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# MANAGEMENT REPORT

PRESENTED BY THE BOARD OF DIRECTORS TO THE COMBINED  
SHAREHOLDERS' MEETING OF MAY 26, 2011

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## 4.1 General comments on the Group's activity over the past year

The contraction in demand for consulting and IT services witnessed in 2009 (and which accelerated towards the end of the year) continued at the beginning of 2010 and weighed on annual growth in the sector. Nonetheless, an improvement was perceptible from the end of Spring, enabling a return to growth in the second half of the year. This recovery was not however enjoyed across the board. While financial services reported good growth from the beginning of 2010, the public sector remained depressed. Geographically, the emerging countries followed by North America were the quickest regions to capitalize on this recovery. By the end of the year, all the regions where the Group is present reported business growth.

In this context, Capgemini Group reported revenues of €8,697 million, up 3.9% on published figures for last year, but down 1.1% like-for-like (that is at constant Group structure and exchange rates) - two-thirds of the difference between these two rates is attributable to the appreciation of the U.S. dollar and the pound sterling. This decrease had a relatively limited impact on Group profitability, as the operating margin rate was 6.8%, (down 0.3 points) and the operating margin (operating profit as a percentage of revenues) increased significantly (+1.6 points to 5.6%) thanks to a marked decrease in restructuring costs.

The net financial expense of €87 million reported a slight improvement on last year (down €6 million). The income tax expense totaled €124 million (compared to €61 million last year) and now includes the Corporate Value-Added Contribution in the amount of €25 million in 2010. These two line items (representing a total of €211 million), include purely accounting entries not involving a cash outflow in the amount of €118 million (i.e. 56%): €65 million of the net financial expense of €87 million and €53 million of the income tax expense of €124 million. Profit for the year attributable to owners of the Company totaled €280 million, up 57% on 2009.

The Group generated "organic free cash flow<sup>1</sup>" of €359 million. Despite a few small acquisitions in Europe and a more significant transaction in Brazil, net cash and cash equivalents still totaled €1,063 million at December 31, 2010 compared to €1,269 million at December 31, 2009.

### OPERATIONS BY MAJOR REGION

First and foremost, it should be noted that:

- overall, Europe represents more than three-quarters of Group revenues (exactly 76.2%)
- the four main group regions – which are in order: France, the UK, North America and Benelux – together account for nearly 79% of revenues.

**France** just managed to retain its number one spot among the Group's regions in terms of revenues (€1,931 million, or 22.2% of the Group total) despite a slight downturn in business of 1% on last year. Technology Services reported a downturn over the year as a whole, despite a recovery in the fourth quarter. Outsourcing Services also reported a slight drop, primarily due to a reduction in business volume on a major contract, which was both programmed and in line with forecasts. Local Professional Services (Sogeti) remained stable for the year (but recorded a marked acceleration in the second half). Consulting Services enjoyed modest but steady growth over the year. Overall, France reported a slight increase in operating margin to €127 million (6.6% of revenues, essentially equal to the Group average).

The **United Kingdom and Ireland** reported revenues of €1,912 million in 2010 (22% of the Group total), down 1.4% like-for-like. This downturn was due in particular to the cost reduction plan in the UK public sector, which represents nearly three-quarters of our business across the Channel. Outsourcing Services remained virtually stable thanks to the ramp up of new clients and the rapid expansion of BPO. The operating margin was €150 million (7.9% of revenues), down one point on 2009.

**North America** reported revenues of €1,665 million in 2010 (19.1% of the Group total), generated €1,385 million in the United States and €280 million in Canada. Down 2.9% like-for-like, revenues rose 4.7% on published figures, due to the appreciation of the US dollar and the Canadian dollar. The most cyclical businesses (Consulting Services, Technology Services and Local Professional Services) increased over 10%. In Technology Services, the financial sector remained extremely dynamic, posting organic growth in excess of 35%. Outsourcing Services was penalized, as forecast, by the substantial downsizing of a major contract in its final phase, although business remained virtually stable over the fiscal year. Profitability increased slightly in the region (up 0.3 points to 5.2%), thanks to an improvement in margins realized on cyclical businesses.

**Benelux** (the Group's fourth region with revenues of €1,314 million, 16% of the Group total) suffered a sharp drop in revenues like-for-like (6.7%) and of 6% on published figures. The decrease was greatest in the cyclical businesses (Consulting Services, Technology Services and Local Professional Services) which fell nearly 10%. The Group's high exposure to the public sector, which accounts for close to one-third of its activity, was unfavorable to the Group in 2010. Outsourcing Services resisted better, reporting steady growth. Furthermore, the

<sup>1</sup> "Organic free cash flow" is equal to cash flow from operations less acquisitions of property, plant and equipment and intangible assets (net of disposals) and adjusted for flows relating to the net interest cost (as presented in the Consolidated Statement of Cash Flows).

region continued to post a high operating margin of €127 million, representing 9.7% of revenues and up one point on last year. After the substantial drop in the margin rate in 2009, the region managed to improve its profitability rate. The greatest margin improvements were achieved in Belgium by financial services and outsourcing services.

The **Italy/Spain/Portugal and Latin America** region reported totaled revenues of €599 million (6.9% of total Group revenues) representing a surge of 38.1%, largely driven by the consolidation of CPM Braxis in our accounts in the fourth quarter. At 3.1%, the operating margin remains low, but improved 0.8 points.

The **Nordic countries** (Sweden, Denmark, Norway and Finland) reported revenues of €543 million (6.2% of the Group total), up 11.3% on 2009 (but down 1% after adjustment for the acquisition of IBX and Skvader and exchange rate impacts). The increase in Sogeti's business was insufficient to offset the downturn in Technology Services. Outsourcing Services reported a slight rise, but remain marginal in this region. Overall, profitability was 6.6% down 0.7 points, with a drop in Sogeti's margin this year despite fairing best in the region.

Activity in the **Germany/Central Europe** region (Switzerland, Austria and Eastern European countries) stabilized after a difficult 2009: revenues totaled €534 million, up 0.5% on 2009 (but down 1.9% like-for-like), and represented 6.1% of total Group revenues. Consulting Services fell back, however Technology Services, which account for over two-thirds of business in this region, enjoyed a return to growth from the second half. Profitability was 9%, a quite satisfactory level despite a 0.7 points fall on last year.

The **Asia/Pacific** region (€199 million, 2.3% of Group revenues) is in a period of strong growth (+53.8% and 29.3% like-for-like), with the substantial increase in the various regional currencies accounting for most of the difference between these two rates, supplemented by the impact of two modest acquisitions. The operating margin (€61 million) cannot be compared directly to revenues, as only sales to local clients are recognized in this region, with internal sub-contracting revenues for clients belonging to other Group regions recorded in the accounts of the region which invoices the client. Nonetheless, part of the margin realized with certain clients of other regions is recorded in the accounts of the Asia/Pacific region, making a direct interpretation of profitability figures for the different regional components impossible.

## OPERATIONS BY BUSINESS

**Technology Services** (41.5% of Group revenues) remains the Group's powerhouse, reporting like-for-like growth of 1.6%. Growth accelerated significantly in the second half, resulting in renewed recruitment but also a slight downturn in the utilization rate (79% at the year-end, 2 points below the end-2009 rate).

Prices resisted well and stabilized towards the end of the year. At 6.7%, the operating margin is down 0.2 points on 2009, as the average cost of an employee increased slightly faster than prices invoiced.

**Outsourcing Services** (36.3% of total revenues) reported a drop of 3.2% like-for-like. This business was affected by a major contract in the United States entering the final phase and the austerity plan decided by the British government. The operating margin remained stable at 7.1%.

**Local Professional Services** (Sogeti) is the third largest Group business, with revenues equal to 16.3% of total revenues, down 0.3% like-for-like, with once again a return to growth in the second half of the year. The utilization rate returned to a satisfactory level at the year-end (82.5%) and prices improved steadily throughout the period. Nonetheless, the operating margin fell 0.5 points to 9.2%, suffering from reduced business activity in the Netherlands where profitability was always above-average.

