December 31, 2020

ANNUAL REPORT CONSOLIDATED FINANCIAL STATEMENTS

Contents

Financial highlights

CONSOLIDATED FINANCIAL STATEMENTS

(in millions of euros)	2016 reported (1)	2017 restated (1)	2018	2019**	2020***
Revenues	**12,539**	**12,525**	**13,197**	**14,125**	**15,848**
Operating expenses	(11,099)	(11,032)	(11,600)	(12,384)	(13,969)
Operating margin*	**1,440**	**1,493**	**1,597**	**1,741**	**1,879**
% of revenues	*11.5%*	*11.9%*	*12.1%*	*12.3%*	*11.9%*
Operating profit	**1,148**	**1,183**	**1,251**	**1,433**	**1,502**
% of revenues	*9.2%*	*9.4%*	*9.5%*	*10.1%*	*9.5%*
Profit for the period attributable to owners of the Company	**(2) 921**	**820**	**730**	**856**	**957**
% of revenues	*7.3%*	*6.6%*	*5.5%*	*6.0%*	*6.1%*
Earnings per share					
Average number of shares outstanding during the period	*169,450,721*	*168,057,561*	*167,088,363*	*166,171,198*	*167,620,101*
Basic earnings per share *(in euros)*	5.44	4.88	4.37	5.15	5.71
Normalized earnings per share * *(in euros)*	(2) 6.69	6.22	(3) 6.06	(3) 6.76	(3) 7.23
Dividend per share for the year *(in euros)*	1.55	1.70	1.70	1.35	1.95 (4)
Goodwill at December 31	**7,176**	**6,830**	**7,431**	**7,662**	**9,795**
Equity attributable to owners of the Company at December 31	**7,272**	**6,956**	**7,480**	**8,424**	**6,103**
(Net debt)/net cash and cash equivalents* at December 31	**(1,413)**	**(1,209)**	**(1,184)**	**(600)**	**(4,904)**
Organic free cash flow* at December 31	**1,071**	**1,080**	**1,160**	**1,288**	**1,119**
Average number of employees	**185,593**	**196,755**	**204,904**	**216,104**	**251,525**
Number of employees at December 31	**193,077**	**199,698**	**211,313**	**219,314**	**269,769**

(1) Only 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers, effective starting January 1, 2018.

(2) Including tax income (net) of €180 million in respect of goodwill arising on legal restructurings.

(3) Excluding a tax expense of €53 million in 2018, €60 million in 2019 and a tax income of €8 million in 2020 due to the transitional impact of the 2017 US tax reform.

(4) Subject to approval by the Shareholders' Meeting of May 20, 2021.

* The alternative performance measures monitored by the Group (operating margin, normalized earnings per share, net debt/net cash and cash equivalents and organic free cash flow) are defined in Note 3 - Alternative performance measures and broken down in Note 11 - Earnings per share, Note 22 - Net debt/net cash and cash equivalents and Note 23 - Cash flows.

** 2019 data reflects the application of IFRS 16, Leases, using the modified retrospective method.

*** 2020 data reflects the consolidation of Altran from April 1, 2020.

Statutory auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2020

To the Annual General Meeting of Capgemini SE,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Capgemini SE ("the Group") for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenue and costs related to long-term service contracts

Risks identified	Our audit approach
Capgemini is present in the consulting, digital transformation, technology and engineering services market and notably provides long-term services. As described in Note 6 to the consolidated financial statements, the method used to recognize revenue and costs related to long-term contracts depends on the nature of the services rendered, as follows: • Revenue from deliverable-based contracts is recognized over time by using the "cost-to-cost" method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract; • Revenue from resources-based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date; • Revenue on services-based contracts is recognized as rights to bill arise, except in specific cases where invoicing terms do not reflect the value to the customer of services rendered to date relative to the value of the remaining services (for example, in case of significant front-loaded or back-loaded fees or discounts); • Revenue on multi-deliverable contracts should be recognized applying the appropriate method as specified above, depending on the performance obligations identified. Costs incurred to fulfill the contracts are expensed as incurred with the exception of certain initial set-up costs, such as transition and transformation costs that do not represent a separate performance obligation, which are capitalized if they create a resource that the Group will use to perform the promised service. A provision for onerous contract is recorded if all the costs necessary to fulfil the contract exceed the related benefits. The amount of revenue and the costs to be recognized for the period, and of any provisions for loss at completion at the closing date, depends upon the Group's ability to: • identify all the performance obligations in the long-term multi-service contracts and determine their related accounting treatment; • measure the costs incurred for deliverable-based contracts or the total services rendered for resources-based and services-based contracts; • estimate the costs to be incurred until the end of the contract. Considering the judgments and estimates made by the management to determine how revenue and related costs should be recognized, we deemed the recognition of revenue and costs related to long-term service contracts to be a key matter in our audit.	We have updated our understanding of the process related to recognizing various revenue flows. Our approach took into account the information systems used in recognizing revenue and related costs by testing, with the assistance of our IT specialists, the effectiveness of the automatic controls for systems impacting revenue recognition. Our work notably involved: • assessing internal control procedures, identifying the most manual or automatic relevant controls for our audit and testing their design and operational efficiency; • carrying out analytical audit procedures, and notably analyzing material changes in revenue and margin from one period to another; • based on a sample of contracts selected by using a multi-criteria analysis: ○ assessing the performance obligations identified within the context of the contract; ○ assessing the method used to recognize revenue and related costs for each identified performance obligation; ○ comparing the accounting data against the operational monitoring of projects and assessing the reasonableness of the estimates used, particularly as regards to measuring costs to be incurred until the end of the contract; • assessing the appropriateness of the information provided in the notes to the consolidated financial statements.

Acquisition and measurement of Goodwill

Risks identified	Our audit approach
As part of its business development, the Group makes targeted acquisitions in order to expand its service offering. In the context of the purchase price allocation, the Group estimates the fair value of identifiable assets acquired, liabilities assumed for entities newly acquired, and recognizes goodwill as an asset in the consolidated financial statements. Goodwill corresponds to the difference between the purchase price and the net amount of identifiable assets acquired and liabilities assumed. Goodwill is allocated to the various cash generating units (CGU). As of December 31, 2020, the total assets include €9,795m of goodwill and €807m of customer relationships, as described in Note 13 to the consolidated financial statements. These amounts reflect notably the impact of Altran acquisition in March 2020 contributing to goodwill and customer relationship for €2,578m and €503m respectively as described in Note 2 to the consolidated financial statements. At least once a year, Management ensures that the net carrying amount of goodwill recognized as an asset is not greater than the recoverable amount. Indeed, an adverse change in the business activities to which goodwill has been allocated, due to internal or external factors such as the financial and economic environment in markets where Capgemini operates, may have a significant adverse effect on the recoverable amount of goodwill and require the recognition of impairment. In such a case, it is necessary to reassess the relevance and reasonableness of the assumptions used to determine the recoverable amounts and the reasonableness and consistency of the calculation method. The impairment testing methods and details of the assumptions used are described in Note 16 to the consolidated financial statements. The recoverable amount is determined based on value in use, which is calculated based on the present value of the estimated future cash flows expected to arise from the asset group comprising each cash generating unit. We believe that acquisitions and measurement of goodwill is a key audit matter, due to their sensitivity to the assumptions made by Management and their significant amount reported in the financial statements.	Our work entailed: • assessing the compliance of the Altran acquisition accounting method adopted with IFRS 3R – Business Combination ; • assessing the reasonableness of the approach undertaken to identify the acquired assets and assumed liabilities; • assessing the reasonableness of the assumptions used to fair value the acquired assets and assumed liabilities, including tax risks; • assessing the appropriateness of the method used to identify cash generating units (CGU); • gaining an understanding of and assessing the impairment testing process implemented by Management; • assessing the appropriateness of the model used to calculate value in use; • analyzing the consistency of cash flow forecasts with Management's latest estimates presented to the Board of Directors as part of the budget process; • comparing the cash flow forecasts for financial years 2021 to 2023 with the business plans used for prior year impairment testing; • comparing 2020 earnings forecasts used for prior year impairment testing with actual results; • interviewing the financial and operational staff responsible for the geographic areas representing cash generating units to analyze the main assumptions used in the 3-year strategic plan and cross-check the assumptions with the explanations obtained; • assessing the methods used to calculate the discount rate applied to the estimated cash flows expected, as well as the long-term growth rate used to project the latest prior year expected cash flows to infinity; comparing these rates with market data and external sources and recalculating the rates based on our own data sources; • assessing sensitivity testing of value in use to a change in the main assumptions used by Management; • assessing the appropriateness of the financial information provided in Notes 2, 13 and 16 to the consolidated financial statements. Our firms' valuation specialists were involved in this work.

Tax Audit

Risks identified	Our audit approach
The Group is present in a large number of tax jurisdictions. The tax authorities in the countries in which the Group operates regularly control the Group's position on subjects relating to its ordinary business. As stated in Note 30 to the consolidated financial statements for the year ended December 31, 2020, tax audits may lead to proposed adjustments that are challenged and to litigation and pre-litigation proceedings with the tax authorities, notably in France and India. These reassessments have not been accrued in the financial statements, as the Group has justified its position and believes that it is probable that it will prevail. As stated in Note 2 to the consolidated financial statements, certain tax risks have been fair valued in the context of the preliminary purchase price allocation of Altran Technologies in 2020. Estimates of risk relating to tax matters are reviewed regularly by each subsidiary and by the Group's tax department, with the assistance of external counsels for the most significant or complex matters. We believe that tax audits are a key audit matter due to the Group's exposure to tax issues related to its presence worldwide, the potential impact on the consolidated financial statements and the level of judgment required by Management in estimating the risk.	Through discussions with Management, we have updated our understanding of the procedures implemented by the Group to monitor tax matters. We have also assessed the judgments made by Management to measure the probability of tax payable and the amount of potential exposures, and the reasonableness of the estimates related to tax matters. We focused in particular on the effect of changes in local tax regulations and ongoing disputes with local tax authorities. To assess whether tax audits have been correctly addressed in the consolidated financial statements, with the assistance of our tax experts we: • conducted interviews with the Group's tax department and with local tax departments to assess the current status of investigations and reassessment proposals or reassessment notices received from the tax authorities, and monitor the status of ongoing claims, disputes and pre-litigation proceedings; • consulted the decisions and recent correspondence between the Group's companies and local tax authorities, along with the correspondence between the companies concerned and their legal counsels, when required; • performed a critical review of Management's estimates and position papers and of the consultations of external advisors.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the Group's management report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of December 17, 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

Appointment of the Statutory auditors

We were appointed as statutory auditors of Capgemini SE by the annual general meeting held on May 24, 1996 for PricewaterhouseCoopers Audit and on May 20, 2020 for Mazars.

As at December 31, 2020, PricewaterhouseCoopers Audit and Mazars were in the 25th year and 1st year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory auditors

Neuilly-sur-Seine, February 26, 2021	Courbevoie, February 26, 2021
PricewaterhouseCoopers Audit	Mazars

Richard Béjot	Itto El Hariri	Dominique Muller	Anne-Laure Rousselou
Partner	Partner	Partner	Partner

Consolidated Income Statement

(in millions of euros)			2019		2020
	Notes	Amount	%	Amount	%
Revenues	4 and 6	**14,125**	**100.0**	**15,848**	**100.0**
Cost of services rendered		(10,274)	(72.7)	(11,712)	(73.9)
Selling expenses		(1,123)	(8.0)	(1,113)	(7.0)
General and administrative expenses		(987)	(7.0)	(1,144)	(7.2)
Operating expenses	7	**(12,384)**	**(87.7)**	**(13,969)**	**(88.1)**
Operating margin [(1)]		**1,741**	**12.3**	**1,879**	**11.9**
Other operating income and expense	8	(308)	(2.2)	(377)	(2.4)
Operating profit		**1,433**	**10.1**	**1,502**	**9.5**
Net finance costs	9	(3)	-	(82)	(0.5)
Other financial income and expense	9	(76)	(0.6)	(65)	(0.4)
Net financial expense		**(79)**	**(0.6)**	**(147)**	**(0.9)**
Income tax expense	10	**(502)**	**(3.5)**	**(400)**	**(2.5)**
PROFIT FOR THE YEAR		**852**	**6.0**	**955**	**6.1**
Attributable to:					
Owners of the Company		*856*	*6.0*	*957*	*6.1*
Non-controlling interests		*(4)*	-	*(2)*	-

EARNINGS PER SHARE					
Average number of shares outstanding during the period		166,171,198		167,620,101	
Basic earnings per share *(in euros)*	11	**5.15**		**5.71**	
Diluted average number of shares outstanding		171,047,762		172,555,946	
Diluted earnings per share *(in euros)*	11	**5.00**		**5.55**	

(1) Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

Consolidated Statement of Comprehensive Income

(in millions of euros)	Notes	2019	2020
Actuarial gains and losses on defined benefit pension plans, net of tax [(1)]	25	(35)	(19)
Remeasurement of hedging derivatives and net investment, net of tax [(2)]	24	1	(168)
Other, net of tax [(1)]		1	(1)
Translation adjustments [(2)]	12	108	(563)
OTHER ITEMS OF COMPREHENSIVE INCOME		**75**	**(751)**
Profit for the period (reminder)		852	955
Total comprehensive income for the period		927	204
Attributable to:			
Owners of the Company		*931*	*205*
Non-controlling interests		*(4)*	*(1)*

(1) Other items of comprehensive income that will not be reclassified subsequently to profit or loss.

(2) Other items of comprehensive income that may be reclassified subsequently to profit or loss.

Consolidated Statement of Financial Position

(in millions of euros)	Notes	December 31, 2019	December 31, 2020
Goodwill	13 and 16	7,662	9,795
Intangible assets	13	645	1,100
Property, plant and equipment	14	738	805
Lease right-of-use assets	15	762	887
Deferred taxes assets	17	999	983
Other non-current assets	19	766	545
Total non-current assets		**11,572**	**14,115**
Contract costs	20	83	102
Contract assets	20	1,176	1,148
Trade receivables	20	2,121	2,688
Current tax receivables		45	129
Other current assets	21	464	598
Cash management assets	22	213	338
Cash and cash equivalents	22	2,461	2,836
Total current assets		**6,563**	**7,839**
TOTAL ASSETS		**18,135**	**21,954**

(in millions of euros)	Notes	December 31, 2019	December 31, 2020
Share capital		1,355	1,350
Additional paid-in capital		3,150	3,050
Retained earnings and other reserves		3,063	746
Profit for the year		856	957
Equity (attributable to owners of the Company)		**8,424**	**6,103**
Non-controlling interests		(5)	12
Total equity		**8,419**	**6,115**
Long-term borrowings	22	2,564	7,127
Deferred taxes liabilities	17	185	230
Provisions for pensions and other post-employment benefits	25	1,046	1,072
Non-current provisions	26	17	337
Non-current lease liabilities	15	592	681
Other non-current liabilities	27	192	417
Total non-current liabilities		**4,596**	**9,864**
Short-term borrowings and bank overdrafts	22	717	951
Accounts and notes payable	28	3,011	3,358
Contract liabilities	20	836	1,044
Current provisions	26	99	122
Current tax liabilities		153	89
Current lease liabilities	15	221	287
Other current liabilities	27	83	124
Total current liabilities		**5,120**	**5,975**
TOTAL EQUITY AND LIABILITIES		**18,135**	**21,954**

Consolidated Statement of Cash Flows

(in millions of euros)	Notes	2019	2020
Profit for the year		**852**	**955**
Depreciation, amortization and impairment of fixed assets and lease right-of-use assets		545	649
Change in provisions		(48)	(66)
Losses/(Gains) on disposals of assets and other		19	(76)
Expenses relating to share grants		88	93
Net finance costs	9	3	82
Income tax expense/(income)	10	502	400
Unrealized (gains) losses on changes in fair value and other financial items		20	19
Cash flows from operations before net finance costs and income tax (A)		**1,981**	**2,056**
Income tax paid (B)		**(217)**	**(351)**
Change in trade receivables, contract assets net of liabilities and contract costs		(98)	72
Change in accounts and notes payable		(26)	(123)
Change in other receivables/payables		154	7
Change in operating working capital (C)		**30**	**(44)**
NET CASH FROM (USED IN) OPERATING ACTIVITIES (D=A+B+C)		**1,794**	**1,661**
Acquisitions of property, plant and equipment and intangible assets	13 and 14	(222)	(206)
Proceeds from disposals of property, plant and equipment and intangible assets		3	2
Acquisitions of property, plant and equipment and intangible assets, net of disposals		**(219)**	**(204)**
Cash (outflows) inflows on business combinations net of cash and cash equivalents acquired		(165)	(1,557)
Cash outflows in respect of cash management assets		(30)	(150)
Cash outflows in respect of the acquisition of Altran Technologies shares	2	(413)	(15)
Other cash inflows (outflows), net		(41)	212
Cash outflows from investing activities		**(649)**	**(1,510)**
NET CASH FROM (USED IN) INVESTING ACTIVITIES (E)		**(868)**	**(1,714)**
Proceeds from issues of share capital		253	277
Dividends paid		(282)	(226)
Net payments relating to transactions in Capgemini SE shares		(134)	(514)
Proceeds from borrowings	2	430	9,308
Repayments of borrowings	2	(448)	(6,273)
Subsequent acquisition of Altran Technologies securities	2	-	(1,672)
Repayments of lease liabilities	15	(272)	(291)
Interest paid		(77)	(96)
Interest received		62	49
NET CASH FROM (USED IN) FINANCING ACTIVITIES (F)		**(468)**	**562**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F)		**458**	**509**
Effect of exchange rate movements on cash and cash equivalents (H)		(12)	(131)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (I)	**22**	**2,004**	**2,450**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (G+H+I)	**22**	**2,450**	**2,828**

Consolidated Statement of Changes in Equity

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated retained earnings and other reserves	Income and expense recognized in equity		Equity (attributable to owners of the Company)	Non-controlling interests	Total equity
						Translation adjustments	Other			
At December 31, 2019	**169,345,499**	**1,355**	**3,150**	**(30)**	**4,899**	**(80)**	**(870)**	**8,424**	**(5)**	**8,419**
Dividends paid out for 2019	-	-	-	-	(226)	-	-	(226)		(226)
Incentive instruments and employee share ownership	3,104,200	24	253	125	(15)	-	-	387		387
Elimination of treasury shares (1)	-	-	-	(516)	(2)	-	-	(518)		(518)
Share capital reduction by cancellation of treasury shares	(3,664,862)	(29)	(353)	382	-	-	-	-	-	-
Takeover of Altran Technologies (2)	-	-	-	-	-	-	-	-	(458)	(458)
Subsequent acquisition of Altran Technologies securities (2)	-	-	-	-	(2,135)	-	-	(2,135)	463	(1,672)
Transactions with non-controlling interests and others	-	-	-	-	(34)	-	-	(34)	13	(21)
Transactions with shareholders and others	**(560,662)**	**(5)**	**(100)**	**(9)**	**(2,412)**	**-**	**-**	**(2,526)**	**18**	**(2,508)**
Income and expense recognized in equity	**-**	**-**	**-**	**-**	**-**	**(564)**	**(188)**	**(752)**	**1**	**(751)**
Profit for the year	**-**	**-**	**-**	**-**	**957**	**-**	**-**	**957**	**(2)**	**955**
At December 31, 2020	**168,784,837**	**1,350**	**3,050**	**(39)**	**3,444**	**(644)**	**(1 058)**	**6,103**	**12**	**6,115**

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated retained earnings and other reserves	Income and expense recognized in equity: Translation adjustments	Income and expense recognized in equity: Other	Equity (attributable to owners of the Company)	Non-controlling interests	Total equity
At December 31, 2018	**167,293,730**	**1,338**	**2,979**	**(50)**	**4,237**	**(188)**	**(836)**	**7,480**	**(1)**	**7,479**
Impact of first-time application of IFRS 16 [(3)]	**-**	**-**	**-**	**-**	**(16)**	**-**	**-**	**(16)**	**-**	**(16)**
At January 1, 2019 including impact of IFRS 16	**167,293,730**	**1,338**	**2,979**	**(50)**	**4,221**	**(188)**	**(836)**	**7,464**	**(1)**	**7,463**
Dividends paid out for 2018	-	-	-	-	(282)	-	-	(282)	-	(282)
Incentive instruments and employee share ownership	2 750 000	22	231	91	11	-	-	355	-	355
Change in the fair value of put options granted to a minority shareholder	-	-	-	-	92	-	-	92		92
Elimination of treasury shares	-	-	-	(136)	-	-	-	(136)	-	(136)
Share capital reduction by cancellation of treasury shares	(698,231)	(5)	(60)	65	-	-	-	-	-	-
Transactions with shareholders	**2,051,769**	**17**	**171**	**20**	**(179)**	**-**	**-**	**29**	**-**	**29**
Income and expense recognized in equity	**-**	**-**	**-**	**-**	**1**	**108**	**(34)**	**75**	**-**	**75**
Profit for the year	**-**	**-**	**-**	**-**	**856**	**-**	**-**	**856**	**(4)**	**852**
AT DECEMBER 31, 2019	**169,345,499**	**1,355**	**3,150**	**(30)**	**4,899**	**(80)**	**(870)**	**8,424**	**(5)**	**8,419**

(1) Including €320 million in respect of the share buyback agreement implemented prior to the share capital increase performed under the ESOP 2020 international employee share ownership plan (see Note 12 - Equity).

