

December 31, 2014

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS



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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014, 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 2014 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.

Without qualifying our opinion, we draw your attention to Note I to the consolidated financial statement which sets out the change in presentation of the consolidated income statement following the classification of the Amortization of intangible assets recognized in business combination into the "Other financial income and expense".

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 €3,784 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 €1,065 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 27, 2015

Paris La Défense, February 27, 2015

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Françoise Garnier
Partner

Frédéric Quélin
Partner

CONSOLIDATED INCOME STATEMENT

<i>in millions of euros</i>	Notes	2013		2014	
		Amount	%	Amount	%
Revenues	3-5	10,092	100	10,573	100
Cost of services rendered		(7,636)	(75.7)	(7,960)	(75.3)
Selling expenses		(807)	(8.0)	(855)	(8.1)
General and administrative expenses		(792)	(7.9)	(788)	(7.5)
Operating expenses	6	(9,235)	(91.5)	(9,603)	(90.8)
Operating margin		857	8.5	970	9.2
Other operating income and expense ⁽¹⁾	7	(137)	(1.4)	(117)	(1.1)
Operating profit		720	7.1	853	8.1
Net finance costs	8	(47)	(0.5)	(15)	(0.1)
Other financial income and expense	8	(55)	(0.6)	(55)	(0.5)
Net financial expense		(102)	(1.0)	(70)	(0.7)
Income tax expense	9	(182)	(1.8)	(210)	(2.0)
Share of profit of associates		(1)	(0.0)	-	-
PROFIT FOR THE YEAR		435	4.3	573	5.4
<i>Attributable to:</i>					
<i>Owners of the Company</i>		<i>442</i>	<i>4.4</i>	<i>580</i>	<i>5.5</i>
<i>Non-controlling interests</i>		<i>(7)</i>	<i>(0.1)</i>	<i>(7)</i>	<i>(0.1)</i>

EARNINGS PER SHARE

Average number of shares outstanding during the year		158,147,868	157,855,433
Basic earnings per share (in euros)	10	2.80	3.68
Number of shares outstanding at the year-end		160,317,818	163,592,949
Earnings per share at the year-end (in euros)		2.76	3.55
Diluted average number of shares outstanding		179,596,733	170,226,305
Diluted earnings per share (in euros)	10	2.59	3.44

(1) Effective from January 1, 2014, amortization of intangible assets recognized in business combinations is included in "Other operating income and expense". The comparative period has been adjusted to reflect this change in presentation.

STATEMENT OF INCOME AND EXPENSE RECOGNIZED IN EQUITY

<i>in millions of euros</i>	2013	2014
Actuarial gains and losses on defined benefit pension plans, net of tax ⁽¹⁾	(98)	(210)
Remeasurement of hedging derivatives, net of tax ⁽²⁾	2	57
Translation adjustments ⁽²⁾	(162)	255
TOTAL INCOME AND EXPENSE RECOGNIZED IN EQUITY	(258)	102
Profit for the year (reminder)	435	573
If this income and expense recognized in equity had been recognized in profit or loss, profit for the year would have been as follows:	177	675
<i>Attributable to:</i>		
<i>Owners of the Company</i>	<i>191</i>	<i>682</i>
<i>Non-controlling interests</i>	<i>(14)</i>	<i>(7)</i>

(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, 2013	December 31, 2014
Goodwill	12-14	3,601	3,784
Intangible assets	12	166	158
Property, plant and equipment	13	494	515
Deferred taxes	15	1,023	1,065
Other non-current assets	17	153	260
Total non-current assets		5,437	5,782
Accounts and notes receivable	18	2,587	2,849
Current income taxes		69	46
Other current receivables	19	368	551
Cash management assets	20	77	90
Cash and cash equivalents	20	1,638	2,141
Total current assets		4,739	5,677
TOTAL ASSETS		10,176	11,459

<i>in millions of euros</i>	Notes	December 31, 2013	December 31, 2014
Share capital		1,283	1,309
Additional paid-in capital		2,930	3,010
Retained earnings and other reserves		(197)	158
Profit for the year		442	580
Equity (attributable to owners of the Company)		4,458	5,057
Non-controlling interests		33	26
Total equity		4,491	5,083
Long-term borrowings	20	906	914
Deferred taxes	15	158	158
Provisions for pensions and other post-employment benefits	23	962	1,294
Non-current provisions	24	16	24
Other non-current liabilities	25	260	254
Total non-current liabilities		2,302	2,644
Short-term borrowings and bank overdrafts	20	133	102
Accounts and notes payable	26	2,293	2,543
Advances from customers and billed in advance	18	684	776
Current provisions	24	42	48
Current tax liabilities		58	115
Other current payables	27	173	148
Total current liabilities		3,383	3,732
TOTAL EQUITY AND LIABILITIES		10,176	11,459

CONSOLIDATED STATEMENT OF CASH FLOWS

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

<i>in millions of euros</i>	Notes	2013	2014
Profit for the year attributable to owners of the Company		442	580
Non-controlling interests		(7)	(7)
Depreciation, amortization and impairment of fixed assets	12 - 13	208	204
Change in provisions		⁽¹⁾ (284)	2
Losses on disposals of assets		6	6
Expenses relating to share grants		20	28
Net finance costs	8	47	15
Income tax expense	9	182	210
Unrealized losses on changes in fair value and other		21	6
Cash flows from operations before net finance costs and income tax (A)		635	1,044
Income tax paid (B)		(124)	(97)
Change in accounts and notes receivable and advances from customers and amounts billed in advance		(58)	(71)
Change in capitalized costs on projects		1	19
Change in accounts and notes payable		39	26
Change in other receivables/payables		(103)	(106)
Change in operating working capital (C)		(121)	(132)
NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)		390	815
Acquisitions of property, plant and equipment and intangible assets	12 - 13	(143)	(150)
Proceeds from disposals of property, plant and equipment and intangible assets		3	8
		(140)	(142)
Cash inflows (outflows) on business combinations net of cash and cash equivalents acquired		(11)	3
Cash outflows in respect of cash management assets		(2)	(12)
Other cash (outflows) inflows, net		1	(2)
		(12)	(11)
NET CASH USED IN INVESTING ACTIVITIES (E)		(152)	(153)
Proceeds from issues of share capital		-	229
Proceeds from issues of share capital subscribed by non-controlling interests		19	-
Dividends paid		(157)	(174)
Net payments relating to transactions in Cap Gemini S.A. shares		(28)	(181)
Proceeds from borrowings		406	160
Repayments of borrowings		(747)	(248)
Interest paid	8	(56)	(35)
Interest received	8	26	30
NET CASH USED IN FINANCING ACTIVITIES (F)		(537)	(219)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F)		(299)	443
Effect of exchange rate movements on cash and cash equivalents (H)		(88)	68
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	20	2,016	1,629
CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)	20	1,629	2,140

(1) Including the €235 million exceptional contribution for the accelerated financing of the funding shortfall on a pension plan in the United Kingdom.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

					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
<i>in millions of euros</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares		Translation adjustments	Other			
At January 1, 2013	161,770,362	1,294	2,976	(92)	1,045	(110)	(631)	4,482	36	4,518
Dividends paid out for 2012	-	-	-	-	(157)	-	-	(157)	-	(157)
Incentive instruments and employee share ownership	285,000	2	-	-	17	-	-	19	-	19
Adjustments to the put option granted to minority shareholders and changes in percentage interest	-	-	-	-	(17)	-	-	(17)	11	(6)
Repurchase and conversion of "OCEANE 2009" bonds	1,188,167	10	31	50	(118)	-	-	(27)	-	(27)
Derivative instrument on Cap Gemini S.A. shares, net of tax	-	-	-	-	34	-	-	34	-	34
Elimination of treasury shares	-	-	-	(67)	-	-	-	(67)	-	(67)
Share capital reduction by cancellation of treasury shares	(2,925,711)	(23)	(77)	100	-	-	-	-	-	-
Transactions with shareholders	(1,452,544)	(11)	(46)	83	(241)	-	-	(215)	11	(204)
Income and expense recognized in equity	-	-	-	-	-	(155)	(96)	(251)	(7)	(258)
Profit for the year	-	-	-	-	442	-	-	442	(7)	435
At December 31, 2013	160,317,818	1,283	2,930	(9)	1,246	(265)	(727)	4,458	33	4,491
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)
Derivative instrument on Cap Gemini S.A. shares, net of tax	-	-	-	-	9	-	-	9	-	9
Elimination of treasury shares	-	-	-	(181)	-	-	-	(181)	-	(181)
Share capital reduction by cancellation of treasury shares	(2,255,408)	(18)	(104)	122	-	-	-	-	-	-
Transactions with shareholders	3,275,131	26	80	(51)	(138)	-	-	(83)	-	(83)
Income and expense recognized in equity	-	-	-	-	-	255	(153)	102	-	102
Profit for the year	-	-	-	-	580	-	-	580	(7)	573
At December 31, 2014	163,592,949	1,309	3,010	(60)	1,688	(10)	(880)	5,057	26	5,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 ACCOUNTING BASIS

The consolidated financial statements for the year ended December 31, 2014 and the notes thereto were adopted by the Board of Directors on February 18, 2015. The consolidated financial statements will be approved by the Combined Shareholders' Meeting, scheduled for May 6, 2015.

A) IFRS standards-base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2014 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 2014

a) New standards, amendments and interpretations of mandatory application (published by the IASB, endorsed by the EU, entered into effect on January 1, 2014)

The accounting policies applied by the Group are unchanged on those applied for the preparation of the 2013 consolidated financial statements, with the exception of new standards, amendments and interpretations which entered into effect on January 1, 2014 and which had no 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, 2014)

The potential impacts of the application of new standards, amendments and interpretations (particularly IFRIC 21, *Levies*) 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, 2014)

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, 2014 or in effect at January 1, 2014.

Changes in presentation decided by the Group

- Growing demand from clients to group application development and maintenance services in a single contract led the Group to review the presentation of its segment reporting by business. The distinction between technology services, which include application development and outsourcing services, which include the maintenance activity, has therefore become artificial.