**Consulting Services**, down 7.5% like-for-like, now represents only 5.9% of Group revenues. The primarily victim of public sector budget cuts, it was the only one of the four businesses not to enjoy a return to growth in the last quarter. The 4.7% reduction in the headcount year-on-year enabled the utilization rate to remain high (66% in the fourth quarter), while selling prices stabilized and even increased slightly at the year-end, enabling Consulting Services to report the best operating margin for the year as a whole (10.9 %, down 0.5 points on 2009).

## HEADCOUNT

At December 31, 2010, the total Group headcount was 108,698 compared to 90,516 one year earlier. This 18,182 increase in employee numbers (+20.1%) reflects:

- 37,719 additions, comprising:
  - 30,140 new hires (15,417 in India, 3,426 for Sogeti and 1,022 in Poland...);
  - and 7,579 transfers during the year in connection with (i) acquisitions (particularly the 5,487 employees of CPM Braxis, the acquisition of which enabled the Group to increase its headcount in Brazil tenfold and (ii) employee transfer clauses contained in certain Outsourcing Services contracts;
- and 19,537 departures comprising:
  - 16,230 resignations (16.6% of the average headcount for the fiscal year);
  - 132 transfers outside the Group following business divestments or at the end of certain Outsourcing Services contracts;
  - 3,175 layoffs and unsuccessful trial periods.

## ORDER BOOK

New orders recorded totaled €9,863 million, up 9.1% (like-for-like) on last year. Bookings were particularly satisfactory in Outsourcing Services (+16%) and were maintained at a good level in the three other businesses where the book-to-bill ratio exceeded 1.13.

## OTHER SIGNIFICANT EVENTS IN 2010

**On February 2, 2010**, Capgemini acquired the Swedish company IBX, a specialist in the supply of online purchasing solutions. Capgemini and IBX – who have worked together since the summer of 2009 - created the first integrated Procurement-as-a-Service offering, opening up IBX's tried-and-tested technology to new markets. The acquisition added IBX's strength in software-as-a-service purchasing technology to Capgemini's global sourcing, business process outsourcing expertise.

**On May 27, 2010**, the Board of Directors of Capgemini, chaired by the oldest member present (Mr. Michel Jalabert), and held after the Combined Shareholders' Meeting of that morning in Paris, unanimously decided:

- to reappoint Mr. Serge Kampf as Chairman,
- to confer the title of Vice-Chairman on Mr. Paul Hermelin, while confirming him in his duties as Chief Executive Officer.

**On June 21, 2010**, the Metropolitan Police Service (MPS), the largest police service operating in Greater London, extended its contract with Capgemini UK plc, its main information and communications technology partner, until December 2015. This contract is expected to provide the MPS with estimated savings of £43m in IT resources supporting the day-to-day work of London's 55,000 police officers, staff and community support officers.

**On July 27, 2010**, Royal Mail Group Limited, the national postal service of the United Kingdom, signed a six-year "cloud computing" contract for the management of its various IT services. The primary aim of this contract is to enable RMG to transform its business and consumer online services, while reducing its website operating costs. Royal Mail also wishes to diversify its portfolio of online services without the delays and expense of traditional IT.

**On September 2, 2010**, Capgemini announced the signature of an agreement with the shareholders of CPM Braxis enabling it to acquire a 56.06% interest in the share capital of this company. In a market dominated by subsidiaries of major US players (IBM, HP, etc.), CPM Braxis is the leading Brazilian IT services company. With a client base of major Brazilian and international companies, particularly in the financial sector, CPM Braxis reported 2010 revenues of €426 million. This acquisition enabled Capgemini to considerably boost its presence in Brazil, one of the highest-potential markets in the world for IT services.

**On September 13, 2010**, Capgemini signed a Memorandum of Understanding (MOU) with the Cabinet Office of the British Prime Minister, which recognized the quality of services rendered by the Group to the government in recent years. The MOU confirmed that Capgemini will continue to provide, as planned, all services detailed in previous contracts, as well as a range of additional services which enabled the group to commit to the realization by the British government of substantial savings.

**On September 22, 2010**, Capgemini Outsourcing Services S.A.S. announced the signature of a long-term contract with Nokia Siemens Networks (NSN), a leading global provider of telecommunication services, for the management of its entire customer order system. NSN will benefit from Capgemini's expertise in the telecommunication sector and its experience in supply-chain business processing outsourcing (BPO).

**On October 6, 2010**, Capgemini Government Solutions LLC, the Capgemini Group US subsidiary, signed a seven-year framework agreement with the General Services Administration (GSA) Federal Systems Integration and Management Center (FEDSIM). Under this \$100 million (€73 million) contract, Capgemini will provide the United States Department of Agriculture (USDA) with Independent Verification & Validation (IV&V) support services for its enterprise resource planning (ERP) systems.

**On December 15, 2010**, Capgemini announced the acquisition in Germany of CS Consulting, one of the leading providers of consulting services in the banking and insurance sector. With a history of above market average growth, CS Consulting reported revenues of €47.4 million in 2009 with an adjusted operating margin of 12.6%. It specializes in the migration of core banking systems and the implementation of business intelligence solutions and has a highly experienced team of over 400 consultants.

## 4.2 Comments on the Capgemini Group Consolidated Financial Statements and outlook for 2011

### CONSOLIDATED INCOME STATEMENT

Consolidated revenues totaled €8,697 million for the year ended December 31, 2010, up 3.9% on published figures but down 1.1% like-for-like, while operating expenses increased 4.3% to €8,110 million.

An analysis of costs by nature reveals:

- an increase of €342 million (7.1%) in personnel costs, nonetheless lower than the increase in the average headcount (97,571 employees in 2010 compared to 90,238 in 2009, +8.1%). This was due to strong "offshore" recruitment, particularly in India: at December 31, 2010, the Asia/Pacific region comprised 33,655 employees (31% of the total headcount) compared to 24,008 (26%) one year previously, representing growth of 40%. This marked increase in the number of employees in so-called "low salary" countries did not however generate a significant decrease in the average Group annual salary, which fell 1% from €53,758 to €53,223.
- a decrease of 1.4 points in the "purchases/sub-contracting" account (23.5% of revenues compared to 24.9% last year).
- an increase of 12% in travel expenses to €370 million (4.25% of revenues, up 0.3 points on last year).
- a decrease of 7.2% in rent and local taxes (3.2% of revenues).

An analysis of costs by function reveals that:

- the cost of services rendered increased €265 million to €6,631 million, but remained virtually stable in proportion to revenues, giving a gross margin of 23.8% (compared to 23.9% in 2009);
- selling costs increased over 8% to €680 million and represent 7.8% of revenues compared to 7.5% in 2009;
- general and administrative expenses (€799 million) increased only 2.3% and remained approximately stable in proportion to revenues (9.2%).

It should be noted that the total amount of "travel expenses" plus "selling costs" increased 9.1%, compared to an increase of only 3.9% in revenues.

The **operating margin** is €587 million and represents 6.8% of revenues compared to €595 million and 7.1% of revenues last year.

**Other operating income and expenses** represented an overall net expense of €98 million in 2010 compared to €262 million last year. This €164 million decrease was mainly due to the reduction in restructuring costs which fell from €213 million to €71 million.

**Operating profit** is €489 million and represents 5.6% of revenues, compared to €333 million and 4% of revenues last year.

The **net financial expense** is €87 million in 2010, down €6 million on 2009: the decrease in the net interest cost on defined-benefit pension plans more than offset the increase in the interest expense resulting from the consolidation of CPM Braxis borrowings.

The **income tax expense** is €124 million (compared to €61 million last year), including a current income tax expense of €71 million (€24 million in 2009) and deferred tax of €53 million (€37 million in 2009). The effective tax rate is therefore 30.9% in 2010 (compared to 25.5% in 2009), with the increase primarily attributable to the new Corporate Value-Added Contribution (*Contribution sur la Valeur Ajoutée des Entreprises, CVAE*) paid in France.