(2) See Note 2 - Consolidation principles and Group structure. The amount of €(458) million includes the integration of €5 million of non-controlling interests.

(3) Equity at January 1, 2019 has been restated for the application of IFRS 16, Leases, using the modified retrospective method.

Notes to consolidated financial statements for the year ended December 31, 2020

Note 1 Accounting basis

The consolidated financial statements for the year ended December 31, 2020 of Capgemini SE, a European company headquartered at 11 rue de Tilsitt, 75017, Paris, and the notes thereto were adopted by the Board of Directors on February 17, 2021. The consolidated financial statements will be approved by the Shareholders' Meeting, scheduled for May 20, 2021.

A) IFRS standards base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2020 consolidated financial statements have been prepared in accordance with international accounting standards (IFRS, International Financial Reporting Standards) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The Group, a global leader in consulting, digital transformation, technology, and engineering services**,** also takes account of the positions adopted by Syntec Numérique, an organization representing major consulting and computer services companies in France, regarding the application of certain IFRS.

The main accounting policies are presented at the beginning of each note to the consolidated financial statements.

B) New standards and interpretations applicable in 2020

a) New standards, amendments and interpretations of mandatory effect at January 1, 2020

The accounting policies applied by the Capgemini Group are unchanged on those applied for the preparation of the December 31, 2019 consolidated financial statements. The standards, amendments, and interpretations which entered into mandatory effect on January 1, 2020 did not have a material impact on the Group financial statements.

b) Other new standards not yet in effect at January 1, 2020 and not adopted early

The Group did not adopt early any new standards not yet in effect at January 1, 2020.

C) Use of estimates

The preparation of consolidated 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 either net profit or the income and expenses recognized directly in equity for the year. Estimates are based on economic data and assumptions which are likely to vary over time and interpretations of local regulation when necessary. They have notably been made in an economic and health context that remains uncertain, due to the global Covid-19 pandemic. These estimates are subject to a degree of uncertainty and mainly concern revenue recognition on a percentage-of-completion basis, provisions, measurement of the amount of intangible assets and deferred tax assets, provisions for pensions and other post-employment benefits, the fair value of derivatives and the calculation of the tax expense, notably in the context of the US tax reform.

Note 2 Consolidation principles and Group structure

Consolidation methods

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

Investments in associates over whose management the parent company directly or indirectly exercises significant influence, without however exercising full or joint control, are accounted for by the equity method. This method consists of recording the Group's share in profit for the year of the associate in the Income Statement. The Group's share in net assets of the associate is recorded under "Other non-current assets" in the Consolidated Statement of Financial Position.

Details of the scope of consolidation are provided in Note 33 - List of the main consolidated companies by country.

All consolidated companies prepared their accounts to December 31, 2020 in accordance with the accounting policies adopted by the Group.

Inter-company transactions are eliminated on consolidation, as well as inter-company profits.

Foreign currency translation

The consolidated accounts presented in these consolidated financial statements have been prepared in euros.

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

Exchange differences arising on monetary items which form an integral part of the net investment in foreign subsidiaries are recognized in equity.

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

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

	Average rate		Closing rate	
	2019	2020	**2019**	2020
Australian dollar	0.62096	0.60456	0.62520	0.62909
Brazilian real	0.22676	0.17203	0.22145	0.15690
Canadian dollar	0.67321	0.65425	0.68503	0.63967
Chinese renminbi yuan	0.12932	0.12711	0.12787	0.12465
Indian rupee	0.01268	0.01184	0.01247	0.01115
Norwegian krone	0.10156	0.09337	0.10138	0.09551
Polish zloty	0.23270	0.22516	0.23492	0.21931
Pound sterling	1.14039	1.12528	1.17536	1.11231
Swedish krona	0.09448	0.09539	0.09572	0.09966
US dollar	0.89329	0.87748	0.89016	0.81493

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed are recognized at fair value at the acquisition date and may be adjusted during the 12 months following this date.

Exchange gains and losses on inter-company transactions

The results and financial position of a foreign subsidiary are included in the Group's consolidated financial statements after the elimination of inter-company balances and transactions. However, a foreign exchange gain or loss arising on an inter-company monetary asset or liability (e.g. an inter-company receivable denominated in a currency different from the functional currency of the subsidiary) cannot be eliminated. Such foreign exchange gains and losses are recognized in the Income Statement or in Income and expense recognized directly in equity, if the underlying forms an integral part of the net investment in the foreign operation (e.g. a loan with no fixed maturity).

The fair values of hedging instruments relating to inter-company operating transactions performed as part of the centralized management of currency risk in the parent company are eliminated.

A) Acquisition of the Altran Technologies group

Description of the transaction:

On June 24, 2019, Capgemini SE and Altran Technologies S.A. (from now on Altran Technologies S.A.S., “Altran”), the global leader in Engineering and R&D services, jointly announced the proposed acquisition of Altran by Capgemini, through a friendly tender offer at €14.00 per Altran share, payable in cash. This acquisition was unanimously approved by the Boards of Directors of both companies and seeks to create a global digital transformation leader for industrial and tech companies. On July 2, 2019, following settlement and delivery of the off-market acquisition of a block of shares from shareholders led by Apax Partners and in accordance with the announcement of June 24, 2019, the Group acquired 29,378,319 Altran shares representing 11.43% of Altran's share capital.

Capgemini filed its draft offer and the related offer document with the French Financial Markets Authority (AMF) on September 23, 2019. On October 14, 2019, the AMF issued its clearance on the draft offer and approved Capgemini’s offer document (AMF visa no. 19-489) and Altran’s response document (AMF visa no. 19-490).

On January 14, 2020, Capgemini increased the offer price from €14.00 to €14.50 per share.

Following settlement and delivery on February 4 and 21, 2020, respectively, Capgemini held 54.17% of the share capital and at least 54.04% of voting rights. Taking into account the shares owned by Altran, Capgemini held 55.13% of Altran’s share capital and at least 55.00% of voting rights.

On March 13, 2020, the Paris Appeal Court issued a ruling rejecting the action brought by certain minority shareholders of Altran to annul the AMF’s clearance decision on Capgemini’s friendly tender offer for Altran Technologies shares. The Appeal Court confirmed the validity of the offer with respect to applicable legislative and regulatory provisions and of the visa issued by the AMF on Altran’s response document. Accordingly, the takeover of Altran by Capgemini, which held 55.13% of the Altran share capital and at least 55.00% of voting rights at this date, came into effect at March 13, 2020. As a practical expedient, Altran Technologies group is fully integrated in the Capgemini’s consolidation scope from April 1, 2020.

The offer was reopened between March 16 and 27, 2020 (inclusive), under the same financial terms and conditions, enabling shareholders that had not yet contributed their shares to the offer to do so.

On April 1, 2020, the AMF announced that 110,571,163 Altran shares were tendered following the new reopening of Capgemini’s offer. Following settlement and delivery on April 8, 2020, Capgemini held 98.15% of the share capital and at least 98.03% of Altran voting rights. This new reopening was recognized in the Group’s accounts as a subsequent acquisition of non-controlling interests.

Capgemini then implemented a squeeze-out on the remaining Altran shares not yet held after the closure of its offer. Following this procedure, Capgemini now holds the entire share capital and voting rights of Altran and the Altran Technologies shares were delisted after the market close on April 15, 2020. This last operation was also recognized in the Group’s accounts as a subsequent acquisition of non-controlling interests.

Accounting recognition of the transaction:

Within the context described above, the Group recognized provisional goodwill in respect of this transaction in accordance with the partial goodwill method.

a) Initial takeover: provisional allocation of the purchase price

The provisional allocation of the purchase price, based on a 55% owned interest, is as follows. If, in the year following the acquisition date, new information comes to light regarding the facts and circumstances at the acquisition date leading to an adjustment to the amounts below, the recognition of the acquisition will be adjusted accordingly.

(in millions of euros)	
Fair value of previously-held investment (1)	426
Acquisition of a controlling interest on March 13, 2020	1,593
Cash consideration paid at initial takeover	***2,019***
Non-controlling interest (2)	(463)
TOTAL CONSIDERATION TRANSFERRED (A)	**1,556**

(in millions of euros)	
Intangible assets	668
o/w customer relationships	*503*
Property, plant and equipment	140
Other non-current and current assets	354
Cash and cash equivalents	175
Short- and long-term borrowings and bank overdrafts	(1,731)
Current and non-current provisions	(341)
Deferred taxes, net	23
o/w deferred tax liabilities relating to the allocation of the purchase price	*(129)*
Other non-current and current liabilities	(202)
Other assets and liabilities	(108)
PROVISIONAL NET ASSETS AT DATE OF INITIAL TAKEOVER (B)	**(1,022)**
PROVISIONAL GOODWILL (A)-(B)	**2,578**

(1) As all shares were purchased at a price of €14.50, the fair value of the previously-held investment is equal to the net carrying amount of the share block (29,378,319 shares) purchased off-market from shareholders led by Apax Partners on July 2, 2019.
(2) This amount corresponds to the minority share (45% of provisional net assets) at the date of initial takeover.

The fair value remeasurement of the assets and liabilities and the purchase price allocation pursuant to IFRS 3 were assessed by an independent expert. The measurement of the assets transferred and liabilities assumed led in particular to the recognition of an intangible asset in respect of customer relationships in the amount of €503 million, amortized on a straight line basis over a useful life of 10 years. This intangible asset was valued by the independent expert by discounting expected future operating cash flow projections (excess profits method). In addition, the Group performed, with his councils, a review of tax, social and legal risks to which the Group is potentially exposed, based on the available information and ongoing procedures.

The goodwill and customer relationship intangible asset were allocated to the various Group cash-generating units that will benefit from this acquisition.

Since its acquisition on April 1, 2020, Altran has contributed €2,141 million and €205 million, respectively, to Group revenues and operating margin and is presented in the Group's five geographic areas for segment reporting purposes. It should be noted that as Altran's integration within the group began in the second quarter of 2020, this information is not anymore representative of the stand-alone Altran's performance.

Had the acquisition taken place on January 1, 2020 and based on information provided by Altran for the first quarter of 2020, the Group estimates that the combined revenues would have been €16,663 million.

Acquisition costs relating to the transaction totaled €35 million in 2020.

b) Subsequent acquisition of non-controlling interests in Altran Technologies

Following settlement and delivery on April 8, 2020 and the delisting of Altran shares after the market close on April 15, 2020, Capgemini acquired the remaining 45% interest.

This subsequent acquisition of non-controlling interests was therefore recognized as a reduction in Group equity of €2,135 million, corresponding to the purchase of the remaining 115,320,381 shares for €1,672 million and the value of non-controlling interests at the initial takeover (see above) of €463 million.

Transaction financing:

a) Deal financing:

To finance this acquisition, the Group used available cash and notably performed the following transactions:

- Negotiation on June 24, 2019 of a €5.4 billion bridge loan covering the purchase of securities and Altran's gross debt, with an initial term of one year and two consecutive six-month extension options exercisable at Capgemini's initiative. Following a partial cancellation, the bridge loan totaled €4.4 billion and was available in full at December 31, 2019.
- On April 8, 2020 Capgemini priced a four-tranche bond issue with a total nominal value of €3.5 billion and settlement/delivery on April 15, 2020. The main terms of this issue's four tranches are as follows:
  - €500 million 2-year notes (the 2022 tranche), with a coupon of 1.250% (issue price 99.794%),
  - €800 million 6-year notes (the 2026 tranche), with a coupon of 1.625% (issue price 99.412%),
  - €1 billion 9-year notes (the 2029 tranche), with a coupon of 2.000% (issue price 99.163%) and
  - €1.2 billion 12-year notes (the 2032 tranche), with a coupon of 2.375% (issue price 99.003%).

  The proceeds of this bond issue were primarily used to repay the bridge loan secured for the acquisition of Altran Technologies and to redeem the €676 million principal amount outstanding under the bonds maturing on July 1, 2020.
- On June 16, 2020 Capgemini priced a dual-tranche bond issue with a total nominal value of €1.6 billion and settlement/delivery on June 23, 2020. The main terms of this issue's two tranches are as follows:
  - €800 million 5-year notes (the 2025 tranche), with a coupon of 0.625% (issue price 99.887%),
  - €800 million 10-year notes (the 2030 tranche), with a coupon of 1.125% (issue price 99.521%),

  The proceeds of this bond issue were primarily used to repay Altran Technologies' Term Loan B and a bank loan secured by Altran in March 2020 (following the exercise by certain Term Loan B lenders of their early repayment rights following the acquisition of Altran Technologies by Capgemini), both maturing in March 2025 and with a total outstanding principal of €1.6 billion at the repayment date (the "Term Loans").

At December 31, 2020, the bridge loan secured to finance the acquisition of Altran, the Term Loans and a €250 million revolving credit facility set-up by Altran Technologies and not drawn, were repaid in full and canceled.

b) Impact on the Statement of Cash Flows:

The transaction impacted the Statement of Cash Flows as follows:

(in millions of euros)	2019	2020
Cash outflows in respect of the acquisition of Altran Technologies shares (1) (2)	**(413)**	**(15)**
Cash (outflows) inflows on business combinations net of cash and cash equivalents acquired	**(165)**	**(1,557)**
o/w: Takeover of Altran Technologies (2)	-	*(1,593)*
o/w: Altran Technologies cash and cash equivalents net of overdrafts at date of acquisition of control	-	*155*
Proceeds from borrowings	**430**	**9,308**
o/w: Bridge loan	*400*	*3,055*
o/w: April and June 2020 bond issues	-	*5,045*
Repayment of borrowings	**(448)**	**(6,273)**
o/w: Redemption of drawings on bridge loan	*(400)*	*(3,055)*
o/w: Redemption of the Altran Technologies Term Loans	-	*(1,592)*
o/w: Early redemption of bond maturing in July 2020	-	*(676)*
Subsequent acquisition of Altran Technologies securities	**-**	**(1,672)**

(1) Including financial transaction taxes totaling €2 million in 2019 and the increase from €14 to €14.50 per share for the 11.43% share block purchased on July 2, 2019 for €15 million.

(2) The cash consideration paid at initial takeover of €2,019 million corresponds to the cash outflows in respect of the acquisition of Altran shares in 2019 and the first-half of 2020 of respectively €411 million and €15 million as well as the cash outflow linked to the takeover date of March 13, 2020 of €1,593 million.

Employee incentive instruments

Altran Technologies set up several Free Share grant plans between 2017 and 2019, with vesting periods still running at the takeover date.

Capgemini Group undertook to modify the terms and conditions of the 2017 plan (the “2017 Plan”), the 2018 plan (the “2018 Plan”) and the 2019 plan (the “2019 Plan”) to lift the condition of presence in the event of dismissal (except for gross negligence or serious misconduct) and in the event of a substantial change to the employment contract resulting in its termination due to the actions of the employer (*constructive dismissal*).

Capgemini Group also undertook, within one month of the settlement-delivery of the Offer, to propose to each of the beneficiaries of Free Shares to waive their rights to receive such Free Shares in exchange for the payment by Capgemini of cash compensation in accordance with the terms below (the “Compensation Mechanism”). The beneficiaries may only accept the Compensation Mechanism during a three-month period commencing the settlement-delivery date of the Offer and will only benefit from it, as the case may be, at the end of the applicable vesting period for each plan.

No later than fifteen working days following expiry of the vesting period provided by the 2017 Plan, the 2018 Plan and the 2019 Plan, respectively, the Company undertakes:

- with respect to the 2017 Plan, subject to the satisfaction of the presence condition (amended as detailed above) at the end of the vesting period (the “2017 Eligible Rights”), to apply the performance conditions provided under the 2017 Plan for fiscal years 2017, 2018 and 2019 to all the 2017 Eligible Rights;
- with respect to the 2018 Plan, subject to the satisfaction of the presence condition (amended as detailed above) at the end of the vesting period (the “2018 Eligible Rights”), to apply the performance conditions as provided under the 2018 Plan for fiscal years 2018 and 2019 to two-thirds of the 2018 Eligible Rights, and not to apply the performance conditions for fiscal year 2020 for the remaining third of the 2018 Eligible Rights (which would therefore vest in full); and
- with respect to the 2019 Plan, subject to the satisfaction of the presence condition (amended as detailed above) at the end of the vesting period (the “2019 Eligible Rights”), to apply the performance conditions as provided under the 2019 Plan for fiscal year 2019 to one-third of the 2019 Eligible Rights, and not to apply the performance conditions for fiscal years 2020 and 2021 for the remaining two-thirds of the 2019 Eligible Rights (which would therefore vest in full).

For each beneficiary having accepted the Compensation Mechanism, the Company will pay, no later than the forty-fifth working day following the end of the applicable vesting period provided under the 2017 Plan, the 2018 Plan and the 2019 Plan, a gross cash amount equal, for each right to receive Free Shares, to the Offer price (i.e. €14.50 per share) indexed to the change in the Capgemini share price between the settlement-delivery date of the Offer and the end of the relevant vesting period. This change cannot exceed +20% or be lower than (-20%).

The total estimated expense (including related social security contributions) of €31.2 million for instruments in the course of vesting is allocated between the different grant dates and the different vesting dates. A provision of €15.4 million was therefore recognized in the opening balance sheet for the period, covering services rendered between the grant date and the Altran acquisition date. The estimated expense of €15.8 million for the period after the acquisition date will be taken to profit or loss progressively, as integration costs for companies acquired included in “Other operating income and expense”, over the period from April 1, 2020 to the different vesting dates for the relevant rights. An expense of €8.8 million was recognized in respect of 2020.

B) Other changes in the consolidation scope in 2020

During 2020 year, the group acquired the companies Purpose, Advectas, WhiteSky Labs, representing around 450 people. The contribution of these acquisitions to Group financial indicators in 2020 is not material.

On December 30th,2020, the Group sold Odigo, leader in Contact-Center-as-a-Service (CCaaS) solutions principally for large companies, to Apax Partners (See Note 8 – Other operating income and expense).

Note 3 Alternative performance measures

The alternative performance measures monitored by the Group are defined as follows:

- **Organic growth**, or like-for-like growth, in revenues is the growth rate calculated at constant Group scope and exchange rates. The Group scope and exchange rates used are those for the reported period;
- **Growth at constant exchange rates** in revenues is the growth rate calculated at exchange rates used for the reported period;
- **Operating margin** is equal to revenues less operating expenses. It is calculated before “Other operating income and expense” which include amortization of intangible assets recognized in business combinations, the charge resulting from the deferred recognition of the fair value of shares granted to employees (including social security contributions and employer contributions), and non-recurring revenues and expenses, notably impairment of goodwill, negative goodwill, capital gains or losses on disposals of consolidated companies or businesses, restructuring costs incurred under a detailed formal plan approved by the Group’s management, the cost of acquiring and integrating companies acquired by the Group, including earn-outs comprising conditions of presence, and the effects of curtailments, settlements and transfers of defined benefit pension plans;
- **Normalized earnings per share** are calculated by dividing normalized profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Normalized net profit or loss is equal to profit for the year attributable to owners of the Company corrected for the impact of items recognized in “Other operating income and expense” (see Note 8 - Other operating income and expense), net of tax calculated using the effective tax rate;
- **Net debt** (or net cash and cash equivalents) comprises (i) cash and cash equivalents, as presented in the Consolidated Statement of Cash Flows (consisting of short-term investments and cash at bank) less bank overdrafts, (ii) cash management assets (assets presented separately in the Consolidated Statement of Financial Position due to their characteristics), less (iii) short- and long-term borrowings. Account is also taken of the impact of hedging instruments when these relate to borrowings and own shares. Lease liabilities (including finance lease liabilities) are excluded from net debt from January 1, 2019;
- **Organic free cash flow** calculated based on items in the Statement of Cash Flows is equal to cash flow from operations less acquisitions of property, plant, equipment and intangible assets (net of disposals) and repayments of lease liabilities and adjusted for flows relating to the net interest cost.

The impact of the health crisis on the 2020 consolidated financial statements is not isolated. The definition of the above alternative performance measures is therefore unchanged and, in accordance with past practice, the 2020 consolidated financial statements include in other operating income and expense a non-material amount of incremental and non-recurring costs related to this crisis (See Note 8 – Other operating income and expense).

Note 4 Operating segments

Group Management analyzes and measures activity performance in the geographic areas where the Group is present.

The geographic analysis enables management to monitor the performance:

- of commercial development: it focuses on trends in major contracts and clients in Group markets across all its businesses. This monitoring seeks to coordinate the service offering of the different businesses in the countries, given their considerable interaction and to measure the services rendered;
- at operational and financial level: management of treasury and support services, the operating investment and financing policies and the acquisition policy are decided and implemented by geographic area.

Accordingly, the Group presents segment reporting for the five geographic areas where it is located.

Costs relating to operations and incurred by Group holding companies on behalf of geographic areas are allocated to the relevant segments either directly or on the basis of an allocation key. Items not allocated correspond to headquarter expenses.

Inter-segment transactions are carried out on an arm’s length basis.

The performance of operating segments is measured based on the operating margin*. This indicator enables the measurement and comparison of the operating performance of operating segments, irrespective of whether their business results from internal or external growth.

The operating margin* realized by the main offshore delivery centers (India and Poland) is reallocated to the geographic areas managing the contracts to enable a better understanding of the performance of these areas.

* Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

The Group communicates segment information for five geographic areas: North America, France, United Kingdom and Ireland, the Rest of Europe, Asia-Pacific and Latin America.