Accordingly, from January 1, 2014, the segment reporting by business presented in Note 3 is grouped as follows:

- ▶ 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).

Comparative information for fiscal year 2013 has also been restated to reflect this new classification.

- Amortization of intangible assets recognized in business combinations is now included in "Other operating income and expense".

C) Use of estimates

The preparation of financial statements involves the use of estimates and assumptions which may have an impact on the reported values of assets and liabilities at the period end or on certain items of either the 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, pensions and other post-employment benefit obligations, 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, 2014 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	
	2013	2014	2013	2014
Australian dollar	0.72942	0.67960	0.64838	0.674354
Brazilian real	0.35084	0.32053	0.30697	0.310492
Canadian dollar	0.73142	0.68225	0.68162	0.711086
Chinese renminbi yuan	0.12249	0.12235	0.11977	0.1327
Indian rupee	0.01292	0.01235	0.01171	0.013035
Norwegian krona	0.12834	0.11976	0.11957	0.110595
Polish zloty	0.23829	0.23899	0.24071	0.234017
Pound Sterling	1.17767	1.24055	1.19947	1.283862
Swedish krona	0.11564	0.10997	0.11288	0.106462
Swiss franc	0.81242	0.82333	0.81460	0.83167
US dollar	0.75317	0.75373	0.72511	0.823655

Goodwill and 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.

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.

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 will also be 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.

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.

ACQUISITIONS / DISPOSALS IN FISCAL YEAR 2014

Euriware

On May 7, 2014, the Group finalized the acquisition of Euriware and its subsidiaries from the Areva group. At December 31, 2014 the purchase price allocation led to the recognition of negative goodwill of €6 million in "Other operating income and expense".

Euriware and its subsidiaries had 1,800 employees at the acquisition date and reported revenues of €214 million in 2013 for the scope purchased, primarily realized with the Areva group.

Strategic Systems & Products Corp.

During the first-half 2014, the Group finalized the acquisition of the entire share capital of Strategic Systems & Products Corp. in the United States.

These two companies contributed €153 million to Group revenues in 2014. Their contribution to the Group operating margin was €8 million in 2014.

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, 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 business units and therefore the roll-out of uniform expertise and know-how in all countries and regions.

Accordingly, the Group presents segment reporting for the 8 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) has been reallocated to the geographic areas managing the contracts to enable a better assessment of the performance of these areas

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, Morocco
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, Hungary, Poland, Romania, Slovakia, Switzerland
Asia-Pacific and Latin America	Argentina, Australia, Brazil, Chile, China, Colombia, Guatemala, India, Japan, Malaysia, Mexico, Philippines, Saudi Arabia, Singapore, United Arab Emirates, Vietnam

ANALYSIS OF THE INCOME STATEMENT BY GEOGRAPHIC AREA

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	HQ expen ses	Eliminat ions	Total
REVENUES											
► 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)	-
TOTAL REVENUES	2,343	2,515	2,346	1,136	521	719	814	1,579	-	(1,400)	10,573
OPERATING MARGIN	281	197	249	113	19	79	62	54	(84)	-	970
% of revenues	12.6	8.4	11.3	10.5	3.8	11.3	9.4	6.1	-	-	9.2
OPERATING PROFIT	274	158	232	95	5	76	54	43	(84)	-	853

2013 (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	HQ expen ses	Eliminat ions	Total
REVENUES											
► external	2,074	2,190	2,004	1,080	484	705	651	904	-	-	10,092
► inter-geographic area	98	178	111	54	19	23	154	670	-	(1,307)	-
TOTAL REVENUES	2,172	2,368	2,115	1,134	503	728	805	1,574	-	(1,307)	10,092
OPERATING MARGIN	255	204	175	105	21	64	57	44	(68)	-	857
% of revenues	12.3	9.3	8.7	9.8	4.2	9.1	8.8	4.9	-	-	8.5
OPERATING PROFIT	243	164	159	83	10	61	46	22	(68)	-	720

The location of assets corresponds to the location of the Group's clients, except for outsourcing centers such as in India.

(1) Total acquisitions of intangible assets and property, plant and equipment is different from the figure reported in the Statement of Cash Flows (€150 million in 2014 and €143 million in 2013), which excludes acquisitions of assets held under finance leases (€46 million in 2014 and €36 million in 2013).

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

<i>in millions of euros</i>	2013		2014	
	Amount	%	Amount	%
Consulting services	456	4	442	4
Local professional services	1,498	15	1,577	15
Application services	5,825	58	5,854	55
Other managed services	2,313	23	2,700	26
REVENUES	10,092	100	10,573	100

BREAKDOWN OF OPERATING MARGIN BY BUSINESS

<i>in millions of euros</i>	2013		2014	
	Amount	%	Amount	%
Consulting services	35	7.8	37	8.2
Local professional services	159	10.6	156	9.9
Application services	566	9.7	623	10.6
Other managed services	165	7.1	238	8.8
Headquarter expenses	(68)	-	(84)	-
OPERATING MARGIN	857	8.5	970	9.2

NOTE 4 CONSOLIDATED INCOME STATEMENT

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

These three captions represent 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, badwill, 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 and settlements relating to 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 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 at 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.

NOTE 5 REVENUES

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. When the services are made up of different components which are not separately identifiable, the related revenues are recognized on a straight-line basis over the term of the contract.

The related costs are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they 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 and notes 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 €10,573 million (€10,092 million in 2013), representing a year-on-year increase of 4.8%, based on the year-end Group structure and exchange rates and 3.4% on a like-for-like basis (constant Group structure and exchange rates).

NOTE 6 OPERATING EXPENSES BY NATURE

<i>in millions of euros</i>	2013		2014	
	Amount	% of revenues	Amount	% of revenues
Personnel expenses	6,083	60.3%	6,301	59.6%
Travel expenses	428	4.2%	428	4.0%
	6,511	64.5%	6,729	63.6%
Purchases and sub-contracting expenses	2,159	21.4%	2,284	21.6%
Rent, facilities and local taxes	329	3.3%	336	3.2%
Other charges to depreciation, amortization and provisions and proceeds from asset disposals	236	2.3%	254	2.4%
OPERATING EXPENSES	9,235	91.5%	9,603	90.8%

BREAKDOWN OF PERSONNEL COSTS

<i>in millions of euros</i>	Note	2013	2014
Wages and salaries		4,801	4,976
Payroll taxes		1,219	1,256
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	23	63	69
PERSONNEL EXPENSES		6,083	6,301

NOTE 7 OTHER OPERATING INCOME AND EXPENSE

<i>in millions of euros</i>	Note	2013	2014
Amortization of intangible assets recognized in business combinations ⁽¹⁾		(30)	(20)
Expense relating to share grants	11	(23)	(36)
Restructuring costs		(68)	(68)
Integration and acquisition costs for purchased companies		(2)	(5)
Other operating expenses		(16)	(9)
Total operating expenses		(139)	(138)
Other operating income		2	21
Total operating income		2	21
OTHER OPERATING INCOME AND EXPENSE		(137)	(117)

(1) Effective from January 1, 2014, amortization of intangible assets recognized in business combinations is included in "Other operating income and expense". The comparative period has been adjusted to reflect this change in presentation.

RESTRUCTURING COSTS

Fiscal year 2014 restructuring costs primarily concern workforce reduction measures in the amount of €46 million (€44 million in 2013) and the streamlining of real estate and production assets in the amount of €21 million (€23 million in 2013).

NOTE 8 NET FINANCIAL EXPENSE

<i>in millions of euros</i>	Note	2013	2014
Income from cash, cash equivalents and cash management assets		25	30
Interest on borrowings		(55)	(35)
Net finance costs at the nominal interest rate		(30)	(5)
Impact of amortized cost on borrowings		(17)	(10)
Net finance costs at the effective interest rate		(47)	(15)
Net interest cost on defined benefit pension plans	23	(42)	(40)
Exchange losses on financial transactions		(5)	(7)
Gains (losses) on derivative instruments		(1)	1
Other		(7)	(9)
Other financial income and expense		(55)	(55)
<i>o/w financial income</i>		52	45
<i>o/w financial expenses</i>		(107)	(100)
NET FINANCIAL EXPENSE		(102)	(70)

Interest on borrowings (€35 million) and the impact of amortized cost on borrowings (€10 million) totals €45 million, mainly comprises:

- ▶ coupons on the 2011 bond issue of €26 million (stable on 2013), plus an amortized cost accounting impact of €1 million;
- ▶ an amortized cost accounting impact of €9 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 €2 million in 2013;
- ▶ interest on finance leases of €5 million, primarily in the United Kingdom, the United States and Brazil (€7 million in 2013).

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 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 of prior periods. It is calculated using tax rates that have been enacted or substantively enacted at the year-end.

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.

The income tax expense for fiscal year 2014 breaks down as follows:

<i>in millions of euros</i>	Note	2013	2014
Current income taxes		(161)	(161)
Deferred taxes	15	(21)	(49)
INCOME TAX EXPENSE		(182)	(210)

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

<i>in millions of euros</i>	2013		2014	
	Amount	%	Amount	%
Profit before tax	618		783	
Standard tax rate in France (%)	38.0		38.0	
Tax expense at the standard rate	(235)	38.0	(297)	38.0
Difference in tax rates between countries	36	(5.8)	53	(6.8)
<i>Impact of:</i>				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(51)	8.3	(34)	4.4
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	102	(16.6)	93	(11.9)
Utilization of previously unrecognized tax loss carry-forwards	11	(1.7)	9	(1.1)
Taxes not based on taxable income	(37)	6.0	(37)	4.6
Permanent differences and other items	(8)	1.2	3	(0.4)
ACTUAL TAX EXPENSE	(182)	29.4	(210)	26.8
Effective rate of income tax	29.4%		26.8%	

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 are measured as follows:

- ▶ basic earnings per share are calculated by dividing profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average number of ordinary shares outstanding is 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 convertible/exchangeable into new or existing shares, (ii) redeemable share subscription or purchase warrants, (iii) performance shares (iv) free share grants and (v) bonds redeemable in cash and/or in new and/or existing shares.