**Profit for the year attributable to owners of the Company** is €280 million in 2010, up 57% on the profit of €178 million realized in 2009. Earnings per share is €1.80 based on 155,770,362 shares outstanding at December 31, 2010, compared to €1.16 based on 154,177,396 shares outstanding at December 31, 2009.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Equity attributable to owners of the Company** totaled €4,314 million at December 31, 2010, representing an increase of €101 million on December 31, 2009. This increase was mainly due to:

- profit for the year of €280 million,
- share capital increases resulting from the exercise of stock options (€46 million) and the matching entry to the expense relating to stock option and share grants (€15 million),
- the recognition in equity of actuarial losses on provisions for pensions and other post-employment benefits, net of deferred tax (€101 million) and fair value gains on cash flow hedges in India, net of deferred tax,
- the increase in translation reserves of €158 million,
- the payment to shareholders of the 2009 dividend (€0.80 per share, or €122 million in total)
- finally the recognition (as a deduction from reserves) of the call option granted to CPM Braxis minority shareholders over their residual 43.94% shareholding (in the amount of €185 million at December 31, 2010).

**Non-current assets** increased €589 million on December 31, 2009, mainly due to:

- an increase of €451 million in goodwill as a result of:
  - acquisitions performed during the year (€329 million in total, including €226 million relating to the acquisition of CPM Braxis) and
  - translation gains on existing goodwill balances denominated in US dollar and pound sterling (€122 million),
- a net increase in intangible assets (€53 million, including €42 million relating to the acquisition of CPM Braxis),
- a net increase of €78 million in property, plant and equipment, representing the difference between assets inherited from companies acquired during the year (€169 million) and assets "brought into the scope of consolidation" (€37 million), partially offset in the amount of €142 million by the depreciation charge for the period and some minor disposals.

**Non-current liabilities** increased €370 million at December 31, 2010 (to €2,376 million from €2,006 last year), chiefly due to:

- a slight increase (€45 million) in long-term borrowings,
- an increase of €124 million in provisions for pensions and other post-employment benefits, following a net actuarial loss of €127 million in 2010, recognized mainly in the United Kingdom and Canada and due to the decrease in the discount rate applied to obligations at December 31, 2010, very partially offset by the increase in the value of plan assets following the rally in the financial markets during the year.
- the recognition of the call option granted to CPM Braxis minority interests over their residual 43.94% shareholding in the amount of €185 million.

**Operating receivables** (accounts and notes receivable) totaled €2,371 million at December 31, 2010, compared to €2,067 million at December 31, 2009. This increase of nearly 15% was mainly due to the consolidation of CPM Braxis (€140 million) and the impact of foreign currency translation (€66 million). Accounts receivable net of advances from clients and amounts billed in advance totaled €1,678 million at December 31, 2010, compared to €1,406 million at December 31, 2009 and represented 66 days annual revenue (compared to 60 days at December 31, 2009).

**Operating liabilities** consisting mainly of accounts payables and related accounts, amounts due to members of personnel and accrued taxes (other than on income), totaled €2,305 million at December 31, 2010, up €279 million on December 31, 2009, with half of this increase attributable to the consolidation of CPM Braxis (€134 million).

**Consolidated net cash and cash equivalents** totaled €1,063 million at December 31, 2010, compared to €1,269 million at December 31, 2009. This decrease of €206 million was mainly due to:

- cash generated by operating activities of €503 million, the cash flow from operations (€628 million) having been reduced by a €73 million increase in working capital requirements and income tax paid of €52 million; after interest paid (€11 million) and purchases of property, plant and equipment and intangible assets, net of disposals (€133 million), "organic free cash flow" generated in 2010 totaled €359 million (compared to €396 million in 2009 and €463 million in 2008)
- the payment to shareholders of the 2009 dividend (€122 million), partially offset by the proceeds of share capital increases of €46 million,
- cash outflows relating to acquisitions, net of cash and cash equivalents acquired, of €218 million and concerning:
  - CPM Braxis in the amount of €99 million; the cash outflow of €227 million was partially offset by cash and cash equivalents acquired (€12 million) and €116 million received by CPM Braxis in respect of the share capital increase performed at the same time as the acquisition,
  - other acquisitions (primarily IBX Group AB and SSS Holdings Corporation Ltd.) for a total amount of €119 million (net of cash and cash equivalents acquired),

- a net increase in borrowings of €332 million, attributable €236 million to CPM Braxis borrowings assumed on acquisition,
- a positive exchange rate impact on net cash and cash equivalents of €72 million.

## OUTLOOK FOR 2011

Fiscal year 2011 will benefit from the continued recovery first felt at the end of 2010 and investment performed by the Group to maximize its growth potential in the most promising markets. On January 1, 2011, Capgemini adopted a new organizational structure aimed at strengthening the Group's leadership. The applicative maintenance business was merged with Technology Services to extend customer relations across all service offerings. Business process outsourcing (BPO) was awarded the status of major business unit and aims to achieve double-digit growth by developing its offering beyond its traditional market base (finance and accounting). Infrastructure services also became an independent division, to strengthen higher-margin design and development services, upstream of infrastructure management. Finally, Consulting Services, heavily affected in 2010 by weak public sector demand, should enjoy a progressive return to growth with the roll-out of its "digital transformation" offering.

The Group will continue to position itself in the most promising market segments, with the launch of new global service lines (as announced in 2010 in energy and the management of smart meter pools).

Capgemini will step up its rate of recruitment, particularly in Europe and North America where net growth in the headcount was limited in 2010. These new recruits, with a lower level of experience than the Group average, will have a positive impact on the Group's operating margin.

Finally, after the integration of CPM Braxis which will contribute to the Group's growth, Capgemini will continue its geographical expansion through acquisitions in high economic growth regions and in target market sectors in Western countries.

The Group forecasts revenue growth of between 9% and 10% on published figures and an operating margin up 0.5 to 1 points on that realized in 2010. Given the investment that will be necessary to support this growth and faster or slower rates of improvement in the business environment depending on the country and the business, this revenue growth and improvement in the Group's operating margin rate is likely to be achieved gradually over the whole year.

## 4.3 Comments on the Cap Gemini S.A. Financial Statements

### INCOME STATEMENT

The Company reported operating income for the year ended December 31, 2010 of €202 million (including €201 million in royalties received from subsidiaries) compared to €199 million last year (including €198 million in royalties).

Operating profit is stable at €165 million, compared to €164 million in 2009.

The net financial expense is €41 million, compared to net financial income of €31 million in 2009 and reflects:

- income of €77 million, mainly comprising dividends received from subsidiaries (€53 million), interest income on cash investments (€9 million), interest on loans granted to certain subsidiaries (€6 million) and finally provision reversals (€6 million),
- expenses of €118 million, mainly comprising the interest expense on 2005 and 2009 OCEANE bond issues (€24 million), the amortization of the 2005 OCEANE bond redemption premium (€9 million) and charges to provisions for investments in subsidiaries in France (€41 million) and the Asia-Pacific region (€38 million).

This downturn of €72 million year-on-year was due to increased charges to provisions for investments in subsidiaries (€79 million in 2010 compared to only €18 million in 2009) and the fall in rates of return on cash investments.

After a net non-recurring expense of €2 million and income tax income of €16 million, the Company reported a net profit of €137 million, down €87 million (39%) on 2009 (€224 million).