2020 *(in millions of euros)*	**North America**	**France**	**United Kingdom and Ireland**	**Rest of Europe**	**Asia-Pacific and Latin America**	**HQ expenses**	**Elimina-tions**	**Total**
Revenues								
- external	4,839	3,443	1,741	4,700	1,125			15,848
- inter-geographic area	161	306	215	363	1,721		(2,766)	-
TOTAL REVENUES	**5,000**	**3,749**	**1,956**	**5,063**	**2,846**	**-**	**(2,766)**	**15,848**
OPERATING MARGIN (1)	**718**	**300**	**269**	**537**	**146**	**(91)**		**1,879**
% of revenues	*14.8*	*8.7*	*15.5*	*11.4*	*13.0*			*11.9*
OPERATING PROFIT	**589**	**297**	**238**	**419**	**85**	**(126)**		**1,502**

(1) Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

2019 *(in millions of euros)*	**North America**	**France**	**United Kingdom and Ireland**	**Rest of Europe**	**Asia-Pacific and Latin America**	**HQ expenses**	**Elimina-tions**	**Total**
Revenues								
- external	4,567	3,017	1,653	3,809	1,079	-	-	14,125
- inter-geographic area	135	257	190	340	1,645	-	(2,567)	-
TOTAL REVENUES	**4,702**	**3,274**	**1,843**	**4,149**	**2,724**	**-**	**(2,567)**	**14,125**
OPERATING MARGIN (1)	**637**	**366**	**251**	**451**	**120**	**(84)**	**-**	**1,741**
% of revenues	*13.9*	*12.1*	*15.2*	*11.8*	*11.2*	-	-	*12.3*
OPERATING PROFIT	**519**	**296**	**214**	**402**	**103**	**(101)**	**-**	**1,433**

(1) Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

Note 5 Consolidated Income Statement

Income and expenses are presented in the Consolidated Income Statement by function. Operating expenses are broken down into the cost of services rendered (corresponding to costs incurred for the execution of client projects), selling expenses, and general and administrative expenses.

These three captions represent operating expenses which are deducted from revenues to obtain the operating margin*, one of the main Group business performance indicators. Certain types of operating expense may be reclassified in previous periods in accordance with the presentation adopted in the reported fiscal year; these reclassifications are without impact on operating margin, net profit nor cash flows.

Operating profit is obtained by deducting other operating income and expenses from the operating margin.

Other operating income and expenses include amortization of intangible assets recognized in business combinations, the charge resulting from the deferred recognition of the fair value of shares granted to employees (including social security contributions and employer contributions), and non-recurring revenues and expenses, notably impairment of goodwill, negative goodwill, capital gains or losses on disposals of consolidated companies or businesses, restructuring costs incurred under a detailed formal plan approved by the Group's management, the cost of acquiring and integrating companies acquired by the Group, including earn-outs comprising conditions of presence and the effects of curtailments, settlements and transfers of defined benefit pension plans.

Profit for the year attributable to owners of the Company is then obtained by taking into account the following items:

- net finance costs, including net interest on borrowings calculated using the effective interest rate, less income from cash, cash equivalents and cash management assets;
- other financial income and expense, which primarily correspond to the impact of remeasuring financial instruments to fair value when these relate to items of a financial nature, disposal gains and losses and the impairment of investments in non-consolidated companies, net interest costs on defined benefit pension plans, exchange gains and losses on financial items, and other financial income and expense on miscellaneous financial assets and liabilities calculated using the effective interest rate, as well as the interest expense on lease liabilities;
- current and deferred income tax expense;
- share of profit of associates;
- share of non-controlling interests.

* Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

Note 6 Revenues

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

Deliverable-based contracts

Deliverable-based contracts typically include fixed price projects, for example, system integration or design and development of customized IT systems and related processes. Contract terms typically range from 6 months to 2 years. Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or levels of benefits delivered to the customer.

For deliverable-based contracts, revenue is generally recognized over time, because at least one of the following conditions is met: (i) the Group's performance enhances an asset that the customer controls as the Group performs or (ii) the Group builds an asset that has no alternative use (e.g. it is customer-specific) and the Group has an enforceable right to payment for performance to date in case of termination by the customer.

The Group applies the "cost-to-cost" method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract. Estimates of total contract costs are revised when new elements arise. Changes in estimates of cost at completion and related percentage of completion are recorded in the Income Statement as catch-up adjustments in the period in which the elements giving rise to the revision are known.

The related costs on deliverable-based contracts are expensed as incurred.

The Group earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed. The difference between cumulative billings and cumulative revenue recognized is reflected in the balance sheet as Contract assets (revenue in excess of billings) or Contract liabilities (billings in excess of revenue).

Resources-based contracts

Revenue from Resources-based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date. Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services. The services are priced based on the number of hours spent on the contract. The amount to be billed is representative of the value of the service delivered to the customer and therefore, applying the right-to-bill practical expedient, revenue is recognized over time based on the hours spent.

The related costs on resources-based contracts are expensed as incurred.

Services-based contracts

Services-based contracts include infrastructure management, application management and Business Services activities. Contract terms typically range from 3 to 5 years. Fees are billable on a monthly basis, based on a fixed-price per work unit consumed, or based on monthly fixed fees subject to adjustment mechanisms for volume changes or scope changes. Contracts generally provide for service-level penalties.

Recurring services are generally considered to be one single performance obligation, comprised of a series of distinct daily units of service satisfied over time. Contract modifications are recorded on a prospective basis. Revenue on services-based contracts is recognized as rights to bill arise, except in specific cases where invoicing terms do not reflect the value to the customer of services rendered to date relative to the value of the remaining services (for example, in case of significant front-loaded or backloaded fees or discounts). Service-level penalties or bonuses, if any, are accrued in full in the period when the performance targets are failed or achieved, as appropriate.

Upfront fees received from customers, if any, are deferred and recognized over the service period, even if non-refundable. Upfront amounts payable to customers, if in excess of the fair value of assets transferred from the customer, are capitalized (presented in Contract assets) and amortized over the contractual period, as a deduction to revenue.

Resale activities

As part of its operational activities, the Group may resell hardware equipment, software licenses, maintenance and services purchased from third-party suppliers. When the asset or service is distinct from the other services provided by the Group, the Group needs to assess whether it is acting as an agent or a principal in the purchase and resale transaction. The Group acts as a “principal” when it obtains control of the hardware, software or services before transferring them to the customer. In such case, the transaction is presented on a gross basis in the Income Statement (amounts charged by suppliers are presented in operating expenses). If the Group acts as an “agent”, the transaction is recorded on a net basis (amounts charged by suppliers are recorded as a deduction to revenue). For example, transactions are recorded on a net basis when the Group does not have the primary responsibility for the fulfillment of the contract and does not bear inventory and customer acceptance risk.

Royalties

Under product engineering partnership agreements granting the Group licenses over IBM software, Capgemini receives royalties from IBM for the use of these licenses. These royalties are calculated using contractually-defined rates, applied to sales by IBM to its end customers.

Multi-deliverable contracts

These contracts are long-term complex contracts with multiple phases which may include design, transition, transformation, build and service delivery (run).

The Group may be required to perform initial transition or transformation activities under certain recurring service contacts. Initial set-up activities, mainly transition phases, necessary to enable the ongoing services, are not considered to be performance obligations. Any amount received in connection with those activities are deferred and recognized in revenue over the contractual service period. The other activities performed during the initial phase like design, transformation and build are treated as a separate performance obligation if they transfer to the customer the control of an asset or if the customer can benefit from those initial activities independently from the ongoing service. In such cases, the corresponding revenues are generally recognized over time.

When multiple Performance Obligations are identified within a single contract, the Group allocates the total contract price to the Performance Obligations based on their relative Standalone Selling Price (“SSP”). In the absence of directly observable prices for similar services sold separately to similar customers, SSPs are estimated based on expected costs plus a margin rate commensurate with the nature and risk of the service.

Variable remuneration

Estimates of incentives, penalties, and any other variable revenues are included in the transaction price, but only to the extent that it is highly probable that the subsequent resolution of the price contingency will not result in a significant reversal of the cumulative revenue previously recognized. To make such an estimate, the Group considers the specific facts and circumstances of the contract and its experience with similar contracts. Changes in estimates of variable consideration are recorded as cumulative catch-up adjustments to revenue.

Costs to obtain and fulfill contracts

Sales commissions incurred to obtain multi-year service contracts are capitalized and amortized over the contract period. Commissions are not capitalized if the amortization period is one year or less.

Costs incurred prior to the signature of an enforceable contract are capitalized only if they are directly attributable to the design or set-up phase of a specifically identified contract, if the signature of the contract is probable, and if the costs are expected to be recoverable from the contract.

Costs incurred to fulfill the contracts are expensed as incurred with the exception of certain initial set-up costs, such as transition and transformation costs that do not represent a separate performance obligation, which are capitalized if they create a resource that the Group will use to perform the promised service.

Reimbursements received from customers are recognized as revenue, as costs are incurred.

A provision for onerous contracts is recorded if all the costs necessary to fulfill the contract exceed the related benefits.

Presentation in the Consolidated Statement of Financial Position

Contract assets are presented separately from trade receivables. Contract assets reflect revenue recognized for which the corresponding rights to receive consideration are contingent upon something other than the passage of time, such as the Group's future performance, achievement of billing milestones, or customer acceptance. When customer contract assets are no longer contingent, except for the passage of time, they convert into trade receivables. The majority of contract assets relate to deliverable-based contracts (see above).

Contract liabilities represent consideration received or receivable in advance of performance. Contract assets and liabilities are presented on a net basis for each individual contract.

Financing components

If the expected time lag between revenue recognition and client payments is greater than 12 months, the Group assesses if a financing facility has been accorded or received by the client, and if the impact is significant, the financial component is recorded separately from revenues.

In 2020, revenues grew 12.2% year-on-year at current Group scope and exchange rates. Revenues grew 13.7% at constant exchange rates (1), but reported negative organic growth (1) of -3.2%.

		Change		
(in millions of euros)	**2019**	**reported**	**at constant exchange rates (1)**	**2020**
North America	4,567	5.9%	7.9%	4,839
France	3,017	14.1%	14.2%	3,443
United Kingdom and Ireland	1,653	5.3%	6.7%	1,741
Rest of Europe	3,809	23.4%	23.7%	4,700
Asia-Pacific and Latin America	1,079	4.2%	12.2%	1,125
TOTAL	**14,125**	**12.2%**	**13.7%**	**15,848**

(1) Organic growth and growth at constant exchange rates, alternative performance measures monitored by the Group, are defined in Note 3 - Alternative performance measures.

The firm bookings taken in 2020 were €16,892 million.

Note 7 Operating expenses by nature

(in millions of euros)	2019		2020	
	Amount	**% of revenues**	**Amount**	**% of revenues**
Personnel expenses	8,918	63.1%	10,478	66.1%
Travel expenses	534	3.8%	221	1.4%
	9,452	**66.9%**	**10,699**	**67.5%**
Purchases and sub-contracting expenses	2,214	15.7%	2,437	15.4%
Rent and local taxes	176	1.3%	185	1.1%
Charges to depreciation, amortization and provisions and proceeds from asset disposals	542	3.8%	648	4.1%
OPERATING EXPENSES	**12,384**	**87.7%**	**13,969**	**88.1%**

Breakdown of personnel expenses

(in millions of euros)	Note	2019	2020
Wages and salaries		7,290	8,473
Payroll taxes		1,554	1,914
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	25	74	91
PERSONNEL EXPENSES		**8,918**	**10,478**

Note 8 Other operating income and expense

(in millions of euros)	2019	2020
Amortization of intangible assets recognized in business combinations	(73)	(113)
Expenses relating to share grants	(105)	(105)
Restructuring costs	(82)	(147)
Integration costs for companies acquired	(31)	(71)
Acquisition costs	(19)	(38)
Other operating expenses	(12)	(45)
Total operating expenses	**(322)**	**(519)**
Other operating income	14	142
Total operating income	**14**	**142**
OTHER OPERATING INCOME AND EXPENSE	**(308)**	**(377)**

Amortization of intangible assets recognized in business combinations

The increase in amortization of intangible assets recognized in business combinations in fiscal year 2020 is mainly due to the amortization of intangible assets recognized in the context of the Altran acquisition (see Note 2- Consolidation principles and Group structure). These intangible assets were measured by an independent expert.

Restructuring costs

Fiscal year 2020 restructuring costs primarily concern workforce reduction measures.

Integration costs for companies acquired

Integration costs for companies acquired total €71 million, including €55 million in respect of the integration of Altran in 2020.

Acquisition costs

Acquisition costs mainly include the costs relating to the Altran Technologies group acquisition project (see Note 2 - Consolidation principles and Group structure) of €35 million.

Other operating income

Other operating income mainly includes €120 million for capital gain net of disposal costs on the sale of the Odigo business at the end of 2020 (see Note 2 - Consolidation principles and Group structure).

Other operating expenses

In this unprecedented and evolving context of the global Covid-19 pandemic, Capgemini's priority is the health and safety of its employees while ensuring the continuity of services to its clients.

The Group therefore implemented prevention and protection measures even before lockdown was announced and is constantly monitoring compliance with the decisions and recommendations of local public authorities.

These protection, health and safety and business continuity measures generated non-recurring incremental costs of €28 million in 2020.

Note 9 Net financial expense

(in millions of euros)	Note	2019	2020
Income from cash, cash equivalents and cash management assets		62	48
Net interest on borrowings		(57)	(118)
Net finance costs at the nominal interest rate		**5**	**(70)**
Impact of amortized cost on borrowings		(8)	(12)
Net finance costs at the effective interest rate		**(3)**	**(82)**
Net interest cost on defined benefit pension plans	25	(27)	(23)
Interest on lease liabilities		(22)	(25)
Exchange (losses) gains on financial transactions		(31)	(6)
Gains (losses) on derivative instruments		14	3
Other		(10)	(14)
Other financial income and expense		**(76)**	**(65)**
NET FINANCIAL EXPENSE		**(79)**	**(147)**

Net interest on borrowings (€118 million) and the impact of amortized cost on borrowings (€12 million) total €130 million and mainly comprise:

- coupons on the 2015 bond issues of €30 million, plus an amortized cost accounting impact of €1 million,
- coupons on the 2016 bond issue of €2 million, plus an amortized cost accounting impact of €1 million,
- coupons on the 2018 bond issues of €15 million, plus an amortized cost accounting impact of €5 million,
- coupons on the 2020 bond issues of €56 million, plus an amortized cost accounting impact of €5 million,
- interest on the bridge loan covering the purchase of Altran Technologies shares of €4 million,

- interest on the Altran Term Loans of €11 million.

Exchange losses on financial transactions primarily concern inter-company loans denominated in foreign currencies and their related hedging arrangements.

Note 10 Income tax expense

The income tax expense is the sum of the current tax expense and the deferred tax expense. It is recognized in the Income Statement, except where it relates to a business combination or items recognized in equity or in income and expense recognized in equity.

Current income taxes

The current income tax expense is the estimated amount of tax payable (or receivable) in respect of the taxable profit (or loss) for a period and any adjustment to the current tax amount in respect of prior periods. The tax payable (or receivable) is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred taxes are recorded to take account of temporary differences between the carrying amounts of certain assets and liabilities and their tax basis. See Note 17 - Deferred tax.

Current and deferred income taxes

The income tax expense for fiscal year 2020 breaks down as follows:

(in millions of euros)	Note	2019	2020
Current income taxes		(322)	(316)
Deferred taxes	17	(180)	(84)
INCOME TAX (EXPENSE) INCOME		**(502)**	**(400)**

Effective tax rate

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

	2019		2020	
(in millions of euros)	Amount	%	Amount	%
Profit before tax	**1,354**		**1,355**	
Standard tax rate in France *(%)*	**34.43**		**32.02**	
Tax expense at the standard rate	**(466)**	**34.43**	**(434)**	**32.02**
Difference in tax rates between countries	66	(4.8)	39	(2.9)
Impact of:				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(19)	1.4	(81)	6.0
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	5	(0.4)	(7)	0.5
Utilization of previously unrecognized tax loss carry-forwards	2	(0.1)	2	(0.1)
Prior year adjustments	(3)	0.2	7	(0.5)
Taxes not based on taxable profit	(29)	2.1	(39)	2.9
Permanent differences and other items	2	(0.2)	105	(7.8)
Income tax expense and effective tax rate before the tax expense/profit due to the transitional impact of the 2017 US tax reform	**(442)**	**32.6**	**(408)**	**30.1**
Tax expense/profit due to the transitional impact of the 2017 US tax reform	(60)	4.5	8	(0.6)
Income tax expense and effective tax rate after the tax expense/profit due to the transitional impact of the 2017 US tax reform	**(502)**	**37.1**	**(400)**	**29.5**

The 2020 income tax charge is €400 million linked to a profit before tax of €1,355 million, the effective tax rate (ETR) is 29.5% compared to 37.1% in 2019. The decrease is mainly due to:

- the transitional impact of the 2017 US tax reform which represented a charge of €60 million in 2019 compared to a profit of €8 million in 2020, a decrease of 5.1 basis points of ETR;
- the impact of permanent differences – especially the untaxed capital gain net of disposal costs on the sale of Odigo- partially offset by the non-recognition of a deferred tax asset on tax losses carried forward of the fiscal year due to uncertainties relating to the global health crisis, a net decrease of 3 basis points of ETR.

In 2020, “Taxes not based on taxable profit” primarily consist of:

- in France: the Corporate Value-Added Contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE);
- in the United States, certain State taxes;
- in Italy, the regional tax on productive activities (IRAP).

The tax profit of €8 million in 2020 due to the transitional impact of the 2017 US tax reform, comprises:

- the Base Erosion and Anti-abuse Tax (BEAT): this alternative tax is applicable from 2018. The tax rate is 10% from 2019. The tax base is distinct from the corporate income tax base and includes certain payments to non-US Group entities, normally deductible for tax purposes. The resulting tax amount is compared with the standard income tax expense calculated at the standard rate after allocating tax loss carry-forwards, and the higher of the two amounts is payable;
- the tax on Global Intangible Low-Taxed Income (GILTI): inclusion in the taxable profits of US companies earnings of the taxable profits of foreign subsidiaries in excess of 10% of the fiscal value of the tangible assets of those subsidiaries. The applicable tax rate is around 26%. Except where available tax losses carried forward are offset in full, a 50% deduction is applied to the tax base and foreign tax credits deduction is possible. The publication of the final administrative comments in 2020 enabled the group to eliminate most of the GILTI tax expense relating to the years 2018, 2019 and 2020, resulting into a positive effect in 2020.

The effective income tax rate used to calculate normalized earnings per share (see Note 11 – Earning per share) at December 31, 2020 is 30.1%, compared with 32.6% at December 31, 2019.

Effective tax rate before the capital gain net of disposal costs on the sale of Odigo business and the tax expense/profit due to the transitional impact of the 2017 US tax reform

Excluding the capital gain net of disposal costs on the sale of Odigo business and the tax income relating to the transitional impact of the 2017 US tax reform of €8 million, the profit before tax and the income tax expense would be respectively €1,235 million and €408 million and the effective tax would be 33.0%.

	2019	2020
(in millions of euros)	**Amount**	**Amount**
Profit before tax	**1,354**	**1,355**
Capital gain net of disposal costs on the sale of the Odigo business	-	120
Profit before tax and the capital gain net of disposal costs on the sale of the Odigo business	**1,354**	**1,235**
Group tax expense	(502)	(400)
Tax expense/profit due to the transitional impact of the 2017 US tax reform	(60)	8
Group tax expense before the tax expense/profit due to the transitional impact of the 2017 US tax reform	**(442)**	**(408)**
Effective tax rate before the capital gain net of disposal costs on the sale of Odigo business and the tax expense/profit due to the transitional impact of the 2017 US tax reform	**32.6%**	**33.0%**

Note 11 Earnings per share

Earnings per share, diluted earnings per share and normalized earnings per share are measured as follows:

- **basic earnings per share** are calculated by dividing profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average number of ordinary shares outstanding is calculated based on the number of ordinary shares outstanding at the beginning of the period, after deduction of treasury shares, adjusted on a time apportioned basis for shares bought back or issued during the period;
- **diluted earnings per share** are calculated by dividing profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year as used to calculate basic earnings per share, both items being adjusted on a time-apportioned basis for the effects of all potentially dilutive financial instruments corresponding to (i) bonds redeemable in cash and/or in new and/or existing shares, (ii) performance shares and (iii) free share grants;
- **normalized earnings per share** are calculated by dividing normalized profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding, excluding treasury shares. Normalized net profit or loss is equal to profit for the year attributable to owners of the Company corrected for the impact of items recognized in “Other operating income and expense” (see Note 8 - Other operating income and expense and Note 10 - Income tax expense), net of tax calculated using the effective tax rate.

Basic earnings per share

	2019	2020
Profit for the year attributable to owners of the Company *(in millions of euros)*	856	957
Weighted average number of ordinary shares outstanding	166,171,198	167,620,101
BASIC EARNINGS PER SHARE (in euros)	**5.15**	**5.71**

Diluted earnings per share

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding during the year.