BASIC EARNINGS PER SHARE

	2013	2014
Profit for the year attributable to owners of the Company (in millions of euros)	442	580
Weighted average number of ordinary shares	158,147,868	157,855,433
BASIC EARNINGS PER SHARE (in euros)	2.80	3.68

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 2014 was €53.83.

In 2014, 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 were issued on October 25, 2013 and 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 eighteen business day (exclusive) preceding January 1, 2019, when they will be redeemable at par;
- ▶ all 1,135,300 and 1,288,500 shares available for grant under the performance share grant plans, the terms of which were approved by the Board of Directors on February 20, 2013 and July 30, 2014, respectively. The related performance conditions will be assessed in February 2015 and July 2016;
- ▶ shares to be delivered to French and foreign employees under the 2012 performance share grant plan, the number of which is now definitive (958,500 shares). At December 31, 2014, the only remaining condition applicable to these shares is the presence of the foreign beneficiaries in the Group at the delivery date, scheduled for January 2017;
- ▶ the 102,379 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. These shares are subject to the presence of the beneficiaries in the Group in October 2016;
- ▶ all 2,927,606 Redeemable Share Subscription or Purchase Warrants (BSAAR) still outstanding, as the aggregate market price of the Cap Gemini S.A. share in 2014 is higher than the aggregate of the €34 strike price and the €3.22 issue premium.

<i>in millions of euros</i>	2013	2014
Profit for the year attributable to owners of the Company	442	580
Finance cost savings linked to the conversion of debt instruments, net of tax	⁽¹⁾ 22	6
Diluted profit for the year attributable to owners of the Company	464	586
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	158,147,868	157,855,433
<i>Adjusted for:</i>		
“ORNANE 2013” convertible bonds (weighted average)	1,110,093	5,958,587
Performance shares and free shares that can be granted	2,918,860	3,484,679
Redeemable Share Subscription or Purchase Warrants (BSAAR)	2,991,204	2,927,606
“OCEANE 2009” convertible bonds (weighted average)	14,428,708	-
Weighted average number of ordinary shares (diluted)	179,596,733	170,226,305
DILUTED EARNINGS PER SHARE (in euros)	2.59	3.44

(1) “OCEANE 2009” and “ORNANE 2013” convertible bonds are taken into account as they are considered dilutive.

NOTE 11 EQUITY

Incentive instruments and employee share ownership

a) Instruments granted to employees

Share 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 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

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 April 30, 2009, May 24, 2012 and then May 24, 2013, 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 October 1, 2010, December 12, 2012, February 20, 2013 and July 30, 2014, 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:

	2010 International Plan	2012 International Plan	2013 International Plan	2014 International Plan
Maximum number of shares that may be granted	1,557,703 shares	2,426,555 shares	2,426,555 shares	1,590,639 shares
% of share capital at the date of the Board of Directors' decision	1%	1.5%	1.5%	1%
Total number of shares granted	⁽¹⁾ 1,555,000	⁽⁴⁾ 1,003,500	⁽⁴⁾ 1,209,100	⁽⁴⁾ 1,290,500
Date of Board of Directors' decision	October 1, 2010	December 12, 2012	February 20, 2013	July 30, 2014
Performance assessment dates	At the end of the first and second years following the grant date	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	Three years for the internal performance condition and two years for the external performance condition
Vesting period	2 years as from the grant date (France) or four years as from the grant date (other countries)	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)	2 years as from the grant date (France) or four years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years, or 5 years in the event of departure from the Group during the two years following the vesting date	4 years		
Main market conditions at the grant date				
<i>Volatility</i>	42.80%	25.80%	38.70%	26.33%
<i>Risk-free interest rate</i>	1.67%	0.35% - 0.98%	0.59% - 1.28%	0.34% - 0.81%
<i>Expected dividend rate</i>	3.00%	3.00%	3.00%	2.31%
Other conditions				
<i>Performance conditions</i>	Yes (see below)			
<i>Employee presence within the Group at the vesting date</i>	Yes			
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	Monte Carlo for performance shares with external (market) conditions		
	Black & Scholes for shares without conditions or with internal performance conditions			
Range of fair values (in euros)				
<i>Free shares (per share and in euros)</i>	32.32 - 32.96	n/a	n/a	n/a
<i>Performance shares (per share and in euros)</i>	21.54 - 32.96	14.35 - 28.67	16.18 - 32.14	26.46 - 48.26
<i>Of which corporate officers</i>	n/a	16.18	18.12	29.32
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)				
Number of shares at December 31, 2013	584,055	981,500	1,178,300	-
	o/w to corporate officers			
	⁽²⁾ -	⁽⁴⁾ 50,000	⁽⁴⁾ 50,000	-

	Number of shares subject to performance and/or presence conditions granted during the year			
	-	-	-	1,290,500
	o/w to corporate officers			
	-	-	-	⁽⁴⁾ 50,000
Change during the period	Number of shares forfeited or canceled during the year			
	53,516	23,000	43,000	2,000
	Number of shares vested during the year			
	⁽³⁾ 530,539	-	-	-
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)			
	Plan expired	⁽⁵⁾ 958,500	⁽⁶⁾ 1,135,300	⁽⁷⁾ 1,288,500
Share price at the grant date (in euros)	37.16	33.15	36.53	53.35

(1) Of which 124,000 shares granted without performance conditions (8% of the total) pursuant to the resolution (authorization capped at 15% of the total);

(2) No performance shares were granted in 2010;

(3) Balance on the "foreign" plan granted in October 2014, subject to presence conditions at that date (including 59,250 shares without performance conditions);

(4) Grant subject to performance conditions only;

(5) Of which 434,000 shares in respect of the French plan and 524,500 shares in respect of the "foreign" plan.

(6) Of which 376,600 shares in respect of the French plan and 758,700 shares in respect of the "foreign" plan.

(7) Of which 420,250 shares in respect of the French plan and 868,250 shares in respect of the "foreign" plan.

a) Shares vested under the 2010 plan

The 2010 plan expired in 2014 and led to the delivery on October 1, 2014 of 530,539 shares to beneficiaries not tax resident in France and still present in the Group at this date, out of a total initial grant of 1,026,500 shares. Accordingly, including the 350,509 shares delivered on October 1, 2012 to beneficiaries tax resident in France, a total of 881,048 shares were ultimately delivered under this plan, representing 56.7% of the volume initially granted, as a result of both performance and presence conditions.

Recap:

The external performance condition calculation led to the grant of only 55% of the maximum number of shares initially defined in this respect. The internal performance condition calculated based on the increase in the 2011 operating margin compared with the 2010 operating margin at constant Group structure and exchange rates, led to the delivery of all shares defined in this respect following a margin increase of 15.6%, above the maximum threshold set.

b) Performance conditions of the 2012, 2013 and 2014 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:

External performance condition

The external performance condition is applied in an identical manner across the three 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.

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

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 Plan: 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 and fiscal years 2013 to 2015 for the 2014 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 and €850 million for the 2014 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 and €1.1 billion for the 2014 plan.

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

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

At the Combined Shareholders' Meetings of May 24, 2012 and then May 24, 2013, the Board of Directors was given 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 meetings of July 25, 2012 and October 8, 2014.

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

	2012 Plan France	2014 Plan France
	1.5% of the share capital on the date of the Board of Directors' decision i.e. a maximum of 2,336,554 shares, of which a maximum of 15% granted without performance conditions	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
Maximum number of shares that may be granted		
Total number of shares granted	⁽¹⁾ 202,538	⁽²⁾ 104,379
Date of the Board of Directors' decision	July 25, 2012	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	2 years
Number of shares at December 31, 2013 that may vest under this plan in respect of shares previously granted, subject to presence conditions	175,005	-
Number of shares subject to presence conditions granted during the year	-	104,379
Number of shares forfeited or canceled during the year	17,719	2,000
Number of shares vested during the year	157,286	-
Number of shares at December 31, 2014 that may vest under this plan in respect of shares previously granted, subject to presence conditions	Plan delivered	102,379
Share price at the grant date (in euros)	26.30	52.69
Main market conditions at the grant date		
<i>Risk-free interest rate</i>	0.88%	0.34%
<i>Expected dividend rate</i>	3.00%	2.31%
Fair value in euros (per share)	€20.22	€43.91

(1) i.e. 8.6% of the total authorized maximum granted without performance conditions, pursuant to the resolution (authorization capped at 15% of the total);

(2) 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, 71,394 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

Pursuant to the 30th and 31st resolutions adopted by the Combined Shareholders' Meeting of May 7, 2014, the Group set up an employee share ownership plan (ESOP 2014) in the second half of 2014. Nearly 132,000 Group employees in 20 countries, representing approximately 96% of the Group headcount, were invited to subscribe for Cap Gemini S.A. shares. Under the plan, a minimum length of service of three months was required at November 20, 2014, acquired consecutively or not since January 1, 2013, to qualify as a candidate for subscription. This leveraged plan offered employees the possibility of subscribing at a discounted preferential rate and, via a bank which secured and supplemented the investment so that the total amount invested represented ten times the personal contribution of the employee, potentially generating a greater capital gain than would have been the case had it been calculated based solely on the employee's personal contribution. In return, the employee waives a portion of any increase in the price of shares subscribed on his behalf, as well as dividends and other financial rights that could be paid on these shares throughout the entire term of the plan. In addition, the shares will be unavailable for a period of five years (except for cases of early release covered by plan rules in accordance with applicable legislation).

This employee share ownership plan (ESOP 2014) includes a 12.5% discount. Under the delegation of authority granted by the Board of Directors, the subscription price was set at €46.00 by the Chairman and Chief Executive Officer on November 17, 2014. This price corresponds to the daily average Cap Gemini S.A. share price adjusted for volumes observed over the twenty stock market trading days preceding the Chairman and Chief Executive Officer's decision, less a 12.5% discount.

On December 18, 2012, 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 (€1.0 million, net of tax).