### BALANCE SHEET

Net investments rose from €8,181 million last year to €8,523 million at December 31, 2010. This €342 million increase is mainly attributable to:

- the share capital increase performed by a French subsidiary in the amount of €237 million, to fund the acquisition of the Brazilian company, CPM BRAXIS;
- share capital increases performed by two European subsidiaries in the total amount of €36 million (€30 million in Sweden and €6 million in Italy);
- share capital increases performed by two subsidiaries located outside the euro zone in the total amount of €7 million (€6 million in Singapore and €1 million in Guatemala);
- the exercise by Capgemini of the put option over the residual 49% shareholding in Capgemini Business Services (India) Ltd (formerly Hindustan Lever Limited) in the amount of €15 million;
- several loans granted to certain subsidiaries in the amount of €173 million (including €125 million to the US subsidiary and €32 million to the Swedish subsidiary);
- partial or full repayment of loans granted to several subsidiaries in the total amount of €49 million;

- charges to provisions for investments in subsidiaries of €79 million.

Shareholders' equity is €8,197 million, up €63 million on last year. This rise essentially corresponds to the difference between:

- profit for 2010 (€137 million) plus an amount of €47 million paid to the Company on the exercise of 1,592,966 stock options by Group employees;
- and the June 3, 2010 dividend payment of €0.80 per share on the 154,177,396 shares making up the Company's share capital at December 31, 2009, representing a total payment of €122 million (taking into account the 2 million treasury shares held by the Company at the dividend payment date).

Borrowings totaled €1,418 million at December 31, 2010, down €261 million compared to December 31, 2009. This improvement was mainly due to:

- the redemption at par and in cash on January 4, 2010 of 3,861,116 bonds convertible/exchangeable into new or existing Cap Gemini shares issued in 2003 (OCEANE 2003 bond issue) in the amount of €197 million;
- the €47 million reduction in bank overdrafts following the change in the Group's cash pooling position (Cash Pooling International), for which the Company acts as the centralizing entity;
- finally the reduction in the Group's outstanding inter-company loans in the amount of €28 million.

Cash and cash equivalents net of borrowings remained negative at December 31, 2010, in the amount of €451 million. The net position was already negative at December 31, 2009, but only in the amount of €140 million. This downturn of €311 million was mainly due to:

- payments relating to share capital increases carried out by several subsidiaries in the amount of €295 million,
- the net cash outflow on loans granted to certain subsidiaries in 2010, net of repayments received of €124 million,
- payment of the 2009 dividend for €122 million,
- the collection of brand royalties for €204 million,
- the collection of €47 million on the exercise of stock options,

At December 31, 2010, external accounts payable of Cap Gemini S.A. totaled €1.375 million, of which €1.249 million was not yet due. Group accounts payable not yet due totaled €7.985 million.

In addition, it should be noted that in June 2010, Capgemini Finance et Services S.A.S, a subsidiary of Capgemini France S.A.S. acquired Plaisir Informatique, a French company specializing in complex data migration in the Banking & Insurance sector.

## APPROPRIATION OF EARNINGS

During its meeting of February 16, 2011, the Board of Directors decided to recommend to the next Ordinary Shareholders' Meeting, the following appropriation of net profit for the year:

|                                                                     |                        |
|---------------------------------------------------------------------|------------------------|
| Net profit for 2010                                                 | €136,889,010.10        |
| Allocation to the legal reserve which would then be entirely funded | (€1,274,372.80)        |
| i.e. a balance of                                                   | €135,614,637.30        |
| Retained earnings of previous years                                 | €405,692,062.74        |
| i.e. distributable earnings at December 31, 2010 of                 | <b>€541,306,700.04</b> |
| Therefore allocated to:                                             |                        |
| • payment of a dividend of €1 per share:                            | €155,770,362.00        |
| • retained earnings for the balance:                                | €385,536,338.04        |
| Giving a total of                                                   | <b>€541,306,700.04</b> |

This dividend of €1 for each of the 155,770,362 shares bearing dividend rights on January 1, 2010, will be fully eligible for the 40% tax rebate referred to in Article 158.3.2 of the French Tax Code (*Code Général des Impôts*). Taking account of the recommendations of certain investors, and so as not to encourage security lending/borrowing transactions around the date of the Combined Shareholders' Meeting, the Board of Directors proposes an ex-dividend date of June 6, 2011 and a dividend payment date of June 9, 2011. If, at the time of payment of the dividend, the Company still holds some of its own shares, the dividend amount for these shares will be allocated to retained earnings. Furthermore, pursuant to Article 243 bis of the French Tax Code, dividends paid over the past three fiscal years were as follows: €123,341,916.80 for 2009 (€0.80 per share); €145,844,938 for 2008 (€1 per share); €145,425,510 for 2007 (€1 per share). All of these dividends were fully eligible for the 40% tax rebate set out in Article 158.3.2 of the French Tax Code.

## AMENDMENT OF THE TOTAL AMOUNT OF ATTENDANCE FEES

The Ordinary Shareholders' Meeting of May 11, 2006 set at €700,000 the total annual amount of attendance fees allocated to the Board of Directors. Since this date (that is during the last five years) your Board of Directors has never requested the amendment of this ceiling, despite:

- cumulative inflation over the last five years being close to 10%
- the increasing importance of Board Committees resulting in a marked increase in both the number of meetings and attendance rates: in this way 14 committee meetings were held

in 2005 with 55 participants, compared to 21 meetings in 2010 with 93 participants, an increase of 69%!

The Board of Directors will therefore ask the next Ordinary Shareholders' Meeting to accept an increase in this ceiling of €100,000, partly to take account of inflation and partly to reflect the increase in the number of meetings.

## SHARE CAPITAL AND OWNERSHIP STRUCTURE

In 2010, the Company's share capital was increased on several occasions from €1,233,419,168 to €1,246,162,896 following the exercise of 1,592,966 stock options granted previously to Group employees.

Pursuant to Article L. 233-13 of the French Commercial Code (*Code de commerce*), the Board of Directors informs shareholders that, based on notifications received during the year, a single shareholder (AllianceBernstein L.P.) held more than 5% of the Company's share capital and voting rights at the year end.

During the fiscal year, Amundi, acting on its own behalf and on behalf of Société Générale and Etoile Gestion, reported that it successively exceeded on May 20, 2010 and then fell below on July 23, 2010 this 5% threshold.

The breakdown of the Company's share capital as known at December 31, 2010 is provided on page 221 of this Reference Document.



## AUTHORIZATION TO BUY BACK THE COMPANY'S SHARES

Shareholders are reminded that last year, the Ordinary Shareholders' Meeting renewed the authorization granted to the Company to buy back its shares. This authorization was used in 2010 in connection with the liquidity agreement entered into on September 2005 with CA Cheuvreux and transferred to Oddo Corporate Finance with effect from February 15, 2010. The purpose of this agreement is to improve the liquidity of the Cap Gemini share and stabilize the share price. In 2010, CA Cheuvreux and then Oddo Corporate Finance, acquired a total of 4,790,071 Cap Gemini shares on behalf of Cap Gemini S.A., at an average price of €36.07 per share, representing 3.09% of the share capital at December 31, 2010. During the same period, they also sold 4,736,071 Cap Gemini shares at an average price of €36.18 per share, representing 3.05% of the share capital at December 31, 2010. At the year-end, the liquidity account balance comprised 175,000 treasury shares (0.11% of the share capital) and approximately €9 million.

Shareholders are reminded that Cap Gemini S.A. purchased 2,000,000 of its own shares, representing 1.3% of the share capital, between January 17 and January 25, 2008, at an average price of €34.48 per share. These purchases were aimed at neutralizing part of the potential dilution relating to employee share-based incentive instruments.

Overall, the Company therefore held 2,175,000 of its own shares at December 31, 2010, representing €75,972,750 based on the closing price of the Cap Gemini share on December 31, 2010 (€34.93).

