

December 31, 2015

## ANNUAL REPORT

### CONSOLIDATED FINANCIAL STATEMENTS



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# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meeting we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of CAP GEMINI SA ;
- the justification of our assessments;
- the specific verification required by law.

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

## I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II - Justification of our assessments

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

- Note 5 to the consolidated financial statements sets out the methods used to account for revenues and costs related to long-term contracts. As part of our assessments, we ensured that the above-mentioned accounting rules and principles adopted by your Group were properly applied and verified that the information provided in the note above was appropriate. We also obtained assurance that the estimates used were reasonable.
- Goodwill of €7,055 million is recorded in the consolidated balance sheet. The approach adopted by the Group as well as the accounting principles and methods applied to determine the value in use of these assets are described in Note 14 to the consolidated financial statements. As part of our assessments, we verified whether the approach applied was correct and that the assumptions used and resulting valuations were consistent overall.
- Deferred tax assets amounting to €1,412 million are recorded in the consolidated balance sheet. Note 15 to the consolidated financial statements describes the methods used to calculate the value of these assets. As part of our assessments, we verified the overall consistency of the information and assumptions used to perform these calculations. These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

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

## III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

The statutory auditors

Neuilly-sur-Seine, February 26, 2016

PricewaterhouseCoopers Audit

Paris La Défense, February 26, 2016

KPMG Audit  
Division of KPMG S.A.

Françoise Garnier  
Partner

Frédéric Quélin  
Partner

## CONSOLIDATED INCOME STATEMENT

		2014		2015	
<i>in millions of euros</i>	Notes	Amount	%	Amount	%
<b>Revenues</b>	3 - 5	<b>10,573</b>	<b>100</b>	<b>11,915</b>	<b>100</b>
Cost of services rendered		(7,960)	(75.3)	(8,838)	(74.2)
Selling expenses		(855)	(8.1)	(955)	(8.0)
General and administrative expenses		(788)	(7.5)	(860)	(7.2)
<b>Operating expenses</b>	6	<b>(9,603)</b>	<b>(90.8)</b>	<b>(10,653)</b>	<b>(89.4)</b>
<b>Operating margin *</b>		<b>970</b>	<b>9.2</b>	<b>1,262</b>	<b>10.6</b>
Other operating income and expense	7	(117)	(1.1)	(240)	(2.0)
<b>Operating profit</b>		<b>853</b>	<b>8.1</b>	<b>1,022</b>	<b>8.6</b>
Net finance costs	8	(15)	(0.1)	(55)	(0.5)
Other financial income and expense	8	(55)	(0.5)	(63)	(0.5)
<b>Net financial expense</b>		<b>(70)</b>	<b>(0.7)</b>	<b>(118)</b>	<b>(1.0)</b>
<b>Income tax income (expense)</b>	9	<b>(210)</b>	<b>(2.0)</b>	<sup>(1)</sup> <b>203</b>	<b>1.7</b>
<b>PROFIT FOR THE YEAR</b>		<b>573</b>	<b>5.4</b>	<b>1,107</b>	<b>9.3</b>
<i>Attributable to:</i>					
<i>Owners of the Company</i>		580	5.5	1,124	9.4
<i>Non-controlling interests</i>		(7)	(0.1)	(17)	(0.1)
<b>EARNINGS PER SHARE</b>					
Average number of shares outstanding during the year		157,855,433		168,452,917	
<b>Basic earnings per share</b> (in euros)	10	<b>3.68</b>		<b>6.67</b>	
Diluted average number of shares outstanding		170,226,305		178,581,519	
<b>Diluted earnings per share</b> (in euros)	10	<b>3.44</b>		<b>6.33</b>	
Average number of shares outstanding during the year		157,855,433		168,452,917	
<b>Normalized earnings per share * (in euros)</b>	10	<b>4.22</b>		<b>4.84</b>	

(1) Including the remeasurement of deferred tax assets on US tax loss carry-forwards in the amount of €476 million.

\* The alternative performance measures monitored by the Group (operating margin and normalized earnings per share) are defined in Note 4, Consolidated Income Statement and Note 10, Earnings per share, respectively.

## STATEMENT OF INCOME AND EXPENSE RECOGNIZED IN EQUITY

<i>in millions of euros</i>	<b>2014</b>	<b>2015</b>
Actuarial gains and losses on defined benefit pension plans, net of tax <sup>(1)</sup>	(210)	97
Remeasurement of hedging derivatives, net of tax <sup>(2)</sup>	57	35
Translation adjustments <sup>(2)</sup>	255	255
<b>TOTAL INCOME AND EXPENSE RECOGNIZED IN EQUITY</b>	<b>102</b>	<b>387</b>
Profit for the year (reminder)	573	1,107
If this income and expense recognized in equity had been recognized in profit or loss, profit for the year would have been as follows:	675	1,494
<i>Attributable to:</i>		
Owners of the Company	682	1,514
Non-controlling interests	(7)	(20)

(1) Items that will not be reclassified subsequently to profit or loss;

(2) Items that may be reclassified subsequently to profit or loss.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>in millions of euros</i>	Notes	December 31, 2014	December 31, 2015
Goodwill	12 - 14	3,784	7,055
Intangible assets	12	158	848
Property, plant and equipment	13	515	763
Deferred taxes	15	1,065	1,412
Other non-current assets	17	299	454
<b>Total non-current assets</b>		<b>5,821</b>	<b>10,532</b>
Accounts and notes receivable	18	2,849	3,055
Current tax receivables		46	64
Other current assets	19	512	514
Cash management assets	20	90	116
Cash and cash equivalents	20	2,141	1,950
<b>Total current assets</b>		<b>5,638</b>	<b>5,699</b>
<b>TOTAL ASSETS</b>		<b>11,459</b>	<b>16,231</b>

<i>in millions of euros</i>	Notes	December 31, 2014	December 31, 2015
Share capital		1,309	1,377
Additional paid-in capital		3,010	3,499
Retained earnings and other reserves		158	887
Profit for the year		580	1,124
<b>Equity (attributable to owners of the Company)</b>		<b>5,057</b>	<b>6,887</b>
Non-controlling interests		26	26
<b>Total equity</b>		<b>5,083</b>	<b>6,913</b>
Long-term borrowings	20	914	3,161
Deferred taxes	15	158	221
Provisions for pensions and other post-employment benefits	23	1,294	1,216
Non-current provisions	24	24	28
Other non-current liabilities	25	254	364
<b>Total non-current liabilities</b>		<b>2,644</b>	<b>4,990</b>
Short-term borrowings and bank overdrafts	20	102	652
Accounts and notes payable	26	2,543	2,724
Advances from customers and billed in advance	18	776	739
Current provisions	24	48	90
Current tax liabilities		115	61
Other current payables	27	148	62
<b>Total current liabilities</b>		<b>3,732</b>	<b>4,328</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,459</b>	<b>16,231</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>in millions of euros</i>	Notes	2014	2015
<b>Profit for the year attributable to owners of the Company</b>		<b>580</b>	<b>1,124</b>
Non-controlling interests		(7)	(17)
Impairment of goodwill	12 - 14	-	40
Depreciation, amortization and impairment of fixed assets	12 - 13	204	264
Change in provisions		2	8
Losses on disposals of assets		6	17
Expenses relating to share grants		28	32
Net finance costs	8	15	55
Income tax (income) expense	9	210	(203)
Unrealized (gains) losses on changes in fair value and other		6	(19)
<b>Cash flows from operations before net finance costs and income tax (A)</b>		<b>1,044</b>	<b>1,301</b>
<b>Income tax paid (B)</b>		<b>(97)</b>	<b>(137)</b>
Change in accounts and notes receivable and advances from customers and amounts billed in advance		(71)	(22)
Change in capitalized costs on projects		19	(10)
Change in accounts and notes payable		26	(80)
Change in other receivables/payables		(106)	(48)
<b>Change in operating working capital (C)</b>		<b>(132)</b>	<b>(160)</b>
<b>NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)</b>		<b>815</b>	<b>1,004</b>
Acquisitions of property, plant and equipment and intangible assets	12 - 13	(150)	(198)
Proceeds from disposals of property, plant and equipment and intangible assets		8	19
		<b>(142)</b>	<b>(179)</b>
Cash (outflows) inflows on business combinations net of cash and cash equivalents acquired		3	(3,392)
Cash outflows in respect of cash management assets		(12)	(2)
Other cash (outflows) inflows, net		(2)	(13)
		<b>(11)</b>	<b>(3,407)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES (E)</b>		<b>(153)</b>	<b>(3,586)</b>
Proceeds from issues of share capital		229	564
Proceeds from issues of share capital subscribed by non-controlling interests		-	5
Dividends paid		(174)	(198)
Net payments relating to transactions in Cap Gemini S.A. shares		(181)	(81)
Proceeds from borrowings		160	2,881
Repayments of borrowings		(248)	(797)
Interest paid	8	(35)	(38)
Interest received	8	30	28
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES (F)</b>		<b>(219)</b>	<b>2,364</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (G=D+E+F)</b>		<b>443</b>	<b>(218)</b>
Effect of exchange rate movements on cash and cash equivalents (H)		68	26
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)</b>	<b>20</b>	<b>1,629</b>	<b>2,140</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (G + H + I)</b>	<b>20</b>	<b>2,140</b>	<b>1,948</b>

Cash flows for the period are discussed in Note 21, Cash flows.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in millions of euros</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated retained earnings and other reserves	Total income and expense recognized in equity		Equity (attributable to owners of the Company)	Non-controlling interests	Total equity
						Translation adjustments	Other			
<b>At January 1, 2014</b>	<b>160 317 818</b>	<b>1 283</b>	<b>2 930</b>	<b>(9)</b>	<b>1 246</b>	<b>(265)</b>	<b>(727)</b>	<b>4 458</b>	<b>33</b>	<b>4 491</b>
Dividends paid out for 2013	-	-	-	-	(174)	-	-	(174)	-	(174)
Incentive instruments and employee share ownership	5 530 539	44	184	8	30	-	-	266	-	266
Adjustments to the put option granted to minority shareholders	-	-	-	-	(3)	-	-	(3)	-	(3)
Tax impact of the derivative instrument on Cap Gemini S.A. shares	-	-	-	-	9	-	-	9	-	9
Elimination of treasury shares	-	-	-	(181)	-	-	-	(181)	-	(181)
Share capital reduction by cancellation of treasury shares	(2 255 408)	(18)	(104)	122	-	-	-	-	-	-
<b>Transactions with shareholders</b>	<b>3 275 131</b>	<b>26</b>	<b>80</b>	<b>(51)</b>	<b>(138)</b>	<b>-</b>	<b>-</b>	<b>(83)</b>	<b>-</b>	<b>(83)</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>(153)</b>	<b>102</b>	<b>-</b>	<b>102</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>(7)</b>	<b>573</b>
<b>At December 31, 2014</b>	<b>163 592 949</b>	<b>1 309</b>	<b>3 010</b>	<b>(60)</b>	<b>1 688</b>	<b>(10)</b>	<b>(880)</b>	<b>5 057</b>	<b>26</b>	<b>5 083</b>
Dividends paid out for 2014	-	-	-	-	(198)	-	-	(198)	-	(198)
Incentive instruments and employee share ownership	1 888 551	15	49	92	(18)	-	-	138	-	138
Adjustments to the put option granted to minority shareholders	-	-	-	-	(32)	-	-	(32)	-	(32)
Tax impact of the derivative instrument on Cap Gemini S.A. shares	-	-	-	-	22	-	-	22	-	22
Elimination of treasury shares	-	-	-	(107)	2	-	-	(105)	-	(105)
Issues of share capital	6 700 000	53	440	-	7	-	-	500	5	505
Transactions with minority shareholders	-	-	-	-	(9)	-	-	(9)	15	6
<b>Transactions with shareholders</b>	<b>8 588 551</b>	<b>68</b>	<b>489</b>	<b>(15)</b>	<b>(226)</b>	<b>-</b>	<b>-</b>	<b>316</b>	<b>20</b>	<b>336</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>132</b>	<b>390</b>	<b>(3)</b>	<b>387</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 124</b>	<b>-</b>	<b>-</b>	<b>1 124</b>	<b>(17)</b>	<b>1 107</b>
<b>At December 31, 2015</b>	<b>172 181 500</b>	<b>1 377</b>	<b>3 499</b>	<b>(75)</b>	<b>2 586</b>	<b>248</b>	<b>(748)</b>	<b>6 887</b>	<b>26</b>	<b>6 913</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### NOTE 1 ACCOUNTING BASIS

The consolidated financial statements for the year ended December 31, 2015 and the notes thereto were adopted by the Board of Directors on February 17, 2016. The consolidated financial statements will be approved by the Combined Shareholders' Meeting, scheduled for May 18, 2016.

#### A) IFRS standards-base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2015 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 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 IFRSs.

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

#### B) New standards and interpretations applicable in 2015

##### a) New standards, amendments and interpretations of mandatory application (published by the IASB, endorsed by the EU, entered into effect on January 1, 2015)

The accounting policies applied by the Group are unchanged on those applied for the preparation of the 2014 consolidated financial statements, with the exception of new standards, amendments and interpretations which entered into effect on January 1, 2015 and which had no material impact on the Group financial statements.

##### b) New standards, amendments and interpretations not adopted early (published by the IASB, endorsed by the EU, not yet in effect at January 1, 2015)

The potential impacts of the application of new standards, amendments and interpretations on the Group consolidated financial statements will not be material.

##### c) New standards, amendments and interpretations not yet endorsed (published by the IASB, not yet endorsed by the EU, not yet in effect at January 1, 2015)

The Group did not elect to adopt early the standards, amendments, and interpretations published by the IASB but not yet endorsed by the European Union at December 31, 2015 or in effect at January 1, 2015.

With regards to IFRS 15, Revenue from contracts with customers, in 2015 the Group worked together with international sector players and within *Syntec Numérique* in France on identifying application issues.

#### 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 are subject to a degree of uncertainty. They mainly concern revenue recognition on fixed-price contracts accounted for on a percentage-of-completion basis, recognition of deferred tax assets, measurement of the recoverable amount of assets, provisions for pensions and other post-employment benefits, the fair value of derivatives, and provisions.

## 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 32, List of the main consolidated companies by country.

All consolidated companies prepared their accounts to December 31, 2015 in accordance with the accounting policies adopted by the Group.

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

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

### Foreign currency translation

The consolidated financial statements presented in this report 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 under "Translation reserves" for their net-of-tax amount.

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

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

	Average rate		Closing rate	
	2014	2015	2014	2015
Australian dollar	0.67960	0.67838	0.67435	0.67128
Brazilian real	0.32053	0.27480	0.31049	0.23193
Canadian dollar	0.68225	0.70630	0.71109	0.66155
Chinese renminbi yuan	0.12235	0.14349	0.13270	0.14163
Indian rupee	0.01235	0.01406	0.01304	0.01389
Norwegian Krona	0.11976	0.11200	0.11060	0.10413
Polish zloty	0.23899	0.23916	0.23402	0.23453
Pound sterling	1.24055	1.37806	1.28386	1.36249
Swedish krona	0.10997	0.10691	0.10646	0.10882
US dollar	0.75373	0.90166	0.82366	0.91853

For information, the Income Statement of IGATE, purchased on July 1, 2015, was consolidated at average exchange rates for the second-half of 2015.

### 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.

## Acquisition of IGATE

IGATE is a technology and services group based in the United States and headquartered in New Jersey. In 2014, it reported US GAAP revenues of US\$ 1.3 billion and operating income of US\$220 million, and had 33,484 employees at December 31, 2014. North America is IGATE's main market generating 79% of revenues in 2014, followed by Europe (14%) and the Asia-Pacific region (7%).

Pursuant to the terms of the merger agreement announced on April 27, 2015, Capgemini completed the acquisition of IGATE Corporation on July 1, 2015, which became a wholly-owned subsidiary of the Capgemini Group at that date. On July 1, 2015, all issued and outstanding IGATE Corporation ordinary shares (other than IGATE Corporation ordinary shares held by the company) and vested rights under stock option plans were converted into a right to receive cash of US\$ 48 per security. The resulting purchase price was US\$ 3,961 million. IGATE Corporation shares are no longer traded and have been delisted from the NASDAQ Global Select Market.

IGATE is fully consolidated from July 1, 2015.

Since its acquisition on July 1, 2015, IGATE has contributed €609 million to Group revenues, €88 million to Group operating profit and €68 million to Group profit for the year. Had the acquisition been performed on January 1, 2015 and based on information provided by IGATE in respect of the first-half of 2015, the Group estimates that IGATE's contribution to its revenues, operating profit and profit for the year would have been €1,194 million, €160 million and €109 million, respectively.