In those countries where the set-up of an FCPE has been possible, the IFRS 2 expense is nil, as the cost of non-transferability to the participant is greater than the total discount at the date of grant plus the opportunity gain. The IFRS 2 expense is attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the introduction of a leveraged plan through an FCPE or directly in the name of the employee is not possible or relevant.

Finally, it should also be noted that a decrease of 0.5 points in the employee financing rate would not impact the IFRS 2 expense, as the non-transferability cost would remain greater than the total discount at the grant date.

The table below presents the main features of the ESOP 2014 employee share ownership plan, the amounts subscribed and the pricing assumptions (excluding SAR):

	2014 Plan
Plan features	
Grant date	November 17, 2014
Plan maturity (in years)	5
Base price (in euros)	54.76
Subscription price (in euros)	46.00
Par value discount (in %)	12.50%
Total discount at the grant date (in %) (a)	16.00%
Amount subscribed by employees (in millions of euros)	23
Total amount subscribed (in millions of euros)	230
Total number of shares subscribed	5,000,000
Pricing assumptions	
Employee financing rate	6.12%
5-year risk-free interest rate	0.41%
Repo and reverse repo rates	1.00%
Retail rate / Institutional rate volatility difference	4.48%
Cost of non-transferability to the participant (in %) (b)	26.58%
Opportunity gain (in %) (c)	2.49%
Total cost for the Group (in %) (a-b+c) ⁽¹⁾	0.00%

(1) The expense is nil as the cost of non-transferability to the participant is greater than the total discount at the date of grant plus the opportunity gain.

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 at each period end.

in millions of euros	Note	2013		2014	
		Expense of the period	At December 31	Expense of the period	At December 31
Performance share plans		21	37	32	57
Free share plans		2	1	3	3
Employee Share Ownership Plan - ESOP		-	-	1	0
TOTAL	7	23	38	36	60

TREASURY SHARES AND MANAGEMENT OF SHARE CAPITAL AND MARKET RISKS

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

At December 31, 2014, treasury shares were deducted from consolidated equity in the amount of €60 million. These consist of (i) 835,116 shares purchased between January and October 2014 under the share buyback program and (ii) 288,418 shares relating to the implementation of the liquidity agreement (the associated liquidity line is €10 million) and the contractual holding system for key employee 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, 2014 and 2013, the Group had a positive net cash position. 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, 2014, the derivative instrument is recognized in equity in the amount of €43 million, net of tax.

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

Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, the consolidated financial statements are particularly impacted by fluctuations in the US dollar, Canadian dollar and Indian rupee against the euro. The positive impact on translation reserves is mainly due to the appreciation of the US dollar and the Indian rupee against the euro during 2014.

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, Group Structure: Foreign currency translation.

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

Goodwill and 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.

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.

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 will also be 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 entity and the nature of the business performed should enable the 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 known 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>	Goodwill	Customer relationships	Licenses and software	Other intangible assets	Total
GROSS					
At January 1, 2013	3,753	212	224	234	4,423
Translation adjustments	(100)	(11)	(12)	(3)	(126)
Acquisitions / Increase	-	-	24	-	24
Internal developments	-	-	-	19	19
Disposals / Decrease	-	-	(27)	(1)	(28)
Business combinations	(1)	-	-	-	(1)
Other movements	-	-	(2)	2	-
At December 31, 2013	3,652	201	207	251	4,311
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)
At December 31, 2014	3,835	213	236	270	4,554
ACCUMULATED AMORTIZATION AND IMPAIRMENT⁽¹⁾					
At January 1, 2013	51	116	184	178	529
Translation adjustments	-	(7)	(9)	(2)	(18)
Charges and provisions	-	28	21	14	63
Disposals	-	-	(27)	-	(27)
Other movements	-	-	(3)	-	(3)
At December 31, 2013	51	137	166	190	544
Translation adjustments	-	10	6	-	16
Charges and provisions	-	17	21	17	55
Disposals	-	-	(12)	-	(12)
Business combinations	-	-	11	-	11
Other movements	-	-	(2)	-	(2)
At December 31, 2014	51	164	190	207	612
NET					
At December 31, 2013	3,601	64	41	61	3,767
At December 31, 2014	3,784	49	46	63	3,942

(1) 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
GROSS				
At January 1, 2013	605	610	210	1,425
Translation adjustments	(21)	(23)	(16)	(60)
Acquisitions / Increase	43	83	10	136
Disposals / Decrease	(42)	(114)	(15)	(171)
Other movements	(13)	(3)	(4)	(20)
At December 31, 2013	572	553	185	1,310
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)
At December 31, 2014	616	635	213	1,464
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At January 1, 2013	314	429	140	883
Translation adjustments	(9)	(16)	(9)	(34)
Charges and provisions	46	82	17	145
Disposals	(41)	(110)	(14)	(165)
Other movements	(6)	(5)	(2)	(13)
At December 31, 2013	304	380	132	816
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)
At December 31, 2014	349	451	149	949
NET				
At December 31, 2013	268	173	53	494
At December 31, 2014	267	184	64	515

PROPERTY, PLANT AND EQUIPMENT PURCHASED UNDER FINANCE LEASE

<i>Net (in millions of euros)</i>	2013	2014
At January 1	172	156
Translation adjustments	(4)	6
Acquisitions / Increase	36	46
Disposals / Decrease	(1)	-
Depreciation and impairment	(44)	(41)
Business combinations	-	2
Other movements	(3)	⁽¹⁾ (65)
At December 31	156	104

(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 ASSET IMPAIRMENT TESTS

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 or CGU). The cash-generating units identified by the Group are the geographic areas.

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 to operating profit under "Other operating expenses."

GOODWILL PER CASH-GENERATING UNIT

The cash-generating units adopted by the Group correspond to geographic areas representing the Group's major markets and the main lines of development and strategic investment.

<i>in millions of euros</i>	December 31, 2013			December 31, 2014		
	Gross value	Impairment	Net carrying amount	Gross value	Impairment	Net carrying amount
North America	597	(6)	591	687	(7)	680
France	1,035	(2)	1,033	1,057	(1)	1,056
United Kingdom and Ireland	528	-	528	569	-	569
Benelux	793	(12)	781	808	(12)	796
Southern Europe	50	-	50	50	-	50
Nordic countries	158	-	158	159	-	159
Germany and Central Europe	253	(31)	222	263	(31)	232
Asia-Pacific and Latin America	238	-	238	242	-	242
GOODWILL	3,652	(51)	3,601	3,835	(51)	3,784

This goodwill was tested for impairment at December 31, 2014 in line with the Group procedure for verifying the value of such assets.

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 process, with extrapolation of this data for the remaining period,
- ▶ long-term growth rate used to extrapolate to perpetuity final year estimated cash flows: 5.5% for Brazil, 3.8% for India and 2.3% for the rest of the Group (stable on 2013),
- ▶ discount rate: 9.0% for North America (9.6% in 2013), 8.9% for the United Kingdom (9.7% in 2013), 13.1% for Brazil (13.5% in 2013), 12.5% for India (stable on 2013) and 9.3% for the rest of the Group (9.6% in 2013).

Group long-term growth and discount rates 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.

In 2014, the Group used estimates produced by nine financial analysts, all of whom were included in the 2013 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: the 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").

No impairment losses were recognized at December 31, 2014 as a result of these impairment tests.

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

- ▶ +/- 2 points in the revenue growth rate for the first five years;
- ▶ +/- 1 point in the operating margin 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 a cash-generating unit.

NOTE 15 DEFERRED TAXES

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.

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 excl. the US	US amortizable goodwill and tax loss carry-forwards	Provisions for pensions and other post-employment benefits	Other deductible temporary differences	Total deferred tax assets
At January 1, 2013		441	204	296	124	1,065
Translation adjustments		(1)	(9)	(11)	(8)	(29)
Deferred tax expense recognized in the Income Statement	9	(46)	-	(15)	29	(32)
Deferred tax expense recorded in income and expense recognized in equity		40	-	(18)	-	22
Other movements		-	-	-	(3)	(3)
At December 31, 2013		434	195	252	142	1,023
Business combinations		-	-	5	6	11
Translation adjustments		-	26	14	4	44
Deferred tax expense recognized in the Income Statement	9	(58)	-	(5)	(4)	(67)
Deferred tax expense recorded in income and expense recognized in equity		5	-	48	-	53
Other movements		(3)	-	1	3	1
At December 31, 2014		378	221	315	151	1,065

a) Deferred tax assets arising from tax loss carry-forwards (excluding the United States)

Recognized tax loss carry-forwards (excluding the United States) total €378 million at December 31, 2014. They include tax losses of €327 million recognized in France.

b) US deferred tax assets arising from amortizable goodwill 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, the annual amortization charge has been deducted from US tax profits. Annual tax losses can be carried forward for a period of 20 years.

At December 31, 2014, the cumulative amount of US tax losses carried forward, including the amortization charges already deducted for tax purposes referred to above, totaled €3,006 million (USD 3,649 million). To these tax loss carry-forwards are added future amortization charges deductible for tax purposes of €98 million (USD 119 million) at December 31, 2014.

Recognized deferred tax assets total €221 million at December 31, 2014. After the utilization of USD 103 million (€78 million) in 2014 tied to the offset of tax-deductible amortization against the taxable profits of the US tax group, a revaluation was performed in the same amount. Accordingly, the US dollar amount of recognized deferred tax assets is unchanged at December 31, 2014 compared with December 31, 2013 at USD 269 million (€221 million).

Unrecognized deferred tax assets at December 31, 2014 amount to €970 million (USD 1,178 million).

