

December 31, 2017

# ANNUAL REPORT

## CONSOLIDATED FINANCIAL STATEMENTS

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## FINANCIAL HIGHLIGHTS

### Consolidated Financial Statements

<i>in millions of euros</i>	2013	2014	2015	2016	2017
<b>Revenues</b>	<b>10,092</b>	<b>10,573</b>	<b>11,915</b>	<b>12,539</b>	<b>12,792</b>
Operating expenses	(9,235)	(9,603)	(10,653)	(11,099)	(11,299)
<b>Operating margin *</b>	<b>857</b>	<b>970</b>	<b>1,262</b>	<b>1,440</b>	<b>1,493</b>
% of revenues	8.5%	9.2%	10.6%	11.5%	11.7%
<b>Operating profit</b>	<b>720</b>	<b>853</b>	<b>1,022</b>	<b>1,148</b>	<b>1,183</b>
% of revenues	7.1%	8.1%	8.6%	9.2%	9.2%
<b>Profit for the year attributable to owners of the Company</b>	<b>442</b>	<b>580</b>	<sup>(1)</sup> <b>1,124</b>	<sup>(2)</sup> <b>921</b>	<b>820</b>
% of revenues	4.4%	5.5%	9.4%	7.3%	6.4%
<b>Earnings per share</b>					
Average number of shares outstanding during the year	158,147,868	157,855,433	168,452,917	169,450,721	168,057,561
Basic earnings per share (in euros)	2.80	3.68	6.67	5.44	4.88
Normalized earnings per share* (in euros)	3.41	4.22	<sup>(1)</sup> 7.67	<sup>(2)</sup> 6.69	6.22
Dividend per share for the year (in euros)	1.10	1.20	1.35	1.55	<sup>(3)</sup> 1.70
<b>Goodwill at December 31</b>	<b>3,601</b>	<b>3,784</b>	<b>7,055</b>	<b>7,176</b>	<b>6,830</b>
<b>Equity attributable to owners of the Company at December 31</b>	<b>4,458</b>	<b>5,057</b>	<b>6,887</b>	<b>7,272</b>	<b>6,956</b>
<b>(Net debt) / net cash and cash equivalents* at December 31</b>	<b>678</b>	<b>1,218</b>	<b>(1,767)</b>	<b>(1,413)</b>	<b>(1,209)</b>
<b>Organic free cash flow* at December 31</b>	<sup>(4)</sup> <b>455</b>	<b>668</b>	<b>815</b>	<b>1,071</b>	<b>1,080</b>
<b>Average number of employees</b>	<b>128,126</b>	<b>137,747</b>	<b>161,268</b>	<b>185,593</b>	<b>196,755</b>
<b>Number of employees at December 31</b>	<b>131,430</b>	<b>143,643</b>	<b>180,639</b>	<b>193,077</b>	<b>199,698</b>

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

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

(3) Subject to approval by the Combined Shareholders' Meeting of May 23, 2018

(4) Before the €235 million exceptional contribution to a UK pension fund

\* The alternative performance measures monitored by the Group (operating margin, normalized earnings per share, net debt / net cash and cash equivalents and organic free cash flow) are defined in Note 3, Alternative performance measures and broken down in Note 11, Earnings per share, Note 21, Net debt / Net cash and cash equivalents and Note 22, Cash flows.



## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Capgemini S.E.

11 rue de Tilsitt

75017 Paris

To the annual general meeting of Capgemini S.E.

### Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Capgemini S.E. for the year ended 31 December 2017.

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 2017 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.

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

### Basis for Opinion

#### **Audit Framework**

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

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

#### **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>st</sup> January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

#### **Justification of Assessments - Key Audit Matters**

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

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



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

### **Risks identified**

Capgemini is present in the professional IT services market and notably provides long-term services.

As described in Note 6 to the consolidated financial statements, the method used to recognize revenue and costs related to long-term contracts depends on the nature of the services rendered, as follows:

- revenue from long-term fixed-price contracts is recognized as and when the services are rendered using the percentage of completion method. The percentage of completion is determined for each project by correlating the total costs incurred at the end of the reporting period to the total estimated project costs. Costs are recognized as incurred; and
- revenue from outsourcing contracts is recognized over the term of the contract based on the total services rendered. Costs related to outsourcing contracts are expensed in the period in which they were incurred. The costs incurred in the initial phase of the contract (transition and/or transformation costs) may be deferred when they are specific to a given contract, relate to a future activity and/or will generate future economic benefits, and are recoverable. These costs are subsequently classified in work-in-progress.