## Provisional allocation of the purchase price

The provisional allocation of the purchase price at July 1, 2015 was the subject of an appraisal by an independent expert. It breaks down as follows:

		Fair value in US\$ millions	Fair value in € millions <sup>(1)</sup>
Intangible assets		775	692
<i>o/w customer relationship</i>	12	644	576
<i>o/w remeasurement of intangible assets</i>		49	44
Property, plant and equipment		299	268
<i>o/w remeasurement of property, plant and equipment</i>		65	58
Deferred tax		(205)	(183)
<i>o/w deferred tax liabilities relating to the purchase price allocation</i>		(254)	(227)
Cash and cash equivalents		184	164
Long- and short-term borrowings		(690)	(617)
Other assets and liabilities		138	124
<b>NET ASSETS AT THE ACQUISITION DATE</b>		<b>501</b>	<b>448</b>
<b>GOODWILL</b>	12	<b>3,460</b>	<b>3,092</b>
<b>PURCHASE PRICE</b>		<b>3,961</b>	<b>3,540</b>
Acquisition costs expensed in the Income Statement		18	16

(1) The fair value was converted using exchange rate at July 1, 2015.

## Financing transactions

To finance this acquisition, the Group performed the following transactions to supplement available cash:

- negotiation of a bridge loan of US\$ 3,800 billion (available for draw-down in US dollars and/or euro) with a group of 15 banks following a round of syndication completed on June 2, 2015 (the bridge loan having been subscribed by a restricted group of banks on April 24, 2015). This loan was drawn twice on June 29, 2015, in the amount of €2,200 million and US\$ 1,000 million (representing a total euro-equivalent of €3,094 million) for the partial financing of the acquisition of IGATE on July 1, 2015 and the refinancing of a portion of its borrowings (see below);
- a €500 million share capital increase (net of post-tax share issue costs) launched on June 9, 2015 by private placement and concerning 6,700,000 new shares. The subscription price was €75.50 per share, representing a discount of 2.4% on the volume-weighted average price of June 9, 2015;
- a “triple tranche” bond issue for a total nominal amount of €2,750 million, placed on June 24, 2015 and with a settlement/delivery date of July 1, 2015. The three tranches of this bond issue present the following characteristics (see Note 20, Net debt / Net cash and cash equivalents):
  - €500 million of notes due July 2, 2018, paying a floating coupon of 3 month Euribor + 85bp (issue price 100%);
  - €1.25 billion of notes due July 1, 2020, paying an annual coupon of 1.75% (issue price 99.853%);
  - €1 billion of notes due July 1, 2023, paying an annual coupon of 2.50% (issue price 99.857%).

On July 7, 2015, the proceeds from this bond placement were allocated to the repayment of the €3,094 million drawdown on the bridge loan. The bridge loan was cancelled in full on July 9, 2015 (see Note 8, Net financial expense).

Furthermore, Capgemini entered into the following transactions to manage the interest rate and foreign currency risk associated with this acquisition:

- purchase of euro interest rate swaptions: all these options were unwound before the acquisition of IGATE and were recognized in full in net financial expense at December 31, 2015 (see Note 8, Net financial expense);
- purchase of US dollar/euro call options: all these instruments were unwound before the acquisition of IGATE and were recognized in full in net financial expense at December 31, 2015 (see Note 8, Net financial expense);
- set-up, for a total notional amount of US\$ 1,000 million and with a 5-year maturity, of EUR/USD fix-to-fix cross currency swaps, classified as cash flow hedges for the interest rate component and as fair value hedges for the exchange rate component. In respect of these financial instruments, Capgemini will receive from the relevant banking counterparties a rate of 1.75% on a notional amount of €894 million, in exchange for payment of an average rate of 3.51% on a notional amount of US\$1,000 million (see Note 8, Net financial expense).

Following its acquisition by Capgemini, IGATE repaid its main borrowings in July 2015:

- a bond issue of a principal amount of US\$325 million, maturing in 2019;
- a bank loan with an outstanding balance of US\$ 234 million.

## **Employee incentive instruments**

In the context of the acquisition of IGATE on July 1, 2015, the Capgemini Group decided to maintain the vesting conditions of capital instruments (stock options, restricted shares and performance units) granted by IGATE prior to the acquisition and to fix the price thereof based on the transaction price. A cash amount will therefore be granted at the initial vesting dates calculated based on a price of US\$48. The cash payment for stock options and restricted shares not vested at July 1, 2015 will be made primarily in 2015 (post acquisition), 2016 and 2017 subject to compliance with the presence condition associated with these instruments at the vesting date.

The payment in respect of vested capital instruments is US\$42 million. The US\$75.5 million expense in respect of instruments in the course of vesting is spread over the period between the different grant and vesting dates. Accordingly, a provision of US\$54 million was recognized in the opening balance sheet in respect of services rendered between the grant dates and the date of acquisition of IGATE. The expense in respect of the period after the acquisition date is estimated at US\$21.5 million and will be recognized progressively in the Income Statement over the period from the acquisition date to the relevant vesting dates. An expense of €9.9 million was recognized in respect of 2015.

## NOTE 3 OPERATING SEGMENTS

Group Management analyzes and measures activity performance:

- ▶ in the geographic areas where the Group is present;
- ▶ in the different businesses (consulting services, local professional services, application services, and other managed services).

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. These analyses are performed by Group Management within the Coordination Committee of the geographic area, which brings together the business managers operating in a given area;
- ▶ 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.

The business analysis enables the transversal management and monitoring of resources and service production during the fiscal year in the seven strategic units, primarily business-focused and therefore the roll-out of uniform expertise and know-how in all countries and regions.

Accordingly, the Group presents segment reporting for the eight 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 production 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, the alternative performance indicator monitored by the Group is defined in Note 4, Consolidated Income Statement.

### SEGMENT REPORTING BY GEOGRAPHIC AREA

The Group has operations in the following eight geographic areas:

Geographic area	Main countries
North America	Canada, United States
France	France
United Kingdom and Ireland	Ireland, United Kingdom
Benelux	Belgium, Luxembourg, Netherlands
Southern Europe	Italy, Portugal, Spain
Nordic countries	Denmark, Finland, Norway, Sweden
Germany and Central Europe	Austria, Czech Republic, Germany, Poland, Switzerland
Asia-Pacific and Latin America	Argentina, Australia, Brazil, China, India, Japan, Mexico, Saudi Arabia, Singapore, United Arab Emirates

## ANALYSIS OF THE INCOME STATEMENT BY GEOGRAPHIC AREA

<b>2015</b> <i>(in millions of euros)</i>	North America	France	United Kingdom and Ireland	Benelux	Southern Europe	Nordic countries	Germany and Central Europe	Asia- Pacific and Latin America	HQ expenses	Elimina- tions	Total
<b>REVENUES</b>											
► external	3 325	2 444	2 150	1 078	518	723	747	930	-	-	11 915
► inter-geographic area	151	185	162	77	28	20	181	1 051	-	(1 855)	-
<b>TOTAL REVENUES</b>	<b>3 476</b>	<b>2 629</b>	<b>2 312</b>	<b>1 155</b>	<b>546</b>	<b>743</b>	<b>928</b>	<b>1 981</b>	<b>-</b>	<b>(1 855)</b>	<b>11 915</b>
<b>OPERATING MARGIN *</b>	<b>494</b>	<b>199</b>	<b>289</b>	<b>121</b>	<b>29</b>	<b>86</b>	<b>77</b>	<b>39</b>	<b>(72)</b>	<b>-</b>	<b>1 262</b>
% of revenues	14,9	8,1	13,4	11,2	5,6	11,9	10,3	4,2	-	-	10,6
<b>OPERATING PROFIT</b>	<b>408</b>	<b>152</b>	<b>291</b>	<b>107</b>	<b>3</b>	<b>81</b>	<b>64</b>	<b>(24)</b>	<b>(60)</b>	<b>-</b>	<b>1 022</b>

<b>2014</b> <i>(in millions of euros)</i>	North America	France	United Kingdom and Ireland	Benelux	Southern Europe	Nordic countries	Germany and Central Europe	Asia- Pacific and Latin America	HQ expenses	Elimina- tions	Total
<b>REVENUES</b>											
► external	2 230	2 342	2 197	1 074	497	699	653	881	-	-	10 573
► inter-geographic area	113	173	149	62	24	20	161	698	-	(1 400)	-
<b>TOTAL REVENUES</b>	<b>2 343</b>	<b>2 515</b>	<b>2 346</b>	<b>1 136</b>	<b>521</b>	<b>719</b>	<b>814</b>	<b>1 579</b>	<b>-</b>	<b>(1 400)</b>	<b>10 573</b>
<b>OPERATING MARGIN *</b>	<b>281</b>	<b>197</b>	<b>249</b>	<b>113</b>	<b>19</b>	<b>79</b>	<b>62</b>	<b>54</b>	<b>(84)</b>	<b>-</b>	<b>970</b>
% of revenues	12,6	8,4	11,3	10,5	3,8	11,3	9,4	6,1	-	-	9,2
<b>OPERATING PROFIT</b>	<b>274</b>	<b>158</b>	<b>232</b>	<b>95</b>	<b>5</b>	<b>76</b>	<b>54</b>	<b>43</b>	<b>(84)</b>	<b>-</b>	<b>853</b>

\* Operating margin, the alternative performance indicator monitored by the Group is defined in Note 4, Consolidated Income Statement.

## ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHIC AREA

At December 31 2015 (in millions of euros)	North America	France	United Kingdom and Ireland	Benelux	Southern Europe	Nordic countries	Germany and Central Europe	Asia- Pacific and Latin America	Not allocated	Elimina- tions	Total
Assets by geographic area											
► external	3 385	2 603	1 757	1 275	362	514	621	1 796	36	-	12 349
► inter-geographic area	69	77	56	35	10	12	49	137	39	(484)	-
TOTAL ASSETS BY GEOGRAPHIC AREA	3 454	2 680	1 813	1 310	372	526	670	1 933	75	(484)	12 349
o/w acquisitions of intangible assets and property, plant and equipment <sup>(1)</sup>	28	51	40	20	6	10	13	74	1	-	243
						Deferred tax assets					1 412
						Current income taxes					94
						Cash management assets					116
						Cash and cash equivalents					1 950
						Derivative instruments					310
						TOTAL ASSETS					16 231
Liabilities by geographic area											
► external	814	1 192	1 378	285	193	219	286	645	8	-	5 020
► inter-geographic area	110	103	73	43	13	41	29	72	-	(484)	-
TOTAL LIABILITIES BY GEOGRAPHIC AREA	924	1 295	1 451	328	206	260	315	717	8	(484)	5 020
						Equity					6 913
						Deferred tax liabilities					221
						Current tax liabilities					79
						Borrow ings and bank overdrafts					3 813
						Derivative instruments					185
						TOTAL LIABILITIES AND EQUITY					16 231
At December 31, 2014 (in millions of euros)	North America	France	United Kingdom and Ireland	Benelux	Southern Europe	Nordic countries	Germany and Central Europe	Asia- Pacific and Latin America	Not allocated	Elimina- tions	Total
Assets by geographic area											
► external	1 207	2 220	1 307	1 115	299	370	460	926	36	-	7 940
► inter-geographic area	76	66	56	20	10	9	38	98	25	(398)	-
TOTAL ASSETS BY GEOGRAPHIC AREA	1 283	2 286	1 363	1 135	309	379	498	1 024	61	(398)	7 940
o/w acquisitions of intangible assets and property, plant and equipment <sup>(1)</sup>	21	40	28	20	6	20	9	52	-	-	196
						Deferred tax assets					1 065
						Current income taxes					46
						Cash management assets					90
						Cash and cash equivalents					2 141
						Derivative instruments					177
						TOTAL ASSETS					11 459
Liabilities by geographic area											
► external	684	1 154	1 488	302	204	213	256	682	8	-	4 991
► inter-geographic area	73	92	93	38	10	27	23	42	-	(398)	-
TOTAL LIABILITIES BY GEOGRAPHIC AREA	757	1 246	1 581	340	214	240	279	724	8	(398)	4 991
						Equity					5 083
						Deferred tax liabilities					158
						Current tax liabilities					115
						Borrow ings and bank overdrafts					1 016
						Derivative instruments					96
						TOTAL LIABILITIES AND EQUITY					11 459

(1) Total acquisitions of intangible assets and property, plant and equipment is different from the figure reported in the Statement of Cash Flows (€198 million in 2015 and €150 million in 2014), which excludes acquisitions of assets held under finance leases (€45 million in 2015 and €46 million in 2014).



## SEGMENT REPORTING BY BUSINESS

Segment reporting by business is presented according to the following classification:

- ▶ Consulting Services, which help to enhance the performance of organizations based on in-depth knowledge of client industries and processes;
- ▶ Local Professional Services, which provide assistance and support to internal IT teams within client companies;
- ▶ Application Services, which devise, develop, implement and maintain IT applications covering the Group's system integration and application maintenance activities;
- ▶ Other Managed Services, which integrate, manage and/or develop either fully or partially, client IT Infrastructure systems (or those of a group of clients), transaction services, on-demand services and/or business activities (Business Process Outsourcing, BPO).

### BREAKDOWN OF REVENUES BY BUSINESS

	2014		2015	
	Amount	%	Amount	%
<i>in millions of euros</i>				
Consulting services	442	4	480	4
Local professional services	1,577	15	1,744	15
Application services	5,854	55	6,997	59
Other managed services	2,700	26	2,694	22
<b>REVENUES</b>	<b>10,573</b>	<b>100</b>	<b>11,915</b>	<b>100</b>

### BREAKDOWN OF OPERATING MARGIN BY BUSINESS

	2014		2015	
	Amount	%	Amount	%
<i>in millions of euros</i>				
Consulting services	37	8.2	44	9.1
Local professional services	156	9.9	202	11.6
Application services	623	10.6	830	11.9
Other managed services	238	8.8	258	9.6
Headquarter expenses	(84)	-	(72)	-
<b>OPERATING MARGIN *</b>	<b>970</b>	<b>9.2</b>	<b>1,262</b>	<b>10.6</b>

\* Operating margin, the alternative performance indicator monitored by the Group is defined in Note 4, Consolidated Income Statement.

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## NOTE 4 CONSOLIDATED INCOME STATEMENT

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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 ordinary operating expenses which are deducted from revenues to obtain operating margin, one of the main Group business performance indicators.

Operating profit is obtained by deducting other operating income and expenses from 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, 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;
- ▶ current and deferred income tax expense;
- ▶ share of profit of associates;
- ▶ share of non-controlling interests.

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## NOTE 5 REVENUES

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

### **a. Time and materials contracts**

Revenues and cost of services are recognized as services are rendered.

### **b. Long-term fixed-price contracts**

Revenues, including systems development and integration contracts, are recognized using the "percentage-of-completion" method. Costs are recognized as they are incurred.

### **c. Outsourcing contracts**

Revenues from outsourcing agreements are recognized over the term of the contract as the services are rendered.

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

When the projected cost of the contract exceeds contract revenues, a loss to completion is recognized in the amount of the difference.

Revenues receivable from these contracts are recognized in the Consolidated Statement of Financial Position under "Accounts receivable" when invoiced to customers and "Accrued income" when they are not yet invoiced. Advances from customers and billed in advance are included in current liabilities.

Group revenues total €11,915 million (€10,573 million in 2014), representing a year-on-year increase of 12.7%, based on the year-end Group structure and exchange rates and 1.0% on a like-for-like basis (constant Group structure and exchange rates).

## NOTE 6 OPERATING EXPENSES BY NATURE

<i>in millions of euros</i>	2014		2015	
	Amount	% of revenues	Amount	% of revenues
Personnel expenses	6,301	59.6%	7,260	60.9%
Travel expenses	428	4.0%	499	4.2%
	<b>6,729</b>	<b>63.6%</b>	<b>7,759</b>	<b>65.1%</b>
Purchases and sub-contracting expenses	2,284	21.6%	2,207	18.5%
Rent and local taxes	336	3.2%	372	3.1%
Other charges to depreciation, amortization and provisions and proceeds from asset disposals	254	2.4%	315	2.7%
<b>OPERATING EXPENSES</b>	<b>9,603</b>	<b>90.8%</b>	<b>10,653</b>	<b>89.4%</b>

## BREAKDOWN OF PERSONNEL COSTS

<i>in millions of euros</i>	Note	2014	2015
Wages and salaries		4,976	5,845
Payroll taxes		1,256	1,344
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	23	69	71
<b>PERSONNEL EXPENSES</b>		<b>6,301</b>	<b>7,260</b>

## NOTE 7 OTHER OPERATING INCOME AND EXPENSE

<i>in millions of euros</i>	Notes	2014	2015
Amortization of intangible assets recognized in business combinations		(20)	<sup>(1)</sup> (45)
Impairment of goodwill	12 - 14	-	(40)
Expense relating to share grants	11	(36)	(42)
Restructuring costs		(68)	(81)
Integration costs for purchased companies		(4)	(39)
Acquisition costs		(1)	(16)
Other operating expenses		(9)	(29)
<b>Total operating expenses</b>		<b>(138)</b>	<b>(292)</b>
Other operating income		21	52
<b>Total operating income</b>		<b>21</b>	<b>52</b>
<b>OTHER OPERATING INCOME AND EXPENSE</b>		<b>(117)</b>	<b>(240)</b>

(1) The increase in this heading is primarily attributable to the amortization of intangible assets recognized on the acquisition of the IGATE group.

