounts, the bond issue was recorded under long-term debt at face value, representing €460 million.
Interest expense for the year corresponded to actual interest paid on an annual basis, at the applicable fixed rate of 2.5%.

Under IAS 32, "*Financial Instruments: Disclosure and Presentation*", and IAS 39, "*Financial Instruments: Recognition and Measurement*", the following accounting treatment applies :

The liability recognized in relation to the bond issue is measured at the fair value of the bonds at the date the bond issue was set up. It is calculated by discounting the future cash disbursements at the market interest rate applicable to the Group at the date of subscription. Any issue costs are also deducted from the fair value of the bond issue.

For subsequent reporting periods, the liability is measured at amortized cost, calculated using the effective interest method. Under this method, the interest expense recorded in the income statement does not correspond to the interest actually paid but rather to the amount of the theoretical interest expense that arises as a result of applying the effective interest rate to the carrying amount of the bonds. Applying the effective interest rate enables future cash flows to reflect the fair value of the bonds (after deducting debt issuance costs).

The difference between the face value of the bonds and their fair value as calculated above is recorded under equity.

Accounting for the OCEANE bonds at the date of transition to IFRS

The OCEANE bonds were issued at an interest rate that was lower than the market rate (2.5% compared with 4.8%, respectively). Consequently, under IFRS, the original fair value of the debt component of the bond issue amounts to €395 million, after taking into account the relevant portion of debt issuance costs (€8 million for the whole OCEANE bond issue), representing a €65 million reduction compared with the amount recorded in accordance with French GAAP.

The equity component has been recorded under equity in an amount of €57 million (after deducting the relevant portion of the debt issuance costs). The net impact on opening equity at January 1, 2004 of calculating the debt component at amortized cost was a negative €4 million before tax.

Movements during the year ended December 31, 2004

Based on an effective interest rate of 4.8% (5.1% taking into account bond issuance costs), the annual interest expense for 2004 on the OCEANE bonds came to €20 million, versus actual interest paid in the amount of €11 million. The income statement impact of applying IAS 39, *Financial Instruments: Recognition and Measurement*, for 2004 corresponded to an additional pre-tax expense of €9 million.

The impact on equity over the life of the bonds is neutral, as the additional expense recognized for notional interest offsets the initial impact on opening equity.

H) Finance leases

Under French GAAP, certain fixed assets were acquired under finance leases that transferred substantially all the risks and rewards incident to ownership of the asset to the Group. In these cases, the value of the leased item was restated as an asset and the present value, at the beginning of the lease term, of future minimum lease payments during the lease term was recorded as an obligation. The asset was depreciated over its economic life in accordance with Group policy and the obligation was amortized over the lease term.

The same accounting treatment is applicable to finance leases under IAS 17, *Leases.* However, the analysis carried out on the transition to IFRS identified certain leases – primarily relating to outsourcing contracts – which should be treated as finance leases rather than operating leases. These leases have been restated in the 2004 French GAAP balance sheet, and retrospectively restated in the opening IFRS balance sheet at January 1, 2004, in an amount of €65 million.

I) Put options on minority interests

The 10-year outsourcing contract signed with TXU Energy Company LLC and Oncor Electric Delivery Company provides, in favor of the TXU group, and besides the standard clauses, for a put option on its 2.9% interest in Capgemini Energy LP and certain related assets (essentially the IT platform owned by the TXU group and used by Capgemini Energy LP for the term of the contract), for an amount of US $200 million subject to certain adjustments. This option is exercisable by the TXU group during the 10 years following the end of the contract.

Under French GAAP, this option corresponded to an off-balance sheet commitment (see Note 21 "Commitments received from and given to third parties» in the 2004 Reference Document). However, IAS 32, *Financial Instruments: Disclosure and Presentation* provides for recognition of a debt in the balance sheet offset by the recognition of the fair value of the assets described previously. Therefore, in the IFRS balance sheet at December 31, 2004, intangible assets were recorded in an amount of €71 million, €24 million was added to other long-term liabilities and €51 million was recognized under long-term debt. €4 million was deducted from equity to reflect the cancellation of minority interests previously recognized in accordance with French GAAP and the amortization of the intangible assets for the period.

J) Reclassification of advances received from customers

Under French GAAP, the Group presented accounts and notes receivable net of advances received from customers. Details of these two items were then disclosed in a specific note (see Note 12 of the 2004 Reference Document entitled "Accounts and notes receivable (net)"). Capgemini used this form of presentation to reflect the specific accounting treatment applied to long-term contracts which make up the bulk of the Group's business. As this presentation (which was noted by the Autorité de Marchés Financiers) did not comply with IAS 1, *Presentation of Financial Statements,* advances received from customers have been restated in the IFRS balance sheet and reclassified under liabilities.