In 2020, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- shares delivered in March 2020 to non-French employees under the performance share plan approved by the Board of Directors on February 17, 2016 representing a weighted average of 27,675 shares;
- shares delivered in August 2020 to the non-French employees, under the performance share plan approved by the Board of Directors on July 26, 2016, representing a weighted average of 499,654 shares;
- shares delivered in August 2020 to non-French employees under the performance share plan approved by the Board of Directors on July 26, 2017, representing a weighted average of 26,022 shares;
- shares delivered in October 2020 to French employees and shares to be delivered in October 2021 to the non-French employees, under the performance share plan approved by the Board of Directors on October 5, 2017, representing a weighted average of 1,124,952 shares;
- shares available for grant under the performance share plan approved by the Board of Directors on October 3, 2018, representing a weighted average of 1,299,307 shares and whose related performance conditions will be definitely assessed in October 2021;
- shares available for grant under the performance share plan approved by the Board of Directors on October 2, 2019, representing a weighted average of 1,486,162 shares and whose related performance conditions will be definitely assessed in October 2022;
- shares available for grant under the performance share plan approved by the Board of Directors on October 7, 2020, representing a weighted average of 472,073 shares and whose related performance conditions will be definitely assessed in October 2023.

(in millions of euros)	2019	2020
Profit for the year attributable to owners of the Company	**856**	**957**
Diluted profit for the year attributable to owners of the Company	**856**	**957**
Weighted average number of ordinary shares outstanding	166,171,198	167,620,101
Adjusted for:		
Performance shares and free shares available for exercise	4,876,564	4,935,845
Weighted average number of ordinary shares outstanding (diluted)	**171,047,762**	**172,555,946**
DILUTED EARNINGS PER SHARE *(in euros)*	**5.00**	**5.55**

Normalized earnings per share

(in millions of euros)	2019	2020
Profit for the period, Group share	**856**	**957**
Other operating income and expenses, net of tax calculated at the effective tax rate (1)	207	263
Normalized profit for the year attributable to owners of the Company	**1,063**	**1,220**
Weighted average number of ordinary shares outstanding	166,171,198	167,620,101
NORMALIZED EARNINGS PER SHARE *(in euros)*	**6.40**	**7.28**

(1) See Note 10 - Income tax expense.

In fiscal year 2020, the Group recognized an income tax profit of €8 million in respect of the transitional impact of the 2017 US tax reform, reducing normalized earnings per share by €0.05. Excluding this tax profit, 2020 normalized earnings per share would have been €7.23:

(in millions of euros)	2019	2020
NORMALIZED EARNINGS PER SHARE *(in euros)*	**6.40**	**7.28**
Tax expense/profit due to the transitional impact of the 2017 US tax reform	60	(8)
Weighted average number of ordinary shares outstanding	166,171,198	167,620,101
Impact of the tax expense/profit due to the transitional impact of the 2017 US tax reform	0.36	(0.05)
NORMALIZED EARNINGS PER SHARE - EXCL. THE TAX EXPENSE/PROFIT DUE TO THE TRANSITIONAL IMPACT OF THE 2017 US TAX REFORM *(in euros)*	**6.76**	**7.23**

Note 12 Equity

Incentive instruments and employee share ownership

a) Instruments granted to employees

Shares subject to performance and presence conditions

Performance shares are granted to a certain number of Group employees, subject to performance (internal and external) and presence conditions. Share grants become definitive after a vesting period of at least three years since July 2016 or four years, depending on the tax residence of the beneficiary.

The shares are measured at fair value, corresponding to the value of the benefit granted to the employee at the grant date.

The fair value of shares subject to external performance conditions is calculated using the “Monte Carlo” model, which incorporates assumptions concerning the share price at the grant date, implicit share price volatility, the risk-free interest rate, the expected dividend yield and market performance conditions.

The fair value of shares subject to internal performance and/or presence conditions is calculated using a model in compliance with IFRS 2, which incorporates assumptions concerning the share price at the grant date, share transfer restrictions, the risk-free interest rate and the expected dividend yield.

The expense recognized also takes into account staff attrition rates for eligible employee categories, which are reviewed each year and internal performance conditions (non-market conditions).

This amount is recognized in “Other operating income and expense” in the Income Statement on a straight-line basis over the vesting period, with a corresponding adjustment to equity.

b) Instruments proposed to employees

Employee savings plan

Leveraged employee share ownership plans offering the possibility to subscribe for shares at a discounted preferential rate have been set up by the Group. When determining the IFRS 2 expense measuring the benefit granted to employees, the Group adjusts the amount of the discount granted to employees on the subscription price based on the following two items:

- the cost of the non-transferability of shares granted to employees during a period of five years. This cost is measured taking account of the five-year lock-in period. It corresponds to the cost of a two-stage strategy under which the market participant enters into a forward sale effective at the end of the five-year lock-in period and simultaneously borrows the amount necessary to buy a share available for immediate transfer. This borrowing is financed with the proceeds from the forward sale of the share and the dividends received during the lock-in period. This cost is calculated based on the following assumptions:
  - the subscription price is set by the Chairman and Chief Executive Officer pursuant to the powers delegated by the Board of Directors. This subscription price is equal to the average Capgemini SE share price, weighted for volumes, during the twenty trading days preceding the decision of the Chairman and Chief Executive Officer, to which a discount is applied,
  - the grant date is the date at which employees are fully informed of the specific characteristics and terms and conditions of the offer and particularly the subscription price,
  - the loan rate granted to employees and used to determine the cost of the non-transferability of shares is the rate at which a bank would grant a consumer loan repayable on maturity without allocation to a private individual with an average risk profile, for a term corresponding to the term of the plan;
- the opportunity gain reflecting the possibility granted to employees to benefit from market terms and conditions identical to those of the Group.

In certain countries where the set-up of a leveraged plan through an Employee Savings Mutual Fund (*fonds commun de placement entreprise*) or directly in the name of the employee is not possible, the employee share ownership plan (ESOP) includes a Stock Appreciation Rights (SAR) mechanism. The benefit offered by the Group corresponds to the amount of the discount on the share subscription price.

Treasury shares

Capgemini SE shares held by the Company or by any consolidated companies are shown as a deduction from equity, at cost. Any proceeds from sales of treasury shares are taken directly to equity, net of the tax effect, such that the gain or loss on the sale, net of tax, does not impact the Income Statement for the period.

Derivative instruments on own shares

When derivative instruments on own shares satisfy IAS 32 classification criteria for recognition in equity, they are initially recognized in equity in the amount of the consideration received or paid. Subsequent changes in fair value are not recognized in the financial statements, other than the related tax effect.

Where these instruments do not satisfy the aforementioned criteria, the derivative instruments on own shares are recognized in assets or liabilities at fair value. Changes in fair value are recognized in profit or loss. The fair value remeasurement of these instruments at the year-end is recognized based on external valuations.

Incentive instruments and employee share ownership

A) Share subscription plans

The Group no longer grants stock options since the plan authorized in 2005. The last grant under this plan was performed in June 2008.

B) Performance share plans

The Combined Shareholders' Meetings of May 6, 2015, May 18, 2016, May 10, 2017, May 23, 2018, May 23, 2019 and then May 20, 2020 authorized the Board of Directors to grant shares to a certain number of Group employees, on one or several occasions and within a maximum period of 18 months, subject to performance and/or presence conditions. On February 17, 2016, July 26, 2016, July 26, 2017, October 5, 2017, October 3, 2018, October 2, 2019 and October 7, 2020, the Board of Directors approved the terms and conditions and the list of beneficiaries of these seven plans.

The main features of these plans are set out in the table below:

	February 2016 Plan	July 2016 Plan
Maximum number of shares that may be granted	1,721,815 shares	1,721,815 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	180,500 (5)	1,663,500 (1)
Date of Board of Directors' decision	February 17, 2016	July 26, 2016
Performance assessment dates	Presence condition only	Three years for the two performance conditions
Vesting period	2 years as from the grant date (France) or 4 years as from the grant date (other countries)	3 years and 1 week as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years	2 years
Main market conditions at the grant date		
Volatility	*n/a*	*26.35%*
Risk-free interest rate	*0.15% -0.03%*	*0.2% -0.17%*
Expected dividend rate	*1.60%*	*1.60%*
Other conditions		
Performance conditions	*n/a*	*Yes (see below)*
Employee presence within the Group at the vesting date	*Yes*	*Yes*
Pricing model used to calculate the fair value of shares	n/a	Monte Carlo for performance shares with external (market) conditions
Range of fair values *(in euros)*		
Free shares (per share and in euros)	*55.45 -57.59*	*n/a*
Performance shares (per share and in euros)	*n/a*	*54.02 -77.1*
Of which corporate officers	-	*52.68*
Number of shares at December 31, 2019		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	107,450	863,775
Of which corporate officers	-	*42,000 (1)*
Change during the period		
Number of shares subject to performance and/or presence conditions granted during the year	-	-
Of which corporate officers	-	-
Number of shares forfeited or canceled during the year	3,250	50,580
Number of shares vested during the year	104,200	813,195 (2)
Number of shares at December 31, 2020		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	-	-
Weighted average number of shares	27,675	499,654
Share price at the grant date *(in euros)*	71.61	83.78

	July 2017 Plan	October 2017 Plan
Maximum number of shares that may be granted	1,691,496 shares	1,691,496 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	63,597 (8)	1,522,500 (10)
Date of Board of Directors' decision	July 26, 2017	October 5, 2017
Performance assessment dates	Presence condition only	Three years for the two performance conditions
Vesting period	3 years and 1 week as from the grant date (other countries)	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	n/a	2 years
Main market conditions at the grant date		
Volatility	*n/a*	*25.65%*
Risk-free interest rate	*-0.25% / -0.04%*	*-0.17% / +0.90%*
Expected dividend rate	*1.60%*	*1.60%*
Other conditions		
Performance conditions	*n/a*	*Yes (see below)*
Employee presence within the Group at the vesting date	*Yes*	*Yes*
Pricing model used to calculate the fair value of shares	n/a	Monte Carlo for performance shares with external (market) conditions
Range of fair values *(in euros)*		
Free shares (per share and in euros)	*89.05*	*86.98 -93.25*
Performance shares (per share and in euros)	*n/a*	*62.02 -93.25*
Of which corporate officers	-	*66.38*
Number of shares at December 31, 2019		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	46,646	1,373,250
Of which corporate officers	-	*35,000 (1)*
Change during the period		
Number of shares subject to performance and/or presence conditions granted during the year	-	-
Of which corporate officers	-	-
Number of shares forfeited or canceled during the year	14,262	335,470
Number of shares vested during the year	32,384	322,350 (3)
Number of shares at December 31, 2020		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	-	715,430 (4)
Weighted average number of shares	26,022	1,124,952
Share price at the grant date *(in euros)*	94.20	100.25

	October 2018 Plan
Maximum number of shares that may be granted	1,688,170 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,384,530 (11)
Date of Board of Directors' decision	October 3, 2018
Performance assessment dates	Three years for the two performance conditions
Vesting period	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years
Main market conditions at the grant date	
Volatility	*23.29%*
Risk-free interest rate	*-0.109% / 0.2429%*
Expected dividend rate	*1.60%*
Other conditions	
Performance conditions	*Yes (see below)*
Employee presence within the Group at the vesting date	*Yes*
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values *(in euros)*	
Free shares (per share and in euros)	*96.86 - 104.92*
Performance shares (per share and in euros)	*63.95 - 104.92*
Of which corporate officers	*80.32*
Number of shares at December 31, 2019	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,340,720
Of which corporate officers	*61,000 (1)*
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	-
Of which corporate officers	-
Number of shares forfeited or canceled during the year	82,825
Number of shares vested during the year	-
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,257,895 (12)
Weighted average number of shares	1,299,307
Share price at the grant date *(in euros)*	112.35

	October 2019 Plan
Maximum number of shares that may be granted	1,672,937 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,523,015 (6)
Date of Board of Directors' decision	October 2, 2019
Performance assessment dates	Three years for the two performance conditions
Vesting period	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years
Main market conditions at the grant date	
Volatility	*23.14%*
Risk-free interest rate	*-0.478% / -0.458%*
Expected dividend rate	*1.60%*
Other conditions	
Performance conditions	*Yes (see below)*
Employee presence within the Group at the vesting date	*Yes*
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values *(in euros)*	
Free shares (per share and in euros)	*99.57*
Performance shares (per share and in euros)	*52.81 - 99.57*
Of which corporate officers	*74.12*
Number of shares at December 31, 2019	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,515,162
Of which corporate officers	*63,500 (1)*
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	
Of which corporate officers	
Number of shares forfeited or canceled during the year	58,000
Number of shares vested during the year	-
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,457,162 (9)
Weighted average number of shares	1,486,162
Share price at the grant date *(in euros)*	107.35

	October 2020 Plan
Maximum number of shares that may be granted	2,033,396 shares
% of share capital at the date of the Board of Directors' decision	1.2%
Total number of shares granted	1,900,000 (7)
Date of Board of Directors' decision	October 7, 2020
Performance assessment dates	Three years for the two performance conditions
Vesting period	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	1 year
Main market conditions at the grant date	
Volatility	*29.61%*
Risk-free interest rate	*-0.499% / -0.4615%*
Expected dividend rate	*1.60%*
Other conditions	
Performance conditions	*Yes (see below)*
Employee presence within the Group at the vesting date	*Yes*
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values *(in euros)*	
Free shares (per share and in euros)	*97.54 - 99.4*
Performance shares (per share and in euros)	*61.29 - 99.4*
Of which corporate officers	*79.2*
Number of shares at December 31, 2019	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	-
Of which corporate officers	-
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	1,900,000
Of which corporate officers	*25,000 (1)*
Number of shares forfeited or canceled during the year	11,710
Number of shares vested during the year	-
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,888,290 (13)
Weighted average number of shares	472,073
Share price at the grant date *(in euros)*	107.55

(1) Grant subject to performance conditions only.
(2) In respect of the "foreign" plan only: these amounts include a 20% discount on the external performance condition.
(3) In respect of the French plan only: these amounts include a 40% discount on the external performance condition.
(4) In respect of the "foreign" plan only.
(5) Grant subject to presence conditions only for beneficiaries employed by IGATE, acquired on July 1, 2015.
(6) Grant subject to performance conditions only, except for 8,852 shares subject to presence conditions only.
(7) Grant subject to performance conditions only, except for 39,800 shares subject to presence conditions only.
(8) Grant subject to presence conditions only for beneficiaries employed by Idean, acquired in February 2017.
(9) Of which 427,350 shares in respect of the French plan and 1,029,812 shares in respect of the foreign plan.
(10) Grant subject to performance conditions only, except for 19,150 shares subject to presence conditions only.
(11) Grant subject to performance conditions only, except for 124,955 shares subject to presence conditions only.
(12) Of which 379,700 shares in respect of the French plan and 878,195 shares in respect of the foreign plan.
(13) Of which 556,750 shares in respect of the French plan and 1,331,540 shares in respect of the foreign plan.

a) Shares vested in 2020 under the 2016 and 2017 plans

Satisfaction of the presence condition at the end of February 2020 led to the vesting of 104,200 shares on March 1, 2020 under the February 2016 plan. This plan was granted as part of the Igate acquisition and was only subject to presence conditions. A total of 111,200 shares have been vested under the February 2016 plan, representing 61.6% of shares initially granted.

The assessment of performance conditions under the July 2016 plan concluded that the internal performance condition was 100% attained and the external performance condition was 80% attained, given the performance of the Capgemini SE share, which, while above that of the comparison basket, was below the 110% threshold enabling the maximum allocation. Satisfaction of the presence condition at the end of July 2020 led to the vesting of 813,195 shares on August 1, 2020 to non-French beneficiaries. A total of 1,178,005 shares have been vested under the July 2016 plan, representing 70.8% of shares initially granted.

Satisfaction of the presence condition at the end of July 2020 led to the vesting of 32,384 shares on August 1, 2020 under the July 2017 plan, representing 50.9% of shares initially granted. This plan was granted as part of the Igate acquisition and was only subject to presence conditions.

The assessment of performance conditions under the October 2017 plan concluded that the internal performance condition was 100% attained and the external performance condition was 60% attained, given the performance of the Capgemini SE share, which, while above that of the comparison basket, was below the 110% threshold enabling the maximum allocation. Satisfaction of the presence condition at the end of September 2020 led to the vesting of 322,350 shares in October 2020 to French beneficiaries.

b) Performance conditions of the plans

In accordance with the AMF recommendation of December 8, 2009 regarding the inclusion of an internal and external performance condition when granting performance shares, the Board of Directors decided as from the 2010 plan to add an internal condition to the external condition initially planned.

The following internal and external performance conditions apply:

Under the 2012 to 2017 plans, the external performance condition accounts for 50% of the grant calculation as does the internal performance condition.

External performance condition

The terms of the external performance condition were tightened for the 2016 to 2018 plans, compared with the preceding plans under which shares began to vest from a Capgemini SE share performance of at least 90% of the basket.

Accordingly, since 2016, under these plans:

- no shares are granted if the performance of the Capgemini SE share during the period in question is less than the performance of the basket of securities over the same period;
- the number of shares ultimately granted:
  - is equal to 50% of the number of shares initially allocated if the performance of the Capgemini SE share is at least equal to 100% of the basket,
  - is equal to 100% of the number of shares initially allocated if the relative performance of the Capgemini SE share is higher than or equal to 110% of the basket,
  - varies on a straight-line basis between 50% and 100% of the initial allocation, based on a pre-defined schedule, where the performance of the Capgemini SE share is between 100% and 110% of the basket.

Moreover, in 2019, an outperformance condition was added applicable to all beneficiaries except corporate officers, such that if the relative performance of the share reaches or exceeds 120% of the basket, the allocation may amount to 110% of the external performance portion (but the final grant may not exceed 100% of the initial grant).

The composition of the benchmark basket changed as follows:

- 2014, 2015 and 2016 plans: Accenture/CSC/Atos/Tieto/CAC 40 index/CGI Group/Infosys/Sopra/Cognizant. Listing of the CSC security was ceased on April 1, 2017 and it was therefore replaced in the basket by the Euro Stoxx 600 Technology index from this date for the 2015 and 2016 plans,
- for the 2017, 2018, 2019 and 2020 plans, the basket comprises the following companies: Accenture/Indra/Atos/Tieto/CGI Group/Infosys/Sopra Steria/Cognizant and two indices, the CAC 40 index and the Euro Stoxx 600 Technology index.

The fair value of shares subject to external performance conditions is adjusted for a discount calculated in accordance with the Monte Carlo model, together with a discount for non-transferability for the shares granted in France.

Internal performance condition

The internal performance condition is based on the generation of organic free cash flow [1] (OFCF) over a three period encompassing fiscal years 2016 to 2018 for the 2016 plan, fiscal years 2017 to 2019 for the 2017 plan, fiscal years 2018 to 2020 for the 2018 plan, fiscal years 2019 to 2021 for the 2019 plan and fiscal years 2020 to 2022 for the 2020 plan. Accordingly:

- no shares will be granted in respect of the internal performance condition if the cumulative increase in organic free cash flow over the reference period is less than €2,400 million for the 2016 plan, €2,900 million for the 2017 plan, €3,000 million for the 2018 plan, €3,100 million for the 2019 plan and €3,400 million for the 2020 plan;
- 100% of the initial internal allocation will be granted if organic free cash flow is equal to or exceeds €2,700 million for the 2016 plan, €3,200 million for the 2017 plan, €3,250 million for the 2018 plan, €3,400 million for the 2019 plan and €3,700 million for the 2020 plan. The trigger threshold for application of the 110% outperformance bonus is €3,700 million for the 2019 plan and €3,900 million for the 2020 plan (but the final grant may not exceed 100% of the initial grant for these two plans).

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1 Organic free cash flow, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures and Note 23 - Cash flows.

The fair value of shares subject to internal performance conditions is calculated assuming 100% realization and will be adjusted where necessary in line with effective realization of this condition. A discount for non-transferability is also applied for the shares granted to French beneficiaries.

Inclusion of a new CSR performance condition since 2018

The Board of Directors' meeting of March 13, 2018 wished to align the performance conditions with the Group's strategic priorities by proposing the inclusion of a performance condition based on diversity and sustainable development objectives reflecting the Group's corporate, social and environmental responsibility strategy. This provision was retained in 2020 and in view of the inclusion of an outperformance condition, the following table summarizes the applicable performance conditions, under the 2020 plan, for each of the three conditions:

Summary of performance conditions applicable to beneficiaries of the 2020 plan

Performance condition	Weighting applied for managers (1)	Weighting applied for other beneficiaries	Percentage of the grant determined by each performance condition
Market condition: Performance of the Capgemini share over a three-year period	35%	15%	• 0% if Capgemini share performance <100% of the average performance of the basket • 50% if equal to 100% • 100% if equal to 110% • 110% if the average performance of the share is at least equal to 120% of the average performance of the basket (for beneficiaries other than Executive Corporate Officers)
Financial condition: Organic Free Cash Flow for the three-year cumulative period from January 1, 2020 to December 31, 2022	50%	70%	• 0% if <€3,400 million • 30% if equal to €3,400 million (Executive Corporate Officers) • 50% if equal to €3,400 million for other beneficiaries • 100% if equal to €3,700 million • 110% if at least equal to €3,900 million (for beneficiaries other than Executive Corporate Officers)
CSR condition comprising two objectives:			
Diversity: increase in the number of women in the Vice-President inflow population over a three-year period (2020-2022)	7.5%	7.5%	• 0% if the % of women in the Vice-President inflow population through recruitment or internal promotion is <26.5% • 30% if equal to 26.5% • 100% if equal to 29% • 110% if at least equal to 30% (for beneficiaries other than Executive Corporate Officers)
Reduction in the carbon footprint at end-2022 compared with 2019	7.5%	7.5%	• 0% if the reduction in greenhouse gas emissions/person is < 10% • 30% if equal to 10% • 100% if equal to 15% • 110% if at least equal to 16% (for beneficiaries other than Executive Corporate Officers)

(1) Executive Corporate Officers (Chairman and Chief Executive Officer and Chief Operating Officers), members of the general management team and key executive managers of the Group.