## RESTRUCTURING COSTS

Fiscal year 2015 restructuring costs primarily concern workforce reduction measures in the amount of €67 million (€46 million in 2014) and the streamlining of real estate and production assets in the amount of €11 million (€21 million in 2014).

## INTEGRATION COSTS FOR PURCHASED COMPANIES

Integration costs for purchased companies total €39 million and mainly concern the IGATE group and primarily consist of cost of consultants involved in the integration and expenses relating to incentive instruments granted to IGATE employees.

Other operating income includes an income of €35 million relating to the decrease in the present value of the benefit obligation for the main Capgemini UK Plc. pension plan, following an agreement with certain members regarding a reduction in their defined benefits.

## NOTE 8 NET FINANCIAL EXPENSE

<i>in millions of euros</i>	<b>Note</b>	<b>2014</b>	<b>2015</b>
Income from cash, cash equivalents and cash management assets		30	28
Net interest on borrowings		(35)	(71)
<b>Net finance costs at the nominal interest rate</b>		<b>(5)</b>	<b>(43)</b>
Impact of amortized cost on borrowings		(10)	(12)
<b>Net finance costs at the effective interest rate</b>		<b>(15)</b>	<b>(55)</b>
Net interest cost on defined benefit pension plans	23	(40)	(45)
Exchange gains (losses) on financial transactions		(7)	21
(Losses) gains on derivative instruments		1	(20)
Other		(9)	(19)
<b>Other financial income and expense</b>		<b>(55)</b>	<b>(63)</b>
<i>o/w financial income</i>		45	143
<i>o/w financial expenses</i>		(100)	(206)
<b>NET FINANCIAL EXPENSE</b>		<b>(70)</b>	<b>(118)</b>

Interest on borrowings (€71 million) and the impact of amortized cost on borrowings (€12 million) total €83 million and mainly comprise:

- ▶ coupons on the 2011 bond issue of €26 million (stable on 2014), plus an amortized cost accounting impact of €1 million;
- ▶ an amortized cost accounting impact of €10 million on the “ORNANE 2013” bonds redeemable in cash and/or in new and/or existing shares issued in October 2013 (zero-coupon bonds) compared with €9 million in 2014;
- ▶ coupons on the bond issues maturing in July 2018, July 2020 and July 2023 of €26 million, plus an amortized cost accounting impact of €1 million primarily on the July 2020 bond issue: floating coupon of €2 million on the July 2018 tranche, coupon of €11 million on the July 2020 tranche and coupon of €13 million on the July 2023 tranche, respectively (see Note 2, Consolidation principles and Group structure);
- ▶ the net impact of EUR/USD fix-to-fix cross currency swaps of €8 million;
- ▶ interest on finance leases of €4 million, primarily in the United Kingdom and the United States (€5 million in 2014).

Other financial income and expense primarily comprises (see Note 2, Consolidation principles and Group structure):

- ▶ an expense of €16 million in respect of the bridge loan set-up in the context of the IGATE acquisition, primarily consisting of commission paid to participating banks;
- ▶ a net gain of €8 million realized on the unwinding of the euro interest rate swaptions (net gain of €5 million) and the US dollar/euro call options (net gain of €3 million).

Note that fair value gains and losses on the conversion option embedded in the “ORNANE 2013” bonds and the call option on own shares purchased in October 2013 are included in the “Derivative instruments” line (see Note 20, Net debt / Net cash and cash equivalents). Given the “matching” nature of the main characteristics of these two derivative instruments, their respective fair value gains and losses fully offset each other, resulting in a nil impact on the Group net financial expense.

## NOTE 9 INCOME TAX EXPENSE

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

### Current income tax

The current 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. It is calculated using tax rates that have been enacted or substantively enacted at the year-end.

### Deferred taxes

See Note 15, Deferred tax.

The income tax income for fiscal year 2015 breaks down as follows:

<i>in millions of euros</i>	Note	2014	2015
Current income taxes		(161)	(226)
Deferred taxes	15	(49)	429
<b>INCOME TAX INCOME (EXPENSE)</b>		<b>(210)</b>	<b>203</b>

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

<i>in millions of euros</i>	2014		2015	
	Amount	%	Amount	%
<b>Profit before tax</b>	<b>783</b>		<b>904</b>	
<b>Standard tax rate in France (%)</b>	<b>38.0</b>		<b>38.0</b>	
<b>Tax expense at the standard rate</b>	<b>(297)</b>	<b>38.0</b>	<b>(343)</b>	<b>38.0</b>
Difference in tax rates between countries	53	(6.8)	53	(5.9)
<i>Impact of:</i>				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(34)	4.4	(31)	3.4
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	93	(11.9)	192	(21.3)
Utilization of previously unrecognized tax loss carry-forwards	3	(0.3)	4	(0.4)
Prior year adjustments	6	(0.8)	(8)	0.8
Taxes not based on taxable income	(37)	4.6	(43)	4.8
Permanent differences and other items	3	(0.4)	(97)	10.7
<b>Income tax expense and effective tax rate before remeasurment of deferred tax assets on US tax loss carry-forwards</b>	<b>(210)</b>	<b>26.8</b>	<b>(273)</b>	<b>30.1</b>
Remeasurement of deferred tax assets on US tax loss carry-forwards			476	(52.6)
<b>Income tax income and effective tax rate after reameasurment of deferred tax assets on US tax loss carry-forwards</b>			<b>203</b>	<b>(22.5)</b>

Taxable profit projections were revised upwards in the United States as a result of an organic improvement in Group's profitability in the United States combined with the acquisition of IGATE (included in the tax consolidation from July 2, 2015). Accordingly, the Group remeasured its deferred tax assets in the United States in the amount of €476 million.

The heading "Taxes not based on taxable income" primarily consists of the Corporate Value-Added Contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE) and the additional 3% contribution on dividends paid in France, State taxes in the United States and the regional tax on productive activities (IRAP) in Italy.

## NOTE 10 EARNINGS PER SHARE

Earnings per share, diluted earnings per share and normalized earnings per share are 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 adjusted by the number of ordinary shares bought back or issued during the period and is calculated by reference to the date of redemption or issue of shares during the year;
- ▶ **diluted earnings per share** are calculated by dividing profit or loss attributable to 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, where appropriate, for the effects of all potential dilutive financial instruments corresponding to (i) bonds redeemable in cash and/or in new and/or existing shares, (ii) performance shares (iii) free share grants, and (iv) redeemable share subscription or purchase warrants;
- ▶ **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 7, Other operating income and expense), net of tax calculated using the effective tax rate.

### BASIC EARNINGS PER SHARE

	2014	2015
Profit for the year attributable to owners of the Company ( <i>in millions of euros</i> )	580	1,124
Weighted average number of ordinary shares	157,855,433	168,452,917
<b>BASIC EARNINGS PER SHARE (<i>in euros</i>)</b>	<b>3.68</b>	<b>6.67</b>

### DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding during the year. The average share price in 2015 was €78.23.

In 2015, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- ▶ the 5,958,587 "ORNANE 2013" convertible bonds issued on October 25, 2013, as the €6 million interest expense recorded (net of taxes) on the bonds is lower per bond than basic earnings per share. These bonds are convertible during the period from October 25, 2013 (inclusive) to December 31, 2016 (inclusive) in a limited number of defined circumstances and then at any time from January 1, 2017 (inclusive) until the eighteenth business day (exclusive) preceding January 1, 2019, when they will be redeemable at par;
- ▶ shares to be delivered to French and non-French employees under the 2012 and 2013 performance share grant plans, representing a weighted average of 1,324,733 shares. At December 31, 2015, the only remaining condition applicable to these shares is the presence of the beneficiaries in the Group at the delivery dates, scheduled for January and March 2017, respectively;
- ▶ shares available for grant under the performance share grant plan, the terms of which were approved by the Board of Directors on July 30, 2014, representing a weighted average of 1,260,667 shares. The related performance conditions will be assessed in August 2016;
- ▶ all the shares available for grant under the performance share grant plan, the terms of which were approved by the Board of Directors on July 29, 2015, representing a weighted average of 443,279 shares. The related performance conditions will be assessed in March 2018;
- ▶ the shares falling within the scope of the free share grant plan open to all French employees, the terms of which were approved by the Board of Directors on October 8, 2014, representing a weighted average of 99,255 shares. These shares are subject to the presence of the beneficiaries in the Group in October 2016;
- ▶ the weighted average number of Redeemable Share Subscription or Purchase Warrants (BSAAR) still outstanding, i.e. 1,042,081 warrants, as the aggregate market price of the Cap Gemini S.A. share in 2015 is higher than the aggregate of the €34 strike price and the €3.22 issue premium.

<i>in millions of euros</i>	2014	2015
<b>Profit for the year attributable to owners of the Company</b>	<b>580</b>	<b>1,124</b>
Finance cost savings linked to the conversion of debt instruments, net of tax	6	6
<b>Diluted profit for the year attributable to owners of the Company</b>	<b>586</b>	<b>1,130</b>
Weighted average number of ordinary shares	157,855,433	168,452,917
<i>Adjusted for:</i>		
“ORNANE 2013” convertible bonds	5,958,587	5,958,587
Performance shares and free shares that can be granted	3,484,679	3,127,934
Redeemable Share Subscription or Purchase Warrants (BSAAR)	2,927,606	1,042,081
<b>Weighted average number of ordinary shares (diluted)</b>	<b>170,226,305</b>	<b>178,581,519</b>
<b>DILUTED EARNINGS PER SHARE (<i>in euros</i>)</b>	<b>3.44</b>	<b>6.33</b>

## NORMALIZED EARNINGS PER SHARE

<i>in millions of euros</i>	2014	2015
<b>Profit for the year attributable to owners of the Company</b>	<b>580</b>	<b>1,124</b>
Remeasurement of deferred tax assets on US tax loss carry-forwards		(476)
<b>Profit for the year attributable to owners of the Company – excluding remeasurement of deferred tax assets on US tax loss carry-forwards</b>	<b>580</b>	<b>648</b>
Other operating income and expenses, calculated at the effective tax rate	87	167
<b>Normalized profit for the year attributable to owners of the Company</b>	<b>667</b>	<b>815</b>
Weighted average number of ordinary shares	157,855,433	168,452,917
<b>NORMALIZED EARNINGS PER SHARE (<i>in euros</i>)</b>	<b>4.22</b>	<b>4.84</b>

## NOTE 11 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 two 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

##### Redeemable share subscription or purchase warrants (BSAAR)

Redeemable share subscription or purchase warrants were proposed to employees and corporate officers of the Group. They confer entitlement to subscribe for Cap Gemini S.A. shares at a strike price determined at their date of acquisition by the employees and corporate officers of the Group.

##### 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 by the Group 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 Cap Gemini S.A. share price, adjusted for volume, 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

Cap Gemini S.A. 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, so that the gain or loss on the sale has no impact on 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

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### A) Stock option 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 24, 2012, May 23, 2013 and then May 6, 2015, 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 presence conditions. On December 12, 2012, February 20, 2013, July 30, 2014 and July 29, 2015, the Board of Directors approved the terms and conditions and the list of beneficiaries of these four plans.



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

	2012 International Plan	2013 International Plan
Maximum number of shares that may be granted	2,426,555 shares	2,426,555 shares
% of share capital at the date of the Board of Directors' decision	1.5%	1.5%
Total number of shares granted	<sup>(1)</sup> 1,003,500	<sup>(1)</sup> 1,209,100
Date of Board of Directors' decision	December 12, 2012	February 20, 2013
Performance assessment dates	At the end of the first and second calendar years following the grant date	At the end of the first and second years following the grant date
Vesting period	2 years and ½ month as from the grant date (France) or 4 years and ½ month as from the grant date (other countries)	2 years and 1 week as from the grant date (France) or 4 years and 1 week as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	4 years	
Main market conditions at the grant date		
Volatility	25.80%	38.70%
Risk-free interest rate	0.35% - 0.98%	0.59% - 1.28%
Expected dividend rate	3.00%	3.00%
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)	n/a	n/a
Performance shares (per share and in euros)	14.35 - 28.67	16.18 - 32.14
Of which corporate officers	16.18	18.12
Number of shares at December 31, 2014	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)	
	958,500	1,135,300
	o/w to corporate officers	
	<sup>(1)</sup> 50,000	<sup>14)</sup> 50,000
Change during the period	Number of shares subject to performance and/or presence conditions granted during the year	
	-	-
	o/w to corporate officers	
	-	-
	Number of shares forfeited or canceled during the year	
	54,000	66,200
	Number of shares vested during the year	
	<sup>(2)</sup> 383,000	<sup>(4)</sup> 355,600
Number of shares at December 31, 2015	that may vest under the plan in respect of shares previously granted, subject to conditions (presence only)	
	<sup>(3)</sup> 521,500	<sup>(3)</sup> 713,500
Diluted weighted average number of shares	548,500	776,233
Share price at the grant date (in euros)	33.15	36.53

(1) Grant subject to performance and presence conditions;

(2) Balance on the "French" plan granted in January 2015 subject to performance and presence conditions at this date;

(3) In respect of the "foreign" plan only;

(4) Balance on the "French" plan granted in March 2015 subject to performance and presence conditions at this date.

	2014 International Plan	2015 International Plan
Maximum number of shares that may be granted	1,590,639 shares	1,721,759 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	<sup>(1)</sup> 1,290,500	<sup>(1)</sup> 1,068,550
Date of Board of Directors' decision	July 30, 2014	July 29, 2015
Performance assessment dates	Three years for the internal performance condition and two years for the external performance condition	Three years for the two performance conditions
Vesting period	2 years as from the grant date (France) or four years as from the grant date (other countries)	2 years and 7 months 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)	4 years	3 years
Main market conditions at the grant date		
Volatility	26.33%	24.54%
Risk-free interest rate	0.34%-0.81%	0.10%-0.55%
Expected dividend rate	2.31%	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)	n/a	n/a
Performance shares (per share and in euros)	26.46 - 48.26	61.73 - 82.18
Of which corporate officers	29.32	56.66
Number of shares at December 31, 2014	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)	
	1,288,500	-
	o/w to corporate officers	
	<sup>(1)</sup> 50,000	-
	Number of shares subject to performance and/or presence conditions granted during the year	
	-	1,068,550
	o/w to corporate officers	
	-	<sup>(1)</sup> 40,000
Change during the period	Number of shares forfeited or canceled during the year	
	55,000	3,900
	Number of shares vested during the year	
	<sup>(2)</sup> 1,000	-
Number of shares at December 31, 2015	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)	
	<sup>(3)</sup> 1,232,500	<sup>(4)</sup> 1,064,650
Diluted weighted average number of shares	1,260,667	443,279
Share price at the grant date (in euros)	53.35	87.60

(1) Grant subject to performance and presence condition;

(2) Accelerated grant following the death of a beneficiary;

(3) Of which 405,750 shares in respect of the "French" plan and 826,750 shares in respect of the "foreign" plan;

(4) Of which 359,650 shares in respect of the "French" plan and 705,000 shares in respect of the "foreign" plan.

## **a) Shares vested under the 2012 and 2013 plans**

Based on an assessment of the performance conditions of the 2012 and 2013 plans for shares granted to beneficiaries of the 2012 and 2013 plans tax-resident in France, 100% of the initial allocation vested to those beneficiaries still present in the Group at the vesting date at the beginning of January 2015 and the beginning of March 2015, respectively.

With regards to the external performance condition, due to the good performance of the share over the calculation period, the relative performance of the Cap Gemini S.A. share compared to that of the basket of comparable companies exceeded 110% in both cases, the threshold above which 100% of the initial allocation vests in respect of the external performance condition.

With regards to the internal performance condition, cumulative organic free cash flow generation for fiscal years 2012 to 2014 exceeded the €1 billion threshold, enabling the vesting of the maximum number of shares in respect of the internal performance condition.