UNRECOGNIZED DEFERRED TAX ASSETS

<i>At December 31 (in millions of euros)</i>	2013	2014
Tax loss carry-forwards, excluding the United States	226	218
US deferred tax on amortizable goodwill and tax loss carry-forwards	933	970
Deferred tax on other temporary differences	120	150
UNRECOGNIZED DEFERRED TAX ASSETS	1,279	1,338

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

<i>At December 31 (in millions of euros)</i>	2013		2014	
	Amount	%	Amount	%
Between 1 and 5 years	92	2	94	2
Between 6 and 10 years	1,092	23	1,335	27
Between 11 and 15 years	1,112	24	1,204	25
Beyond 15 years (definite expiry date)	696	15	461	9
Carried forward indefinitely	1,700	36	1,745	36
TAX LOSS CARRY-FORWARDS (taxable base)	4,692	100	4,839	100
<i>o/w recognized tax losses</i>	<i>1,624</i>	<i>35</i>	<i>1,550</i>	<i>32</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
At January 1, 2013		50	31	5	77	163
Translation adjustments		(2)	(1)	-	(2)	(5)
Deferred tax expense recognized in the Income Statement	9	2	(9)	-	(4)	(11)
Deferred tax expense recorded in income and expense recognized in equity		-	-	-	13	13
Other movements		4	-	-	(6)	(2)
At December 31, 2013		54	21	5	78	158
Translation adjustments		4	-	-	1	5
Deferred tax expense recognized in the Income Statement	9	1	(5)	-	(14)	(18)
Deferred tax expense recorded in income and expense recognized in equity		-	-	-	12	12
Other movements		-	-	-	1	1
At December 31, 2014		59	16	5	78	158

NOTE 16 FINANCIAL INSTRUMENTS

Financial instruments consist of:

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

a) Recognition of financial instruments

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 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 (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, 2014 (in millions of euros)	Notes	Net carrying amount		Fair value		
		Fair value	Amortized costs	Level 1	Level 2	Level 3
Financial assets						
Shares in non-consolidated companies	17	1				1
Shares in associates	17	3				3
Deposits and long-term receivables	17		71			
Other non-current assets	17		44			
Asset derivatives instruments	17 - 19	177			177	
Accounts and notes receivables	18		2,849			
Other current receivables	19		515			
Cash management asstes	20	90		90		
Cash and cash equivalents	20	2,141		2,141		
Financial liabilities						
Bonds	20		860	935		
Finance lease obligations	20		105			
Other borrowings	20		50			
Other non-current liabilities	25		159			
Liability derivative instruments	25 - 27	96			96	
Accounts payable	26		2,543			
Other current liabilities	27		147			
Bank overdrafts	20	1		1		

NOTE 17 OTHER NON-CURRENT ASSETS

At December 31 (in millions of euros)	Notes	2013	2014
Deposits, receivables and other long-term investments		63	71
Derivative instruments	22	71	141
Other		19	48
OTHER NON-CURRENT ASSETS	21	153	260

Deposits and long-term receivables consist mainly of "aides à la construction" (building aid program) loans and security deposits and guarantees relating to leases, as well as escrow accounts guaranteeing tax and employee-related disputes and rental deposits for premises.

Derivative instruments consist of (i) the call option on own shares purchased by Cap Gemini S.A. on October 18, 2013, valued at €95 million at December 31, 2014 (€71 million at December 31, 2013) and (ii) the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €46 million (the current portion of €32 million is recorded in Other current receivables, see Note 19). At December 31, 2013, the fair value of these instruments was recorded in "Other non-current liabilities" in the amount of €18 million and in "Other current payables" in the amount of €9 million.

NOTE 18 ACCOUNTS AND NOTES RECEIVABLE

<i>At December 31 (in millions of euros)</i>	Note	2013	2014
Accounts receivable		1,630	1,834
Provisions for doubtful accounts		(10)	(20)
Accrued income		864	943
Accounts and notes receivable, excluding capitalized costs on projects	21	2,484	2,757
Capitalized costs on projects	21	103	92
ACCOUNTS AND NOTES RECEIVABLE		2,587	2,849

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

<i>At December 31 (in millions of euros)</i>	Note	2013	2014
Accounts and notes receivable, excluding capitalized costs on projects	21	2,484	2,757
Advances from customers and billed in advance	21	(684)	(776)
TOTAL ACCOUNTS RECEIVABLE NET OF ADVANCES FROM CUSTOMERS AND BILLED IN ADVANCE		1,800	1,981
In number of days' annual revenues ⁽¹⁾		64	67

(1) In 2014, this ratio is adjusted to take account of the impact of entries into the scope of consolidation.

In 2014, receivables totaling €33 million were assigned with transfer of credit risk as defined by IAS 39 to a financial institution (€36 million in 2013) and were therefore derecognized in the Statement of Financial Position at December 31, 2014.

AGED ANALYSIS OF ACCOUNTS RECEIVABLE

The low bad debt ratio (1.1% at December 31, 2014) reflects the fact that most invoices are only issued after the client has validated the services provided.

At end-2014, past due balances totaled €398 million, representing 21.9% 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
Net accounts receivable	247	96	55
As a % of accounts and notes receivable, net of provisions for doubtful accounts	13.6%	5.3%	3.0%

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

CREDIT RISK

The Group's 5 largest clients contribute around 15% of Group revenues (stable on 2013). The top 10 clients collectively account for 20% 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 RECEIVABLES

<i>At December 31 (in millions of euros)</i>	Notes	2013	2014
Social security and tax-related receivables, other than income tax		171	258
Prepaid expenses		168	214
Derivative instruments	22	3	36
Other		26	43
OTHER CURRENT RECEIVABLES	21	368	551

At December 31, 2014, the heading "Social security and tax-related receivables, other than income tax" includes research tax credit receivables in France in the amount of €91 million (€71 million at December 31, 2013), after recognition of research tax credit income deducted from operating expenses of €22 million (€25 million in 2013).

NOTE 20 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 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	2013	2014
Short-term investments		1,177	1,668
Cash at bank		461	473
Bank overdrafts (liability)		(9)	(1)
Cash and cash equivalents	21	1,629	2,140
Cash management assets		77	90
Bonds		(848)	(858)
Obligations under finance leases		(57)	(56)
Draw-downs on bank and similar facilities and other borrowings		(1)	-
Long-term borrowings		(906)	(914)
Bonds		(2)	(2)
Obligations under finance leases		(50)	(49)
Draw-downs on bank and similar facilities and other borrowings		(72)	(50)
Short-term borrowings		(124)	(101)
Borrowings		(1,030)	(1,015)
Derivative instruments ⁽¹⁾		2	3
NET CASH AND CASH EQUIVALENTS		678	1,218

(1) Including the fair value of the conversion option embedded in the "ORNANE 2013" bonds and the call option on own shares purchased by Cap Gemini S.A. on October 18, 2013

CASH MANAGEMENT ASSETS

Cash management assets consist of capitalization contracts with insurance companies (Generali, AG2R la Mondiale and Natixis Life). These contracts may be cancelled by Cap Gemini S.A. at any time without penalty.

SHORT-TERM INVESTMENTS

At December 31, 2014, short-term investments mainly consist of money market mutual funds (FCP), certificates of deposit and term bank deposits, paying interest at standard market rates.

A) Bonds

a) “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 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.

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.

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.

b) 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 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 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.

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 be requested at the initiative of a majority of bondholders, 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, dissolution or sale of all of the Company's assets.

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 bonds issued by the Company.

c) “OCEANE 2009” convertible bond issue

On April 8, 2009, Cap Gemini S.A. issued bonds convertible/exchangeable into new or existing Cap Gemini S.A. shares, maturing on January 1, 2014 (“OCEANE 2009”). Bondholders enjoyed all rights from April 20, 2009.

The total amount of the issue was €575 million, comprising 16,911,765 bonds with a nominal value of €34 each.

During fiscal year 2013, Cap Gemini S.A. repurchased 14,280,305 "OCEANE 2009" bonds for an amount of €687 million, pursuant to a reverse book-building process on October 18, 2013 and a buyback procedure implemented between October 21 and October 25, 2013 (inclusive). In addition, between October and December 2013, bondholders exercised Cap Gemini S.A. share conversion rights in respect of 2,628,564 bonds, resulting in the presentation of 1,440,397 existing shares and 1,188,167 new shares. Cap Gemini S.A. redeemed in full the remaining 2,896 bonds outstanding on January 2, 2014.

IMPACT OF BONDS ON THE FINANCIAL STATEMENTS

	2013		2014	
	2011 Bond issue	"ORNANE 2013" bonds	2011 Bond issue	"ORNANE 2013" bonds
<i>At December 31 (in millions of euros)</i>				
Equity component	n/a	n/a	n/a	n/a
Option component in respect of the embedded conversion option	n/a	70	n/a	95
Debt component at amortized cost	499	351	500	360
Effective interest rate	5.5%	2.7%	5.5%	2.7%
Interest expense recognized in the Income Statement for the period	27	2	27	9
Nominal interest rate	5.3%	0.0%	5.3%	0.0%
Nominal interest expense (coupon)	26	-	26	-

FAIR VALUE OF BONDS

	2013		2014	
	2011 Bond issue	"ORNANE 2013" bonds	2011 Bond issue	"ORNANE 2013" bonds
<i>At December 31 (in millions of euros)</i>				
Fair value	553	360	548	387
Market rate	1.4%	2.1%	0.4%	0.8%

B) Obligations under finance leases

<i>in millions of euros</i>	Earliest date of leases	Latest expiry date	Effective interest rate	December 31, 2014
Computer equipment and other fixed assets	February 2008	December 2019	5.22%	105
OBLIGATIONS UNDER FINANCE LEASES				105
<i>o/w long-term obligations</i>				56
<i>o/w short-term obligations</i>				49

C) Breakdown of borrowings by currency

<i>in millions of euros</i>	At December 31, 2013			At December 31, 2014		
	Euro	Other currencies	Total	Euro	Other currencies	Total
2011 Bond issue	499	-	499	500	-	500
"ORNANE 2013" bonds	351	-	351	360	-	360
Draw-downs on bank and similar facilities	52	21	73	1	49	50
Obligations under finance leases	35	72	107	41	64	105
Bank overdrafts (liability)	9	-	9	1	-	1
BORROWINGS	946	93	1,039	903	113	1,016

Obligations under finance leases are mainly denominated in Pound Sterling in the amount of €39 million (€51 million at December 31, 2013) and in US dollar in the amount of €16 million (€11 million at December 31, 2013).