C) International employee share ownership plan - ESOP 2017

The Group set up an employee share ownership plan (ESOP 2017) in the second-half of 2017. On December 18, 2017, the Group issued 3,600,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €320 million net of issue costs. The total cost of this employee share ownership plan in 2017 was €2.2 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

D) International employee share ownership plan - ESOP 2018

The Group set up an employee share ownership plan (ESOP 2018) in the second-half of 2018. On December 18, 2018, the Group issued 2,500,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €230 million net of issue costs. The total cost of this employee share ownership plan in 2018 was €1.3 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

E) International employee share ownership plan - ESOP 2019

The Group set up an employee share ownership plan (ESOP 2019) in the second-half of 2019. On December 18, 2019, the Group issued 2,750,000 new shares reserved for employees with a par value of €8 each, representing a share capital increase of €253 million net of issue costs. The total cost of this employee share ownership plan in 2019 was €1.6 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

F) International employee share ownership plan - ESOP 2020

The Group set up an employee share ownership plan (ESOP 2020) in the second-half of 2020. On December 17, 2020, the Group issued 3,000,000 new shares reserved for employees with a par value of €8 each, representing a share capital increase of €278 million, net of issue costs. The total cost of this employee share ownership plan in 2020 was €1.8 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

Pursuant to the share purchase agreement signed on October 7, 2020 with an investment services provider, which is also the institution managing the ESOP 2020 employee share ownership plan, Capgemini SE purchased 3,000,000 of its own shares for a consideration of €320 million to neutralize the dilution related to this plan. All of these shares were canceled in December 2020.

Impact of incentive instruments and employee share ownership plans

The following table presents the expense recognized in “Other operating income and expense” (including payroll taxes and employer contributions) for incentive instruments and employee share ownership plans and the residual amount to be amortized in future periods.

		2019		2020	
(in millions of euros)	Note	Expense of the period	Residual amount to be amortized in future periods	Expense of the period	Residual amount to be amortized in future periods
EXPENSE ON INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS	8	105	270	105	311

Treasury shares and management of share capital and market risks

The Group does not hold any shares for financial investment purposes and does not have any interests in listed companies.

At December 31, 2020, treasury shares were deducted from consolidated equity in the amount of €39 million. These consist of (i) 315,692 shares purchased under the share buyback program and (ii) 84,883 shares held under the liquidity agreement (for which the cash and UCITS balances are around €25 million) and the contractual holding system for key employees of American activities.

In view of the small number of treasury shares held, the Group is not therefore exposed to significant equity risk. Finally, as the value of treasury shares is deducted from equity, changes in the share price do not impact the Consolidated Income Statement.

The Group’s capital management strategy is designed to maintain a strong capital base in view of supporting the continued development of its business activities and delivering a return to shareholders, while adopting a prudent approach to debt. At December 31, 2020, the Group had net debt [(2)] of €4,904 million (compared with €600 million at December 31, 2019). In order to best manage the structure of its capital, the Group can notably issue new shares, buy back its own shares, adjust the dividend paid to shareholders or enter into derivative instruments on its own shares.

Currency risk and translation gains and losses on the accounts of subsidiaries with a functional currency other than the euro

Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, in 2020 the Group’s consolidated financial statements are particularly impacted by fluctuations in the US dollar and in the Indian rupee, generating a negative impact on foreign exchange translation reserves resulting from the depreciation of these two currencies against the euro during the year 2020.

The Group does not hedge risks arising on the translation of the foreign currency accounts of consolidated subsidiaries whose functional currency is not the euro. The main exchange rates used for the preparation of the financial statements are presented in Note 2 - Consolidation principles and Group structure.

Note 13 Goodwill and intangible assets

Goodwill

Goodwill is equal to the excess of the acquisition price (plus, where applicable, non-controlling interests) over the net amount recognized in respect of identifiable assets acquired and liabilities assumed. Where an acquisition confers control with remaining non-controlling interests (acquisition of less than 100%), the Group elects either to recognize goodwill on the full amount of revalued net assets, including the share attributable to non-controlling interests (full goodwill method) or on the share in revalued net assets effectively acquired only (partial goodwill method). This choice is made for each individual transaction.

Goodwill balances are allocated to the different cash-generating units (as defined in Note 16 - Cash-generating units and asset impairment tests) based on the value in use contributed to each unit.

When a business combination with non-controlling interests provides for the grant of a put option to these non-controlling interests, an operating liability is recognized in the Consolidated Statement of Financial Position in the amount of the estimated exercise price of the put option granted to non-controlling interests, through a reduction in equity. Changes in this put option resulting from any changes in estimates or the unwinding of the discount are also recognized through equity. Any additional acquisitions of non-controlling interests are considered a transaction with shareholders and, as such, identifiable assets are not remeasured and no additional goodwill is recognized.

When the cost of a business combination is less than the fair value of the assets acquired and liabilities assumed, the negative goodwill is recognized immediately in the Income Statement in “Other operating income and expense”.

Acquisition-related costs are expensed in the Income Statement in “Other operating income and expense” in the year incurred.

Goodwill is not amortized but tested for impairment at least annually, or more frequently when events or changes in circumstances indicate that it may be impaired.

Customer relationships

On certain business combinations, where the nature of the customer portfolio held by the acquired entity and the nature of the business performed should enable the acquired entity to continue commercial relations with its customers as a result of efforts to build customer loyalty, customer relationships are valued in intangible assets and amortized over the estimated term of contracts held in the portfolio at the acquisition date.

Licenses and software

Computer software and user rights acquired on an unrestricted ownership basis, as well as software and solutions developed internally and which have a positive, lasting and quantifiable effect on future results, are capitalized and amortized over 3 to 5 years.

IBM licenses acquired through product engineering partnerships were valued by discounting expected future operating cash flow projections and are amortized on a straight-line basis over periods not exceeding 10 years.

The capitalized costs of software and solutions developed internally are costs that relate directly to their production, i.e. the salary costs of the staff that developed the relevant software.

(in millions of euros)	Goodwill	Customer relationships	Licenses and software	Other intangible assets	Total
GROSS					
At January 1, 2019	**7,522**	**835**	**481**	**270**	**9,108**
Translation adjustments	113	14	2	1	130
Acquisitions/Increase	-	-	48	-	48
Internal developments	-	-	-	2	2
Disposals/Decrease	-	(5)	(25)	(9)	(39)
Business combinations	131	28	2	1	162
Other movements	(14)	-	10	(11)	(15)
At December 31, 2019	**7,752**	**872**	**518**	**254**	**9,396**
Translation adjustments	(481)	(68)	(27)	(15)	(591)
Acquisitions/Increase	-	-	46	4	50
Internal developments	-	-	-	7	7
Disposals/Decrease	(99)	(113)	(97)	(11)	(320)
Business combinations	2,701	517	124	42	3,384
Other movements	-	-	3	(6)	(3)
At December 31, 2020	**9,873**	**1,208**	**567**	**275**	**11,923**
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At January 1, 2019	**91**	**372**	**374**	**150**	**987**
Translation adjustments	(1)	6	2	1	8
Charges and provisions	-	70	51	10	131
Reversals	-	(6)	(23)	(9)	(38)
Business combinations	-	-	2	-	2
Other movements	-	-	6	(7)	(1)
At December 31, 2019	**90**	**442**	**412**	**145**	**1,089**
Translation adjustments	(12)	(34)	(16)	(4)	(66)
Charges and provisions	-	105	59	15	179
Reversals	-	(112)	(49)	(11)	(172)
Business combinations	-	-	-	1	1
Other movements	-	-	1	(4)	(3)
At December 31, 2020	**78**	**401**	**407**	**142**	**1,028**
NET					
At December 31, 2019	**7,662**	**430**	**106**	**109**	**8,307**
At December 31, 2020	**9,795**	**807**	**160**	**133**	**10,895**

The amounts recorded in “Business combinations” for Goodwill and Customer relationships primarily concern:

- in fiscal year 2020: the Altran acquisition (see Note 2 - Consolidation principles and Group structure),
- in fiscal year 2019: the acquisitions of the Leidos Cyber group in the United States and Konexus Consulting Group GmbH in Germany.

The amounts recorded in « Disposals/Decrease” in fiscal year 2020 primarily concern the sale of the Odigo business. (see Note 2 – Consolidation principles and Group structure)

Intangible assets by geographic area

(in millions of euros)	December 31, 2019 Net carrying amount	December 31, 2019 Acquisitions during the period	December 31, 2020 Net carrying amount	December 31, 2020 Acquisitions during the period
North America	346	4	498	6
France	96	40	221	39
United Kingdom and Ireland	59	1	78	1
Rest of Europe	19	3	192	8
Asia-Pacific and Latin America	125	2	111	3
INTANGIBLE ASSETS	**645**	**50**	**1,100**	**57**

Note 14 Property, plant and equipment (PP&E)

Property, plant and equipment

The carrying amount of property, plant and equipment is recorded in assets in the Consolidated Statement of Financial Position and corresponds to the historical cost of these items, less accumulated depreciation and any impairment. No items of property, plant and equipment have been revalued. Buildings owned by the Group are measured based on the components approach.

Subsequent expenditure increasing the future economic benefits associated with assets (costs of replacing and/or bringing assets into compliance) is capitalized and depreciated over the remaining useful lives of the relevant assets. Ongoing maintenance costs are expensed as incurred.

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

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

Buildings	20 to 50 years
Fixtures and fittings	10 to 30 years
IT 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.

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

(in millions of euros)	Land, buildings and fixtures and fittings	IT equipment	Other PP&E	Total
GROSS				
At January 1, 2019	**918**	**516**	**340**	**1,774**
Translation adjustments	2	2	-	4
Acquisitions/Increase	53	71	48	172
Disposals/Decrease	(29)	(56)	(32)	(117)
Business combinations	3	6	1	10
Other movements	(28)	33	2	7
At December 31, 2019	**919**	**572**	**359**	**1,850**
Translation adjustments	(57)	(30)	(28)	(115)
Acquisitions/Increase	37	79	32	148
Disposals/Decrease	(22)	(45)	(8)	(75)
Business combinations	95	-	48	143
Other movements	1	1	-	2
At December 31, 2020	**973**	**577**	**403**	**1,953**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At January 1, 2019	**407**	**417**	**235**	**1,059**
Translation adjustments	3	2	-	5
Charges and provisions	48	56	32	136
Reversals	(28)	(54)	(30)	(112)
Business combinations	2	5	1	8
Other movements	(14)	33	(3)	16
At December 31, 2019	**418**	**459**	**235**	**1,112**
Translation adjustments	(19)	(23)	(18)	(60)
Charges and provisions	59	59	40	158
Reversals	(19)	(41)	(8)	(68)
Business combinations	1	-	1	2
Other movements	2	1	1	4
At December 31, 2020	**442**	**455**	**251**	**1,148**
NET				
At December 31, 2019	**501**	**113**	**124**	**738**
At December 31, 2020	**531**	**122**	**152**	**805**

Property, plant and equipment by geographic area

	December 31, 2019		December 31, 2020	
(in millions of euros)	Net carrying amount	Acquisitions during the period	Net carrying amount	Acquisitions during the period
North America	41	12	58	24
France	167	45	165	22
United Kingdom and Ireland	15	4	69	7
Rest of Europe	72	36	122	42
Asia-Pacific and Latin America	443	75	391	53
PROPERTY, PLANT AND EQUIPMENT	**738**	**172**	**805**	**148**

Note 15 Lease right-of-use assets

The Group assesses whether a contract is or contains a lease at inception of the contract.

Leases are recognized in the Consolidated Statement of Financial Position from the lease commencement date.

These contracts are recognized in “Lease liabilities” and “Lease right-of-use assets” in the Consolidated Statement of Financial Position.

The lease liability is initially measured at the present value of future lease payments, discounted over the estimated lease period using the lessee’s incremental borrowing rate per currency. This is estimated in each currency using available market data and taking account of the average lease term. Lease payments may include fixed payments and variable payments that depend on an index or a rate known at inception of the contract. The lease liability is generally calculated over the firm lease term unless the Group is reasonably certain to extend or terminate the lease.

The lease liability is subsequently measured at amortized cost using the effective interest rate.

The initial value of the lease right-of-use asset comprises the amount of the initial measurement of the lease liability, initial direct costs and any obligation to restore the asset. For the vehicle fleet, the Group has elected not to separate non-lease components from lease components and to account for the entire contract as a single lease component. The lease right-of-use asset is depreciated over the period adopted for the calculation of the lease liability.

In the Consolidated Income Statement, depreciation is recorded in the operating margin and interest is recorded in net financial expenses.

The linked tax impact is recognized in deferred tax in accordance with applicable tax legislation in the countries where the leases are recognized.

Leases of assets with a low unit value, other than IT equipment, and short-term leases are expensed directly in the operating margin.

Description of lease activities

Real estate leases

The Group leases land and buildings for its offices, as well as for its delivery centers. Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are generally entered into for terms of 5 to 20 years and may contain extension options providing operational flexibility.

Vehicle leases

The Group leases vehicles for certain employees in France and internationally. These leases are generally entered into for terms of 3 to 5 years.

IT and other leases

Finally, the Group also leases some of its IT equipment (computers, servers, printers). Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are generally entered into for terms of 3 to 5 years.

Lease right-of-use assets

(in millions of euros)	Land, buildings and fixtures and fittings	Vehicles	IT equipment and other leases	Total
GROSS				
At January 1, 2019	**811**	**104**	**86**	**1,001**
Translation adjustments	9	-	1	10
Acquisitions/Increase	207	50	32	289
Disposals/Decrease	(66)	(19)	(13)	(98)
At December 31, 2019	**961**	**135**	**106**	**1,202**
Translation adjustments	(41)	(1)	(3)	(45)
Acquisitions/Increase	223	74	36	333
Disposals/Decrease	(112)	(43)	(22)	(177)
Business combinations	169	25	5	199
Other movements	(12)	(1)	-	(13)
At December 31, 2020	**1,188**	**189**	**122**	**1,499**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At January 1, 2019	**213**	**-**	**3**	**216**
Translation adjustments	5	-	-	5
Charges and provisions	174	58	46	278
Reversals	(36)	(13)	(10)	(59)
At December 31, 2019	**356**	**45**	**39**	**440**
Translation adjustments	(15)	-	(1)	(16)
Charges and provisions	210	62	40	312
Reversals	(65)	(30)	(20)	(115)
Other movements	(8)	(1)	-	(9)
At December 31, 2020	**478**	**76**	**58**	**612**
NET				
At December 31, 2019	**605**	**90**	**67**	**762**
At December 31, 2020	**710**	**113**	**64**	**887**

Lease right-of-use assets by geographic area

	December 31, 2019	December 31, 2020
(in millions of euros)	Net carrying amount	Net carrying amount
North America	80	97
France	234	257
United Kingdom and Ireland	52	77
Rest of Europe	276	327
Asia-Pacific and Latin America	120	129
LEASE RIGHT-OF-USE ASSETS	**762**	**887**

Lease liabilities

The contractual cash flows presented below are the undiscounted value of future contractual repayments, broken down by average remaining maturity of Group leases.

(in millions of euros)	Carrying amount	Contractual cash flows				
At December 31, 2020		**Total**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Beyond 5 years**
Lease liabilities	968	1,043	307	236	349	151

Note 16 Cash-generating units and asset impairment tests

Cash-generating units

The cash-generating units identified by the Group represent the nine geographic areas detailed below.

Asset impairment tests

Intangible assets, property, plant and equipment with a definite useful life and lease right-of-use assets are tested for impairment when there is an indication at the reporting date that their recoverable amount may be less than their carrying amount. Goodwill and assets with an indefinite useful life are tested for impairment at least once a year.

The impairment test consists of assessing the recoverable amount of each asset or group of assets generating cash flows that are separate from the cash flows generated by other assets or groups of assets (cash-generating units or CGU).

The recoverable amount is defined as the higher of the fair value less costs to sell of the cash-generating unit and its value in use:

- fair value is the amount obtainable in an arm's length transaction and is determined with reference to the price in a binding agreement or the market price in recent and comparable transactions;
- value in use is based on the discounted future cash flows to be derived from these cash-generating units.

The value in use of each cash-generating unit is measured using the discounted future cash flow method, based on the various assumptions in the three-year strategic plan extrapolated over a period of five years, including growth and profitability rates considered reasonable. Long-term growth rates and discount rates are determined taking account of the specific characteristics of each of the Group's geographic areas. Discount rates reflect the weighted average cost of capital, calculated notably based on market data and a sample of sector companies. When the recoverable amount of a cash-generating unit is less than its net carrying amount, the impairment loss is deducted from goodwill to the extent possible and charged under "Other operating income and expenses".

Goodwill per cash-generating unit

The allocation of goodwill to cash-generating units breaks down as follows:

	December 31, 2019			December 31, 2020		
(in millions of euros)	**Gross value**	**Impairment**	**Net carrying amount**	**Gross value**	**Impairment**	**Net carrying amount**
North America	2,731	(8)	2,723	3,278	(7)	3,271
France	1,489	(1)	1,488	2,024	(1)	2,023
United Kingdom and Ireland	1,004	-	1,004	1,182	-	1,182
Benelux	983	(12)	971	1,135	(12)	1,123
Southern Europe	146	-	146	358	-	358
Nordic countries	303	-	303	467	-	467
Germany and Central Europe	417	(31)	386	639	(31)	608
Asia-Pacific	546	-	546	691	-	691
Latin America	133	(38)	95	99	(27)	72
GOODWILL	**7,752**	**(90)**	**7,662**	**9,873**	**(78)**	**9,795**

The increase in the gross value of goodwill comes mainly from the Altran acquisition and other acquisitions completed in 2020 (see Note 2 - Consolidation principles and Group structure). The goodwill of €2,578 million generated by the Altran acquisition was allocated to the various Group cash-generating units at December 31, 2020 that will benefit from this acquisition.

Goodwill was tested for impairment at December 31, 2020 in line with the Group valuation procedure for such assets.

The main underlying assumptions were as follows:

	December 31, 2020	
	Long-term growth rate	Discount rate
North America	3.0%	7.4%
Latin America	5.5%	12.0%
United Kingdom and Ireland	2.9%	7.5%
Continental Europe	2.8%	7.0%
Asia-Pacific	4.2%	11.9%

No impairment losses were recognized at December 31, 2020 as a result of these impairment tests.

Furthermore, an analysis of the calculation's sensitivity to a combined change in the following key assumptions:

- +/-2 points in the revenue growth rate for the first five years;
- +/-1 point in the operating margin [1] rate for the first five years;
- +/-0.5 points in the discount rate;
- +/-0.5 points in the long-term growth rate.

did not identify any recoverable amounts below the carrying amount for cash-generating units.

(1) Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

Note 17 Deferred taxes

Deferred taxes are:

- recorded to take account of temporary differences between the carrying amounts of certain assets and liabilities and their tax basis;
- recognized in income or expenses in the Income Statement, in income and expense recognized in equity, or directly in equity in the period, depending on the underlying to which they relate;
- measured taking account of known changes in tax rates (and tax regulations) enacted or substantively enacted at the year-end. Adjustments for changes in tax rates to deferred taxes previously recognized in the Income Statement, in income and expense recognized in equity or directly in equity are recognized in the Income Statement, in income and expense recognized in equity or directly in equity, respectively, in the period in which these changes become effective.

Deferred tax assets are recognized when it is probable that taxable profits will be available against which the recognized tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at each period end. This amount is reduced to the extent that it is no longer probable that additional taxable profit will be available against which to offset all or part of the deferred tax assets to be utilized. Conversely, the carrying amount of deferred tax assets will be increased when it becomes probable that future taxable profit will be available in the long-term against which to offset tax losses not yet recognized. The probability of recovering deferred tax assets is primarily assessed based on a 10-year plan, weighted for the probability of future taxable profits being reported.

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

Deferred tax assets and liabilities

(in millions of euros)	December 31, 2019	December 31, 2020
Deferred tax assets	999	983
Deferred tax liabilities	185	230
Net deferred taxes	**814**	**753**

Recognized deferred tax assets

Deferred tax assets and movements therein break down as follows:

(in millions of euros)	Note	Tax loss carry-forwards	Temporary differences on amortizable goodwill	Provisions for pensions and other post-employment benefits	Other deductible temporary differences	Total deferred tax assets
At January 1, 2019		**612**	**85**	**221**	**214**	**1,132**
Translation adjustments		10	-	7	2	19
Deferred tax recognized in the Income Statement	10	(154)	(22)	(5)	9	(172)
Deferred tax recorded in income and expense recognized in equity		4	-	19	(1)	22
Other movements, including offset with deferred tax liabilities		11	-	(4)	(9)	(2)
At December 31, 2019		**483**	**63**	**238**	**215**	**999**
Business combinations		12	-	19	137	168
Translation adjustments		(33)	(7)	(11)	(29)	(80)
Deferred tax recognized in the Income Statement	10	(111)	(25)	(3)	49	(90)
Deferred tax recorded in income and expense recognized in equity		59	-	25	(3)	81
Other movements, including offset with deferred tax liabilities		-	-	-	(95)	(95)
At December 31, 2020		**410**	**31**	**268**	**274**	**983**

Recognized tax loss carry-forwards total €410 million at December 31, 2020 (€483 million at December 31, 2019) and primarily concern the United States in the amount of €350 million and France in the amount of €41 million.