As both conditions exceeded the maximum vesting thresholds, 100% of shares initially allocated vested to beneficiaries tax-resident in France still present in the Group at the vesting date, subject however to a lock-in period of four years in accordance with plan rules.

A total of 383,000 shares vested under the 2012 plan and 355,600 shares vested under the 2013 plan, representing 94.6% and 91.6% of the maximum possible amount, respectively. The performance conditions are assessed at the same dates and under the same conditions for non-French beneficiaries, however the shares vest at the end of a four-year period, subject to their presence in the Group at this date. Vested shares are not, however subject to a lock-in period.

## **b) Performance conditions of the 2012, 2013 2014 and 2015 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 from the 2010 plan to add an internal condition to the external condition initially planned.

The following internal and external performance conditions apply:

The external performance condition accounts for 50% of the grant calculation as does the internal performance condition.

### **External performance condition**

The external performance condition is applied in an identical manner across the plans and in line with the conditions applied to the first two plans, as follows:

- ▶ No shares are granted if the performance of the Cap Gemini S.A. share during the period in question is less than 90% of the performance of the basket of securities over the same period.
- ▶ The number of shares ultimately granted:
  - is equal to 40% of the number of shares initially allocated if the performance of the Cap Gemini S.A. share is at least equal to 90% of the basket;
  - is equal to 60% of the number of shares initially allocated if the performance of the Cap Gemini S.A. share is equal to 100% of the basket;
  - varies on a straight-line basis between 40% and 60% and between 60% and 100% of the initial allocation, based on a pre-defined schedule, where the performance of the Cap Gemini S.A. share is between 90% and 100% of the basket in the first case and 100% and 110% of the basket in the second case;
  - is equal to 100% of the number of shares initially allocated if the relative performance of the Cap Gemini S.A. share is higher than or equal to 110% of the basket.

Under these conditions, if the performance of the Cap Gemini S.A. share is in line with that of the basket of comparable shares, only 60% of the initial allocation will be granted in respect of the external performance condition (i.e. 30% of the initial allocation).

The benchmark basket comprises the following securities, with each security equally weighted:

- ▶ 2012 and 2013 Plans: Accenture / CSC / Atos / Tieto / Steria / CGI Group / Infosys / Sopra / Cognizant
- ▶ 2014 and 2015 Plans: Accenture / CSC / Atos / Tieto / CAC 40 index / CGI Group / Infosys / Sopra / Cognizant

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 (OFCF) over a three-year period encompassing fiscal years 2012 to 2014 for the 2012 and 2013 plans, fiscal years 2013 to 2015 for the 2014 plan and fiscal years 2015 to 2017 for the 2015 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 €750 million for the 2012 and 2013 plans, €850 million for the 2014 plan and €1,750 for the 2015 plan;
- ▶ 100% of the initial internal allocation will be granted if Organic Free Cash Flow is equal to or exceeds €1 billion for the 2012 and 2013 plans, €1.1 billion for the 2014 plan and €2 billion for the 2015 plan.

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 in France.

## C) Free share plans

Following the free share grant in 2012, the Combined Shareholders' Meeting of May 23, 2013 gave the Board of Directors an 18-month authorization to grant shares to certain Group employees, on one or several occasions subject only to a condition of presence. This authorization was partially used and the terms and conditions of the grant and the list of beneficiaries were set by the Board of Directors meeting of October 8, 2014.

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

2014 Plan France	
Date of the Combined Shareholders' Meeting	May 23, 2013
Maximum number of shares that may be granted	1% of the share capital on the date of the Board of Directors' decision i.e. a maximum of 1,595,495 shares, of which a maximum of 15% granted without performance conditions
Total number of shares granted	<sup>(1)</sup> 104,379
Date of the Board of Directors' decision	October 8, 2014
Grant condition assessment date	Presence condition only (employee presence within the Group at the vesting date)
Vesting period	2 years as from the grant date Democratic plan
Mandatory lock-in period effective as from the vesting date	2 years
Number of shares at December 31, 2014 that may vest under this plan in respect of shares previously granted, subject to presence conditions	102,379
Number of shares subject to presence conditions granted during the year	-
Number of shares forfeited or canceled during the year	6,231
Number of shares vested during the year	28
Number of shares at December 31, 2015 that may vest under this plan in respect of shares previously granted, subject to presence conditions	96,120
Diluted weighted average number of shares	99,255
Share price at the grant date (in euros)	52.69
Main market conditions at the grant date	
<i>Risk-free interest rate</i>	0.34%
<i>Expected dividend rate</i>	2.31%
Fair value in euros (per share)	€43.91

(1) i.e. 6.5% of the total authorized maximum granted without performance conditions, pursuant to the resolution (authorization capped at 15% of the total).

These transactions aim to develop employee share ownership by enabling all employees of French companies with at least three months seniority at the grant date to receive shares and thereby become Cap Gemini S.A. shareholders at the end of the vesting period. More than 20,000 employees were concerned by each share grant, with a differentiated share allocation based on annual salary (four categories): the lowest paid employees receiving more shares than the highest paid employees.

The Board of Director decisions were preceded each time by the signature of a company-wide agreement, in respect of payment of the profit-sharing bonus.

## D) Redeemable share subscription or purchase warrants (BSAAR)

During 2009, 2,999,000 warrants were subscribed by employees and corporate officers of the Group (at a price of €3.22 per warrant). The exercise period commenced the date of listing of the BSAAR warrants on the Euronext Paris market on July 23, 2013 and terminates on the seventh anniversary of the issue date. Between July 23, 2009 and the date the warrants were admitted to trading on Euronext Paris, they could not be exercised or transferred except under the conditions specified in the issue agreement. The issue was disclosed in a prospectus approved by the AMF on May 14, 2009 under reference number N°09-140.

Since the date of admission of the BSAAR warrants to trading on the Euronext Paris market, 2,646,368 BSAAR warrants have been exercised resulting in delivery of the same number of shares.

## E) International Employee Share Ownership Plan – ESOP 2012

The Group set up an employee share ownership plan (ESOP 2012) in the second half of 2012. On September 27, 2012, the Group issued 6,000,000 new shares reserved for employees with a par value of €8, representing a share capital increase of

€153 million net of issue costs. The total cost of this employee share ownership plan in 2012 was €0.8 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.

## F) International Employee Share Ownership Plan – ESOP 2014

The Group set up an employee share ownership plan (ESOP 2014) in the second half of 2014. On December 18, 2014, the Group issued 5,000,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €229 million net of issue costs. The total cost of this employee share ownership plan in 2014 was €1.1 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.

### IMPACT OF INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS

The following table breaks down by type of incentive and employee share ownership instrument, the expense recognized in “Other operating income and expense” (including payroll taxes and employer contributions) and the residual amount to be amortized in future periods.

in millions of euros	Note	2014		2015	
		Expense of the period	Residual amount to be amortized in future periods	Expense of the period	Residual amount to be amortized in future periods
Performance share plans		32	57	40	99
Other		4	3	2	1
<b>TOTAL</b>	<b>7</b>	<b>36</b>	<b>60</b>	<b>42</b>	<b>100</b>

## G) Employee incentive instruments - IGATE

The main features of this plan are set out in the table below:

		2015 Plan
Vesting period		One, two or three years for the market condition and three years for the internal condition
Number of units at December 31, 2014 that may vest under the plan in respect of units previously granted subject to performance and presence conditions		-
Number of units subject to performance and presence conditions granted during the year		114,073
Number of units forfeited or cancelled during the year		-
Number of units vested during the year		-
Number of units at December 31, 2015 that may vest under the plan in respect of units previously granted subject to performance and presence conditions		114,073
Main market conditions at the grant date		
	Risk-free interest rate	0.35%
	Expected dividend rate	1.60%
Fair value in euros (per unit)		€56.30

On July 1, 2015, in the context of the IGATE acquisition, Capgemini exchanged IGATE Performance Share Awards (PSA) held by beneficiaries for Capgemini Performance Units (PUs):

- The number of PUs granted was calculated by multiplying the number of IGATE PSAs outstanding by the following ratio:

$$\frac{\text{US\$ 48 (unit purchase price of IGATE shares paid by Capgemini)}}{\text{€78.37 (closing price of the Cap Gemini S.A. on April 24, 2015) x 1.0824 (€/US\$ exchange rate on April 24, 2015)}}$$

- This calculation is equivalent to adjusting the number of PSAs by the exchange parity of the IGATE and Cap Gemini S.A. shares in US\$ on April 24, 2015.

- ▶ The vesting of PUs is subject to the attainment of internal and market performance conditions and the presence of the beneficiary in the Group at the vesting date:
  - the internal performance condition consists of an organic free cash flow objective for the period 2015 to 2017, as presented in the audited, published Statements of Cash Flows for fiscal years 2015, 2016 and 2017, with the maximum number of units vesting for an aggregate amount of €2 billion.
  - The market performance condition is based on the ability of the Cap Gemini share to outperform a reference basket comprising the CAC40 index and the following companies in equal weighting: Accenture, CSC, Atos, Tieto, CGI Group, Infosys, Sopra, Cognizant.
- ▶ The vesting schedule is as follows:
  - 25% of PUs on July 1, 2016, subject to presence and market performance conditions;
  - 25% of PUs on July 1, 2017, subject to presence and market performance conditions;
  - 25% of PUs on July 1, 2018, subject to presence and market performance conditions;
  - 25% of PUs on July 1, 2019, subject to presence and internal performance conditions.
- ▶ In addition, PUs vesting in the first three years are subject to a final adjustment clause tied to the change in the Cap Gemini S.A. share price between the vesting dates and July 1, 2019.

## **TREASURY SHARES AND MANAGEMENT OF SHARE CAPITAL AND MARKET RISKS**

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

At December 31, 2015, treasury shares were deducted from consolidated equity in the amount of €75 million. These consist of (i) 821,107 shares purchased between March and October 2015 under the share buyback program and (ii) 224,440 shares relating to the implementation of the liquidity agreement (the associated liquidity line is €14 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 as evidenced by the use of the debt-to-equity ratio as a key performance indicator (see Note 29, Off-balance sheet commitments). At December 31, 2015, and following the acquisition of IGATE, the Group had net debt\* of €1,767 million (compared with net cash and cash equivalents of €1,218 million at December 31, 2014). In order to best manage the structure of its capital, the Group can issue new shares, buy back its own shares, adjust the dividend paid to shareholders or enter into derivative instruments on its own shares.

It is recalled that in October 2013, the Group sold a call option on Cap Gemini S.A. shares to a bank counterparty. At December 31, 2015, the derivative instrument is recognized in equity in the amount of €65 million, after adjustment for the tax impact.

*\* Net debt, the alternative performance indicator monitored by the Group is defined in Note 20, Net debt / Net cash and cash equivalents.*

## **CURRENCY RISK AND TRANSLATION GAINS AND LOSSES ON THE ACCOUNTS OF SUBSIDIARIES WITH A FUNCTIONAL CURRENCY OTHER THAN THE EURO**

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Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, the consolidated financial statements are particularly impacted by fluctuations in the US dollar and the Indian rupee against the euro, generating a positive impact on translation reserves, mainly due to the appreciation of those same currencies against the euro during 2015.

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.

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## NOTE 12 GOODWILL AND INTANGIBLE ASSETS

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### 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 on an individual transaction basis.

Goodwill balances are allocated to the different cash-generating units (as defined in Note 14, 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 reserves. Changes in this put option resulting from any changes in estimates or the unwinding of the discount are also recognized through reserves. 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 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 three to five 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.



<i>in millions of euros</i>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Licenses and software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>GROSS VALUE</b>					
<b>At January 1, 2014</b>	<b>3,652</b>	<b>201</b>	<b>207</b>	<b>251</b>	<b>4,311</b>
Translation adjustments	176	11	7	-	194
Acquisitions / Increase	-	-	24	-	24
Internal developments	-	-	-	20	20
Disposals / Decrease	-	-	(13)	(1)	(14)
Business combinations	8	1	13	-	22
Other movements	(1)	-	(2)	-	(3)
<b>At December 31, 2014</b>	<b>3,835</b>	<b>213</b>	<b>236</b>	<b>270</b>	<b>4,554</b>
Translation adjustments	221	18	(2)	2	239
Acquisitions / Increase	-	-	37	-	37
Internal developments	-	-	-	33	33
Disposals / Decrease	-	-	(18)	(1)	(19)
Business combinations <sup>(1)</sup>	3,092	576	27	111	3,806
Other movements	-	-	2	(1)	1
<b>At December 31, 2015</b>	<b>7,148</b>	<b>807</b>	<b>282</b>	<b>414</b>	<b>8,651</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT <sup>(2)</sup></b>					
<b>At January 1, 2014</b>	<b>51</b>	<b>137</b>	<b>166</b>	<b>190</b>	<b>544</b>
Translation adjustments	-	10	6	-	16
Charges and provisions	-	17	21	17	55
Disposals	-	-	(12)	-	(12)
Business combinations	-	-	11	-	11
Other movements	-	-	(2)	-	(2)
<b>At December 31, 2014</b>	<b>51</b>	<b>164</b>	<b>190</b>	<b>207</b>	<b>612</b>
Translation adjustments	2	5	(2)	-	5
Charges and provisions	40	43	26	20	129
Disposals	-	-	(18)	(1)	(19)
Business combinations <sup>(1)</sup>	-	-	19	3	22
Other movements	-	-	(1)	-	(1)
<b>At December 31, 2015</b>	<b>93</b>	<b>212</b>	<b>214</b>	<b>229</b>	<b>748</b>
<b>NET VALUE</b>					
<b>At December 31, 2014</b>	<b>3,784</b>	<b>49</b>	<b>46</b>	<b>63</b>	<b>3,942</b>
<b>At December 31, 2015</b>	<b>7,055</b>	<b>595</b>	<b>68</b>	<b>185</b>	<b>7,903</b>

(1) The Business combinations line is related to the acquisition of IGATE (see Note 2, Consolidation principles and Group structure);

(2) Goodwill is subject to impairment only.



## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

### A) 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 40 years
Fixtures and fittings	10 years
Computer equipment	3 to 5 years
Office furniture and equipment	5 to 10 years
Vehicles	5 years
Other equipment	5 years

Residual values and estimated useful lives are reviewed at each period end.

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.

### B) Leases

Leases that do not transfer to the Group substantially all the risks and rewards incidental to ownership are classified as operating leases, and give rise to lease payments expensed as incurred over the lease term.

However, when the Group assumes substantially all of the risks and rewards incidental to ownership, the lease is classified as a finance lease and is recognized as an asset at the lower of the fair value of the leased asset and the present value of future minimum lease payments, with the related obligation recorded in liabilities within borrowings. The asset is depreciated over the period during which it is expected to be used by the Group and the obligation is amortized over the lease term. Deferred tax is recognized as appropriate.

<i>in millions of euros</i>	Land, buildings and fixtures and fittings	Computer equipment	Other PP&E	Total
<b>GROSS VALUE</b>				
<b>At January 1, 2014</b>	<b>572</b>	<b>553</b>	<b>185</b>	<b>1,310</b>
Translation adjustments	18	20	11	49
Acquisitions / Increase	37	94	21	152
Disposals / Decrease	(27)	(42)	(8)	(77)
Business combinations	16	17	4	37
Other movements	-	(7)	-	(7)
<b>At December 31, 2014</b>	<b>616</b>	<b>635</b>	<b>213</b>	<b>1,464</b>
Translation adjustments	7	12	6	25
Acquisitions / Increase	44	108	21	173
Disposals / Decrease	(22)	(70)	(11)	(103)
Business combinations <sup>(1)</sup>	283	56	37	376
Other movements	(1)	(8)	1	(8)
<b>At December 31, 2015</b>	<b>927</b>	<b>733</b>	<b>267</b>	<b>1,927</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
<b>At January 1, 2014</b>	<b>304</b>	<b>380</b>	<b>132</b>	<b>816</b>
Translation adjustments	10	13	6	29
Charges and provisions	46	87	16	149
Disposals	(21)	(35)	(7)	(63)
Business combinations	10	13	2	25
Other movements	-	(7)	-	(7)
<b>At December 31, 2014</b>	<b>349</b>	<b>451</b>	<b>149</b>	<b>949</b>
Translation adjustments	6	8	4	18
Charges and provisions	53	100	22	175
Disposals	(20)	(52)	(10)	(82)
Business combinations <sup>(1)</sup>	49	40	19	108
Other movements	-	(5)	1	(4)
<b>At December 31, 2015</b>	<b>437</b>	<b>542</b>	<b>185</b>	<b>1,164</b>
<b>NET VALUE</b>				
<b>At December 31, 2014</b>	<b>267</b>	<b>184</b>	<b>64</b>	<b>515</b>
<b>At December 31, 2015</b>	<b>490</b>	<b>191</b>	<b>82</b>	<b>763</b>

(1) The Business combinations line is related to the acquisition of IGATE (see Note 2, Consolidation principles and Group structure).