D) Effective Interest Rate (EIR)

In 2014, the effective interest rate on the Group's average outstanding borrowings was 4.3% (5.3% in 2013). At December 31, 2014, 98% of the Group's borrowings are at fixed rates, unchanged on December 31, 2013 and the remainder is at floating rates.

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

On January 13, 2011, Cap Gemini S.A. signed a €500 million multi-currency credit facility with a syndicate of 18 banks, maturing on January 13, 2016.

This facility was refinanced on July 30, 2014 with a group of 18 banks by a new multi-currency credit facility for an increased amount of €750 million, 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.

The initial margin on the new credit facility is 0.45% (excluding the fee on drawn amounts which varies according to the portion of the facility drawn), compared with the margin of 0.75% applied previously at the same credit-rating level. 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 upgrade of Cap Gemini S.A.'s credit rating to BBB+ by Standard & Poor's on August 5, 2014, the margin applicable is now 0.35% and the fee on undrawn amounts is 0.1225%.

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 was not drawn at December 31, 2014.

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 bond issue and the "ORNANE 2013" bonds were estimated based on contractual nominal interest rates (5.25% and 0% respectively) and on the assumption that 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
At December 31, 2014							
Cash and cash equivalents	2015	2,140	2,140	2,140	-	-	-
Cash management assets	2015	90	90	90	-	-	-
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)	-	-	-
Borrowings		(1,015)	(1,116)	(131)	(560)	(425)	-
Derivative instruments on borrowings		3					
NET CASH AND CASH EQUIVALENTS		1,218	1,114	2,099	(560)	(425)	-
Au December 31, 2013							
Cash and cash equivalents	2014	1,629	1,629	1,629	-	-	-
Cash management assets	2014	77	77	77	-	-	-
2011 Bond issue	2016	(499)	(576)	(26)	(26)	(524)	-
"ORNANE 2013" bonds	2019	(351)	(400)	-	-	-	(400)
Obligations under finance leases	2014 to 2018	(107)	(114)	(53)	(37)	(24)	-
Draw-downs on bank and similar facilities and other borrowings	2014 to 2018	(73)	(73)	(72)	(1)	-	-
Borrowings		(1,030)	(1,163)	(151)	(64)	(548)	(400)
Derivative instruments on borrowings	n/a	2					
NET CASH AND CASH EQUIVALENTS		678	543	1,555	(64)	(548)	(400)

NET CASH AND CASH EQUIVALENTS AND LIQUIDITY RISK

The financial liabilities whose repayability could expose the Group to liquidity risk are mainly 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 (€2,231 million at December 31, 2014), which could be increased by a multi-currency syndicated credit facility of €750 million (undrawn at December 31, 2014);
- ▶ 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 CASH AND CASH EQUIVALENTS AND CREDIT RISK

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

At December 31, 2014, short-term investments totaled €1,668 million and comprise mainly (i) money market mutual funds (FCP) meeting the criteria defined by the AMF 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, 2014, cash and cash equivalents totaled €2,140 million (see Note 20, Net cash and cash equivalents), up €511 million on December 31, 2013 (€1,629 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of €68 million, this increase is €443 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

NET CASH FROM OPERATING ACTIVITIES

In 2014, net cash from operating activities totaled €815 million (compared with €390 million in 2013, including the €235 million exceptional contribution for the accelerated financing of a UK pension fund) and resulted from:

- ▶ cash flows from operations before net finance costs and income tax in the amount of €1,044 million;
- ▶ payment of current income taxes in the amount of €97 million,
- ▶ an increase in working capital requirements, generating a negative cash impact of €132 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, 2013	December 31, 2014	Net impact	Non working capital items ⁽¹⁾	Impact of WCR items	Foreign exchange impact	Reclas-sifications ⁽²⁾ and changes in Group structure	Amount
Accounts and notes receivable, excl. capitalized costs on projects	18	2,484	2,757	(273)	(7)	(280)	77	66	(137)
Capitalized costs on projects	18	103	92	11	(1)	10	6	3	19
Advances from customers and billed in advance	18	(684)	(776)	92	-	92	(22)	(4)	66
Change in accounts and notes receivable and advances from customers and amounts billed in advance				(170)	(8)	(178)	61	65	(52)
Accounts and notes payable (accounts payable)	26	(920)	(1,015)	95	7	102	(40)	(36)	26
Changes in accounts and notes payable				95	7	102	(40)	(36)	26
Other non-current assets	17	153	260	(107)	78	(29)	3	8	(18)
Other current receivables	19	368	551	(183)	48	(135)	12	1	(122)
Other non-current liabilities	25	(260)	(254)	(6)	(7)	(13)	(2)	(4)	(19)
Accounts and notes payable (excluding accounts payable)	26	(1,373)	(1,528)	155	2	157	(36)	(39)	82
Other current payables	27	(173)	(148)	(25)	1	(24)	-	(5)	(29)
Change in other receivables/payables				(166)	122	(44)	(23)	(39)	(106)
CHANGE IN OPERATING WORKING CAPITAL						(120)	(2)	(10)	(132)

(1) Consolidated Statement of Financial Position items explaining cash flows relating to investing and financing activities and the payment of the income tax expense are not included in working capital requirements. They also include the recognition of amounts not impacting cash, through an item not classified in working capital.

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

NET CASH USED IN INVESTING ACTIVITIES

The main components of net cash used in investing activities of €153 million (compared with €152 million in 2013) reflect:

- ▶ net cash outflows of €98 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 €44 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);
- ▶ cash outflows of €12 million in respect of cash management assets.

NET CASH USED IN FINANCING ACTIVITIES

Net cash outflows as a result of financing activities totaled €218 million (compared with cash outflows of €537 million in 2013) and mainly comprised:

- ▶ a share capital increase of €229 million following the issue of new shares under the ESOP 2014 employee share ownership plan;
- ▶ net cash outflows of €181 million in respect of treasury share transactions;
- ▶ payment of the 2013 dividend of €174 million;
- ▶ cash outflows of €55 million to reimburse obligations under finance leases;
- ▶ cash outflows of €51 million to redeem commercial paper issued by Cap Gemini S.A.

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, in Poland and in 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: as inter-company lending and borrowing is generally hedged (in particular using forward purchase and sale foreign exchange contracts), the impact of changes in exchange rates on the Income Statement is negligible,
- ▶ fees paid to the parent company by subsidiaries whose functional currency is not the euro. As the majority of these flows are hedged, the impact of changes in exchange rates on the Income Statement is not material.

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

A 10% fluctuation in the Pound Sterling-euro exchange rate would trigger a corresponding 2.1% change in revenues and a 2.6% change in the operating margin amount. Similarly, a 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 1.8% change in revenues and a 2.2% change in the operating margin amount.

B) Hedging derivatives

Amounts hedged at December 31, 2014 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, 2014, 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 and < 12 months			TOTAL
		< 6 months	> 12 months		
Operating transactions		700	610	1,012	2,322
<i>o/w</i>	▶ fair value hedge	197	-	-	197
	▶ cash flow hedge	503	610	1,012	2,125
Financial transactions	▶ fair value hedge	128	-	-	128
TOTAL		828	610	1,012	2,450

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2015 and 2018 with an aggregate euro-equivalent value of €2,322 million (€948 million at December 31, 2013). The hedges were chiefly taken out in respect of transactions in Indian rupee (INR 122,047 million), US dollar (USD 417 million), Polish zloty (PLN 634 million) and Pound Sterling (GBP 42 million).

The maturities of the hedges range from 1 to 37 months and the main counterparty is Cap Gemini S.A. (for a euro-equivalent value of €2,293 million).

Hedges contracted in respect of financial transactions primarily concern Cap Gemini S.A. in the amount of €128 million at December 31, 2014. They mainly comprise hedged inter-company loans for €115 million (€197 million at December 31, 2013) and primarily correspond to loans denominated in US dollar, Australian dollar and Pound Sterling.

C) Fair value of hedging derivatives

<i>At December 31 (in millions of euros)</i>	Notes	2013	2014
Other non-current assets	17	71	141
Other current receivables	19	3	36
Other non-current liabilities	25	(88)	(95)
Other current payables	27	(11)	(1)
Fair value of hedging derivatives		(25)	81
<i>Relating to:</i>			
▶ operating transactions		(27)	78
▶ financial transactions		2	3

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 (€95 million at December 31, 2014);
- ▶ the conversion option embedded in the "ORNANE 2013" bonds recorded in Other non-current liabilities (€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 €46 million and in Other current receivables in the amount of €32 million.

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>	2014
Hedging derivatives recorded in income and expense recognized in equity at January 1	(20)
Amounts reclassified to operating profit in respect of transactions performed	(15)
Fair value of derivative instruments hedging future transactions	104
Hedging derivatives recorded in income and expense recognized in equity at December 31	69

INTEREST RATE RISK MANAGEMENT

A) Interest rate risk management policy

The Group's exposure to interest rate risk should be analyzed in light of its cash position: at December 31, 2014, the Group had €2,231 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 €1,016 million in gross indebtedness principally at fixed rates (98%) (see Note 20, 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 98% of Group borrowings were at fixed rates in 2014, 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 €8 million on the Group's net finance costs in 2014. Conversely, a 100-basis point fall in interest rates would have had an estimated €8 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. Immobiliere Les Fontaines (owner of Capgemini University) was entered into by the latter in 2003. This swap contract matured on July 31, 2014.