Provisions for loss on completion are recognized in liabilities when the amount of the costs to be incurred exceeds the revenue not yet recognized on the contract.

The amount of revenue and the costs to be recognized for the period, and of any provisions for loss on completion at the end of the reporting period, depends on the Group's ability to:

- identify all separable items in the long-term multi-service contracts and determine their accounting treatment;
- determine the accounting treatment for transition and transformation costs linked to long term contracts implementation;
- measure the costs incurred or the total services rendered;
- estimate the costs to be incurred up until the end of the contract.

In light of the judgments and estimates made by management to determine how revenue and costs should be recognized, we deemed the recognition of revenue and costs related to long-term service contracts to be a key matter in our audit.

### **Our audit approach**

We gained an understanding of the process related to recognizing various revenue flows.

Our approach took into account the information systems used in recognizing revenue and related costs by testing, with the assistance of our IT specialists, the effectiveness of the automatic controls for systems impacting revenue recognition.

Our work notably involved:

- assessing internal control procedures, identifying the most relevant controls for our audit and testing their design and operational efficiency;
- reviewing, based on a sample of contracts, the method used to recognize revenue and costs, comparing the accounting data against the operational monitoring of projects and assessing the reasonableness of the estimated used, particularly as regards measuring costs to be incurred;
- carrying out analytical audit procedures, and notably analyzing material changes in revenue and margin from one period to another;
- assessing the appropriateness of the information provided in the notes to the consolidated financial statements.

## Measurement of Goodwill

### **Risks identified**

As part of its business development, the Group makes targeted acquisitions and recognizes goodwill as an asset in the consolidated financial statements.

Goodwill corresponds to the difference between the purchase price and the net amount of identifiable assets acquired and liabilities assumed. Goodwill is allocated to the various cash generating units (CGU) based on the value in use of each CGU.

At least once a year, Management ensures that the net carrying amount of goodwill recognized as an asset, amounting to €6,830 million at 31 December 2017, is not greater than the recoverable amount. Indeed, an adverse change in the business activities to which goodwill has been allocated, due to internal or external factors such as the financial and economic environment in markets where Capgemini operates, may have a significant adverse effect on the recoverable amount of goodwill and require the recognition of impairment. In such a case, it is necessary to reassess the relevance of the assumptions used to determine the recoverable amounts and the reasonableness and consistency of the criteria used in the calculation.

The impairment testing methods and details of the assumptions made are described in Note 15 of the notes to the consolidated financial statements. The recoverable amount is determined based on value in use, which is calculated based on the present value of the estimated future cash flows expected to arise from the asset group comprising each cash generating unit.

We believe that the measurement of goodwill is a key audit matter, due to the significant amount of goodwill reported in the financial statements and its sensitivity to the assumptions made by Management.



### **Our audit approach**

Our work entailed:

- assessing the appropriateness of the method used to identify cash generating units (CGU);
- gaining an understanding of and assessing the impairment testing process implemented by Management;
- verifying the appropriateness of the model used to calculate value in use;
- analysing the consistency of cash flow forecasts with Management's latest estimates presented to the Board of Directors as part of the budget process;
- comparing the cash flow forecasts for financial years 2018 to 2020 with the business plans used for prior year impairment testing;
- comparing 2017 earnings forecasts used for prior year impairment testing with actual results;
- interviewing the financial and operational staff responsible for the geographic areas representing cash generating units to analyse the main assumptions used in the business plans and cross-check the assumptions with the explanations obtained;
- assessing the methods used to calculate the discount rate applied to the estimated cash flows expected, as well as the long-term growth rate used to project the latest prior year expected cash flows to infinity; comparing these rates with market data and external sources and recalculating the rates based on our own data sources;
- assessing sensitivity testing of value in use to a change in the main assumptions used by Management;
- assessing the appropriateness of the financial information provided in Note 15 of the notes to the consolidated financial statements.

Our firms' valuation specialists were involved in this work.