## PROPERTY, PLANT AND EQUIPMENT PURCHASED UNDER FINANCE LEASE

<i>Net (in millions of euros)</i>	2014	2015
<b>At January 1</b>	<b>156</b>	<b>104</b>
Translation adjustments	6	3
Acquisitions / Increase	46	45
Charges and provisions	(41)	(41)
Business combinations	2	1
Other movements	<sup>(1)</sup> (65)	1
<b>At December 31</b>	<b>104</b>	<b>113</b>

(1) Including €61 million following exercise of the lease finance option by S.A.R.L. Immobilière Les Fontaines, leading to the transfer of the asset from PP&E purchased under finance lease to assets owned outright.

## NOTE 14 CASH-GENERATING UNITS AND ASSET IMPAIRMENT TESTS

### Cash-generating units

The cash-generating units identified by the Group represent geographic areas and lines of development and strategic investment.

### Asset impairment tests

Intangible assets and property, plant and equipment with a definite useful life are tested for impairment when there is an indication at the period end 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).

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. Discount rates (based on the weighted average cost of capital) and long-term growth rates for the period beyond five years are based in the majority of cases on the average of a representative sample of projections by financial analysts who use these indicators to value the Group. When the recoverable amount of a cash-generating unit is less than its 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, noting that the goodwill arising on the IGATE acquisition of €3,092 million was allocated to the different Group cash-generating units at December 31, 2015 that will benefit from this acquisition.

<i>in millions of euros</i>	December 31, 2014			December 31, 2015		
	Gross value	Impairment	Net carrying amount	Gross value	Impairment	Net carrying amount
North America	687	(7)	680	2,114	(8)	2,106
France	1,057	(1)	1,056	1,450	(1)	1,449
United Kingdom and Ireland	569	-	569	1,062	-	1,062
Benelux	808	(12)	796	992	(12)	980
Southern Europe	50	-	50	129	-	129
Nordic countries	159	-	159	295	-	295
Germany and Central Europe	263	(31)	232	407	(32)	375
Asia-Pacific	62	-	62	560	-	560
Latin America	180	-	180	139	(40)	99
<b>GOODWILL</b>	<b>3,835</b>	<b>(51)</b>	<b>3,784</b>	<b>7,148</b>	<b>(93)</b>	<b>7,055</b>

This goodwill was tested for impairment at December 31, 2015 in line with the Group procedure for verifying the value of such assets.

In 2015, the Group used estimates produced by nine financial analysts, all of whom were included in the 2014 group of financial analysts. Long-term growth and discount rates used for Brazil and India have been calculated separately, taking account of the specific characteristics of these countries.

The change in discount rates arises from the three components used for the calculation: risk-free rates, the risk premium and the volatility of the Cap Gemini S.A. share price in relation to changes in its listed market ("beta").

Value in use is measured using the discounted future cash flow method and based on the following main assumptions:

- ▶ number of years over which cash flows are estimated: five years, based on data taken from the three-year strategic plan, with extrapolation of this data for the remaining period;
- ▶ long-term growth rate used to extrapolate to perpetuity final year estimated cash flows: 8.0% for Brazil (5.5% in 2014), 3.8% for India (stable on 2014) and 2.4% for the rest of the Group (2.3% in 2014);
- ▶ discount rate: 9.0% for North America (9.0% in 2014), 14.7% for Brazil (13.1% in 2014), 13.4% for India (12.5% in 2014), 8.7% for the United Kingdom (8.9% in 2014), and 8.5% for the rest of the Group (9.3% in 2014).

No impairment losses were recognized at December 31, 2015 as a result of these impairment tests, with the exception of the Latin American area where an impairment of €40 million was recognized to take account of the deteriorated outlook mainly due to the environment and economic situation in Brazil.

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\* 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 any cash-generating units, with the exception of the Latin America cash-generating unit where an impairment was recorded for €40 million.

*\* Operating margin, the alternative performance indicator monitored by the Group is defined in Note 4, Consolidated Income Statement.*

## NOTE 15 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, taking account of the probability of realization of future taxable profits.

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.

### RECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets and movements therein break down as follows:

<i>in millions of euros</i>	Note	Tax loss carry-forwards	Provisions for pensions and other post-employment benefits	Other deductible temporary differences	Total deferred tax assets
<b>At January 1, 2014</b>		<b>629</b>	<b>252</b>	<b>142</b>	<b>1,023</b>
Business combinations		-	5	6	11
Translation adjustments		26	14	4	44
Deferred tax recognized in the Income Statement	9	(58)	(5)	(4)	(67)
Deferred tax recorded in income and expense recognized in equity		5	48	-	53
Other movements		(3)	1	3	1
<b>At December 31, 2014</b>		<sup>(1)</sup> <b>599</b>	<b>315</b>	<b>151</b>	<b>1,065</b>
Business combinations		13	4	(65)	(49)
Translation adjustments		32	7	(15)	24
Deferred tax recognized in the Income Statement	9	399	(13)	37	422
Deferred tax recorded in income and expense recognized in equity		(2)	7	11	17
Other movements, including offset with deferred tax liabilities		(95)	(24)	50	(68)
<b>At December 31, 2015</b>		<b>947</b>	<b>296</b>	<b>169</b>	<b>1,412</b>

(1) Including amortizable goodwill in the United States.

Recognized tax loss carry-forwards total €947 million at December 31, 2015 and primarily concern the United States in the amount of €639 million (US\$ 695 million) and France in the amount of €281 million.

## ► US deferred tax assets and tax loss carry-forwards

The acquisition of Ernst & Young's North American consulting business in 2000 gave rise to the amortization for tax purposes, over a period of 15 years, of the difference between the acquisition price of the business and the tax base of the assets and liabilities acquired. Since 2000 and up to May 2015, the annual amortization charge has been deducted each year from US tax profits. Annual tax losses can be carried forward for a period of 20 years.

At December 31, 2015, the cumulative amount of US tax losses carried forward totaled €2,977 million (US\$ 3,241 million).

The deferred tax asset was remeasured at December 31, 2015 in the amount of US\$ 528 million (€476 million) to US\$ 695 million (€639 million).

Accordingly, unrecognized deferred tax assets at this date represent a tax base of €1,324 million (US\$ 1,441 million), that is deferred tax assets of €518 million (US\$ 564 million).

## UNRECOGNIZED DEFERRED TAX ASSETS

<i>At December 31 (in millions of euros)</i>	2014	2015
Deferred tax on tax loss carry-forwards	1,188	729
Deferred tax on other temporary differences	150	14
<b>UNRECOGNIZED DEFERRED TAX ASSETS</b>	<b>1,338</b>	<b>743</b>

## EXPIRY DATES OF TAX LOSS CARRY-FORWARDS (TAXABLE BASE)

<i>At December 31 (in millions of euros)</i>	2014		2015	
	Amount	%	Amount	%
Between 1 and 5 years	94	2	115	2
Between 6 and 10 years	1,335	28	1,460	31
Between 11 and 15 years	1,204	25	1,238	27
Beyond 15 years (definite expiry date)	461	9	289	6
Carried forward indefinitely	1,745	36	1,572	34
<b>TAX LOSS CARRY-FORWARDS (taxable base)</b>	<b>4,839</b>	<b>100</b>	<b>4,674</b>	<b>100</b>
<i>o/w recognized tax losses</i>	<i>1,550</i>	<i>32</i>	<i>2,570</i>	<i>55</i>

## DEFERRED TAX LIABILITIES

Deferred tax liabilities and movements therein break down as follows:

<i>in millions of euros</i>	Note	Tax-deductible goodwill amortization	Customer relationships	Amortized cost of bonds	Other taxable temporary differences	Total deferred tax liabilities
<b>At January 1, 2014</b>		<b>54</b>	<b>21</b>	<b>5</b>	<b>78</b>	<b>158</b>
Translation adjustments		4	-	-	1	5
Deferred tax recognized in the Income Statement	9	1	(5)	-	(14)	(18)
Deferred tax recorded in income and expense recognized in equity		-	-	-	12	12
Other movements		-	-	-	1	1
<b>At December 31, 2014</b>		<b>59</b>	<b>16</b>	<b>5</b>	<b>78</b>	<b>158</b>
Business combinations		-	78	-	56	134
Translation adjustments		4	(9)	-	-	(5)
Deferred tax recognized in the Income Statement	9	1	(12)	-	4	(7)
Other movements, including offset with deferred tax assets		-	(7)	-	(52)	(59)
<b>At December 31, 2015</b>		<b>64</b>	<b>66</b>	<b>5</b>	<b>86</b>	<b>221</b>

## NOTE 16 FINANCIAL INSTRUMENTS

Financial instruments consist of:

- ▶ financial assets, including other non-current assets, accounts receivable, other current assets, cash management assets and cash and cash equivalents;
- ▶ financial liabilities, including long- and short-term borrowings and bank overdrafts, accounts payable, and other current payables 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.

The subsequent measurement of financial assets and liabilities is based on either their fair value or amortized cost depending on their classification in the Consolidated Statement of Financial Position.

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.

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. Financial assets measured at amortized cost are subject to impairment tests as soon as there are indicators of a loss in value. Any loss in value is recognized in the Income Statement.

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), interest rate swaps and call options on own shares.

#### Other derivative instruments

Other derivative instruments are initially recognized at fair value. Except as described below in the case of instruments designated as cash flow hedges, changes in the fair value of derivative instruments, estimated based on market rates or data provided by bank counterparties, are recognized in the Income Statement at the period end.

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 when the hedged item itself impacts the Income Statement.

### 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).

December 31, 2015 (in millions of euros)	Notes	Net carrying amount		Fair value		
		Fair value	Amortized cost	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Shares in non-consolidated companies	17	4				4
Shares in associates	17	1				1
Long-term deposits, receivables and other investments	17					
Other non-current assets	17					
Asset derivative instruments	17 - 19	310			310	
Accounts and notes receivables	18					
Other current assets	19					
Cash management assets	20	116		116		
Cash and cash equivalents	20	1 950		1 950		
<b>Financial liabilities</b>						
Bonds	20		3 633	3 768		
Obligations under finance leases	20		97			
Draw-downs on bank and similar facilities and other borrowings, net	20		81			
Other non-current liabilities	25		182			
Liability derivative instruments	25 - 27	185			185	
Accounts and notes payable	26		2 724			
Other current payables	27		59			
Bank overdrafts	20	2		2		

## NOTE 17 OTHER NON-CURRENT ASSETS

At December 31 (in millions of euros)	Notes	2014	2015
Long-term deposits, receivables and other investments		71	96
Derivative instruments	22	141	225
Non-current tax receivables		39	88
Other		48	45
<b>OTHER NON-CURRENT ASSETS</b>	<b>21</b>	<b>299</b>	<b>454</b>

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

Derivative instruments consist of (i) the call option on own shares purchased by Cap Gemini S.A. on October 18, 2013, valued at €162 million at December 31, 2015 (€95 million at December 31, 2014) and (ii) the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €63 million (the current portion amounts to €81 million, see Note 19, "Other current assets").

At December 31, 2015, non-current tax receivables include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €58 million (€39 million at December 31, 2014).

## NOTE 18 ACCOUNTS AND NOTES RECEIVABLE

<i>At December 31 (in millions of euros)</i>	Note	2014	2015
Accounts receivable		1,834	1,924
Provisions for doubtful accounts		(20)	(15)
Accrued income		943	1,037
<b>Accounts and notes receivable, excluding capitalized costs on projects</b>	<b>21</b>	<b>2,757</b>	<b>2,946</b>
Capitalized costs on projects	21	92	109
<b>ACCOUNTS AND NOTES RECEIVABLE</b>		<b>2,849</b>	<b>3,055</b>

Total accounts receivable and accrued income net of advances from customers and billed in advance, can be analyzed as follows in number of days revenue:

<i>At December 31 (in millions of euros)</i>	Note	2014	2015
Accounts and notes receivable, excluding capitalized costs on projects	21	2,757	2,946
Advances from customers and billed in advance	21	(776)	(739)
<b>TOTAL ACCOUNTS RECEIVABLE NET OF ADVANCES FROM CUSTOMERS AND BILLED IN ADVANCE</b>		<b>1,981</b>	<b>2,207</b>
In number of days' annual revenue <sup>(1)</sup>		67	64

(1) This ratio is adjusted to take account of the impact of entries into the scope of consolidation.

In 2015, receivables totaling €43 million were assigned with transfer of credit risk as defined by IAS 39 to a financial institution (€33 million in 2014) and were therefore derecognized in the Statement of Financial Position at December 31, 2015.

### AGED ANALYSIS OF ACCOUNTS RECEIVABLE

The low bad debt ratio reflects the fact that most invoices are only issued after the client has validated the services provided. At end-2015, past due balances totaled €405 million, representing 21.2% of accounts receivable less provisions for doubtful accounts. The breakdown is as follows:

<i>in millions of euros</i>	< 30 days	> 30 days and < 90 days	> 90 days
<b>Net accounts receivable</b>	<b>249</b>	<b>92</b>	<b>64</b>
As a % of accounts and notes receivable, net of provisions for doubtful accounts	13.1%	4.8%	3.3%

Past due balances concern accounts receivable from clients which are individually analyzed and monitored.

### CREDIT RISK

The Group's 5 largest clients contribute around 11% of Group revenues (down on 2014). The top 10 clients collectively account for 17% 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 19 OTHER CURRENT ASSETS

<i>At December 31 (in millions of euros)</i>	Notes	2014	2015
Social security and tax-related receivables, other than income tax		219	167
Prepaid expenses		214	205
Derivative instruments	22	36	85
Other		43	57
<b>OTHER CURRENT ASSETS</b>	<b>21</b>	<b>512</b>	<b>514</b>

At December 31, 2015, Social security and tax-related receivables, other than income tax include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €37 million (€52 million at December 31, 2014), after recognition of research tax credit income deducted from operating expenses of €26 million (€22 million in 2014).

## NOTE 20 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, and also include the fair value of hedging instruments relating to these items.

Net cash and cash equivalents or net debt 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- and long-term borrowings. Account is also taken of the impact of hedging instruments when these relate to borrowings and own shares.

<i>in millions of euros</i>	Note	2014	2015
Short-term investments		1,668	1,107
Cash at bank		473	843
Bank overdrafts		(1)	(2)
<b>Cash and cash equivalents</b>	<b>21</b>	<b>2,140</b>	<b>1,948</b>
<b>Cash management assets</b>		<b>90</b>	<b>116</b>
Bonds		(858)	(3,107)
Obligations under finance leases		(56)	(54)
<b>Long-term borrowings</b>		<b>(914)</b>	<b>(3,161)</b>
Bonds		(2)	(526)
Obligations under finance leases		(49)	(43)
Draw-downs on bank and similar facilities and other borrowings, net		(50)	(81)
<b>Short-term borrowings</b>		<b>(101)</b>	<b>(650)</b>
<b>Borrowings</b>		<b>(1,015)</b>	<b>(3,811)</b>
Derivative instruments <sup>(1)</sup>		3	(20)
<b>(NET DEBT) / NET CASH AND CASH EQUIVALENTS</b>		<b>1,218</b>	<b>(1,767)</b>

(1) Including the fair value of the conversion option embedded in the "ORNANE 2013" bonds, of the call option on own shares purchased by Cap Gemini S.A. on October 18, 2013 and of the 5-year EUR/USD fix-to-fix cross currency swaps set-up in June 2015 in respect of the IGATE acquisition financing.

## SHORT-TERM INVESTMENTS

At December 31, 2015, short-term investments mainly consist of money market mutual funds, certificates of deposit and term bank deposits, paying interest at standard market rates.

## CASH MANAGEMENT ASSETS

Cash management assets consist of capitalization contracts with insurance companies which may be cancelled by Cap Gemini S.A. at any time without penalty, as well as marketable securities held by certain IGATE group companies which do not meet all the 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.

### A) Bonds

#### a) July 1, 2015 Bond issue

On June 24, 2015, Cap Gemini S.A. 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 + 85bp, revised quarterly (issue price 100%);
- ▶ 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%);
- ▶ 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 2020 and July 2023 tranches may be redeemed before these dates at the initiative of Cap Gemini S.A., subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

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

The terms and conditions of these three tranches were set out in the prospectus approved by the AMF on June 29, 2015 under reference number n°15-318.