Deferred taxes liabilities by nature

Deferred tax liabilities and movements therein break down as follows:

(in millions of euros)	Note	Tax-deductible goodwill amortization	Customer relationships	Other taxable temporary differences	Total deferred tax liabilities
At January 1, 2019		**52**	**43**	**85**	**180**
Translation adjustments		1	-	-	1
Deferred tax recognized in the Income Statement	10	3	(6)	11	8
Deferred tax recorded in income and expense recognized in equity		-	-	(1)	(1)
Other movements including offset with deferred tax assets		-	-	(3)	(3)
At December 31, 2019		**56**	**37**	**92**	**185**
Business combinations		-	131	20	151
Translation adjustments		(4)	(3)	(7)	(14)
Deferred tax recognized in the Income Statement	10	4	(10)	-	(6)
Deferred tax recorded in income and expense recognized in equity		-	-	(2)	(2)
Other movements including offset with deferred tax assets		-	(78)	(6)	(84)
At December 31, 2020		**56**	**77**	**97**	**230**

Expiry dates of tax loss carry-forwards (taxable base)

	2019		2020	
At December 31 *(in millions of euros)*	**Amount**	**%**	**Amount**	**%**
Between 1 and 5 years	38	1	63	2
Between 6 and 10 years	1,121	44	1,125	41
Between 11 and 15 years	520	20	266	10
Beyond 15 years (definite expiry date)	-	-	36	1
Carried forward indefinitely	893	35	1,254	46
TAX LOSS CARRY-FORWARDS *(TAXABLE BASE)*	**2,572**	**100**	**2,744**	**100**
o/w recognized tax losses	*1,893*	*74*	*1,616*	*59*
o/w unrecognized tax losses	*679*	*26*	*1,128*	*41*

Tax loss carry-forwards total €2,744 million at December 31, 2020 (€2,572 million at December 31, 2019) and primarily concern the United States in the amount of €1,439 million, France in the amount of €387 million, Brazil in the amount of €300 million and Spain in the amount of €247 million.

Unrecognized deferred tax assets

At December 31 *(in millions of euros)*	**2019**	**2020**
Deferred tax on tax loss carry-forwards	200	292
Deferred tax on other temporary differences	18	56
UNRECOGNIZED DEFERRED TAX ASSETS	**218**	**348**

Note 18 Financial instruments

Financial instruments consist of:

- financial assets, including other non-current assets, trade receivables, other current assets, cash management assets and cash and cash equivalents;
- financial liabilities, including long- and short-term borrowings and bank overdrafts, current and non-current lease liabilities, accounts payable and other current and non-current liabilities;
- derivative instruments.

a) Recognition of financial instruments

Financial instruments (assets and liabilities) are initially recognized in the Consolidated Statement of Financial Position at their initial fair value.

IFRS 9 provisions regarding the classification and measurement of financial assets are based on the Group's management model and the contractual terms of financial assets. Depending on their classification in the Consolidated Statement of Financial Position, financial assets and liabilities are subsequently measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost.

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss if held for trading.

Amortized cost corresponds to the initial carrying amount (net of transaction costs), plus interest calculated using the effective interest rate, less cash outflows (coupon interest payments and repayments of principal and redemption premiums where applicable). Accrued interest (income and expense) is not recorded on the basis of the financial instrument's nominal interest rate, but on the basis of its effective interest rate. An expected credit loss is recognized on financial assets measured at amortized cost. Any loss in value is recognized in the Income Statement.

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

Financial instruments are recognized at inception and on subsequent dates in accordance with the methods described below. These methods draw on the following interest rate definitions:

- the coupon interest rate or coupon, which is the nominal interest rate on borrowings;
- the effective interest rate, which is the rate that exactly discounts the estimated cash flows through the expected term of the instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability at initial recognition. The effective interest rate takes into account all fees paid or received, transaction costs, and, where applicable, premiums to be paid and received;
- the market interest rate, which reflects the effective interest rate recalculated at the measurement date based on current market parameters.

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

b) Derivative instruments

Derivative instruments mainly comprise forward foreign exchange purchase and sale contracts (in the form of tunnels, where applicable) and interest rate swaps.

When operating or financial cash flow hedges are eligible for hedge accounting, changes in the fair value of the hedging instruments are recognized firstly in "Income and expense recognized in equity" and subsequently taken to operating profit or net financial expense when the hedged item itself impacts the Income Statement.

All changes in the value of hedging costs (time value of foreign exchange options and forward element of foreign exchange forward contracts) are recognized in a separate component of comprehensive income and released to profit or loss when then the hedged flow is realized.

Other derivative instruments are measured at fair value, with changes in fair value, estimated based on market rates or data provided by bank counterparties, recognized in the Income Statement at the reporting date.

c) Fair value measurement

Fair value measurement methods for financial and non-financial assets and liabilities as defined above are classified according to the following three fair value levels:

- Level 1: fair values measured based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2: fair values measured using inputs other than quoted prices in active markets, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: fair values of assets or liabilities measured using inputs that are not based on observable market data (unobservable inputs).

As far as possible, the Group applies Level 1 measurement methods.

Financial instrument classification and fair value hierarchy

The following table presents the net carrying amount of financial assets and liabilities and the fair value of financial instruments broken down according to the three classification levels defined above (except for financial instruments where the net carrying amount represents a reasonable approximation of fair value).

				Net carrying amount				Fair value
December 31, 2020 *(in millions of euros)*	**Notes**	**Hedge accounting**	**Fair value through profit or loss**	**Fair value through equity**	**Amortized cost**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS								
Shares in non-consolidated companies	19		14	13				27
Long-term deposits, receivables and other investments	19				163			
Other non-current assets	19				213			
Current and non-current asset derivative instruments	19 and 21	100					100	
Trade receivables and related accounts	20				3,938			
Other current assets	21				530			
Cash management assets	22		338			338		
Cash and cash equivalents	22		2,836			2,836		
FINANCIAL LIABILITIES								
Bonds	22				7,698			
Lease liabilities	15				968			
Drawdowns on bank and similar facilities and other borrowings	22				372			
Liabilities related to acquisitions of consolidated companies	27			8	139			8
Other current and non-current liabilities	27				329			
Current and non-current liability derivative instruments	27	65					65	
Accounts and notes payable	28				3,358			
Bank overdrafts	22				8			

Note 19 Other non-current assets

At December 31 *(in millions of euros)*	Notes	2019	2020
Long-term deposits, receivables and other investments		128	163
Shares in associates		74	110
Derivative instruments	24	33	32
Non-current tax receivables		89	183
Altran Technologies non-consolidated securities	2	413	-
Other non-consolidated securities		1	27
Other		28	30
OTHER NON-CURRENT ASSETS	23	**766**	**545**

Long-term deposits, receivables and other investments consist mainly of *aides à la construction* (building aid program) loans and security deposits and guarantees relating to leases.

Derivative instruments primarily consist of the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €32 million (current portion of €65 million, see Note 24 – Currency, interest rate and counterparty risk management).

Non-current tax receivables at December 31, 2020 mainly consist of the tax portion required by the Indian tax authorities following tax audits but challenged by the Group and certain tax credits to be utilized in more than 12 months notably in France and Spain.

At December 31, 2019, the "Altran Technologies non-consolidated securities" line reflects the acquisition of 29,378,319 shares for a total disbursement of €413 million (see Note 2 - Consolidation principles and Group structure).

Note 20 Trade receivables, contract assets and contract costs

At December 31 *(in millions of euros)*	Note	2019	2020
Trade receivables		2,140	2,724
Provisions for doubtful accounts		(19)	(36)
Contract assets		1,176	1,148
Trade receivables and contract assets, excluding contract costs	23	**3,297**	**3,836**
Contract costs	23	83	102
TRADE RECEIVABLES, CONTRACT ASSETS AND CONTRACT COSTS		**3,380**	**3,938**

Total trade receivables and contract assets net of contract liabilities can be analyzed as follows in number of days' annual revenue:

At December 31 *(in millions of euros)*	Note	2019	2020
Trade receivables and contract assets, excluding contract costs	23	3,297	3,836
Contract liabilities	23	(836)	(1,044)
TRADE RECEIVABLES AND CONTRACT ASSETS NET OF CONTRACT LIABILITIES		**2,461**	**2,792**
In number of days' annual revenue		63	60

In addition to the consolidation of Altran from April 1, 2020, changes in contract assets and liabilities in fiscal year 2020 are due to the following usual factors:

- timing differences between revenue recognition, billing and collection, leading to the recognition of trade receivables and contract assets (sales invoice accruals);
- the receipt of advances from customers, leading to the recognition of contract liabilities (advances from customers and billed in advance).

Client payments terms and conditions comply with local regulations in the countries where we operate and, where applicable, standard commercial practice and payment schedules defined contractually.

At December 31, 2020, receivables totaling €30 million were assigned with transfer of risk as defined by IFRS 9 to financial institutions. These receivables were therefore derecognized in the Statement of Financial Position at December 31, 2020. This amount is lower than assignments of receivables at the fiscal year opening dates: €75 million for Capgemini at December 31, 2019 and €225 million for Altran Technologies at April 1, 2020.

Aged analysis of trade receivables

The low bad debt ratio reflects the fact that most invoices are only issued after the client has validated the services provided.

At end-2020, past due balances total €394 million (€469 million at December 31, 2019) and represent 14.7% of trade receivables less provisions for doubtful accounts (22.1% in 2019). The breakdown is as follows:

(in millions of euros)	< 30 days	> 30 days and < 90 days	> 90 days
Net trade receivables	**256**	**85**	**53**
As a % of trade receivables, net of provisions for doubtful accounts	9.5%	3.2%	2.0%

Past due balances concern client accounts which are individually analyzed and monitored.

Credit risk

The Group's three largest clients contribute around 7% of Group revenues, unchanged on fiscal year 2019. The Group's five largest clients contribute around 10% of Group revenues, as in 2019.The top ten clients collectively account for 16% of Group revenues. The solvency of these major clients and the sheer diversity of the other smaller clients help limit credit risk. The economic environment could impact the business activities of the Group's clients, as well as the amounts receivable from these clients. However, the Group does not consider that any of its clients, business sectors or geographic areas present a significant credit risk that could materially impact the financial position of the Group as a whole.

Note 21 Other current assets

At December 31 *(in millions of euros)*	Notes	**2019**	**2020**
Social security and tax-related receivables, other than income tax		208	197
Prepaid expenses		143	242
Derivative instruments	24	73	68
Other		40	91
OTHER CURRENT ASSETS	23	**464**	**598**

At December 31, 2020, "Social security and tax-related receivables, other than income tax" include research tax credit receivables of €28 million, deducted from operating expenses in 2020.

Note 22 Net debt/net cash and cash equivalents

Cash and cash equivalents presented in the Consolidated Statement of Cash Flows consist of short-term investments and cash at bank less bank overdrafts.

Net debt or net cash and cash equivalents comprise cash and cash equivalents as defined above, and cash management assets (assets presented separately in the Consolidated Statement of Financial Position due to their characteristics), less short-term and long-term borrowings. Account is also taken of the impact of hedging instruments when these relate to borrowings and own shares. Lease liabilities (including finance lease liabilities) are excluded from net debt from January 1, 2019.

(in millions of euros)	**2019**	**2020**
Short-term investments	1,920	1,921
Cash at bank	541	915
Bank overdrafts	(11)	(8)
Cash and cash equivalents	**2,450**	**2,828**
Cash management assets	**213**	**338**
Bonds	(2,564)	(7,121)
Draw-downs on bank and similar facilities and other borrowings	-	(6)
Long-term borrowings	**(2,564)**	**(7,127)**
Bonds	(703)	(577)
Drawdowns on bank and similar facilities and other borrowings	(3)	(366)
Short-term borrowings	**(706)**	**(943)**
Borrowings	**(3,270)**	**(8,070)**
Derivative instruments	7	-
NET DEBT (1)	**(600)**	**(4,904)**

(1) Net debt/net cash and cash equivalents, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

Short-term investments

At December 31, 2020, short-term investments mainly consist of mutual funds and term bank deposits, paying interest at standard market rates.

Cash management assets

At December 31, 2020 cash management assets notably consist of marketable securities held by certain Group companies which do not meet all the monetary UCITS classification criteria defined by ESMA (European Securities and Markets Authority) for money market mutual funds, particularly with regards to the average maturity of the portfolio. These funds may, however, be redeemed at any time without penalty.

Borrowings

A) Bonds

a) July 1, 2015 bond issues

On June 24, 2015, Capgemini SE performed a “triple tranche” bond issue for a total nominal amount of €2,750 million and with a settlement/delivery date of July 1, 2015:

- **2015 bond issue (July 2018):**

  The nominal amount of this tranche is €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds mature on July 2, 2018 and pay a floating coupon of 3 month Euribor +85 bp, revised quarterly (issue price 100%). The bond issue was redeemed by the Group at maturity on July 2, 2018.

- **2015 bond issue (July 2020):**

  The nominal amount of this tranche is €1,250 million, comprising 12,500 bonds with a unit value of €100,000 each. The bonds mature on July 1, 2020 and pay an annual coupon of 1.75% (issue price 99.853%). The Group performed a partial bond swap in April 2018 (see below "April 2018 Bond issues"). The bond issue was redeemed by the Group at maturity on June 2, 2020.

- **2015 bond issue (July 2023):**

  The nominal amount of this tranche is €1,000 million, comprising 10,000 bonds with a unit value of €100,000 each. The bonds mature on July 1, 2023 and pay an annual coupon of 2.50% (issue price 99.857%).

The July 2023 tranche is callable by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

This bond issue is also subject to standard early redemption, early repayment and *pari passu* clauses.

The terms and conditions of the three bond issues in July 1st, 2015 were set out in the prospectus approved by the AMF on June 29, 2015 under reference number no. 15-318.

b) 2016 bond issue

On November 3, 2016, Capgemini SE performed a €500 million bond issue comprising 5,000 bonds with a unit value of €100,000 each and with a settlement/delivery date of November 9, 2016.

The bonds mature on November 9, 2021 and pay an annual coupon of 0.50% (issue price 99.769%). The bond issue is callable before this date by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

The bond issue is also subject to standard early redemption, early repayment and pari passu clauses.

The terms and conditions of this issue were set out in the prospectus approved by the AMF on November 7, 2016 under reference number no. 16-518.

c) April 2018 bond issues

On April 3, 2018, Capgemini SE performed a dual tranche bond issue for a total amount of €1,100 million, with a settlement/delivery date of April 18, 2018.

- **2024 bond issue:**

  The nominal amount of this tranche is €600 million, comprising 6,000 bonds with a unit value of €100,000 each. The bonds mature on October 18, 2024 and pay an annual coupon of 1.00% (issue price 99.377%). This tranche was fully subscribed by a bank in a debt swap transaction. In exchange for the new securities issued, the bank presented 2015 bonds (July 2020) with a nominal value of €574.4 million acquired directly on the market through a Tender Offer. This bond swap was recognized as a modification to a borrowing with the same counterparty, without any substantial change to the terms of the debt.

- **2028 bond issue:**

  The nominal amount of this tranche is €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds mature on April 18, 2028 and pay an annual coupon of 1.75% (issue price 99.755%).

These two bond issues are callable before their respective maturity dates by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

These bond issues are also subject to standard early redemption, early repayment and *pari passu* clauses.

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on April 10, 2018 under reference number no. 18-126.

d) April 2020 bond issues

On April 8, 2020, Capgemini SE performed a four tranche bond issue for a total amount of €3,500 million, with a settlement/delivery date of April 15, 2020:

- 2022 Bond issue: this tranche has a nominal amount of €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2022 and pay an annual coupon of 1.25% (issue price 99.794%).
- 2026 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2026 and pay an annual coupon of 1.625% (issue price 99.412%).
- 2029 Bond issue: this tranche has a nominal amount of €1 billion, comprising 10,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2029 and pay an annual coupon of 2.0% (issue price 99.163%).
- 2032 Bond issue: this tranche has a nominal amount of €1.2 billion, comprising 12,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2032 and pay an annual coupon of 2.375% (issue price 99.003%).

These four bond issues are callable before their respective maturity dates by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

These bond issues are also subject to standard early redemption, early repayment and *pari passu* clauses.

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on April 9, 2020 under reference number no. 20-138.

e) June 2020 bond issues:

On June 16, 2020, Capgemini SE performed a dual tranche bond issue for a total amount of €1,600 million, with a settlement/delivery date of June 23, 2020.

- 2025 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on June 23, 2025 and pay an annual coupon of 0.625% (issue price 99.887%).
- 2030 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on June 23, 2030 and pay an annual coupon of 1.125% (issue price 99.521%).

These two bond issues are callable before their respective maturity dates by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

These bond issues are also subject to standard early redemption, early repayment and *pari passu* clauses.

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on June 18, 2020 under reference number no. 20-261.

Impact of bonds on the financial statements

											2020
	2015 BOND ISSUES		2016 BOND ISSUES	2018 BOND ISSUES		2020 BOND ISSUES					
At December 31 *(in millions of euros)*	(July 2020)	(July 2023)		(October 2024)	(April 2028)	(April 2022)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
Debt component at amortized cost, including accrued interest		1,011	500	579	503	503	802	1,002	1,202	799	797
Effective interest rate	1.9%	2.6%	0.6%	2.0%	1.8%	1.5%	1.8%	2.2%	2.5%	0.7%	1.2%
Interest expense recognized in the Income Statement for the period	5	26	3	11	9	6	10	15	21	4	5
Nominal interest rate	1.75%	2.5%	0.5%	1.0%	1.75%	1.25%	1.625%	2.0%	2.375%	0.625%	1.125%
Nominal interest expense (coupon)	5	25	2	6	9	5	9	14	20	3	5

					2019
At December 31 *(in millions of euros)*	2015 BOND ISSUES		2016 BOND ISSUES	2018 BOND ISSUES	
	(July 2020)	(July 2023)		(October 2024)	(April 2028)
Debt component at amortized cost, including accrued interest	681	1,010	499	574	503
Effective interest rate	1.9 %	2.6 %	0.6 %	2.0 %	1.8 %
Interest expense recognized in the Income Statement for the period	13	26	3	11	9
Nominal interest rate	1.8 %	2.5 %	0.5 %	1.0 %	1.8 %
Nominal interest expense (coupon)	12	25	2	6	9

Fair value of bonds

										2020
At December 31 *(in millions of euros)*	BOND ISSUES 2015	BOND ISSUES 2016	BOND ISSUES 2018		2020 BOND ISSUES					
	(July 2023)		(October 2024)	(April 2028)	(April 2022)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
Fair value	1,082	504	625	563	514	875	1,151	1,451	826	856
Market rate	-0.26%	-0.32%	-0.06%	0.19%	-0.26%	0.07%	0.33%	0.60%	-0.04%	0.43%

At December 31 *(in millions of euros)*	2015 BOND ISSUES		2016 BOND ISSUES	2018 BOND ISSUES	
					2019
	(July 2020)	(July 2023)		(October 2024)	(April 2028)
Fair value	685	1,090	505	622	556
Market rate	-0.3%	0.3%	0.0%	0.3%	0.5%

B) Breakdown of borrowings by currency

	At December 31, 2019			At December 31, 2020		
(in millions of euros)	Euro	Other currencies	Total	Euro	Other currencies	Total
2015 Bond issue - July 2020	681	-	681	-	-	-
2015 Bond issue - July 2023	1,010	-	1,010	1,011		1,011
2016 Bond issue	499	-	499	500		500
2018 Bond issue - October 2024	574	-	574	579		579
2018 Bond issue - April 2028	503	-	503	503		503
April 2020 Bond issue - April 2022				503		503
April 2020 Bond issue - April 2026				802		802
April 2020 Bond issue - April 2029				1,002		1,002
April 2020 Bond issue - April 2032				1,202		1,202
June 2020 Bond issue - June 2025				799		799
June 2020 Bond issue - June 2030				797		797
Drawdowns on bank and similar facilities and other borrowings	-	3	3	371	1	372
Bank overdrafts	8	3	11	6	2	8
BORROWINGS	**3,275**	**6**	**3,281**	**8,075**	**3**	**8,078**

C) Syndicated credit facility negotiated by Capgemini SE

On July 30, 2014, the Group signed with a syndicate of 18 banks a €750 million multi-currency credit facility, maturing on July 30, 2019, with two one-year extension options, exercisable (subject to the approval of the banks) at the end of the first and second years, respectively, extending the maturity of the new facility by a maximum of two additional years. Following the exercise of the second one-year extension option, the maturity of this credit facility was extended to July 27, 2021.

The initial margin on this credit facility was 0.45% (excluding the fee on drawn amounts which varies according to the portion of the facility drawn). This margin may be adjusted upwards or downwards according to the credit rating of Capgemini SE. The facility is also subject to a fee on undrawn amounts equal to 35% of the margin. The margin currently applicable is 0.45% and the fee on undrawn amounts is 0.1575%.

An upgrade or downgrade in Capgemini SE's credit rating would have no impact on the availability of this credit facility. The other main terms and conditions of the credit facility, in particular with respect to certain financial ratios, are detailed in Note 30 - Off-balance sheet commitments.

This credit facility had not been drawn at December 31, 2020.

Net debt/net cash and cash equivalents and liquidity risk

Bond issues and outstanding short-term negotiable debt securities issued by Capgemini SE are the main borrowings that could expose the Group to liquidity risk in the event of repayment.