As the authorization granted by the Ordinary Shareholders' Meeting last year is only valid for 18 months, we are asking shareholders to replace last year's authorization with a similar authorization to allow the Company to:

- provide market-making and liquidity for the Cap Gemini share within the scope of a liquidity agreement;
- grant shares to employees and corporate officers, on the terms and by the methods provided for by law, concerning the grant of performance shares or the set-up of a company savings plan or an international employee share ownership plan;
- grant shares to holders of securities conferring entitlement to the capital of the Company upon exercise of the rights attached thereto in accordance with the applicable regulations;
- purchase shares to be retained with a view to remitting them in the future in exchange or payment for potential external growth transactions;
- to propose at a later date to a Shareholders' Meeting the adoption of an extraordinary resolution cancelling some or all of the shares purchased;

To this end, the Board of Directors is seeking an authorization for the Company to buy back shares during the next eighteen months, representing up to 10% of its share capital and at a

maximum price of €55 per share, these purchases taking place within the scope of:

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

## STOCK OPTIONS

The last stock option plan authorized by the Extraordinary Shareholders' Meeting of May 12, 2005 (the 6th plan), expired on July 12, 2008. As the Board of Directors has not since sought the plan's renewal, no new stock options were therefore granted by the Board during fiscal year 2010.

The Board of Directors would remind shareholders that in the event of a notice of authorization of a takeover bid or exchange offer for some or all of the Company's shares published by the Eurolist market of Euronext Paris S.A., Group employees who still hold such bonds will be entitled, if they so wish, to exercise all of their remaining unexercised options immediately without waiting for the end of the vesting period specified at the time of grant.

As already indicated above, 1,592,966 shares were subscribed (483,115 shares on exercise of options granted under the 5th Plan and 1,109,851 shares on exercise of options granted under the 6th Plan). No further shares may be subscribed under the first four plans, for which the subscription periods expired on November 1, 1995, April 1, 1999, April 1, 2002, and December 1, 2006, respectively.

## INTERNATIONAL EMPLOYEE SHAREHOLDING SYSTEM

In application of the provisions of Article L.225-102 of the French Commercial Code, the Board of Directors informs you that, at December 31, 2010, employees and corporate officers who subscribed to the share capital increase performed on December 16, 2009 pursuant to the 13<sup>th</sup> resolution adopted by the Combined Shareholders' Meeting of April 30, 2009 and under a Capgemini Group Savings Plan, together held 3.53% of the Company's share capital. Shareholders are reminded that around 14,000 Group employees in 19 countries subscribed to this share capital increase, either directly or indirectly through a French collective employee shareholding vehicle (FCPE).

As part of its policy to motivate employees and align their interests with those of shareholders, the Board of Directors wishes to continue providing a large number of employees with access to the share capital of the Company, while complying with the legislation of the countries in which the Group operates. To this end, the Board of Directors asks you today to delegate

to it the necessary powers to perform a share capital increase by issuing shares reserved for members of a Group Company Savings Plan (*Plan d'Épargne d'Entreprise*, PEE). This delegation, covering a maximum of 6,000,000 shares, is the subject of two resolutions. The first resolution for a period of 26 months is completed by a second resolution for a period of 18 months, which seeks to enable employees of certain foreign companies whose registered office is located in a country where legal or tax regulations complicate the implementation of an employee shareholding structure, to benefit from an employee shareholding transaction under economic terms and conditions comparable to those offered to other employees.

### **ISSUE OF REDEEMABLE SHARE SUBSCRIPTION OR PURCHASE WARRANTS (BSAAR)**

In order to associate senior executives and key managers in the development of the Group, we seek your authorization to issue redeemable share subscription or purchase warrants (BSAAR) to employees or corporate officers of the Group. The implementation of this authorization – for a period of 18 months commencing the date of the Combined Shareholders' Meeting – could therefore lead in the future to the issue, without preferential subscription rights for shareholders, of a maximum of 1 million shares (approximately 0.6% of the share capital at December 31, 2010), representing a maximum par value amount of €8 million. Your Board of Directors will draw up at the appropriate time, a precise list of the persons authorized to subscribe for the warrants, the number of warrants that may be subscribed by each beneficiary, the exercise price of the warrants to be issued (which must be at least equal to 120% of the reference share price) and the other characteristics of the instrument, together with the terms and conditions of the issue contract. In addition, the Board will set the subscription price after consulting an independent expert, based on the usual factors influencing its value.

### **PERFORMANCE SHARE GRANT**

We would remind you that the Combined Shareholders' Meeting of April 30, 2009 authorized the Board of Directors to grant performance shares during a period of 18 months (i.e. to October 31, 2010). Pursuant to this authorization, on October 1, 2010 the Board of Directors granted 1,555,000 shares, representing 1% of the share capital at the date of the Board of Director's decision (this percentage complies with the 1% maximum set by the authorization granted). This share grant was the only such grant performed pursuant to this authorization, which is no longer valid.

In order to continue its policy of motivating employees and associating them in the development of the Group, your Board of Directors asks you today to authorize it to perform over the next 18 months, an additional performance share grant (subject to external and internal performance conditions), for up to a maximum amount of 1 million shares with a par value of €8 each.

## COMPENSATION OF THE TWO EXECUTIVE CORPORATE OFFICERS

| (gross amounts)              |                     | Compensation in respect of 2009 |                |                  | Compensation in respect of 2010 |              |                |
|------------------------------|---------------------|---------------------------------|----------------|------------------|---------------------------------|--------------|----------------|
|                              | Total 2008 reminder | Paid in 2009                    | Paid in 2010   | 2009 Total       | Paid in 2010                    | Paid in 2011 | 2010 Total     |
| <b>Serge Kampf: Chairman</b> |                     |                                 |                |                  |                                 |              |                |
| Gross fixed compensation     | 840,000             | 840,000                         | -              | 840,000          | 960,000                         | -            | 960,000        |
| Variable compensation        | 617,000             | -                               | 399,000        | 399,000          | -                               | -            | -              |
| Exceptional compensation     | 0                   | 0                               | 0              | 0                | 0                               | 0            | 0              |
| Attendance fees              | 70,000              | 0                               | 0              | 0                | 0                               | 0            | 0              |
| Benefits in kind             | 0                   | 0                               | 0              | 0                | 0                               | 0            | 0              |
| Value of options granted     | 0                   | 0                               | 0              | 0                | 0                               | 0            | 0              |
| Value of performance shares  | 0                   | 0                               | 0              | 0                | 0                               | 0            | 0              |
| <b>TOTAL</b>                 | <b>1,527,000</b>    | <b>840,000</b>                  | <b>399,000</b> | <b>1,239,000</b> | <b>960,000</b>                  | <b>-</b>     | <b>960,000</b> |

|                                               | Total 2008 reminder | Paid in 2009     | Paid in 2010   | 2009 Total       | Paid in 2010     | Paid in 2011   | 2010 Total       |
|-----------------------------------------------|---------------------|------------------|----------------|------------------|------------------|----------------|------------------|
| <b>Paul Hermelin: Chief Executive Officer</b> |                     |                  |                |                  |                  |                |                  |
| Gross fixed compensation                      | 1,320,000           | 1,320,000        | -              | 1,320,000        | 1,320,000        | -              | 1,320,000        |
| Variable compensation                         | 982,800             | -                | 624,500        | 624,500          | -                | 834,680        | 834,680          |
| Exceptional compensation                      | 0                   | 0                | 0              | 0                | 0                | 0              | 0                |
| Attendance fees                               | 48,000              | 0                | 0              | 0                | 0                | 0              | 0                |
| Benefits in kind                              | 3,600               | 3,600            | -              | 3,600            | 3,600            | -              | 3,600            |
| Value of options granted                      | 0                   | 0                | 0              | 0                | 0                | 0              | 0                |
| Value of performance shares                   | 0                   | 0                | 0              | 0                | 0                | 0              | 0                |
| <b>TOTAL</b>                                  | <b>2,354,400</b>    | <b>1,323,600</b> | <b>624,500</b> | <b>1,948,100</b> | <b>1,323,600</b> | <b>834,680</b> | <b>2,158,280</b> |

### 2009 Compensation

The Board reminds readers that Serge Kampf and Paul Hermelin, aware of the impact of the results of numerous Group subsidiaries – below budgets set at the beginning of the year – on the variable compensation of their managers, had proposed to symbolically waive 20% of their own variable compensation. The Board having thanked them for this proposal, had finally accepted it after discussion and therefore had reduced the 2009 variable compensation:

- of Mr. Kampf from €498,708 (calculation result) to €399,000 euros, i.e. 71.2% of the theoretical amount
- of Mr. Hermelin from €780,604 (calculation result) to €624,500, i.e. 71.0% of the theoretical amount

Total actual compensation for 2009 was therefore:

- for Mr. Kampf: 88.5% of his theoretical compensation (€1,400,000)
- for Mr. Hermelin: 88.4% of his theoretical compensation (€2,200,000)

In addition, the Board of Directors took due note of Mr. Kampf's and Mr. Hermelin's decision to waive their right to collect attendance fees as Directors of Cap Gemini S.A. in respect of 2009 (Mr. Kampf had received attendance fees of €70,000 and Mr. Hermelin €48 000 in respect of 2008).