#### b) “ORNANE 2013” Bond issue

On October 18, 2013, Cap Gemini S.A. launched an offering of bonds redeemable in cash and/or in new and/or existing shares (*Obligations à option de Remboursement en Numéraire et/ou en Actions Nouvelles et/ou Existantes*, ORNANE) and maturing on January 1, 2019. Bondholders enjoy all rights from October 25, 2013.

The total nominal amount of the issue was €400 million, comprising 5,958,587 bonds with a nominal value of €67.13 each, representing an issue premium of 42.5% compared with the Company benchmark share price during the relevant period.

On October 18, 2013, the Company purchased a call option on its own shares aimed at neutralizing the potential dilution related to the ORNANE 2013 bond issue. In addition, and in order to optimize the cost of the Group's financial resources, the Company sold a call option also on its own shares but with a higher strike price. Together, these two transactions synthetically enhance the effective dilution threshold of the ORNANES by approximately 5%.

The bonds will not bear any interest (zero coupon bonds).

During the period from October 25, 2013 to December 31, 2016 (inclusive), bondholders may only exercise their share conversion rights in the limited circumstances listed in the prospectus.

From January 1, 2017 (inclusive), bondholders may exercise their share conversion rights at any time up to the eighteenth trading day (exclusive) preceding January 1, 2019.

On the exercise by bondholders of their share conversion rights, Cap Gemini S.A. may present, at its initiative, either: (i) a cash amount up to the nominal value of the bonds and new and/or existing shares thereafter, where applicable; or (ii) only new and/or existing shares.

The bonds will be redeemed at par on January 1, 2019 if share conversion rights are not exercised by bondholders.

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

Given the settlement terms of the “ORNANE 2013” bonds, an embedded conversion option is recognized in “Other non-current liabilities”, with fair value movements taken to profit or loss.

In parallel and given its terms and conditions, the call option on own shares purchased on October 18, 2013 is recognized in assets. Fair value movements are taken to profit and loss and offset those on the embedded conversion option.

The terms and conditions of this issue were set out in the prospectus approved by the AMF on October 18, 2013 under reference number n°13-557.

### c) 2011 Bond issue

On November 18, 2011, Cap Gemini S.A. performed a bond issue maturing on November 29, 2016. Bondholders enjoy all rights from November 29, 2011.

The total nominal amount of the issue was €500 million, comprising 5,000 bonds with a nominal value of €100,000 each. The bonds bear interest at 5.25% per year, potentially increasing to 6.50% in the event of a down-grading of Cap Gemini S.A.'s credit rating.

The bonds are redeemable in full on November 29, 2016. They may be redeemed before this date at the initiative of the Company, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price. Bondholders may request the early redemption of all or part of their bonds in the event of a change in control of the Company, provided this change in control is accompanied by a downgrading of the Company's financial rating.

Early repayment may also be requested by any bondholder, subject to the occurrence of certain events and particularly failure to pay sums due in respect of the bond issue or to comply with other obligations set out in the documentation (beyond any "grace" periods, if applicable), cross default (in excess of a minimum threshold), liquidation or dissolution.

An upgrade or downgrade in Cap Gemini S.A.'s credit rating would not constitute an early repayment event.

Furthermore, Cap Gemini S.A. has undertaken that the bonds will rank *pari passu* with all other marketable bonds issued by the Company.

The terms and conditions of this issue were set out in the prospectus approved by the AMF on November 25, 2011 under reference number n°11-546.

## IMPACT OF BONDS ON THE FINANCIAL STATEMENTS

	2014		2015				
	2011 Bond issue	"ORNANE 2013" bonds	2011 Bond issue	"ORNANE 2013" bonds	2015 Bond issue		
<i>At December 31 (in millions of euros)</i>					(July 2018)	(July 2020)	(July 2023)
Equity component	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Option component in respect of the embedded conversion option	n/a	95	n/a	162	n/a	n/a	n/a
Debt component at amortized cost, including accrued interest	500	360	501	370	500	1,255	1,007
Effective interest rate	5.5%	2.7%	5.5%	2.7%	1.0%	1.9%	2.6%
Interest expense recognized in the Income Statement for the period	27	9	27	10	2	12	13
Nominal interest rate	5.3%	0.0%	5.3%	0.0%	0.8%	1.8%	2.5%
Nominal interest expense (coupon)	26	-	26	-	2	11	13

## FAIR VALUE OF BONDS

	2014		2015				
	2011 Bond issue	"ORNANE 2013" bonds	2011 Bond issue	"ORNANE 2013" bonds	2015 Bond issue		
<i>At December 31 (in millions of euros)</i>					(July 2018)	(July 2020)	(July 2023)
Fair value	548	387	525	391	506	1,293	1,053
Market rate	0.4%	0.8%	0.2%	0.8%	0.4%	1.2%	1.9%

## B) Obligations under finance leases

<i>in millions of euros</i>	Earliest date of leases	Latest expiry date	Effective interest rate	December 31, 2015
Computer equipment and other fixed assets	2010	2020	4.1%	97
<b>OBLIGATIONS UNDER FINANCE LEASES</b>				<b>97</b>
<i>o/w long-term obligations</i>				<i>54</i>
<i>o/w short-term obligations</i>				<i>43</i>

## C) Breakdown of borrowings by currency

<i>in millions of euros</i>	At December 31, 2014			At December 31, 2015		
	Euro	Other currencies	Total	Euro	Other currencies	Total
2011 Bond issue	500	-	500	501	-	501
"ORNANE 2013" bonds	360	-	360	370	-	370
2015 Bond issue (July 2018)	-	-	-	500	-	500
2015 Bond issue (July 2020)	-	-	-	1,255	-	1,255
2015 Bond issue (July 2023)	-	-	-	1,007	-	1,007
Draw-downs on bank and similar facilities and other borrowings, net	1	49	50	-	81	81
Obligations under finance leases	41	64	105	52	45	97
Bank overdrafts	1	-	1	2	-	2
<b>BORROWINGS</b>	<b>903</b>	<b>113</b>	<b>1,016</b>	<b>3,687</b>	<b>126</b>	<b>3,813</b>

Obligations under finance leases are mainly denominated in pound sterling in the amount of €25 million (€39 million at December 31, 2014) and in US dollars in the amount of €15 million (€16 million at December 31, 2014).

## **D) Effective Interest Rate (EIR)**

In 2015, the effective interest rate on the Group's average outstanding borrowings was 2.6% (4.3% in 2014). At December 31, 2015, 86% of the Group's borrowings are at fixed rates (98% in 2014) and the remainder is at floating rates.

## **E) Syndicated credit facility negotiated by Cap Gemini S.A.**

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. In the event of exercise (subject to the approval of the banks) of two one-year extension options, exercisable at the end of the first and second years, respectively, the maturity of the new facility will be extended by a maximum of two additional years. Following the exercise of the first one-year extension option, the maturity of this credit facility was extended to July 28, 2020.

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 Cap Gemini S.A. The facility is also subject to a fee on undrawn amounts equal to 35% of the margin. Following the downgrade of Cap Gemini S.A.'s credit rating to BBB by Standard & Poor's on April 27, 2015 after the announcement of the acquisition of IGATE, the margin applicable is now 0.45% and the fee on undrawn amounts is 0.1575%.

An upgrade or downgrade in Cap Gemini S.A.'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 29, Off-balance sheet commitments.

This credit facility had not been drawn at December 31, 2015.

## NET DEBT / NET CASH AND CASH EQUIVALENTS 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 2011 and 2015 bond issues and the "ORNANE 2013" bonds were estimated based on contractual nominal interest rates and assuming the bonds would be redeemed in full at maturity. The contractual cash flows associated with "Obligations under finance leases" represent contractual repayments of the liability.

<i>in millions of euros</i>	Contractual maturity	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
<b>At December 31, 2015</b>							
<b>Cash and cash equivalents</b>	2016	<b>1,948</b>	<b>1,948</b>	<b>1,948</b>	-	-	-
<b>Cash management assets</b>	2016	<b>116</b>	<b>116</b>	<b>116</b>	-	-	-
2011 Bond issue	2016	(501)	(526)	(526)	-	-	-
"ORNANE 2013" bonds	2019	(370)	(400)	-	-	(400)	-
2015 Bond issue (July 2018)	2018	(500)	(511)	(4)	(4)	(503)	-
2015 Bond issue (July 2020)	2020	(1,255)	(1,360)	(22)	(22)	(1,316)	-
2015 Bond issue (July 2023)	2023	(1,007)	(1,200)	(25)	(25)	(75)	(1,075)
Obligations under finance leases	2016 to 2020	(97)	(103)	(47)	(33)	(23)	-
Draw-downs on bank and similar facilities and other borrowings, net	2016 to 2020	(81)	(158)	(91)	(17)	(50)	-
<b>Borrowings</b>		<b>(3,811)</b>	<b>(4,258)</b>	<b>(715)</b>	<b>(101)</b>	<b>(2,367)</b>	<b>(1,075)</b>
Derivative instruments on borrowings		(20)					
<b>(NET DEBT)</b>		<b>(1,767)</b>	<b>(2,194)</b>	<b>1,349</b>	<b>(101)</b>	<b>(2,367)</b>	<b>(1,075)</b>

### Au December 31, 2014

<b>Cash and cash equivalents</b>	2015	<b>2,140</b>	<b>2,140</b>	<b>2,140</b>	-	-	-
<b>Cash management assets</b>	2015	<b>90</b>	<b>90</b>	<b>90</b>	-	-	-
2011 Bond issue	2016	(500)	(552)	(26)	(526)	-	-
"ORNANE 2013" bonds	2019	(360)	(400)	-	-	(400)	-
Obligations under finance leases	2015 to 2019	(105)	(112)	(53)	(34)	(25)	-
Draw-downs on bank and similar facilities and other borrowings	2015	(50)	(52)	(52)	-	-	-
<b>Borrowings</b>		<b>(1,015)</b>	<b>(1,116)</b>	<b>(131)</b>	<b>(560)</b>	<b>(425)</b>	-
Derivative instruments on borrowings		3					
<b>NET CASH AND CASH EQUIVALENTS</b>		<b>1,218</b>	<b>1,114</b>	<b>2,099</b>	<b>(560)</b>	<b>(425)</b>	-

## NET DEBT / NET CASH AND CASH EQUIVALENTS AND LIQUIDITY RISK

The financial liabilities whose repayment could expose the Group to liquidity risk are mainly the bond issues performed in 2015, the convertible bonds ("OCEANE 2013") and the 2011 bond issue.

To manage the liquidity risk that may result from financial liabilities 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;
- ▶ maintaining a high level of available funds at all times (€2,066 million at December 31, 2015), which could be increased by a multi-currency syndicated credit facility of €750 million (undrawn at December 31, 2015);
- ▶ actively managing the due dates of financial liabilities in order to limit the concentration of borrowings' 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

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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 monetary market mutual funds, subject to minimum credit rating and diversification rules.

At December 31, 2015, short-term investments totaled €1,107 million and comprise mainly (i) monetary market mutual funds (FCP) meeting the criteria defined by the ESMA (European Securities and Market 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.

## NOTE 21 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, 2015, cash and cash equivalents totaled €1,948 million (see Note 20, Net debt / Net cash and cash equivalents), down €192 million on December 31, 2014 (€2,140 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of €26 million, this decrease is €218 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

### NET CASH FROM OPERATING ACTIVITIES

In 2015, net cash from operating activities totaled €1,004 million (compared with €815 million in 2014) and resulted from:

- ▶ cash flows from operations before net finance costs and income tax in the amount of €1,301 million;
- ▶ payment of current income taxes in the amount of €137 million;
- ▶ an increase in working capital requirements, generating a negative cash impact of €160 million.

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

in millions of euros	Notes	Working capital requirement components (Consolidated Statement of Financial Position)					Neutralization of items with no cash impact			Statement of Cash Flows items
		December 31, 2014	December 31, 2015	Net impact	Non WCR items <sup>(1)</sup>	Impact of WCR items	Net profit impact	Foreign exchange impact	Reclas- sifications <sup>(2)</sup> and changes in Group structure	Amount
Accounts and notes receivable, excl. capitalized costs on projects	18	2 757	2 946	(189)	(9)	(198)	-	41	221	64
Capitalized costs on projects	18	92	109	(17)	-	(17)	-	6	1	(10)
Advances from customers and billed in advance	18	(776)	(739)	(37)	-	(37)	-	(24)	(25)	(86)
<b>Change in accounts and notes receivable, advances from customers, amounts billed in advance and capitalized costs on projects</b>				<b>(243)</b>	<b>(9)</b>	<b>(252)</b>	<b>-</b>	<b>23</b>	<b>197</b>	<b>(32)</b>
Accounts and notes payable (accounts payable)	26	(1 015)	(1 015)	-	(2)	(2)	-	(18)	(60)	(80)
<b>Changes in accounts and notes payable</b>				<b>-</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>(18)</b>	<b>(60)</b>	<b>(80)</b>
Other non-current assets	17	299	454	(155)	140	(15)	-	-	16	1
Other current receivables	19	512	514	(2)	(47)	(49)	6	(4)	44	(3)
Other non-current liabilities	25	(254)	(364)	110	(141)	(31)	-	36	6	11
Accounts and notes payable (excluding accounts payable)	26	(1 528)	(1 709)	181	35	216	-	(21)	(152)	43
Other current payables	27	(148)	(62)	(86)	(8)	(94)	(3)	18	(21)	(100)
<b>Change in other receivables/payables</b>				<b>48</b>	<b>(21)</b>	<b>27</b>	<b>3</b>	<b>29</b>	<b>(107)</b>	<b>(48)</b>
<b>CHANGE IN OPERATING WORKING CAPITAL</b>						<b>(227)</b>	<b>3</b>	<b>34</b>	<b>(3) 30</b>	<b>(160)</b>

(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;

(3) Change in Group structure into the consolidation scope reflects the acquisition of the IGATE group.

## NET CASH USED IN INVESTING ACTIVITIES

The main components of net cash used in investing activities of €3,586 million (compared with €153 million in 2014) reflect:

- ▶ cash outflows relating to the acquisition of the IGATE group net of cash transferred in of €3,392 million;
- ▶ cash outflows net of disposals of €109 million, primarily relating to acquisitions of computer hardware for client projects or the partial renewal of IT installations and the renovation, extension and refurbishment of office space;
- ▶ cash outflows of €70 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 12, Goodwill and intangible assets).

## NET CASH FROM FINANCING ACTIVITIES

Net cash inflows as a result of financing activities totaled €2,364 million (compared with cash outflows of €219 million in 2014) and mainly comprised:

- ▶ the 2015 bond issues for a net amount of €2,735 million;
- ▶ cash outflows of €615 million to redeem certain IGATE debts including €315 million (including premiums) in respect of a bond issue of a principal amount of US\$325 million and €212 million for the repayment of a bank loan with an outstanding principal of US\$234 million (see Note 2, Consolidation principles and Group structure);
- ▶ share capital increases of €564 million following the issue of new shares, including €500 million in the context of the financing of the IGATE group acquisition (see Note 2, Consolidation principles and Group structure);
- ▶ payment of the 2014 dividend of €198 million;
- ▶ cash outflows of €58 million to reimburse obligations under finance leases.

## 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 adjusted for flows relating to the net interest cost.

At December 31 (in millions of euros)	2014	2015
<b>Cash flows from operations</b>	<b>815</b>	<b>1,004</b>
Acquisitions of property, plant and equipment and intangible assets	(150)	(198)
Proceeds from disposals of property, plant and equipment and intangible assets	8	19
<b>Acquisitions of property, plant, equipment and intangible assets (net of disposals)</b>	<b>(142)</b>	<b>(179)</b>
Interest paid	(35)	(38)
Interest received	30	28
<b>Net interest cost</b>	<b>(5)</b>	<b>(10)</b>
<b>ORGANIC FREE CASH FLOW</b>	<b>668</b>	<b>815</b>

## NOTE 22 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 operating transactions

The growing use of offshore production 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. The definition of 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 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 generally recorded in accordance with cash flow hedge accounting rules.

##### b) Currency risk and hedging 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);
- ▶ fees paid to the parent company by subsidiaries whose functional currency is not the euro.

##### c) Sensitivity of revenues and the operating margin\* to fluctuations in the main currencies

A 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 2.5% change in revenues and a 3.2% change in the operating margin\* amount. Similarly, a 10% fluctuation in the pound sterling-euro exchange rate would trigger a corresponding 1.8% change in revenues and a 2.3% change in the operating margin amount.