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, 2014, the Group's main counterparties for managing currency and interest rate risk are Barclays, BNP Paribas, CA CIB, Citibank, Commerzbank, HSBC, ING, JP Morgan, 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 short-fall 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 or settlement 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

CHANGE IN THE OBLIGATION, PLAN ASSETS AND THE EXPENSE RECOGNIZED IN THE INCOME STATEMENT

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	
		2013	2014	2013	2014	2013	2014
PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1		3,355	3,428	(2,153)	(2,466)	1,202	962
Expense for the period recognized in the Income Statement		206	225	(101)	(116)	105	109
Service cost	6	63	69	-	-	63	69
Interest cost	8	143	156	(101)	(116)	42	40
Impact on income and expense recognized in equity		60	618	17	(362)	77	256
Change in actuarial gains and losses		60	618	-	-	60	618
<i>Impact of changes in financial assumptions</i>		59	603	-	-	59	603
<i>Impact of changes in demographic assumptions</i>		11	21	-	-	11	21
<i>Experience adjustments</i>		(10)	(6)	-	-	(10)	(6)
Return on plan assets ⁽¹⁾		-	-	17	(362)	17	(362)
Other		(193)	161	(229)	(194)	(422)	(33)
Contributions paid by employees		7	7	(7)	(7)	-	-
Benefits paid to employees		(95)	(98)	83	89	(12)	(9)
Contributions paid		-	-	(376)	(96)	(376)	(96)
Translation adjustments		(114)	235	78	(179)	(36)	56
Business combinations		-	15	-	-	-	15
Other movements		9	2	(7)	(1)	2	1
PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31		3,428	4,432	(2,466)	(3,138)	962	1,294

(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 closed to accrual of benefits for the majority of members on March 31, 2008. 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:

- ▶ 995 current employees accruing pensionable service (1,057 in 2013),
- ▶ 8,096 former and current employees not accruing pensionable service (8,301 in 2013),
- ▶ 2,417 retirees (2,190 in 2013).

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 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>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2013	2014	2013	2014	2013	2014
PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1	2,387	2,512	(1,626)	(1,911)	761	601
Expense for the period recognized in the Income Statement	119	130	(79)	(89)	40	41
Service cost	14	14	-	-	14	14
Interest cost	105	116	(79)	(89)	26	27
Impact on income and expense recognized in equity	90	468	46	(329)	136	139
Change in actuarial gains and losses	90	468	-	-	90	468
<i>Impact of changes in financial assumptions</i>	92	456	-	-	92	456
<i>Impact of changes in demographic assumptions</i>	-	11	-	-	-	11
<i>Experience adjustments</i>	(2)	1	-	-	(2)	1
Return on plan assets ⁽¹⁾	-	-	46	(329)	46	(329)
Other	(84)	142	(252)	(151)	(336)	(9)
Contributions paid by employees	1	1	(1)	(1)	-	-
Benefits paid to employees	(38)	(54)	38	54	-	-
Contributions paid	-	-	(318)	(54)	(318)	(54)
Translation adjustments	(47)	195	29	(149)	(18)	46
Business combinations	-	-	-	-	-	-
Other movements	-	-	-	(1)	-	(1)
PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31	2,512	(2) 3 252	(1,911)	(2,480)	601	772

(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 increase in the present value of the obligation is mainly due to the impact of a fall in the benchmark discount rate (4.5% to 3.6%).

a) Main actuarial assumptions

Discount rate, salary inflation rate and inflation rate

<i>in %</i>	At December 31, 2013	At December 31, 2014
Discount rate	4.5	3.6
Salary inflation rate	3.4	3.1
Inflation rate	3.4	3.1

In 2014, 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>	2013		2014	
Shares	1,082	57%	1,363	55%
Bonds and hedging assets	780	41%	1,085	44%
Other	49	2%	32	1%
TOTAL	1,911	100%	2,480	100%

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets. Bonds and hedging assets consist of bonds 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>	Impact on the obligation at December 31, 2014	
	Increase	Decrease
Increase/decrease of 50 basis points in the discount rate	(334)	389
Increase/decrease of 50 basis points in the inflation rate	264	(296)
Increase/decrease of 50 basis points in the mortality rate	39	(45)

d) Contributions

Accelerated financing of the deficit of one of the UK pension funds in 2013

In July 2013, the Group launched the accelerated financing of the deficit of one of the UK pension funds through an exceptional contribution of €235 million.

Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2015 are estimated at €57 million, including the funding of pension plan deficits over the period defined with the trustees as part of the regular actuarial valuations.

B) Canada

In Canada, post-employment benefits consist of defined benefit pension plans and other pension and similar plans. The plans' 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 17 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 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:

- ▶ 809 current employees accruing pensionable service (847 in 2013),
- ▶ 79 former and current employees not accruing pensionable service (81 in 2013),
- ▶ 262 retirees (251 in 2013).

<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2013	2014	2013	2014	2013	2014
PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1	569	499	(389)	(403)	180	96
Expense for the period recognized in the Income Statement	44	42	(17)	(20)	27	22
Service cost	19	17	-	-	19	17
Interest cost	25	25	(17)	(20)	8	5
Impact on income and expense recognized in equity	(26)	102	(23)	(24)	(49)	78
Change in actuarial gains and losses	(26)	102	-	-	(26)	102
<i>Impact of changes in financial assumptions</i>	(37)	103	-	-	(37)	103
<i>Impact of changes in demographic assumptions</i>	13	10	-	-	13	10
<i>Experience adjustments</i>	(2)	(11)	-	-	(2)	(11)
Return on plan assets ⁽¹⁾	-	-	(23)	(24)	(23)	(24)
Other	(88)	4	26	(23)	(62)	(19)
Contributions paid by employees	4	4	(4)	(4)	-	-
Benefits paid to employees	(35)	(26)	33	25	(2)	(1)
Contributions paid	-	-	(46)	(25)	(46)	(25)
Translation adjustments	(59)	26	45	(19)	(14)	7
Business combinations	-	-	-	-	-	-
Other movements	2	-	(2)	-	-	-
PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31	499	(2) 647	(403)	(470)	96	177

(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 increase in the present value of the obligation is mainly due to the impact of a fall in the benchmark discount rate (4.9% to 4.0%).

a) Main actuarial assumptions

Discount rate, salary inflation rate and inflation rate

<i>in %</i>	At December 31, 2013	At December 31, 2014
Discount rate	4.9	4.0
Salary inflation rate	3.0	3.0
Inflation rate	2.0	2.0

In 2014, 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>	2013		2014	
Shares	248	62%	287	61%
Bonds	145	36%	172	37%
Other	10	2%	11	2%
TOTAL	403	100%	470	100%

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

c) Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2014	
	Increase	Decrease
Increase/decrease of 50 basis points in the discount rate	(59)	69
Increase/decrease of 50 basis points in the inflation rate	40	(38)
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 2015 are estimated at €31 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>	2013	2014
At January 1	64	58
Charge	33	25
Reversals (utilization of provisions)	(17)	(12)
Reversals (surplus provisions)	(19)	(14)
Other	(3)	15
At December 31	58	72

At December 31, 2014, current provisions (€48 million) and non-current provisions (€24 million) mainly concern risks relating to projects and contracts amounting to €56 million (€45 million at December 31, 2013) and risks relating to tax and labor disputes amounting to €16 million (€13 million at December 31, 2013).

NOTE 25 OTHER NON-CURRENT LIABILITIES

At December 31 (<i>in millions of euros</i>)	Notes	2013	2014
Special employee profit-sharing reserve		34	27
Derivative instruments	22	88	95
Liabilities related to acquisitions of consolidated companies		118	120
Other		20	12
OTHER NON-CURRENT LIABILITIES	21	260	254

Liabilities related to acquisitions of consolidated companies consist for €116 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 €95 million at December 31, 2014.

NOTE 26 ACCOUNTS AND NOTES PAYABLE

<i>At December 31 (in millions of euros)</i>	Note	2013	2014
Accounts payable		920	1,015
Accrued taxes other than income tax		358	386
Personnel costs		994	1,128
Other		21	14
ACCOUNTS AND NOTES PAYABLE	21	2,293	2,543

NOTE 27 OTHER CURRENT PAYABLES

<i>At December 31 (in millions of euros)</i>	Notes	2013	2014
Special employee profit-sharing reserve		18	15
Derivative instruments	22	11	1
Liabilities related to acquisitions of consolidated companies		90	90
Other		54	42
OTHER CURRENT PAYABLES	21	173	148

Liabilities related to acquisitions of consolidated companies consist for €81 million of the initial put option (net of price adjustments and the impact of the unwinding of the discount) granted to the remaining minority shareholders from which CPM Braxis was purchased in 2010 (€83 million at December 31, 2013). This put option is exercisable between October 2013 and October 2015.

NOTE 28 NUMBER OF EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

	2013		2014	
	Employees	%	Employees	%
North America	9,664	7	10,064	7
France	21,616	17	22,667	17
United Kingdom and Ireland	9,123	7	9,007	7
Benelux	8,942	7	8,674	6
Southern Europe	7,269	6	7,350	5
Nordic countries	4,394	3	4,231	3
Germany and Central Europe	9,885	8	10,302	8
Asia-Pacific and Latin America	57,075	45	65,299	47
Not allocated	158	-	153	-
AVERAGE NUMBER OF EMPLOYEES	128,126	100	137,747	100

NUMBER OF EMPLOYEES AT DECEMBER 31 BY GEOGRAPHIC AREA

	2013		2014	
	Employees	%	Employees	%
North America	9,710	7	10,384	7
France	21,705	17	23,600	17
United Kingdom and Ireland	9,130	7	8,766	6
Benelux	8,775	7	8,547	6
Southern Europe	7,187	5	7,446	5
Nordic countries	4,277	3	4,145	3
Germany and Central Europe	10,095	8	10,484	7
Asia-Pacific and Latin America	60,394	46	70,122	49
Not allocated	157	-	149	-
NUMBER OF EMPLOYEES AT DECEMBER 31	131,430	100	143,643	100

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 €1,367 million at December 31, 2014 (€1,059 million at December 31, 2013);
- ▶ bank guarantees borne by the Group and totaling €105 million at December 31, 2014 (€81 million at December 31, 2013).

B) Commitments given on non-cancellable leases

<i>in millions of euros</i>	Computer equipment	Offices	Vehicles and other non-cancellable leases	Total
Y+1	14	172	57	243
Y+2	9	144	38	191
Y+3	6	109	21	136
Y+4	1	83	6	90
Y+5	-	51	-	51
Y+6 and beyond	-	66	-	66
At December 31, 2014	30	625	122	777
At December 31, 2013	31	668	133	832

Lease payments recognized in the Income Statement in 2014 totaled €319 million (€317 million in 2013).