### 2010 Compensation

• of the Chairman: Mr. Kampf has always considered that a fundamental management rule for a service company is the inclusion in a manager's compensation of a variable portion, the final amount of which is directly tied to the attainment of a number of objectives – general and/or personal – set at the beginning of the year (a rule which the Group has applied consistently for more than 40 years for nearly all its managers). However, taking into consideration the pressure exercised on companies with a "dissociated" Chairman to remove any variable component from their compensation package, he therefore proposed to the Board of Directors that his 2010 compensation solely comprise a fixed amount: after discussion, the Board took due note thereof, thanked Mr. Kampf for this proposal and decided that his compensation would therefore be comprised solely of a fixed amount set at €960,000, representing an overall decrease of 31.4% on his theoretical 2009 compensation, as detailed above.

The Board also took due note of Mr. Kampf's (and Mr. Hermelin's) decision to waive his right to collect attendance fees as a Director of Cap Gemini S.A. in respect of 2010, as he did for 2009.

• of the Chief Executive Officer: after noting that Mr. Hermelin's variable compensation is for 50% (V1 component) based on a comparison of actual and budgeted Group consolidated results and for 50% (V2 component) based on the attainment of a

certain number of personal objectives set at the beginning of the fiscal year, the Board of Directors:

- verified that for Mr. Hermelin, as for the other key managers of the Group, V1 is equal to 88.7% of its theoretical value
- validated the Selection and Compensation Committee's appraisal of the degree of attainment of each of the five personal objectives set for fiscal year 2010, resulting in a total mark awarded of 101 (out of a theoretical total of 100).

Mr. Hermelin's compensation for fiscal year 2010 therefore breaks down as follows:

- fixed compensation of €1,320,000 (60% of the theoretical total)
- V1 compensation equal to 88.7% of €440,000, or €390,280
- V2 compensation equal to 101% of €440,000, or €444,400 representing a total of €2,154,680, up 2.6% on the compensation he would have received last year before symbolically waiving 20% of his 2009 variable compensation (see above).

In addition, the Board took due note of Mr. Hermelin's decision (and that of Mr. Kampf) to waive his right to collect attendance fees as a Director of Cap Gemini S.A. in respect of 2010, as he did for 2009.

## 2011 compensation

The Board accepted – following the acceptance of the Selection and Compensation Committee – the joint proposal of Messrs. Kampf and Hermelin to maintain their respective compensation levels unchanged in 2011 (with new personal objectives being set for Mr. Hermelin for the calculation of the V2 variable component of his 2011 compensation).

## Additional comments regarding the compensation of these two executive corporate officers

It should be noted that:

- as has always been the case, Messrs. Serge Kampf and Paul Hermelin did not receive any benefits in kind (medical assistance, housing, private use of company cars, cell phone, free use of products or services, etc.) during 2010, nor did they benefit from any specific provision related to minimum indemnities for termination for any reason whatsoever (removal from office, retirement, etc.), with the sole exception of contributions paid by the Company for Paul Hermelin's unemployment insurance underwritten by the "Garantie Sociale des Chefs d'Entreprise" (these contributions totaling €3,600 are presented in the table on page 81 in "Benefits in kind");
- in 2010, for the 22<sup>nd</sup> consecutive year, Mr. Serge Kampf decided not to ask the Company to reimburse the expenses he incurred in the performance of his duties (business travel, entertainment, etc.), with the exception of TGV train travel

between Paris and Grenoble, the historical headquarters of Cap Gemini, where he has kept his main office and where part of the Group's corporate affairs are still conducted;

- Mr. Serge Kampf has never been awarded (and has never requested) any stock options or performance shares;
- Paul Hermelin was not granted any performance shares by the Board of Directors in 2010;
- in 2010, Paul Hermelin exercised 50,000 of the options which he had received as part of the October 2005 grant at a price of €30 and that expired at the end of September 2010.

## Employment contract of executive corporate officers

After noting that Mr. Hermelin's employment contract was suspended in its entirety on May 24, 1996 (date from which Mr. Hermelin exercised his first term of office as a member of the Management Board) the Board of Directors also noted that it decided in 2009, upon a recommendation by the Selection and Compensation Committee, to maintain jointly his term as corporate officer and his employment contract. This decision was based on the desire to maintain for this executive corporate officer his entitlement to pension benefits, given his seniority in the Group (17 years in 2010) and the services he has rendered to the Company. The Board wishes to emphasize that this decision was in no way motivated by a desire to maintain for his benefit any entitlement to a severance pay provision stipulated in his employment contract (his contract does not contain any such provision) and that the Chief Executive Officer does not enjoy any specific compensation clause to terminate or change his function. In this spirit, Mr. Hermelin has made a commitment to the Board of Directors to waive his employment contract when he reaches the age at which he may legally exercise his right to retire.

As for Mr. Kampf, founder and executive corporate officer of the Group for nearly 44 years, he has never held an employment contract.

| Executive corporate officers: employment contracts and deferred compensation                                                                                                       | Employment contract | Supplementary pension scheme (see below) | Indemnities and benefits following appointment, termination or change in function | Indemnities in respect of non-compete clause |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------|
| <b>Serge Kampf - Chairman</b><br>Term of office renewed on May 27, 2010 and ending at the 2014 Combined Shareholders' Meeting called to approve the 2013 accounts                  | No                  | Yes                                      | No                                                                                | No                                           |
| <b>Paul Hermelin - Chief Executive Officer</b><br>Term of office renewed on May 27, 2010 and ending at the 2014 Combined Shareholders' Meeting called to approve the 2013 accounts | Yes<br>(March 1993) | Yes                                      | No                                                                                | No                                           |

## Other compensation

In 2006, Cap Gemini set up a supplementary collective defined benefit pension scheme for certain senior executives regarded as having made a significant and lasting contribution to the Group's development. A review was carried out of this scheme to ensure that it complied with AFEP-MEDEF's subsequent recommendations. In effect, the beneficiaries of this scheme are persons deemed to have made a major contribution to the Group's business over at least ten years and having ended their career within the Company. In addition, this scheme stipulates certain limits ensuring that the amount of the supplementary pension may not exceed 40% of the beneficiary's reference earnings and the beneficiary's cumulative pension benefits from all mandatory and top-up schemes may not exceed 50% of his/her reference earnings. Reference earnings are calculated by taking average compensation over the final employment years capped at 60 times the annual ceiling set by the French Social Security. Therefore, in order to receive the maximum pension amount, beneficiaries must have between 25 and 30 years' service depending on the circumstances. An external firm was asked to review this scheme and confirmed that it complied with the recommendations published by AFEP-MEDEF on October 6, 2009 concerning the compensation of executive corporate officers of publicly listed companies. It should be noted that based on the number of years' service upon retirement of the two corporate officers, the projected replacement rate will be slightly over 39% of the reference earnings and the estimated cost of one year of service is therefore €1.1 million for 2010.