*\*Operating margin, the alternative performance indicator monitored by the Group is defined in Note 4, Consolidated Income Statement.*

#### B) Hedging derivatives

Amounts hedged at December 31, 2015 using forward purchase and sale foreign exchange contracts, mainly concern the parent company with respect to the centralized management of currency risk on operating transactions and inter-company financing transactions.

At December 31, 2015, the euro-equivalent value of forward purchase and sale foreign exchange contracts breaks down by transaction type and maturity as follows:

<i>in millions of euros</i>		< 6 months	> 6 months and < 12 months	> 12 months	TOTAL
<b>Operating transactions</b>		<b>1,074</b>	<b>922</b>	<b>1,076</b>	<b>3,072</b>
<i>o/w</i>	▶ fair value hedge	273	-	-	273
	▶ cash flow hedge	801	922	1,076	2,799
<b>Financial transactions</b>		<b>314</b>	<b>46</b>	<b>1,010</b>	<b>1,370</b>
<i>o/w</i>	▶ fair value hedge	314	46	91	451
	▶ cash flow hedge for the interest rate component and fair value hedge for the exchange rate component	-	-	919	919
<b>TOTAL</b>		<b>1,388</b>	<b>968</b>	<b>2,086</b>	<b>4,442</b>

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2016 and 2018 with an aggregate euro-equivalent value at closing exchange rates of €3,072 million (€2,322 million at December 31, 2014). The hedges were chiefly taken out in respect of transactions in Indian rupee (INR 128,050 million), US dollars (USD 882 million), Polish zloty (PLN 659 million) and Pound Sterling (GBP 82 million).

The maturities of the hedges range from 1 to 36 months and the main counterparty is Cap Gemini S.A. for a euro-equivalent value of €2,924 million.

Hedges contracted in respect of financial transactions concern Cap Gemini S.A. in the amount of €1,370 million at December 31, 2015. They mainly comprise hedged inter-company loans for €1,356 million (€115 million at December 31, 2014), including €919 million in respect of EUR/USD fix-to-fix cross-currency swaps (see Note 2, Consolidation principles and Group structure). The residual balance primarily corresponds to loans denominated in US dollars and in Swedish krona.

The Group's overall exposure to currency risk on assets/liabilities primarily concerns the Group's internal financing activity.

At December 31, 2015							
<i>in millions of euros</i>	US dollar	Swedish krona	Indian rupee	Euro	Pound sterling	Other currencies	TOTAL
Assets	377	8	1	65	58	105	614
Liabilities	(1,062)	(135)	(96)	(89)	(37)	(57)	(1,476)
<b>Net exposure in the Consolidated Statement of Financial Position</b>							<b>(862)</b>
Hedging derivatives							766
<b>NET EXPOSURE</b>							<b>(96)</b>

### C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

<i>At December 31 (in millions of euros)</i>	Notes	2014	2015
Other non-current assets	17	141	225
Other current assets	19	36	85
Other non-current liabilities	25	(95)	(182)
Other current payables	27	(1)	(3)
<b>Fair value of hedging derivatives, net</b>		<b>81</b>	<b>125</b>
<i>Relating to:</i>			
▶ operating transactions		78	145
▶ financial transactions		3	(20)

The main hedging derivatives comprise:

- ▶ the call option on own shares purchased by Cap Gemini S.A. on October 18, 2013 recorded in "Other non-current assets", valued at €162 million at December 31, 2015 (€95 million at December 31, 2014);
- ▶ 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 €63 million and in "Other current assets" in the amount of €81 million;
- ▶ the conversion option embedded in the "ORNANE 2013" bonds recorded in "Other non-current liabilities", valued at €162 million at December 31, 2015 (€95 million at December 31, 2014);
- ▶ EUR/USD fix-to-fix cross currency swaps recorded in "Other non-current liabilities" valued at €20 million at December 31, 2015.

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

<i>in millions of euros</i>	2015
<b>Hedging derivatives recorded in income and expense recognized in equity at January 1</b>	<b>69</b>
Amounts reclassified to operating profit in respect of transactions performed	(4)
Fair value of derivative instruments hedging future transactions	59
<b>Hedging derivatives recorded in income and expense recognized in equity at December 31</b>	<b>124</b>

## INTEREST RATE RISK MANAGEMENT

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### 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, 2015, the Group had €2,066 million in cash and cash equivalents, mainly invested at floating rates (or failing this, at fixed rates for periods of less than or equal to 3 months), and €3,813 million in gross indebtedness principally at fixed rates (86%) (see Note 20, Net debt / Net cash and cash equivalents). The high proportion of fixed-rate borrowings is due to the weight of bond issues in gross indebtedness.

### B) Exposure to Interest rate risk: sensitivity analysis

As 86% of Group borrowings were at fixed rates in 2015, 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 floating-rate short-term investments and cash management assets, a 100-basis point rise in interest rates would have had a positive impact of around €10 million on the Group's net finance costs in 2015. Conversely, a 100-basis point fall in interest rates would have had an estimated €10 million negative impact on the Group's net finance costs.

### C) Fair value of interest rate derivatives

An interest rate swap contract covering 50% of a finance lease taken out by S.A.R.L. Immobilière Les Fontaines (owner of Capgemini University) was entered into by the latter in 2003. This swap contract matured on July 31, 2014.

## COUNTERPARTY RISK MANAGEMENT

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In addition, in line with its policies for managing currency and interest rate risks as described above, the Group also enters into hedging agreements with leading financial institutions. Accordingly, counterparty risk can be deemed not material. At December 31, 2015, 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, Royal Bank of Scotland, Santander, and Société Générale.

## NOTE 23 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### A) 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.

### B) 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, of a currency and term consistent with the currency and term 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 within "Operating expenses" of the period.

Gains or losses on the curtailment, settlement or transfers of defined benefit pension plans are recognized in "Other operating income" or "Other operating expenses."

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

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 directly 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, Sweden and India). Movements during the last two fiscal years were as follows:

<i>in millions of euros</i>	Notes	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
		2014	2015	2014	2015	2014	2015
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>		<b>3,428</b>	<b>4,432</b>	<b>(2,466)</b>	<b>(3,138)</b>	<b>962</b>	<b>1,294</b>
<b>Expense for the period recognized in the Income Statement</b>		<b>225</b>	<b>204</b>	<b>(116)</b>	<b>(120)</b>	<b>109</b>	<b>84</b>
Service cost	6	69	71	-	-	69	71
Curtailments, settlements and plan transfers		-	(32)	-	-	-	(32)
Interest cost	8	156	165	(116)	(120)	40	45
<b>Impact on income and expense recognized in equity</b>		<b>618</b>	<b>(177)</b>	<b>(362)</b>	<b>83</b>	<b>256</b>	<b>(94)</b>
Change in actuarial gains and losses		618	(177)	-	-	618	(177)
<i>Impact of changes in financial assumptions</i>		603	(101)	-	-	603	(101)
<i>Impact of changes in demographic assumptions</i>		21	-	-	-	21	-
<i>Experience adjustments</i>		(6)	(76)	-	-	(6)	(76)
Return on plan assets <sup>(1)</sup>		-	-	(362)	83	(362)	83
<b>Other</b>		<b>161</b>	<b>39</b>	<b>(194)</b>	<b>(107)</b>	<b>(33)</b>	<b>(68)</b>
Contributions paid by employees		7	7	(7)	(7)	-	-
Benefits paid to employees		(98)	(141)	89	130	(9)	(11)
Contributions paid		-	-	(96)	(99)	(96)	(99)
Translation adjustments		235	170	(179)	(130)	56	40
Business combinations		15	3	-	(1)	15	2
Other movements		2	-	(1)	-	1	-
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>		<b>4,432</b>	<b>4,498</b>	<b>(3,138)</b>	<b>(3,282)</b>	<b>1,294</b>	<b>1,216</b>

(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

### A) United Kingdom

In the United Kingdom, post-employment benefits primarily consist of defined benefit pension plans. The plans are administered within trusts which are legally separate from the employer. They are governed by a board of directors comprising independent trustees and representatives of the employer.

The 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. The main plan is closed to the accrual of benefits for all current employees since March 31, 2015. In exchange, these individuals were given the opportunity to join a defined contribution pension plan.

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

- ▶ 964 current employees accruing pensionable service (995 at December 31, 2014);
- ▶ 7,889 former and current employees not accruing pensionable service (8,096 at December 31, 2014);
- ▶ 2,491 retirees (2,417 at December 31, 2014).

The plans are subject to the supervision of the UK Pension Regulator; the funding schedules for these plans are determined by an independent actuary 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 22 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.

<i>in millions of euros</i>	<b>Obligation</b>		<b>Plan assets</b>		<b>Net provision in the Consolidated Statement of Financial Position</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>2,512</b>	<b>3,252</b>	<b>(1,911)</b>	<b>(2,480)</b>	<b>601</b>	<b>772</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>130</b>	<b>105</b>	<b>(89)</b>	<b>(95)</b>	<b>41</b>	<b>10</b>
Service cost	14	15	-	-	14	15
Curtailments, settlements and plan transfers	-	(35)	-	-	-	(35)
Interest cost	116	125	(89)	(95)	27	30
<b>Impact on income and expense recognized in equity</b>	<b>468</b>	<b>(156)</b>	<b>(329)</b>	<b>84</b>	<b>139</b>	<b>(72)</b>
Change in actuarial gains and losses	468	(156)	-	-	468	(156)
<i>Impact of changes in financial assumptions</i>	<i>456</i>	<i>(89)</i>	<i>-</i>	<i>-</i>	<i>456</i>	<i>(89)</i>
<i>Impact of changes in demographic assumptions</i>	<i>11</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>11</i>	<i>-</i>
<i>Experience adjustments</i>	<i>1</i>	<i>(67)</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>(67)</i>
Return on plan assets <sup>(1)</sup>	-	-	(329)	84	(329)	84
<b>Other</b>	<b>142</b>	<b>129</b>	<b>(151)</b>	<b>(142)</b>	<b>(9)</b>	<b>(13)</b>
Contributions paid by employees	1	1	(1)	(1)	-	-
Benefits paid to employees	(54)	(73)	54	73	-	-
Contributions paid	-	-	(54)	(62)	(54)	(62)
Translation adjustments	195	201	(149)	(152)	46	49
Other movements	-	-	(1)	-	(1)	-
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>3,252</b>	<b>(2) 3 330</b>	<b>(2,480)</b>	<b>(2,633)</b>	<b>772</b>	<b>697</b>

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

(2) The year-on-year decrease in the present value of the obligation is mainly due to the impact of an increase in the benchmark discount rate (3.6% to 3.8%).

In 2015, the curtailment following a plan change represents income of €35 million due to the decrease in the present value of the benefit obligation for the main Capgemini UK Plc. pension plan after an agreement was reached with certain members regarding a reduction in their defined benefits.

## a) Main actuarial assumptions

### Discount rate, salary inflation rate and inflation rate

<i>in %</i>	<b>At December 31, 2014</b>	<b>At December 31, 2015</b>
Discount rate	3.6	3.8
Salary inflation rate	3.1	2.4-3.2
Inflation rate	3.1	3.2

In 2015, 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

<i>in millions of euros</i>	<b>2014</b>		<b>2015</b>	
Shares	1,363	55%	1,421	54%
Bonds and hedging assets	1,085	44%	1,168	44%
Other	32	1%	44	2%
<b>TOTAL</b>	<b>2,480</b>	<b>100%</b>	<b>2,633</b>	<b>100%</b>

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets. Bonds and hedging assets consist of bonds and bank loans. A portion of these investments seeks to hedge interest rate risk on the plan liabilities; this matching portfolio consists in UK government bonds (GILT), owned directly or borrowed via sale and repurchase agreements.

## c) Sensitivity analysis

<i>in millions of euros</i>	<b>Impact on the obligation at December 31, 2015</b>	
	<b>Increase</b>	<b>Decrease</b>
Increase/decrease of 50 basis points in the discount rate	(328)	381
Increase/decrease of 50 basis points in the inflation rate	256	(260)
Increase/decrease of 50 basis points in the mortality rate	(43)	44

## d) Contributions

### Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2016 are estimated at €60 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, 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 20 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:

- ▶ 782 current employees accruing pensionable service (809 at December 31, 2014);
- ▶ 79 former and current employees not accruing pensionable service (79 at December 31, 2014);
- ▶ 275 retirees (262 at December 31, 2014).

<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2014	2015	2014	2015	2014	2015
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>499</b>	<b>647</b>	<b>(403)</b>	<b>(470)</b>	<b>96</b>	<b>177</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>42</b>	<b>65</b>	<b>(20)</b>	<b>(19)</b>	<b>22</b>	<b>46</b>
Service cost	17	23	-	-	17	23
Curtailments, settlements and plan transfers	-	15	-	-	-	15
Interest cost	25	27	(20)	(19)	5	8
<b>Impact on income and expense recognized in equity</b>	<b>102</b>	<b>(9)</b>	<b>(24)</b>	<b>(4)</b>	<b>78</b>	<b>(13)</b>
Change in actuarial gains and losses	102	(9)	-	-	102	(9)
<i>Impact of changes in financial assumptions</i>	103	(10)	-	-	103	(10)
<i>Impact of changes in demographic assumptions</i>	10	-	-	-	10	-
<i>Experience adjustments</i>	(11)	1	-	-	(11)	1
Return on plan assets <sup>(1)</sup>	-	-	(24)	(4)	(24)	(4)
<b>Other</b>	<b>4</b>	<b>(79)</b>	<b>(23)</b>	<b>45</b>	<b>(19)</b>	<b>(34)</b>
Contributions paid by employees	4	4	(4)	(4)	-	-
Benefits paid to employees	(26)	(36)	25	35	(1)	(1)
Contributions paid	-	-	(25)	(19)	(25)	(19)
Translation adjustments	26	(47)	(19)	33	7	(14)
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>647</b>	<b>624</b>	<b>(470)</b>	<b>(448)</b>	<b>177</b>	<b>176</b>

(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

<i>in %</i>	At December 31, 2014	At December 31, 2015
Discount rate	4.0	4.0
Salary inflation rate	3.0	2.8
Inflation rate	2.0	2.0

In 2015, 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

<i>in millions of euros</i>	2014		2015	
Shares	287	61%	268	60%
Bonds and hedging assets	172	37%	170	38%
Other	11	2%	10	2%
<b>TOTAL</b>	<b>470</b>	<b>100%</b>	<b>448</b>	<b>100%</b>

Shares correspond to investments in equities or diversified growth investments, mainly in North America.  
Bonds primarily comprise Canadian government bonds.

## c) Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2015	
	Increase	Decrease
Increase/decrease of 50 basis points in the discount rate	(53)	61
Increase/decrease of 50 basis points in the inflation rate	38	(34)
Increase/decrease of 50 basis points in the mortality rate	(2)	2

## d) Future contributions

Contributions to the Canadian defined benefit pension funds in respect of 2016 are estimated at €15 million, including the funding of pension plan deficits defined as part of the regular actuarial valuations.

## NOTE 24 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:

<i>in millions of euros</i>	2014	2015
<b>At January 1</b>	<b>58</b>	<b>72</b>
Charge	25	64
Reversals (utilization of provisions)	(12)	(12)
Reversals (surplus provisions)	(14)	(18)
Other	15	12
<b>At December 31</b>	<b>72</b>	<b>118</b>

At December 31, 2015, current provisions (€90 million) and non-current provisions (€28 million) mainly concern risks relating to projects and contracts amounting to €99 million (€56 million at December 31, 2014) and risks relating to tax and labor disputes amounting to €19 million (€16 million at December 31, 2014).

## NOTE 25 OTHER NON-CURRENT LIABILITIES

<i>At December 31 (in millions of euros)</i>	Notes	2014	2015
Special employee profit-sharing reserve		27	21
Derivative instruments	22	95	182
Liabilities related to acquisitions of consolidated companies		120	108
Non-current tax liabilities		-	18
Other		12	35
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>21</b>	<b>254</b>	<b>364</b>

Liabilities related to acquisitions of consolidated companies consist for €108 million of put options granted to Caixa Participações and EMC in 2012 and 2013 on their investments in CPM Braxis and earn-outs granted at the time of certain acquisitions.

Derivative instruments primarily consist of the conversion option embedded in the "ORNANE 2013" bonds, valued at €162 million at December 31, 2015 and EUR/USD fix-to-fix cross currency swaps valued at €20 million at December 31, 2015.