To manage the liquidity risk that could arise from these borrowings becoming due and payable, at the contractual due date or early, the Group has implemented a conservative financing policy mainly based on:

- prudent use of debt leveraging, coupled with limited use of any clauses that could lead to early repayment of borrowings;
- the maintenance of an adequate level of liquidity at all times;
- actively managing borrowing due dates in order to limit the concentration of maturities;
- using diverse sources of financing, allowing the Group to reduce its reliance on certain categories of lenders.

Net debt/net cash and cash equivalents and credit risk

Financial assets which could expose the Group to a credit or counterparty risk mainly consist of financial investments: in accordance with Group policy, cash balances are not invested in equity-linked products, but in (i) negotiable debt securities (certificates of deposit), (ii) term deposits, (iii) capitalization contracts or (iv) short-term money market mutual funds, subject to minimum credit rating and diversification rules.

At December 31, 2020, short-term investments totaled €1,921 million and comprise mainly (i) money market mutual fund units meeting the criteria defined by ESMA (European Securities and Markets Authority) for classification in the "monetary category"; and (ii) negotiable debt securities and term deposits maturing within three months or immediately available, issued by highly rated companies or financial institutions (minimum rating of A2/P2 or equivalent). Consequently, these short-term investments do not expose the Group to any material credit risk.

Net debt by maturity at redemption value

The amounts indicated below correspond to the undiscounted value of future contractual cash flows. Future cash flows relating to the outstanding bond issues were estimated based on contractual nominal interest rates and assuming the bonds would be redeemed in full at maturity.

At December 31, 2020 *(in millions of euros)*	**Contractual maturity**	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Beyond 5 years**
Cash and cash equivalents	**2020**	**2,828**	**2,828**	**2,828**	**-**	**-**	**-**
Cash management assets	**2020**	**338**	**338**	**338**	**-**	**-**	**-**
2015 Bond issue - July 2023	2023	(1,011)	(1,075)	(25)	(25)	(1,025)	-
2016 Bond issue	2021	(500)	(502)	(502)	-	-	-
2018 Bond issue - October 2024	2024	(579)	(624)	(6)	(6)	(612)	-
2018 Bond issue - April 2028	2028	(503)	(571)	(9)	(9)	(27)	(526)
April 2020 Bond issue - April 2022	2022	(503)	(512)	(6)	(506)	-	-
April 2020 Bond issue - April 2026	2026	(802)	(878)	(13)	(13)	(39)	(813)
April 2020 Bond issue - April 2029	2029	(1,002)	(1,180)	(20)	(20)	(60)	(1,080)
April 2020 Bond issue - April 2032	2032	(1,202)	(1,542)	(28)	(28)	(85)	(1,401)
June 2020 Bond issue - June 2025	2025	(799)	(825)	(5)	(5)	(815)	-
June 2020 Bond issue - June 2030	2030	(797)	(890)	(9)	(9)	(27)	(845)
Drawdowns on bank and similar facilities and other borrowings	2020	(372)	(372)	(366)	-	(3)	(3)
Borrowings		**(8,070)**	**(8,971)**	**(989)**	**(621)**	**(2,693)**	**(4,668)**
Derivative instruments on borrowings		-					
NET DEBT		**(4,904)**	**(5,805)**	**2,177**	**(621)**	**(2,693)**	**(4,668)**

Note 23 Cash flows

The Consolidated Statement of Cash Flows analyzes the year-on-year change in cash flows from operating, investing and financing activities.

Foreign currency cash flows are translated into euros at the average exchange rate for the year. Exchange gains or losses resulting from the translation of cash flows relating to foreign currency assets and liabilities at the year-end exchange rate are shown in "Effect of exchange rate movements on cash and cash equivalents" in the Statement of Cash Flows.

At December 31, 2020, cash and cash equivalents totaled €2,828 million (see Note 22 - Net debt/net cash and cash equivalents), up €378 million on December 31, 2019 (€2,450 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of negative €131 million, this increase is €509 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

Net cash from operating activities

In 2020, net cash from operating activities totaled €1,661 million (compared with €1,794 million in 2019) and resulted from:

- cash flows from operations before net finance costs and income tax in the amount of €2,056 million;
- payment of current income taxes in the amount of €351 million;
- a decrease in working capital requirements, generating a negative cash impact of €44 million.

Changes in working capital requirements (WCR) and the reconciliation with the Consolidated Statement of Financial Position are as follows:

		Working capital requirement components (Consolidated Statement of Financial Position)					Neutralization of items with no cash impact			Statement of Cash Flows items
(in millions of euros)	Notes	December 31, 2019	December 31, 2020	Net impact	Non working capital items (1)	Impact of WCR items	Net profit impact	Foreign exchange impact	Reclassifications (2) and changes in Group structure	Amount
Trade receivables and contract assets, excl. contract costs	20	3,297	3,836	(539)	(8)	(547)	-	(137)	719	35
Contract costs	20	83	102	(19)	-	(19)	-	(4)	(2)	(25)
Contract liabilities	20	(836)	(1,044)	208	3	211	-	22	(171)	62
Change in trade receivables, contract assets, contract liabilities and contract costs				**(350)**	**(5)**	**(355)**	**-**	**(119)**	**546**	**72**
Accounts and notes payable (trade payables)	28	(1,149)	(1,209)	60	(8)	52	-	59	(234)	(123)
Change in accounts and notes payable				**60**	**(8)**	**52**	**-**	**59**	**(234)**	**(123)**
Other non-current assets	19	766	545	221	(262)	(41)	-	(2)	12	(31)
Other current assets	21	464	598	(134)	(73)	(207)	1	(21)	235	8
Accounts and notes payable (excluding trade payables)	28	(1,862)	(2,149)	287	(6)	281	-	64	(394)	(49)
Other current and non-current liabilities	27	(275)	(541)	266	(239)	27	6	14	32	79
Change in other receivables/payables				**640**	**(580)**	**60**	**7**	**55**	**(115)**	**7**
CHANGE IN OPERATING WORKING CAPITAL						**(243)**	**7**	**(5)**	**197**	**(44)**

(1) Non-working capital items comprise cash flows relating to investing and financing activities, payment of the income tax expense and non-cash items.

(2) The Reclassifications heading mainly includes changes relating to the current and non-current reclassification of certain accounts and notes receivable and payable and changes in the position of certain tax and employee-related receivables and payables in assets or liabilities.

Net cash used in investing activities

The main components of net cash used in investing activities of €1,714 million (compared with a cash outflow of €868 million in 2019) reflect:

- cash outflows of €147 million relating to acquisitions of property, plant and equipment, net of disposals, primarily due to purchases of computer hardware for customer projects or the partial renewal of IT installations and the renovation, extension and refurbishment of office space;
- cash outflows of €57 million relating to acquisitions of intangible assets, net of disposals, mainly involving software for customer projects or for internal use and internally generated intangible assets (see Note 13 - Goodwill and intangible assets);
- cash inflows relating to the sale of the Odigo business on December 30, 2020 (see Note 2 – Consolidation principles and Group structure);
- cash outflows on business combinations net of cash and cash equivalents acquired of €1,557 million of which €1,473 million in respect of the takeover of Altran (see Note 2 – Consolidation principles and Group structure).

Net cash used in financing activities

Net cash outflows as a result of financing activities totaled €562 million (compared with net cash outflows of €468 million in 2019) and mainly comprised:

- payment of the 2019 dividend of €226 million;
- cash outflows of €291 million to repay lease liabilities;
- cash outflows of €514 million for the buyback of own shares;
- cash outflows on subsequent acquisition of Altran shares of €1,672 million (see Note 2 – Consolidation principles and Group structure) plus the repayment of the Altran Term Loans of €1,592 million (see Note 2 – Consolidation principles and Group structure).

offset by:

- the €278 million share capital increase following the issue of new shares under the international employee share ownership plan (see Note 12 F - Equity).
- the 2020 bond issues net of repayment for €4,369 million, notably in the context of the acquisition of Altran (see Note 2 – Consolidation principles and Group structure).

Organic free cash flow

Organic free cash flow calculated based on items in the Statement of Cash Flows is equal to cash flow from operations less acquisitions of property, plant, equipment and intangible assets (net of disposals) and repayments of lease liabilities and adjusted for flows relating to the net interest cost.

At December 31 *(in millions of euros)*	**2019**	**2020**
Cash flows from operations	**1,794**	**1,661**
Acquisitions of property, plant and equipment and intangible assets	(222)	(206)
Proceeds from disposals of property, plant and equipment and intangible assets	3	2
Acquisitions of property, plant, equipment and intangible assets (net of disposals)	**(219)**	**(204)**
Interest paid	(77)	(96)
Interest received	62	49
Net interest cost	**(15)**	**(47)**
Repayments of lease liabilities	(272)	(291)
ORGANIC FREE CASH FLOW	**1,288**	**1,119**

Note 24 Currency, interest rate and counterparty risk management

Currency risk management

A) Exposure to currency risk and currency risk management policy

a) Currency risk and hedging of operating transactions

The significant use of offshore delivery centers located in India, Poland and Latin America exposes the Group to currency risk with respect to some of its production costs.

The Group implements a policy aimed at minimizing and managing these currency risks, due in the majority to internal flows with India in respect of production costs denominated in Indian rupee. The hedging policy and the management of operational currency risk is centralized at parent company level. Currency risk is managed primarily based on periodic reporting by subsidiaries of their exposure to currency risk over principally the coming 1 to 3 years. On this basis, the parent company acting as an internal bank, grants internal currency guarantees to subsidiaries and enters into currency hedges with its bank counterparties, primarily through forward purchase and sale foreign exchange contracts.

These hedging transactions are recorded in accordance with cash flow hedge accounting rules.

The Group determines the existence of an economic link between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows.

b) Currency risk and hedging of financial transactions

The Group is exposed to the risk of exchange rate fluctuations in respect of:

- inter-company financing transactions, mainly within the parent company, these flows generally being hedged (in particular using forward purchase and sale foreign exchange contracts) excepted financial flows that are integral part of the net investment in subsidiaries;
- fees paid to the parent company by subsidiaries whose functional currency is not the euro, flows being hedged as well.

c) Sensitivity of revenues and the operating margin (1) to fluctuations in the main currencies

A 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 2.8% change in revenues and a 2.7% change in the operating margin (1) amount. Similarly, a 10% fluctuation in the pound sterling- euro exchange rate would trigger a corresponding 1.1% change in revenues and a 1.2% change in the operating margin (1) amount.

(1) Operating margin, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

B) Hedging derivatives

Amounts hedged at December 31, 2020 using forward purchase and sale foreign exchange contracts, mainly concern the parent company and the centralized management of currency risk on operating transactions and inter-company financing transactions.

At December 31, 2020, the euro-equivalent nominal value of foreign exchange derivatives (forward purchase and sale foreign exchange contracts and options) breaks down by transaction type and maturity as follows:

(in millions of euros)		< 6 months	> 6 months and < 12 months	> 12 months	Total
Operating transactions		**1,517**	**1,345**	**1,847**	**4,709**
o/w:	*- fair value hedge*	*467*	*-*	*-*	*467*
	- cash flow hedge	*1,050*	*1,345*	*1,847*	*4,242*
Financial transactions		**179**	**-**	**-**	**179**
o/w:	*- fair value hedge*	*179*	*-*	*-*	*179*
TOTAL		**1,696**	**1,345**	**1,847**	**4,888**

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2021 and 2024 with an aggregate euro-equivalent value at closing exchange rates of €4,709 million (€4,170 million at December 31, 2019). The hedges, part of the centralized management of currency exposition risk, were chiefly taken out in respect of transactions in Indian rupee (INR 211,474 million), US dollars (USD 1,921 million) and Polish zloty (PLN 1,724 million). The maturities of these hedges range from 1 to 38 months and the main counterparty is Capgemini SE for a euro-equivalent value of €4,504 million.

Hedges contracted in respect of financial transactions concern Capgemini SE in the amount of €81 million at December 31, 2020. They mainly concern inter-company loans for €67 million (€277 million at December 31, 2019).

The net residual exposure to currency risk on intragroup operating transactions denominated in Indian rupee, with the delivery centers located in India (see A)a)), results from the Group's currency risk management policy. The net exposure at December 31, 2020 and December 31, 2019, is limited.

The exchange differences for monetary transactions are part of the net investment in foreign subsidiaries and are recognized directly in equity. The net residual exposure to currency risk on financial inter-company transactions mainly concerns transactions in US dollars and is limited at December 31,2020.

C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

At December 31 *(in millions of euros)*		**Notes**	**2019**	**2020**
Other non-current assets		19	33	32
Other current assets		21	73	68
Other current and non-current liabilities		27	(24)	(65)
Fair value of hedging derivatives, net			**82**	**35**
Relating to:	*- operating transactions*		*75*	*35*
	- financial transactions		*7*	*-*

The main hedging derivatives notably comprise the fair value of derivative instruments contracted as part of the centralized management of currency risk recorded in “Other non-current assets” in the amount of €32 million, in “Other current assets” in the amount of €65 million, in “Other non-current liabilities” in the amount of €28 million and in “Other current liabilities” in the amount of €37 million.

The change in the period in derivative instruments hedging operating and financial transactions recorded in “income and expense recognized in equity” breaks down as follows:

(in millions of euros)	**2020**
Hedging derivatives recorded in income and expense recognized in equity at January 1	**40**
Amounts reclassified to net profit at December 31, 2020	14
Changes in fair value of derivative instruments and net investment	(243)
Hedging derivatives recorded in income and expense recognized in equity at December 31	**(189)**

No hedging relationship was discontinued during the fiscal year. The equity balance consists only of the fair value of existing hedging instruments.

Interest rate risk management

A) Interest rate risk management policy

The Group’s exposure to interest rate risk should be analyzed in light of its cash position: at December 31, 2020, the Group had €3,174 million in cash and cash equivalents, with short-term investments mainly at floating rates (or failing this, at fixed rates for periods of less than or equal to three months), and €8,078 million in gross indebtedness only at fixed rates (see Note 22 - Net debt/net cash and cash equivalents).

B) Exposure to interest rate risk: sensitivity analysis

As Group borrowings were at fixed rates in 2020, any increase or decrease in interest rates would have had a negligible impact on the Group’s net finance costs.

Based on average levels of short-term investments and cash management assets, a 100-basis point rise in interest rates would have had a positive impact of around €12 million on the Group’s net finance costs in 2020. Conversely, a 100-basis point fall in interest rates would have had an estimated €12 million negative impact on the Group’s net finance costs.

Counterparty risk management

In line with its policies for managing currency and interest rate risks as described above, the Group enters into hedging agreements with leading financial institutions. Accordingly, counterparty risk can be deemed not material. At December 31, 2020, the Group’s main counterparties for managing currency and interest rate risk are Barclays, BNP Paribas, CA CIB, Citibank, Commerzbank, HSBC, ING, JP Morgan, Morgan Stanley, Natixis, NatWest Group, Santander and Société Générale.

Note 25 Provisions for pensions and other post-employment benefits

Defined contribution plans

Defined contribution plans are funded by contributions paid by employees and Group companies to the organizations responsible for managing the plans. The Group's obligations are limited to the payment of such contributions which are expensed as incurred. The Group's obligation under these plans is recorded in "Accounts and notes payable". Defined contribution plans are operated in most European countries (France, the United Kingdom, the Netherlands, Germany and Central Europe, Nordic countries, Italy and Spain), in the United States and in the Asia-Pacific area.

Defined benefit pension plans

Defined benefit pension plans consist of either:

- unfunded plans, where benefits are paid directly by the Group and the related obligation is covered by a provision corresponding to the present value of future benefit payments. Estimates are based on regularly reviewed internal and external assumptions. These unfunded plans correspond mainly to retirement termination payments and healthcare assistance plans;
- 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 by independent actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each of these units is valued separately in order to obtain the amount of the Group's final obligation.

The resulting obligation is discounted by reference to market yields on high quality corporate bonds, denominated in the payment currency of benefits and consistent with forecast cash outflows of the post-employment benefit obligation.

For funded plans, only the estimated funding deficit is covered by a provision.

Current and past service costs - corresponding to an increase in the obligation - are recorded in "Operating expenses" of the period.

Gains or losses on the curtailment, settlement or transfer of defined benefit pension plans are recorded in "Other operating income" or "Other operating expense."

The impact of discounting defined benefit obligations as well as the expected return on plan assets are recorded net in "Other financial expense" or "Other financial income."

Actuarial gains and losses correspond to the effect of changes in actuarial assumptions and experience adjustments (i.e. differences between projected actuarial assumptions and actual data) on the amount of the benefit obligation or the value of plan assets. They are recognized in full in "Income and expense recognized in equity" in the year in which they arise (with the related tax effect).

Breakdown of provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits comprise obligations under funded defined benefit plans (particularly in the United Kingdom and Canada) and obligations primarily relating to retirement termination payments (particularly in France, Germany and Sweden).

Provision for pensions and other post-employment benefits by main countries

	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
(in millions of euros)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
UK	3,593	3,681	(3,206)	(3,412)	387	269
Canada	753	775	(516)	(522)	237	253
France	283	319	(36)	(38)	247	281
Germany	114	176	(69)	(100)	45	76
Sweden	31	31	(10)	(11)	21	20
India	549	706	(483)	(588)	66	118
Other	252	305	(209)	(250)	43	55
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31	**5,575**	**5,993**	**(4,529)**	**(4,921)**	**1,046**	**1,072**

Movements in provisions for pensions and other post-employment benefits during the last two fiscal years were as follows:

		Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
(in millions of euros)	Notes	2019	2020	2019	2020	2019	2020
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1		**4,855**	**5,575**	**(3,844)**	**(4,529)**	**1,011**	**1,046**
Expense for the period recognized in the Income Statement		**234**	**226**	**(133)**	**(112)**	**101**	**114**
Service cost	7	74	91	-	-	74	91
Interest cost	9	160	135	(133)	(112)	27	23
Impact on income and expense recognized in equity		**419**	**430**	**(370)**	**(387)**	**49**	**43**
Change in actuarial gains and losses		*419*	*430*	-	-	*419*	*430*
Impact of changes in financial assumptions		*501*	*469*	-	-	*501*	*469*
Impact of changes in demographic assumptions		*(54)*	*(37)*	-	-	*(54)*	*(37)*
Experience adjustments		*(28)*	*(2)*	-	-	*(28)*	*(2)*
Return on plan assets (1)		-	-	(370)	(387)	(370)	(387)
Other		**67**	**(238)**	**(182)**	**107**	**(115)**	**(131)**
Contributions paid by employees		45	43	(45)	(43)	-	-
Benefits paid to employees		(187)	(215)	169	181	(18)	(34)
Contributions paid		-	-	(122)	(156)	(122)	(156)
Translation adjustments		215	(324)	(181)	276	34	(48)
Business combinations		-	249	-	(136)	-	113
Other movements		(6)	9	(3)	(15)	(9)	(6)
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31		**5,575**	**5,993**	**(4,529)**	**(4,921)**	**1,046**	**1,072**

(1) After deduction of financial income on plan assets recognized in the Income Statement and calculated using the discount rate.

Analysis of the change in provisions for pensions and other post-employment benefits by main country

A) UK

In the United Kingdom, post-employment benefits primarily consist of defined contribution pension plans.

A very small number of employees accrue pensionable service within a defined benefit pension plan.

In addition, certain former and current employees accrue deferred benefits in defined benefit pension plans. The plans are administered within trusts which are legally separate from the employer and are governed by a trustee board comprising independent trustees and representatives of the employer.

The defined benefit pension plans provide pensions and lump sums to members on retirement and to their dependents on death. Members who leave service before retirement are entitled to a deferred pension.

Employees covered by defined benefit pension plans break down as follows:

- 112 current employees accruing pensionable service (132 at December 31, 2019);
- 7,005 former and current employees not accruing pensionable service (7,224 at December 31, 2019);
- 3,561 retirees (3,469 at December 31, 2019).

The plans are subject to the supervision of the UK Pension Regulator; the funding schedules for these plans are determined by the Board of Directors of each pension plans on the proposal of an independent actuary, after discussion with Capgemini UK Plc, the employer, as part of actuarial valuations usually carried out every three years. Capgemini UK Plc., the employer, gives firm commitments to the trustees regarding the funding of any deficits identified, over an agreed period.

The responsibility to fund these plans lies with the employer. The defined benefit pension plans expose the Group to the increase in liabilities that could result from changes in the life expectancy of members, fluctuations in interest and inflation rates and, more generally, a downturn in financial markets.

The average maturity of pension plans in the United Kingdom is 20 years.

In accordance with local regulations, the non-renewal of certain client contracts in full or in part could require Capgemini UK Plc. to bring forward the funding of any deficits in respect of the employees concerned.