C) Other commitments given

Other commitments given total €93 million at December 31, 2014 (€91 million at December 31, 2013) and mainly comprise:

- ▶ bank guarantees given to the tax authorities in connection with tax disputes mainly in India;
- ▶ firm purchase commitments relating to goods or services in India and the United Kingdom.

D) Commitments received on client contracts

Pursuant to a contract signed in 2010, Capgemini Group received a limited financial guarantee of €50 million from the client.

OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

A) Bonds

With regard to the 2011 bond issue and the "ORNANE 2013" bonds detailed in Note 20, Net cash and cash equivalents, Cap Gemini S.A. has committed to standard obligations and particularly to maintain pari passu status with all other negotiable 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 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, 2013 and 2014 the Group complied with these financial ratios.

The credit facility agreement also includes covenants restricting the 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.

C) Borrowings secured by assets

Some borrowings are secured by assets recorded in the Consolidated Statement of Financial Position. At December 31, 2014, these related to finance leases for an amount of €105 million and other borrowings in the amount of €20 million.

CONTINGENT LIABILITIES

During 2014 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 and its advisors can justify their positions and consider the likelihood of winning the disputes to be high. This is particularly the case, in France, for the 2009 and 2010 research tax credits, in respect of which the tax authorities have rejected the portion concerning private clients.

NOTE 30 RELATED-PARTY TRANSACTIONS

ASSOCIATES

Associates are equity-accounted companies over which the Group exercises significant influence. At December 31, 2014, O2C Pro LLC is the only company equity-accounted by the Group since its acquisition in 2011. Transactions with this equity associate in 2014 were performed at arm's length and were of immaterial volume.

OTHER RELATED-PARTIES

In 2014, 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 the minority shareholders, Bradesco S.A. and Caixa Participações, are also the main clients of CPM Braxis, accounting for approximately 41% of its revenues.

GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of the 2013 and 2014 compensation of members of management bodies present at each year-end, encompassing the Group operating management structure, i.e. 20 members in 2014 (20 members in 2013) and the compensation and attendance fees paid to Directors and non-voting Directors.

<i>in thousands of euros</i>	2013	2014
Short-term benefits excluding employer payroll taxes ⁽¹⁾	17,445	19,320
o/w attendance fees to salaried Directors	51	53
o/w attendance fees to non-salaried Directors and non-voting Directors ^{(2) (3)}	485	725
Short-term benefits: employer payroll taxes ⁽⁴⁾	6,288	7,495
Post-employment benefits ⁽⁵⁾	586	845
Share-based payment ⁽⁶⁾	3,846	5,493

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

(2) Note that Paul Hermelin has waived receipt of his attendance fees since 2011;

(3) 12 directors in 2013 and 12 in 2014;

(4) Short-term benefits include employer social security contributions, the 30% contribution due in respect of the grant of performance shares as well as the contribution paid on high executive compensation;

(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 €1.20 per share in respect of 2014. A dividend of €1.10 per share was paid in respect of fiscal year 2013.

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, 2014	% interest	Consolidation Method
ARGENTINA	Capgemini Argentina S.A.	100.00%	FC
AUSTRALIA	Capgemini Australia Pty Ltd.	100.00%	FC
	Capgemini Business Services Australia Pty Ltd.	100.00%	FC
AUSTRIA	Capgemini Consulting Österreich AG	100.00%	FC
BELGIUM	Capgemini Belgium N.V./S.A.	100.00%	FC
	Sogeti Belgium S.A.	100.00%	FC
BRAZIL	Capgemini Business Services Brasil – Assessoria Empresarial Ltda.	100.00%	FC
	Consultoria de Gestao Gemini Ltda.	100.00%	FC
	CPM Braxis Tecnologia Ltda.	53.92%	FC
	CPM Braxis S.A.	53.92%	FC
CANADA	Capgemini Canada Inc.	100.00%	FC
	Capgemini Financial Services Canada Inc.	100.00%	FC
	Gestion Capgemini Québec Inc.	100.00%	FC
	Inergi LP	100.00%	FC
	New Horizon System Solutions LP	100.00%	FC
	Société en Commandite Capgemini Québec	100.00%	FC
CHILE	Capgemini Business Services Chile Ltda.	100.00%	FC
CHINA	Capgemini (China) Co. Ltd.	100.00%	FC
	Capgemini (Hangzhou) Co. Ltd.	100.00%	FC
	Capgemini Business Services (Asia) Ltd.	100.00%	FC
	Capgemini Business Services (China) Ltd.	100.00%	FC
	Capgemini Hong Kong Ltd.	100.00%	FC
	Capgemini Kun Shan Co. Ltd.	100.00%	FC
	Praxis (Beijing) Technology Co. Ltd.	100.00%	FC
COLOMBIA	Capgemini Colombia	100.00%	FC
CZECH REPUBLIC	Capgemini Czech Republic s.r.o.	100.00%	FC
DENMARK	Capgemini Sogeti Danmark AS	100.00%	FC
FINLAND	Capgemini Finland Oy	100.00%	FC
	Sogeti Finland Oy	100.00%	FC

FRANCE	Cap Gemini S.A.	Parent company	-
	Sogeti Corporate Services S.A.S	100.00%	FC
	Backélite S.A.S.	100.00%	FC
	Capgemini Consulting S.A.S.	100.00%	FC
	Capgemini France S.A.S.	100.00%	FC
	Capgemini Gouvieux S.A.S.	100.00%	FC
	Capgemini OS Electric S.A.S.	100.00%	FC
	Capgemini Outsourcing Services S.A.S.	100.00%	FC
	Capgemini Service S.A.S.	100.00%	FC
	Capgemini Technology Services S.A.S.	100.00%	FC
	Capgemini Université S.A.S.	100.00%	FC
	Euriware S.A.	100.00%	FC
	Immobilière Les Fontaines S.A.R.L.	100.00%	FC
	Open Cascade S.A.S.	100.00%	FC
	Prosodie S.A.S.	100.00%	FC
	SCI Paris Etoile	100.00%	FC
	Sogeti France S.A.S.	100.00%	FC
	Sogeti High Tech S.A.S.	100.00%	FC
	Sogeti S.A.S.	100.00%	FC
GERMANY	Capgemini Deutschland GmbH	100.00%	FC
	Capgemini Deutschland Holding GmbH	100.00%	FC
	Capgemini Outsourcing Services GmbH	100.00%	FC
	Sogeti Deutschland GmbH	100.00%	FC
	Sogeti High Tech GmbH	100.00%	FC
GUATEMALA	Capgemini Business Services Guatemala S.A.	100.00%	FC
HUNGARY	Capgemini Magyarország Kft	100.00%	FC
INDIA	Capgemini Business Services (India) Pvt Ltd.	100.00%	FC
	Capgemini India Pvt Ltd.	100.00%	FC
IRELAND	Sogeti Ireland Ltd.	100.00%	FC
ITALY	Capgemini BS S.p.A.	100.00%	FC
	Capgemini BST S.p.A.	100.00%	FC
	Capgemini Italia S.p.A.	100.00%	FC
JAPAN	Capgemini Japan K.K.	100.00%	FC
LUXEMBOURG	Capgemini Reinsurance International S.A.	100.00%	FC
	Sogeti Luxembourg S.A.	100.00%	FC
MALAYSIA	Capgemini Services Malaysia Sdn Bhd	100.00%	FC
MOROCCO	Capgemini Technology Services Maroc S.A.	100.00%	FC
MEXICO	Capgemini Mexico S. de R.L. de C.V.	100.00%	FC
NETHERLANDS	Capgemini Educational Services B.V.	100.00%	FC
	Dunit B.V.	100.00%	FC
	Capgemini N.V.	100.00%	FC
	Capgemini Nederland B.V.	100.00%	FC
	Sogeti Nederland B.V.	100.00%	FC
NORWAY	Capgemini Norge AS	100.00%	FC
	IBX Norge AS	100.00%	FC
	Sogeti Norge AS	100.00%	FC
PHILIPPINES	Capgemini Philippines Corp.	100.00%	FC

POLAND	Capgemini Polska Sp z.o.o.	100.00%	FC
PORTUGAL	Capgemini Portugal, Serviços de Consultoria e Informatica S.A.	100.00%	FC
ROMANIA	Capgemini Services Romania s.r.l.	100.00%	FC
RUSSIA	Datavision NN	100.00%	FC
SAUDI ARABIA	Capgemini Saudi Ltd.	100.00%	FC
SINGAPORE	Capgemini Singapore Pte Ltd.	100.00%	FC
SLOVAKIA	Capgemini Slovensko, s.r.o.	100.00%	FC
SPAIN	Capgemini España, S.L.	100.00%	FC
	Prosodie Ibérica	100.00%	FC
	Sogeti España, S.L.	100.00%	FC
SWEDEN	Capgemini AB (Sweden)	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	IBX Group AB	100.00%	FC
	Skvader Systems AB	100.00%	FC
	Sogeti Sverige AB	100.00%	FC
	Sogeti Sverige Mitt AB	100.00%	FC
SWITZERLAND	Capgemini Suisse S.A.	100.00%	FC
	Sogeti Suisse S.A.	100.00%	FC
UNITED ARAB EMIRATES	Capgemini Middle East FZ LLC	100.00%	FC
	Thesys Technologies LLC	49.00%	FC
	Thesys Technologies Middle East FZE	100.00%	FC
UNITED KINGDOM	Capgemini Financial Services UK Ltd.	100.00%	FC
	Capgemini UK Plc.	100.00%	FC
	Sogeti UK Ltd.	100.00%	FC
UNITED STATES	Capgemini America Inc.	100.00%	FC
	Capgemini Business Services USA LLC	100.00%	FC
	Capgemini Financial Services International Inc.	100.00%	FC
	Capgemini Financial Services USA Inc.	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Capgemini North America Inc.	100.00%	FC
	Capgemini Technologies LLC	100.00%	FC
	Capgemini US LLC	100.00%	FC
	O2C Pro, LLC	49.00%	EM
	Sogeti USA LLC	100.00%	FC
	Strategic Systems & Products Corporation	100.00%	FC
VIETNAM	Capgemini Vietnam Co. Ltd.	100.00%	FC