## NOTE 26 ACCOUNTS AND NOTES PAYABLE

<i>At December 31 (in millions of euros)</i>	<b>Note</b>	<b>2014</b>	<b>2015</b>
Accounts payable		1,015	1,015
Accrued taxes other than income tax		386	390
Personnel costs		1,128	1,303
Other		14	16
<b>ACCOUNTS AND NOTES PAYABLE</b>	<b>21</b>	<b>2,543</b>	<b>2,724</b>

## NOTE 27 OTHER CURRENT PAYABLES

<i>At December 31 (in millions of euros)</i>	<b>Notes</b>	<b>2014</b>	<b>2015</b>
Special employee profit-sharing reserve		15	11
Derivative instruments	22	1	3
Liabilities related to acquisitions of consolidated companies		90	8
Other		42	40
<b>OTHER CURRENT PAYABLES</b>	<b>21</b>	<b>148</b>	<b>62</b>

Early November 2015, the Group purchased the investment held by certain minority shareholders in CPM Braxis, in accordance with an agreement signed on the entry of the Group into the share capital of CPM Braxis in October 2010, for an amount of €76 million. Following this transaction, the Group now holds a stake of 75.72% in CPM Braxis.

## NOTE 28 NUMBER OF EMPLOYEES

### AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

	2014		2015	
	Employees	%	Employees	%
North America	10,064	7	12,627	8
France	22,667	17	23,558	15
United Kingdom and Ireland	9,007	7	8,759	5
Benelux	8,674	6	8,385	5
Southern Europe	7,350	5	7,414	5
Nordic countries	4,231	3	4,053	2
Germany and Central Europe	10,302	8	10,817	7
Asia-Pacific and Latin America	65,299	47	85,495	53
Not allocated	153	-	160	-
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>137,747</b>	<b>100</b>	<b>161,268</b>	<b>100</b>

### NUMBER OF EMPLOYEES AT DECEMBER 31 BY GEOGRAPHIC AREA

	2014		2015	
	Employees	%	Employees	%
North America	10,384	7	16,034	9
France	23,600	17	23,832	13
United Kingdom and Ireland	8,766	6	8,656	5
Benelux	8,547	6	8,307	5
Southern Europe	7,446	5	7,434	4
Nordic countries	4,145	3	4,007	2
Germany and Central Europe	10,484	7	11,233	6
Asia-Pacific and Latin America	70,122	49	100,977	56
Not allocated	149	-	159	-
<b>NUMBER OF EMPLOYEES AT DECEMBER 31</b>	<b>143,643</b>	<b>100</b>	<b>180,639</b>	<b>100</b>

## NOTE 29 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. These include the contracts signed with HM Revenue & Customs, Schneider Electric Industries, Euroclear, the Metropolitan Police, Ontario Power Generation Inc., Environment Agency, Johnson & Johnson Services, Inc., the Department of Work and Pensions, EMC and Michelin.

In addition, certain clients enjoy:

- ▶ limited financial guarantees issued by the Group and totaling €1,601 million at December 31, 2015 (€1,367 million at December 31, 2014);
- ▶ bank guarantees borne by the Group and totaling €172 million at December 31, 2015 (€105 million at December 31, 2014).

#### B) Commitments given on non-cancellable leases

Commitments given on non-cancellable leases break down by maturity as follows:

<i>in millions of euros</i>	Computer equipment	Offices	Vehicles and other non-cancellable leases	Total
<b>Maturity</b>				
< 1 year	10	197	58	265
1 to 5 years	9	404	79	492
> 5 years	-	70	-	70
<b>At December 31, 2015</b>	<b>19</b>	<b>671</b>	<b>137</b>	<b>827</b>
<b>At December 31, 2014</b>	<b>30</b>	<b>625</b>	<b>122</b>	<b>777</b>

Lease payments recognized in the Income Statement in 2015 totaled €350 million (€319 million in 2014).

#### C) Other commitments given

Other commitments given total €29 million at December 31, 2015 (€34 million at December 31, 2014) and mainly comprise firm purchase commitments relating to goods or services in the United Kingdom and in France.

#### D) Other commitments received

Other commitments received total €112 million at December 31, 2015 (€50 million at December 31, 2014) and primarily comprise:

- ▶ commitments received on client contracts: in the context of a contract signed in 2010, Capgemini Group received a limited financial guarantee of €50 million from the client;
- ▶ commitments received following the purchase of shares held by certain minority shareholders of CPM Braxis for an amount of €44 million.

## OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

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### A) Bonds

With regard to the 2011 bond issue, the “ORNANE 2013” bonds and the 2015 bond issues detailed in Note 20, Net debt / Net cash and cash equivalents, Cap Gemini S.A. has committed to standard obligations 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 Cap Gemini S.A. and not drawn to date

Cap Gemini S.A. has agreed to comply with the following financial ratios (as defined in IFRS) in respect of the credit facility disclosed in Note 20, Net debt / Net cash and cash equivalents:

- ▶ the consolidated net debt\* 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\*) 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, 2014 and 2015, the Group complied with these financial ratios.

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

\* The alternative performance measures monitored by the Group (operating margin and net debt) are defined in Note 4, Consolidated Income Statement and Note 20, Net Debt / Net cash and cash equivalents, respectively.

### C) Borrowings secured by assets

Some borrowings are secured by assets recorded in the Consolidated Statement of Financial Position. At December 31, 2015, these related to finance leases for an amount of €97 million and other borrowings in the amount of €12 million.

## CONTINGENT LIABILITIES

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During 2015 and in previous fiscal years, certain Group companies underwent tax audits leading in some cases to tax reassessments. A number of proposed adjustments have been challenged and litigation and pre-litigation proceedings were in progress at the period end. In general, no provisions have been set aside for these disputes in the consolidated financial statements in so far as Capgemini can justify its positions and considers the likelihood of winning the disputes to be high. This is particularly the case, in France, for research tax credits for the period 2009 to 2013, in respect of which the tax authorities have rejected the portion concerning private clients in certain companies registered for the research tax credit.

## NOTE 30 RELATED-PARTY TRANSACTIONS

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### ASSOCIATES

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Associates are equity-accounted companies over which the Group exercises significant influence. At December 31, 2015, O2C Pro LLC is the only company equity-accounted by the Group since its acquisition in 2011. Transactions with this equity associate in 2015 were performed at arm's length and were of immaterial volume.

### OTHER RELATED-PARTIES

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In 2015, no material transactions were carried out with:

- ▶ shareholders holding significant voting rights in the share capital of Cap Gemini S.A.;
- ▶ members of management, including Directors;
- ▶ entities controlled or jointly controlled by a member of key management personnel, or over which he/she has significant influence or holds significant voting rights.

Moreover, it is worth noting that Caixa Participações, a minority shareholder, is also one of the main clients of CPM Braxis, accounting for approximately 18% of its revenues.



## GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of the 2014 and 2015 compensation of members of management bodies encompassing the Group operating management structure at each year-end, comprising 24 members in 2015 (20 members in 2014) and Directors (compensation and attendance fees).

<i>in thousands of euros</i>	<b>2014</b>	<b>2015</b>
Short-term benefits excluding employer payroll taxes <sup>(1)</sup>	19,320	23,185
o/w attendance fees to salaried Directors	53	65
o/w attendance fees to non-salaried Directors <sup>(2) (3)</sup>	725	779
Short-term benefits: employer payroll taxes <sup>(4)</sup>	7,495	6,328
Post-employment benefits <sup>(5)</sup>	845	1,184
Share-based payment <sup>(6)</sup>	5,493	6,035

(1) Includes gross wages and salaries, bonuses, profit-sharing, attendance fees and benefits in kind;

(2) Note that Serge Kampf and Paul Hermelin have waived receipt of their attendance fees since 2011;

(3) 12 directors in 2014 and in 2015;

(4) This amount includes the 30% contribution due on the grant of performance shares as well as the contribution paid on high executive compensation in 2014;

(5) Primarily contractual retirement termination payments;

(6) Representing the annual expense relating to the grant of performance shares.

## NOTE 31 SUBSEQUENT EVENTS

At the Combined Shareholders' Meeting, the Board of Directors will recommend a dividend payout to Cap Gemini S.A. shareholders of €1.35 per share in respect of 2015. A dividend of €1.20 per share was paid in respect of fiscal year 2014.

On January 5, 2016, the Group purchased Oinio in Germany, which will be consolidated from January 1, 2016.

## NOTE 32 LIST OF THE MAIN CONSOLIDATED COMPANIES BY COUNTRY

FC = Full consolidation  
EM = Equity method

Country	List of the main companies consolidated at December 31, 2015	% interest	Consolidation Method
<b>ARGENTINA</b>	Capgemini Argentina S.A.	100.00%	FC
<b>AUSTRALIA</b>	Capgemini Australia Pty Ltd.	100.00%	FC
<b>AUSTRIA</b>	Capgemini Consulting Österreich AG	100.00%	FC
<b>BELGIUM</b>	Capgemini Belgium N.V./S.A.	100.00%	FC
	Sogeti Belgium S.A.	100.00%	FC
<b>BRAZIL</b>	Consultoria de Gestao Gemini Ltda.	100.00%	FC
	Capgemini Business Services Brasil - Assessoria Empresarial Ltda.	100.00%	FC
	CPM Braxis S.A.	75.72%	FC
	CPM Braxis Tecnologia Ltda.	75.72%	FC
<b>CANADA</b>	Capgemini Canada Inc.	100.00%	FC
	Inergi LP	100.00%	FC
	New Horizon System Solutions LP	100.00%	FC
	Capgemini Financial Services Canada Inc.	100.00%	FC
	Gestion Capgemini Québec Inc.	100.00%	FC
	Société en Commandite Capgemini Québec	100.00%	FC
	IGATE Technologies (Canada), Inc.	100.00%	FC
<b>CHILE</b>	Capgemini Business Services Chile Ltda.	100.00%	FC
<b>CHINA</b>	Capgemini China Co. Ltd.	100.00%	FC
	Capgemini Business Services (China) Ltd.	100.00%	FC
	Capgemini (Hangzhou) Co. Ltd.	100.00%	FC
	Capgemini Kun Shan Co. Ltd.	100.00%	FC
	Praxis Beijing Technology Co. Ltd.	100.00%	FC
	IGATE Computer Systems (Suzhou) Co Ltd.	99.49%	FC
<b>COLOMBIA</b>	Capgemini Colombia S.A.S	100.00%	FC
<b>CZECH REPUBLIC</b>	Capgemini Czech Republic s.r.o.	100.00%	FC
<b>DENMARK</b>	Capgemini Sogeti Danmark AS	100.00%	FC
<b>FINLAND</b>	Capgemini Finland Oy	100.00%	FC
	Sogeti Finland Oy	100.00%	FC

Country	List of the main companies consolidated at December 31, 2015	% interest	Consolidation Method
FRANCE	Cap Gemini S.A.	Parent Company	FC
	Capgemini France S.A.S.	100.00%	FC
	Capgemini Gouvieux S.A.S.	100.00%	FC
	Capgemini Service S.A.S.	100.00%	FC
	Capgemini Université S.A.S.	100.00%	FC
	Immobilière Les Fontaines S.A.R.L.	100.00%	FC
	SCI Paris Etoile	100.00%	FC
	Capgemini Consulting S.A.S.	100.00%	FC
	Capgemini Technology Services S.A.S.	100.00%	FC
	Capgemini Outsourcing Services S.A.S.	100.00%	FC
	Capgemini OS Electric S.A.S.	100.00%	FC
	Sogeti S.A.S.	100.00%	FC
	Sogeti France S.A.S.	100.00%	FC
	Sogeti Corporate Services S.A.S.	100.00%	FC
	Sogeti High Tech S.A.S.	100.00%	FC
	Prosodie S.A.S.	100.00%	FC
	Backélite S.A.S.	100.00%	FC
	Open Cascade S.A.S.	100.00%	FC
	Silgem SAS	50.00%	FC
	Cloud ERP Solutions S.A.S	100.00%	FC
GERMANY	Capgemini Deutschland Holding GmbH	100.00%	FC
	Capgemini Outsourcing Services GmbH	100.00%	FC
	Capgemini Deutschland GmbH	100.00%	FC
	Sogeti Deutschland GmbH	100.00%	FC
	Patni Computer Systems GmbH	99.49%	FC
GUATEMALA	Capgemini Business Services Guatemala S.A.	100.00%	FC
HONG KONG	Capgemini Hong Kong Ltd.	100.00%	FC
HUNGARY	Capgemini Magyarország Kft.	100.00%	FC
INDIA	IGATE Global Solutions Limited	99.49%	FC
	IGATE Infrastructure Management Services Limited	99.49%	FC
	Capgemini Business Services (India) Pvt Ltd.	100.00%	FC
	Capgemini India Pvt Ltd.	100.00%	FC
INDONESIA	Patni Computer Systems Indonesia	99.49%	FC
IRELAND	Sogeti Ireland Ltd.	100.00%	FC
ITALY	Capgemini Italia S.p.A.	100.00%	FC
	Capgemini BST S.p.A.	100.00%	FC
	Capgemini BS Srl	100.00%	FC
JAPAN	Capgemini Japan K.K.	100.00%	FC
LUXEMBOURG	IGATE Technologies Luxembourg S.A.R.L	100.00%	FC
	Sogeti Luxembourg S.A.	100.00%	FC
	Capgemini Reinsurance International S.A.	100.00%	FC
MALAYSIA	Capgemini Services Malaysia Sdn Bhd	100.00%	FC
MEXICO	IGATE Global Solutions Mexico SA de CV	99.49%	FC
	PCS Computer Systems Mexico S.A. de C.V.	99.49%	FC
	Capgemini Mexico S. de R.L. de C.V.	100.00%	FC
MOROCCO	Capgemini Technology Services Maroc S.A.	100.00%	FC

Country	List of the main companies consolidated at December 31, 2015	% interest	Consolidation Method
<b>NETHERLANDS</b>	Dunit B.V.	100.00%	FC
	Capgemini Nederland B.V.	100.00%	FC
	Capgemini Educational Services B.V.	100.00%	FC
	Capgemini N.V.	100.00%	FC
	Sogeti Nederland B.V.	100.00%	FC
<b>NORWAY</b>	Capgemini Norge AS	100.00%	FC
	IBX Norge AS	100.00%	FC
	Sogeti Norge AS	100.00%	FC
<b>PHILIPPINES</b>	Capgemini Philippines Corp.	100.00%	FC
<b>POLAND</b>	Capgemini Polska Sp z o.o.	100.00%	FC
<b>PORTUGAL</b>	Capgemini Portugal, Serviços de Consultoria e Informatica S.A.	100.00%	FC
<b>ROMANIA</b>	Capgemini Services Romania s.r.l.	100.00%	FC
<b>RUSSIA</b>	Datavision NN	100.00%	FC
<b>SAUDI ARABIA</b>	Capgemini Saudi Ltd.	100.00%	FC
<b>SINGAPORE</b>	IGATE Singapore Pte. Ltd.	99.49%	FC
	Capgemini Singapore Pte Ltd.	100.00%	FC
	Capgemini Asia Pacific Pte Ltd.	100.00%	FC
<b>SLOVAKIA</b>	Capgemini Slovensko s.r.o.	100.00%	FC
<b>SPAIN</b>	Capgemini España S.L.	100.00%	FC
	Sogeti España S.L.	100.00%	FC
	Prosodie Ibérica	100.00%	FC
<b>SWEDEN</b>	Capgemini AB	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	IBX Group AB	100.00%	FC
	Sogeti Sverige AB	100.00%	FC
	Sogeti Sverige Mitt AB	100.00%	FC
<b>SWITZERLAND</b>	Capgemini Suisse S.A.	100.00%	FC
	Sogeti Suisse S.A.	100.00%	FC
<b>UNITED ARAB EMIRATES</b>	Capgemini Middle East FZ LLC	100.00%	FC
	Thesys Technologies LLC	49.00%	FC
<b>UNITED KINGDOM</b>	Capgemini UK Plc.	100.00%	FC
	Capgemini Financial Services UK Ltd.	100.00%	FC
	CGS Holdings Ltd.	100.00%	FC
	Sogeti UK Ltd.	100.00%	FC
	IGATE Information Services (UK) Limited	100.00%	FC
	IGATE Computer Systems (UK) Limited	100.00%	FC
<b>UNITED STATES</b>	Capgemini America, Inc.	100.00%	FC
	Capgemini US LLC	100.00%	FC
	Capgemini North America, Inc.	100.00%	FC
	Capgemini Technologies LLC	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Sogeti USA LLC	100.00%	FC
	Capgemini Financial Services International Inc.	100.00%	FC
	Capgemini Financial Services USA Inc.	100.00%	FC
	Capgemini Business Services USA LLC	100.00%	FC
	O2C Pro, LLC	49.00%	EM
	IGATE Corporation	100.00%	FC
	IGATE Technologies Inc.	100.00%	FC
	CHCS Services Inc.	100.00%	FC
	Capgemini Vietnam Co. Ltd.	100.00%	FC