	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
(in millions of euros)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1	**3,118**	**3,593**	**(2,674)**	**(3,206)**	**444**	**387**
Expense for the period recognized in the Income Statement	**90**	**69**	**(75)**	**(60)**	**15**	**9**
Service cost	2	2	-	-	2	2
Interest cost	88	67	(75)	(60)	13	7
Impact on income and expense recognized in equity	**310**	**299**	**(347)**	**(335)**	**(37)**	**(36)**
Change in actuarial gains and losses	310	299	-	-	310	299
Impact of changes in financial assumptions	*386*	*342*	-	-	*386*	*342*
Impact of changes in demographic assumptions	*(59)*	*(41)*	-	-	*(59)*	*(41)*
Experience adjustments	*(17)*	*(2)*	-	-	*(17)*	*(2)*
Return on plan assets (1)	-	-	(347)	(335)	(347)	(335)
Other	**75**	**(280)**	**(110)**	**189**	**(35)**	**(91)**
Contributions paid by employees	-	-	-	-	-	-
Benefits paid to employees	(95)	(84)	95	84	-	-
Contributions paid	-	-	(56)	(71)	(56)	(71)
Translation adjustments	170	(196)	(149)	176	21	(20)
Other movements	-	-	-	-	-	-
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31	**3,593**	**3,681**	**(3,206)**	**(3,412)**	**387**	**269**

(1) After deduction of financial income on plan assets recognized in the Income Statement and calculated using the discount rate.

a) Main actuarial assumptions

Discount rate, salary inflation rate and inflation rate

(in %)	At December 31, 2019	At December 31, 2020
Discount rate	2.0	1.3
Salary inflation rate	2.2 - 2.8	2.3-2.9
Inflation rate	2.8	2.9

In 2020, the benchmark indexes used to calculate discount rates were similar to those used in previous years.

Mortality tables used are those commonly used in the United Kingdom.

b) Plan assets

(in millions of euros)	2019		2020	
Shares	1,856	58%	1,775	52%
Bonds and hedging assets	1,139	36%	1,356	40%
Other	211	6%	281	8%
TOTAL	**3,206**	**100%**	**3,412**	**100%**

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets.

Bonds and hedging assets consist of bonds invested in liquid markets. A portion of these investments seeks to partially hedge interest rate risk on the plan liabilities; this matching portfolio consists of UK government bonds (GILT), owned directly or borrowed via sale and repurchase agreements.

c) Sensitivity analysis

	Impact on the obligation at December 31, 2020	
(in millions of euros)	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(332)	380
Increase/decrease of 50 basis points in the inflation rate	260	(251)
Increase/decrease of 50 basis points in the mortality rate	(61)	53

d) Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2021 are estimated at €57 million, including the funding of pension plan deficits over the period defined with the trustees as part of the regular actuarial valuations.

B) Canada

In Canada, defined post-employment benefits consist of defined benefit pension plans and other pension and similar plans. The plan assets are held in trust separately from the employer’s assets. Nonetheless, the responsibility to fund the plans lies with the employer. The plans expose the Group to the increase in liabilities that could result from changes in the life expectancy of members, fluctuations in interest and inflation rates and, more generally, a downturn in financial markets.

The average maturity of pension plans in Canada is 19 years.

The plans are subject to regular actuarial valuations performed at least every three years. In accordance with local regulations, the non-renewal of certain client contracts in full or in part could require the Canadian entities to bring forward the funding of any deficits in respect of the employees concerned.

In Canada, employees covered by defined benefit pension plans break down as follows:

- 530 current employees accruing pensionable service (826 at December 31, 2019);
- 76 former and current employees not accruing pensionable service (88 at December 31, 2019);
- 416 retirees (418 at December 31, 2019).

(in millions of euros)	Obligation 2019	Obligation 2020	Plan assets 2019	Plan assets 2020	Net provision in the Consolidated Statement of Financial Position 2019	Net provision in the Consolidated Statement of Financial Position 2020
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1	**663**	**753**	**(453)**	**(516)**	**210**	**237**
Expense for the period recognized in the Income Statement	**33**	**38**	**(17)**	**(15)**	**16**	**23**
Service cost	8	16	-	-	8	16
Interest cost	25	22	(17)	(15)	8	7
Impact on income and expense recognized in equity	**52**	**53**	**(31)**	**(36)**	**21**	**17**
Change in actuarial gains and losses	52	53	-	-	52	53
Impact of changes in financial assumptions	*50*	*56*	-	-	*50*	*56*
Impact of changes in demographic assumptions	*5*	*4*	-	-	*5*	*4*
Experience adjustments	*(3)*	*(7)*	-	-	*(3)*	*(7)*
Return on plan assets (1)	-	-	(31)	(36)	(31)	(36)
Other	**5**	**(69)**	**(15)**	**45**	**(10)**	**(24)**
Contributions paid by employees	3	3	(3)	(3)	-	-
Benefits paid to employees	(23)	(21)	22	18	(1)	(3)
Contributions paid	-	-	(16)	(5)	(16)	(5)
Translation adjustments	47	(51)	(33)	35	14	(16)
Other movements	(22)	-	15	-	(7)	-
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31	**753**	**775**	**(516)**	**(522)**	**237**	**253**

(1) After deduction of financial income on plan assets recognized in the Income Statement and calculated using the discount rate.

a) Main actuarial assumptions

Discount rate, salary inflation rate and inflation rate

(in %)	At December 31, 2019	At December 31, 2020
Discount rate	3.0 - 3.1	2.7
Salary inflation rate	2.3	2.3
Inflation rate	2.0	2.0

In 2020, the benchmark indexes used to calculate discount rates were similar to those used in previous years.

Mortality tables used are those commonly used in Canada.

b) Plan assets

(in millions of euros)		2019		2020
Shares	257	50%	262	50%
Bonds and hedging assets	252	49%	253	48%
Other	7	1%	7	2%
TOTAL	**516**	**100%**	**522**	**100%**

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets.

Bonds primarily comprise Canadian government bonds. A portion of these investments seeks to partially hedge interest rate risk on the plan liabilities; this matching portfolio consists of Canadian government bonds, owned directly or borrowed via sale and repurchase agreements.

c) Sensitivity analysis

	Impact on the obligation at December 31, 2020	
(in millions of euros)	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(63)	71
Increase/decrease of 50 basis points in the inflation rate	53	(48)
Increase/decrease of 50 basis points in the mortality rate	(3)	3

d) Future contributions

Contributions to the Canadian defined benefit plans in respect of 2021 are estimated at €16 million, including the funding of pension plan deficits defined as part of the regular actuarial valuations.

C) France

In France, post-employment benefits primarily consist of retirement termination plans. Payments under these plans are determined by collective bargaining agreements and based on the employee's salary and seniority on retirement. The Group provides for its commitments to employees in accordance with the provisions of the Syntec collective bargaining agreement on departures and retirement. This liability changes, in particular, in line with actuarial assumptions as presented below:

(in %)	At December 31, 2019	At December 31, 2020
Discount rate	0.7	0.4
Salary inflation rate	2.0	2.0

The average maturity of pension plans in France is between 13 and 16 years depending on pension plans.

Note 26 Current and non-current provisions

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

Movements in current and non-current provisions break down as follows:

(in millions of euros)	2019	2020
At January 1	**110**	**116**
Charge	38	68
Reversals (utilization of provisions)	(34)	(47)
Reversals (surplus provisions)	(12)	(11)
Other	14	333
At December 31	**116**	**459**

At December 31, 2020, current provisions (€122 million) and non-current provisions (€337 million) mainly concern risks relating to projects and contracts of €117 million (€103 million at December 31, 2019) and risks of €342 million (€13 million at December 31, 2019), mainly relating to labor and legal disputes in France and tax risks (excluding income tax) in India.

The line « Other » is mainly due to the recognition of several risks in the context of the consolidation of Altran. (see Note 2 - Consolidation principles and Group structure).

Note 27 Other current and non-current liabilities

At December 31 *(in millions of euros)*	Notes	2019	2020
Special employee profit-sharing reserve		45	30
Derivative instruments	24	24	65
Liabilities related to acquisitions of consolidated companies		106	147
Non-current tax payables		23	186
Other		77	113
OTHER CURRENT AND NON-CURRENT LIABILITIES	23	**275**	**541**

The change in other current and non-current liabilities in 2020 is mainly explained by the consolidation of Altran, with the inclusion in particular of non-current tax payables on tax audit and litigation proceedings in India and France (see Note 2 - Consolidation principles and Group structure).

Liabilities related to acquisitions of consolidated companies mainly comprise earn-outs granted at the time of certain acquisitions.

Note 28 Accounts and notes payable

At December 31 *(in millions of euros)*	Note	2019	2020
Trade payables		1,149	1,209
Accrued taxes other than income tax		422	498
Personnel costs		1,430	1,645
Other		10	6
ACCOUNTS AND NOTES PAYABLE	23	**3,011**	**3,358**

Note 29 Number of employees

Average number of employees by geographic area

	2019		2020	
	Number of employees	%	Number of employees	%
North America	17,887	8	18,493	7
France	25,038	12	33,358	13
United Kingdom and Ireland	8,796	4	10,032	4
Benelux	8,251	4	9,153	4
Southern Europe	9,599	5	16,816	7
Nordic countries	4,742	2	5,253	2
Germany and Central Europe	15,869	7	19,998	8
Africa and Middle East	1,855	1	3,226	1
Asia-Pacific and Latin America	124,067	57	135,196	54
AVERAGE NUMBER OF EMPLOYEES	**216,104**	**100**	**251,525**	**100**

Number of employees at December 31 by geographic area

	2019		2020	
	Number of employees	%	Number of employees	%
North America	17,848	8	18,550	7
France	25,518	12	36,219	13
United Kingdom and Ireland	8,869	4	10,489	4
Benelux	8,264	4	9,616	4
Southern Europe	9,977	5	19,932	7
Nordic countries	4,884	2	5,401	2
Germany and Central Europe	16,309	7	21,997	8
Africa and Middle East	1,940	1	3,888	1
Asia-Pacific and Latin America	125,705	57	143,677	54
NUMBER OF EMPLOYEES AT DECEMBER 31	**219,314**	**100**	**269,769**	**100**

Note 30 Off-balance sheet commitments

Off-balance sheet commitments relating to Group operating activities

A) Commitments given on client contracts

The Group has provided performance and/or financial guarantees for a number of major contracts. The clients concerned represented approximately 9% of Group revenue in 2020.

In addition, certain clients enjoy:

- limited financial guarantees issued by the Group and totaling €1,746 million at December 31, 2020 (€1,738 million at December 31, 2019);
- bank guarantees borne by the Group and totaling €212 million at December 31, 2020 (€109 million at December 31, 2019).

B) Commitments given on leases

Commitments given on leases consist primarily of the non-lease components of the Group's leases and commitments under leases with a short term or of assets with a low value (except IT equipment). These commitments total €115 million at December 31, 2020.

C) Other commitments given

Other commitments given total €67 million at December 31, 2020 (€28 million at December 31, 2019) and mainly comprise firm purchase commitments relating to goods or services in France.

D) Other commitments received

Other commitments received total €16 million at December 31, 2020 (€23 million at December 31, 2019) and primarily comprise commitments received following the purchase of shares held by certain minority shareholders of Capgemini Brasil S.A. for an amount of €14 million.

Off-balance sheet commitments relating to Group financing

A) Bonds

Capgemini SE has committed to standard obligations in respect of the outstanding bond issues detailed in Note 22 - Net debt/net cash and cash equivalents, and particularly to maintain *pari passu* status with all other marketable bonds that may be issued by the Company.

B) Syndicated credit facility obtained by Capgemini SE and not drawn to date

Capgemini SE has agreed to comply with the following financial ratios (as defined in IFRS) in respect of the credit facility disclosed in Note 22 - Net debt/net cash and cash equivalents:

- the consolidated net debt [(1)] to consolidated equity ratio must be less than 1 at all times;
- the interest coverage ratio (the extent to which consolidated net finance costs are covered by consolidated operating margin)[(1)] must be equal to or greater than 3 at December 31 and June 30 of each year (based on the 12 months then ended).

At December 31, 2020 and 2019, the Group complied with these financial ratios.

The credit facility agreement also includes covenants restricting Capgemini SE's ability to carry out certain transactions. These covenants also apply to Group subsidiaries. They include restrictions primarily relating to pledging assets as collateral, asset sales, mergers and similar transactions. Capgemini SE is also committed to standard obligations, including an agreement to maintain *pari passu* status.

On February 9, 2021, the Group renegotiated its syndicated credit facility (see Note 32 – Subsequent events) and the financial ratios (as defined in IFRS) detailed above will no longer apply in 2021.

(1) Net debt, an alternative performance measure monitored by the Group, is defined in Note 22 - Net debt/net cash and cash equivalents.

Contingent liabilities

In the normal course of their activities, certain Group companies underwent tax audits, leading in some cases to revised assessments in 2020 and previous years.

Proposed adjustments were challenged and litigation and pre-litigation proceedings were in progress at December 31, 2020, notably in France and India.

In France, the tax authorities consider that Capgemini SE's reinsurance subsidiary located in Luxembourg takes advantage of a preferential tax regime and therefore that its profits should be taxed in France, at Capgemini SE level.

The Indian subsidiaries of the Group have received several revised assessments or proposed revised assessments for income tax in recent years.

Most often, no amounts have been booked for these disputes in the consolidated financial statements in so far as the Group considers it justifies its positions that the likelihood of winning is high.

Note 31 Related-party transactions

Associates

Associates are equity-accounted companies over which the Group exercises significant influence. Transactions with these associates in 2020 were performed at arm's length and were of immaterial volume.

Other related-parties

In 2020, no material transactions were carried out with:

- shareholders holding significant voting rights in the share capital of Capgemini SE;
- members of management, including directors;
- entities controlled or jointly controlled by a member of Group Management, or over which he/she has significant influence or holds significant voting rights.

Group Management compensation

The table below provides a breakdown of the 2019 and 2020 compensation of members of management bodies present at each year-end (30 members in 2020 and 26 in 2019) and directors.

(in thousands of euros)	2019	2020
Short-term benefits excluding employer payroll taxes(1)	25,000	25,166
o/w remuneration for director duties (2) paid to salaried directors	*205*	*228*
o/w remuneration for director duties (2) paid to non-salaried directors (3) (4)	*879*	*936*
Short-term benefits: employer payroll taxes	10,559	7,117
Post-employment benefits (5)	2,793	1,876
Share-based payment (6)	12,589	9,760

(1) Including gross wages and salaries, bonuses, profit-sharing, fees and benefits in kind.

(2) Previously known as attendance fees.

(3) Note that Paul Hermelin has waived receipt of his remuneration for director duties since 2011 (previously known as attendance fees) and Aiman Ezzat has also waived receipt of this remuneration since his nomination by the Shareholders' Meeting of May 20,2020.

(4) 14 active directors in 2019 and 17 active directors in 2020.

(5) Primarily the annualized expense in respect of retirement termination payments pursuant to a contract and/or a collective bargaining agreement.

(6) Deferred recognition of the annualized expense relating to the grant of performance shares.

Note 32 Subsequent events

At the Shareholders' Meeting, the Board of Directors will recommend a dividend payout to Capgemini SE shareholders of €1.95 per share in respect of 2020. A dividend of €1.35 per share was paid in respect of fiscal year 2019.

On February 9, 2021, the Group signed with a syndicate of 18 banks a €1 billion multi-currency credit facility, maturing on February 9, 2026, with two one-year extension options, exercisable (subject to the approval of the banks) at the end of the first and second years, respectively, extending the maturity of the new facility by a maximum of two additional years.

This new credit facility refinances the €750 million facility signed on July 30, 2014 and maturing on July 27, 2021, which is therefore canceled.

In the same as the credit facility signed in 2014, an upgrade or downgrade in Capgemini SE's credit rating would have no impact on the availability of this new credit facility. This new credit facility has no financial covenant.

Note 33 List of the main consolidated companies by country

Capgemini SE is the parent company of what is generally known as “the Capgemini group” comprising 256 companies. The main consolidated companies at December 31, 2020 are listed below.

Country	List of the main companies consolidated at December 31, 2020	% interest	Consolidation Method [1]
ARGENTINA	Capgemini Argentina S.A.	100.00%	FC
AUSTRALIA	Capgemini Australia Pty Ltd	100.00%	FC
AUSTRIA	Capgemini Consulting Österreich AG	100.00%	FC
BELGIUM	Capgemini Belgium N.V./S.A.	100.00%	FC
	Altran Belgium S.A.	100.00%	FC
BRAZIL	Capgemini Brasil S.A.	99.95%	FC
	CPM Braxis Tecnologia, Ltda.	99.95%	FC
CANADA	Capgemini Canada Inc.	100.00%	FC
	Capgemini Solutions Canada Inc.	100.00%	FC
	Inergi LP	100.00%	FC
	New Horizons Systems Solutions LP	100.00%	FC
CHINA	Capgemini (China) Co., Ltd.	100.00%	FC
	Capgemini Business Services (China) Ltd.	100.00%	FC
	Capgemini Hong Kong Ltd.	100.00%	FC
DENMARK	Capgemini Danmark A/S	100.00%	FC
FINLAND	Capgemini Finland Oy	100.00%	FC
FRANCE	Capgemini Consulting S.A.S.	100.00%	FC
	Capgemini DEMS France S.A.S.	100.00%	FC
	Capgemini France S.A.S.	100.00%	FC
	Capgemini Gouvieux S.A.S.	100.00%	FC
	Capgemini Latin America S.A.S.	100.00%	FC
	Capgemini Service S.A.S	100.00%	FC
	Capgemini Technology Services S.A.S.	100.00%	FC
	Altran Technologies S.A.S.	100.00%	FC
	Global Management Treasury Services S.N.C.	100.00%	FC
	Altran ACT S.A.S.	100.00%	FC
	Sogeti S.A.S.	100.00%	FC
GERMANY	Capgemini Deutschland GmbH	100.00%	FC
	Capgemini Deutschland Holding GmbH	100.00%	FC
	Capgemini Outsourcing Services GmbH	100.00%	FC
	Altran Deutschland S.A.S. & Co. KG	100.00%	FC
	Altran Service GmbH	100.00%	FC
	Sogeti Deutschland GmbH	100.00%	FC
GUATEMALA	Capgemini Business Services Guatemala S.A.	100.00%	FC
INDIA	Capgemini Technology Services India Ltd.	99.77%	FC
	Altran Technologies India Pvt. Ltd.	100.00%	FC
	Aricent Technologies (Holdings) Ltd.	98.25%	FC

IRELAND	Capgemini Ireland Ltd.	100.00%	FC
ITALY	Capgemini Italia S.p.A.	100.00%	FC
	Altran Italia S.p.A.	100.00%	FC
	Interactive Thinking S.r.l.	100.00%	FC
JAPAN	Capgemini Japan K.K.	100.00%	FC
LUXEMBOURG	Capgemini Reinsurance International S.A.	100.00%	FC
	Sogeti Luxembourg S.A.	100.00%	FC
MALAYSIA	Capgemini Services Malaysia Sdn. Bhd.	100.00%	FC
MEXICO	Capgemini México S. de R.L. de C.V.	100.00%	FC
MOROCCO	Capgemini Technology Services Maroc S.A.	100.00%	FC
NETHERLANDS	Capgemini Educational Services B.V.	100.00%	FC
	Capgemini N.V.	100.00%	FC
	Altran Netherlands BV	100.00%	FC
	Capgemini Nederland BV	100.00%	FC
	Sogeti Nederland BV	100.00%	FC
NORWAY	Capgemini Norge AS	100.00%	FC
POLAND	Capgemini Polska Sp. z.o.o.	100.00%	FC
PORTUGAL	Capgemini Portugal, Serviços de Consultoria e Informática, S.A.	100.00%	FC
SINGAPORE	Capgemini Asia Pacific Pte. Ltd.	100.00%	FC
	Capgemini Singapore Pte. Ltd.	100.00%	FC
SPAIN	Capgemini España S.L.	100.00%	FC
	Altran Innovación S.L.U	100.00%	FC
SWEDEN	Capgemini AB	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	Altran Sverige AB	100.00%	FC
	Sogeti Sverige AB	100.00%	FC
SWITZERLAND	Altran Switzerland AG	100.00%	FC
	Capgemini Suisse S.A.	100.00%	FC
UNITED KINGDOM	Capgemini Financial Services UK Limited	100.00%	FC
	Capgemini UK Plc	100.00%	FC
	CGS Holdings Ltd.	100.00%	FC
	Idean Capgemini Creative Studios UK Limited	100.00%	FC
	IGATE Computer Systems (UK) Ltd.	100.00%	FC
	Altran UK Ltd.	100.00%	FC
	Cambridge Consultants Limited	100.00%	FC
UNITED STATES	Annik Inc.	99.77%	FC
	Capgemini America, Inc.	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Capgemini North America, Inc.	100.00%	FC
	Octavia Holdco Inc.	100.00%	FC
	Lohika Systems Inc.	100.00%	FC
	Altran US Corp.	100.00%	FC
	Aricent US Inc.	100.00%	FC

	Global Edge Software USA Inc.	100.00%	FC
	CHCS Services Inc.	100.00%	FC

(1) FC = Full consolidation.

Note 34 Audit fees

Statutory audit fees for fiscal year 2020 break down as follows:

	KPMG		PwC		Mazars	
(in millions of euros) (excl. VAT)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Statutory audit of the consolidated and separate financial statements	**-**	**3.2**	**4.7**	**3.6**	**4.7**	**-**
- Capgemini SE	-	0.4	0.6	0.6	0.3	-
- Fully-consolidated subsidiaries	-	2.8	4.1	3.0	4.4	-
Non-audit services (1)	**-**	**1.2**	**0.3**	**1.0**	**0.1**	**-**
TOTAL	**-**	**4.4**	**5.0**	**4.6**	**4.8**	**-**

(1) These fees include notably assignments performed at the request of our clients pursuant to ISAE 34-02 and concern the audit of applications and/or processes outsourced to the Group.

About Capgemini

Capgemini is a global leader in consulting, digital transformation, technology, and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. A responsible and multicultural company of 265,000 people in nearly 50 countries, Capgemini's purpose is to unleash human energy through technology for an inclusive and sustainable future. With Altran, the Group reported 2019 combined global revenues of €17 billion.

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