## Attendance fees and other compensation received by corporate officers

Readers are reminded that Messrs. Kampf and Hermelin voluntarily waived their right to collect attendance fees as Directors of Cap Gemini S.A. in respect of fiscal years 2009 and 2010.

| (in euros)           | Amount awarded in respect of 2009 | Amount awarded in respect of 2010 |
|----------------------|-----------------------------------|-----------------------------------|
| Serge KAMPF          | 0                                 | 0                                 |
| Daniel BERNARD       | 30,000                            | 63,500                            |
| Yann DELABRIERE      | 53,000                            | 61,000                            |
| Laurence DORS        | 0                                 | 21,000                            |
| Jean-René FOURTOU    | 34,000                            | 0                                 |
| Paul HERMELIN        | 0                                 | 0                                 |
| Michel JALABERT      | 45,000                            | 68,500                            |
| Phil LASKAWY*        | 27,000                            | 44,500                            |
| Bernard LIAUTAUD *   | 31,000                            | 70,000                            |
| Thierry de MONTBRIAL | 51,000                            | 61,500                            |
| Ruud van OMMEREN*    | 62,000                            | 65,000                            |
| Terry OZAN*          | 42,000                            | 51,500                            |
| Pierre PRINGUET      | 30,000                            | 57,500                            |
| Bruno ROGER          | 39,000                            | 60,500                            |
| <b>TOTAL</b>         | <b>444,000</b>                    | <b>624,500</b>                    |

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

Other than the attendance fees indicated above, the eleven non-executive corporate officers received no additional compensation.

The Board of Directors decided to continue paying attendance fees to the two non-voting directors for 2010 (as in previous years), who therefore received the following compensation in respect of the last two years:

| (in euros)      | 2009          | 2010          |
|-----------------|---------------|---------------|
| Pierre HESSLER  | 39,000        | 38,000        |
| Marcel ROULET * | 18,000        |               |
| Geoff UNWIN **  | 33,000        | 36,000        |
| <b>TOTAL</b>    | <b>90,000</b> | <b>74,000</b> |

\* Mr. Marcel Roulet did not seek the renewal of his term of office by the Combined Shareholders' Meeting of April 30, 2009

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

Attendance fees paid to directors and non-voting directors for 2010 therefore amount to €624,500 + €74,000 = €698,500 (or €631,750 after deduction of withholding tax on the amounts paid to non-resident beneficiaries).

The rules governing the allocation of these attendance fees are presented in Chapter 5.3 – Compensation of directors, non-voting directors and executive corporate officers – of the Special Report of the Chairman of the Board of Directors.

## Stock subscription options, stock purchase options and performance shares

The following tables present a breakdown of stock options and performance shares granted to the two executive corporate officers and historical information on stock options granted:

| Stock options vested during the year to the two executive corporate officers                                                         | Plan date and number       | Number of options exercised during the year                  | Strike price                                                                                 | Exercise period        |                             |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------|-----------------------------|
| Serge KAMPF                                                                                                                          | n/a                        | n/a                                                          | n/a                                                                                          | n/a                    |                             |
| Paul HERMELIN                                                                                                                        | 6 <sup>th</sup> / 01/10/05 | 50,000                                                       | 30                                                                                           | n/a                    |                             |
| Performance shares granted during the year to the two executive corporate officers by Cap Gemini S.A. and/or any other Group company | Plan date and number       | Theoretical maximum number of shares granted during the year | Value of shares calculated using the method adopted in the consolidated financial statements | Potential vesting date | Potential availability date |
| Serge KAMPF                                                                                                                          | n/a                        | n/a                                                          | n/a                                                                                          | n/a                    | n/a                         |
| Paul HERMELIN                                                                                                                        | n/a                        | n/a                                                          | n/a                                                                                          | n/a                    | n/a                         |
| Performance shares vested to the two executive corporate officers                                                                    | Plan date and number       | Number of shares vested during the year                      | Vesting conditions                                                                           | Year of grant          |                             |
| Serge KAMPF                                                                                                                          | n/a                        | n/a                                                          | n/a                                                                                          | n/a                    |                             |
| Paul HERMELIN                                                                                                                        | 1 <sup>er</sup> Plan       | n/a                                                          | n/a                                                                                          | 2009                   |                             |

Historical information concerning stock options granted to corporate officers

|                                                                                 |                                                                               |                      |                      |                      |                      |                      |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Date of Shareholders' Meeting                                                   | 05/23/2000                                                                    | 05/12/2005           | 05/12/2005           | 05/12/2005           | 05/12/2005           | 05/12/2005           |
| Grant date                                                                      | 04/01/2005                                                                    | 10/01/2005           | 10/01/2006           | 04/01/2007           | 10/01/2007           | 06/01/2008           |
| Plan number                                                                     | 5 <sup>th</sup> plan                                                          | 6 <sup>th</sup> plan | 6 <sup>th</sup> plan | 6 <sup>th</sup> plan | 6 <sup>th</sup> plan | 6 <sup>th</sup> plan |
| Total number of shares granted                                                  | 1,623,000                                                                     | 1,915,500            | 2,067,000            | 400,000              | 1,932,500            | 219,000              |
| <i>o/w granted to Serge Kampf</i>                                               | 0                                                                             | 0                    | 0                    | 0                    | 0                    | 0                    |
| <i>o/w granted to Paul Hermelin</i>                                             | 0                                                                             | 50,000               | 50,000               | 0                    | 0                    | 0                    |
| <i>o/w granted to the ten employees receiving the greatest number of shares</i> | 220,000                                                                       | 109,000              | 200,000              | 86,000               | 114,000              | 60,000               |
| Start of exercise period                                                        | 04/01/2006                                                                    | 10/01/2006           | 10/01/2007           | 04/01/2008           | 10/01/2008           | 06/01/2009           |
| Expiry date                                                                     | 04/01/2010                                                                    | 09/30/2010           | 09/30/2011           | 04/01/2012           | 10/01/2012           | 06/01/2013           |
| Subscription price (in euros)                                                   | 27                                                                            | 30                   | 43                   | 55                   | 44                   | 40.5                 |
| Exercise conditions                                                             | 10% after 1 year, 30% after 2 years, 60% after 3 years and 100% after 4 years |                      |                      |                      |                      |                      |

Complete historical information on stock options granted and still available for exercise is provided on pages 185 to 187 and 229 of the Reference Document.

Stock options granted by Cap Gemini S.A. to the ten employees (non-corporate officers) having received the greatest number of shares and the number of shares vested to the ten employees (non-corporate officers) having thus subscribed for the greatest number of shares are as follows:

| Stock options granted to/exercised by the ten employees (non-corporate officers) having received the greatest number of shares                  | Total number of stock options granted / exercised | Weighted average price | Plan number                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------|--------------------------------------------|
| Options granted during the year by Cap Gemini S.A. to the ten employees of all eligible companies having received the greatest number of shares | n/a                                               | n/a                    | n/a                                        |
| Options exercised (held previously on Cap Gemini S.A.) by the ten Group employees having exercised the greatest number of shares                | 177,000                                           | 28.12                  | V <sup>th</sup> and VI <sup>th</sup> plans |

Performance shares granted by Cap Gemini S.A to the ten employees (non-corporate officers) having received the greatest number of shares and the number of performance shares vested to the ten employees (non-corporate officers) holding the greatest number of vested shares are as follows:

| Performance shares granted/vested to the ten employees (non-corporate officers) having received the greatest number of shares                              | Total number of shares vested / granted | Plan number          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------|
| Performance shares granted during the year by Cap Gemini S.A. to the ten employees of all eligible companies having received the greatest number of shares | 192,000                                 | 2 <sup>nd</sup> plan |
| Shares available (held previously on Cap Gemini S.A.) by the ten Group employees holding the greatest number of vested shares                              | n/a                                     | n/a                  |

## DIRECTORSHIPS AND OTHER FUNCTIONS HELD BY CORPORATE OFFICERS

The list of directorships and other functions held by each of the corporate officers in other companies is provided on pages 223 to 227 of the Registration Document.

## AMENDMENT TO ARTICLE 11 OF THE BYLAWS TO ALLOW FOR THE APPOINTMENT OF AN EMPLOYEE SHAREHOLDER DIRECTOR

Shareholders are reminded that the Board of Directors' report presented to them at the Combined Shareholders' Meeting of May 27, 2010 established that employees held more than 3% of the share capital of the Company. Consequently, pursuant to the provisions of Article L. 225-23 of the French Commercial Code (*Code de commerce*), the Company is required to determine in the Bylaws, the terms and conditions of appointment by shareholders of an employee shareholder director.

It is therefore proposed to shareholders that two candidates for election as employee shareholder director will be presented to the Ordinary Shareholders' Meeting, at the recommendation of all employee shareholders. One of these candidates will be nominated by the members of the Supervisory Boards of each of the *Fonds Commun de Placement d'Entreprise* (French collective employee shareholding vehicles, or "FCPE") through which employees hold their Cap Gemini shares. The other candidate will be nominated by a vote of employee shareholders who hold their Cap Gemini shares directly and residents of countries not permitting shares to be held through an FCPE. The candidate receiving the greatest number of votes from shareholders present or represented at the 2012 Ordinary Shareholders' Meeting will be elected as the employee shareholder director.

Prior to the nomination of the two candidates by employee shareholders, the Board of Directors will set the Rules for the Nomination of Candidates, indicating the schedule and organization of the nomination procedures.

The director representing employee shareholders elected by the Ordinary Shareholders' Meeting will be subject to the same legal and statutory provisions applicable to all directors. Nonetheless, his/her term of office will automatically end:

- in the event he/she is no longer an employee of one of the Group companies or no longer holds shares in the Company either directly or via an FCPE;
- if the percentage of share capital held by employees falls below 3%.

The Combined Shareholders' Meeting is therefore asked to adopt a resolution (the twelfth) amending the Bylaws of the Company, to allow for the appointment of an employee

shareholder director and to set-out the conditions for this appointment.

## TRANSACTIONS CARRIED OUT IN 2010 BY MEMBERS OF THE BOARD OF DIRECTORS AND OTHER SENIOR MANAGERS INVOLVING CAP GEMINI SHARES

Transactions carried out in 2010 by directors and senior managers involving the Company's shares, based on AMF disclosures and Article 223-26 of the AMF's General Regulations, may be summarized as follows:

- Mr. Serge Kampf (Chairman of the Board of Directors):
  - on January 18, 2010 sold 100,000 shares at a price of €33.78.
- Mr. Paul Hermelin (Chief Executive Officer):
  - on September 23, 2010 sold 35,000 shares at a price of €36.67,
  - on September 30, 2010 exercised 50,000 stock options at a price of €30.
- Mr. Nicolas Dufourcq (Deputy General Manager / Chief Financial Officer):
  - on March 24, 2010 exercised 5,000 stock options at a price of €27.
- Mr. Alain Donzeaud (General Secretary):
  - on February 24, 2010 exercised 5,000 stock options at a price of €27 and sold 5,000 shares at a price of €32.55,
  - on September 21, 2010 exercised 12,000 stock options at a price of €30.
- Mr. Pierre Pringuet (Director):
  - on March 3, 2010 purchased 700 shares at a price of €35.18.



## 4.4 Environmental and social impact of the Group's operations

A specific chapter of the Reference Document (see pages 33 to 69) entitled "Corporate Responsibility and sustainability", explains Group policy with regard to human resources (changes in headcount, career development, role of the Capgemini University), the environment, and its relations with external business partners (customers, suppliers and the general public at large).

## 4.5 Financing policy and market risks

### FINANCING POLICY AND FINANCIAL RATING

#### Financing policy

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

- a moderate use of debt leveraging: over the last ten years Cap Gemini has strived to maintain a limited level of net debt (and even a positive net cash position) including in the manner in which it finances its external growth.
- a high degree of financial flexibility: Capgemini aims to ensure a good level of liquidity as well as durable financial resources, which means maintaining:
  - a high level of available funds (€2,378 million at December 31, 2010), supplemented by a €500 million multi-currency syndicated line of credit, secured on November 14, 2004 and refinanced for an identical amount on January 13, 2011, extending its maturity to January 13, 2016 (previously November 14, 2011). This credit line is backed by a €550 million commercial paper program;
  - durable financial resources: only 14% of the Group's financial liabilities (excluding accounts payable) fall due within twelve months;
- diversified financing sources adapted to the Group's financial profile: Capgemini seeks to maintain a balance between bank financing (including the syndicated credit line, use of leasing to finance property and IT equipment) and market financing (issue of OCEANE bonds convertible and/or exchangeable for new or existing shares for €437 million in June 2005 and €575 million in April 2009 (see Note 17 to the consolidated financial statements). Lastly, the appropriate balance between the cash cost of financing and the return on cash investments, net of tax, as well as the potential dilutive impact for Cap Gemini S.A. shareholders, are determining factors for the Group in its choice of financing source.

#### Financial rating

The Group's ability to access financial and banking markets and the cost of accessing such markets for the implementation of its financing policy is partly dependant on its credit rating. The Company currently – and since January 21, 2008 – has a long-term credit rating of BBB- (stable outlook) attributed by the rating agency Standard & Poor's.

### MARKET RISKS

Currency risk, interest rate risk, equity risk, liquidity risk and credit risk are set out in Notes 9, 17 and 19 to the consolidated financial statements of the Capgemini Group for the year ended December 31, 2010 in this Reference Document.

### AUTHORIZATION TO CANCEL SHARES PURCHASED UNDER THE BUYBACK PROGRAM

As stated above, the Board of Directors is seeking shareholders' authorization to cancel some or all of the shares purchased pursuant to Articles L. 225-209 et seq. of the French Commercial Code (the authorization to buy back shares is described in section 4.3 of this report – Authorization to buy back the Company's shares), for up to 10% of its share capital by 24-month period.

### DELEGATIONS OF AUTHORITY TO INCREASE THE SHARE CAPITAL

Pursuant to the delegations of authority given to the Board of Directors by the Extraordinary Shareholders' Meeting of May 27, 2010, the Board was granted a 26-month authorization (expiring therefore July 27, 2012) to:

- increase the share capital by capitalizing reserves;
- issue new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments, with retention of pre-emptive subscription rights;
- issue new shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company or granting a right to allocation of debt instruments, with cancellation of pre-emptive subscription rights, or by private placement;
- increase the amount of the issues if the requests for shares exceed the number of shares on offer, up to 15% of the initial issue at the same price as for the initial issue ("Greenshoe" options);
- issue shares and/or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments, as payment for shares tendered to a public exchange offer made by the Company or contributions in kind to the Company of shares or securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company.

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

- a maximum par value amount of €1.5 billion for share capital increases paid up by capitalizing reserves;
- a maximum par value amount of €500 million for share capital increases with pre-emptive subscription rights, and a maximum of €3.5 billion in total issuance amounts;
- a maximum par value amount of €185 million for share capital increases without pre-emptive subscription rights, and a maximum of €1.25 billion in total issuance amounts;
- a maximum aggregate par value amount of €500 million and an aggregate issuance amount of €3.5 billion for securities convertible, redeemable, exchangeable or otherwise exercisable for new shares of the Company, or granting a right to allocation of debt instruments.

Your Board of Directors did not use any of these delegations of authority in 2010. As they do not expire until July 27, 2012, the Board did not consider it necessary to request their renewal at the next Combined Shareholders' Meeting.

A table summarizing the delegations of authority and powers granted by the Combined Shareholders' Meeting to the Board of Directors with regard to share issues is provided on pages 218 to 219 of the Reference Document.

*This Report, drafted on behalf of the Board of Directors by its Chairman, Serge Kampf, was the subject of a specific verification by the Statutory Auditors (see their report in Chapter 6.1. page 114).*