### **Recoverability of deferred tax assets recognized on tax loss carry-forwards**

#### **Risks identified**

As of December 31, 2017, the following items were recorded in the consolidated financial statements: €1,283 million in respect of deferred tax assets, including €763 million related to deferred tax assets on tax loss carryforwards, of which €554 million in the United States, and €172 million in deferred tax liabilities. Deferred tax assets are only recognized when it is probable that the company will have future taxable profits sufficient to recover them. Unrecognized deferred tax assets on tax loss carryforwards amounted to €228 million in the financial statements for the year ended December 31, 2017.

As stated in the Note 16 to the consolidated financial statements for the year ended 31 December 2017, the Group's ability to recognize deferred tax assets relating to tax loss carryforwards is assessed by management at the end of each reporting period, taking into account forecasts of future taxable profits. The probability of recovering deferred tax assets is primarily assessed based on a ten-year business plan, taking into account the probability of generating future taxable profits as well as an assessment by the Group and local finance departments of the company's ability to meet the goals set out in its business plan in light of the risks identified at the end of the reporting period in the jurisdiction concerned.

We deemed the recognition of deferred tax assets relating to tax loss carryforwards to be a key matter in our audit due to their sensitivity to the assumptions used by management when it comes to recognizing these assets and to the materiality of their amounts.

#### **Our audit approach**

Our work consisted in assessing the Group's ability to recognize deferred tax assets on tax loss carryforwards, primarily in view of:

- existing deferred tax liabilities in the same tax jurisdiction that may be used to offset existing tax loss carryforwards prior to their expiry date; and
- future taxable profits for each tax jurisdiction that may be used to absorb previous tax losses.

We verified the appropriateness of the model adopted by management to identify the existing tax loss carryforwards to be used, whether through deferred tax liabilities or future taxable profits.

To assess future taxable profits, we measured the reliability of the preparation process for the ten-year business plan, which the Group used as a basis to recognize its deferred tax assets, by:

- analysing the consistency of cash flow forecasts with Management's latest estimates presented to the Board of Directors as part of the budget process;
- comparing forecasted profit and loss from prior periods with that of actual profit and loss for the periods concerned;
- checking that the business plan data and long-term growth rates used in impairment testing accurately reflected those used in the measurement of deferred taxes;
- conducting a critical review of the assumptions used by management to prepare profit and loss forecasts for the period beyond the three-year business plan approved by the Board of Directors. The review primarily focused on the assumptions' consistency with the long-term growth rates used and the information gathered during our meetings with members of management.

Based on current market interpretations, we also considered the potential impact of the US tax reform on the measurement of the US deferred tax assets and liabilities.

Our firms' tax specialists were involved in this work.



## Tax Audit

### **Risks identified**

The Group is present in a large number of tax jurisdictions. The tax authorities in the countries in which the Group operates regularly ask questions relating to the Group's position on subjects relating to its ordinary business.

Tax audits may lead to re-assessments and disputes with the tax authorities. Estimates of risk relating to tax disputes are reviewed regularly for each subsidiary and by the Group's tax department, with the assistance of external counsel for the most significant and complex disputes.

As stated in Note 29 to the Group's consolidated financial statements for the year ended 31 December 2017, these reassessments have not been accrued in the financial statements, as the Group has justified its position and believes that it is probable that it will win the disputes. This is the case, for instance in France, for the research tax credit for financial years 2008 to 2013. For some companies that have received approval for the research tax credit, the part relating to private customers has been rejected by the tax authorities.

We believe that tax risk is a key audit matter due to the Group's exposure to tax issues related to its presence worldwide, to the research tax credit for financial years 2008 to 2013 in connection with the specific characteristics of its business sector, and the level of judgment required by Management in estimating risk and the amounts recognized.

### **Our audit approach**

Through discussions with Management, we have gained an understanding of the procedures implemented by the Group to identify uncertain tax positions and, where appropriate, provision for tax risk.

In addition, we have assessed the judgments made by Management to measure the probability of tax payable and the amount of potential exposures, and the reasonableness of the estimates made for providing tax risk.

We focused in particular on the effect of changes in local tax regulations and ongoing disputes with local tax authorities.

To assess whether tax disputes have been correctly accounted for, with the assistance of our tax experts we:

- conducted interviews with the Group's tax department and with local tax departments to assess the current status of investigations and reassessment notices received from the tax authorities, and monitor the status of ongoing claims, disputes and pre-litigation proceedings;
- consulted the decisions and recent correspondence between the Group's companies and local tax authorities, along with the correspondence between the companies concerned and their legal counsel, when required;
- performed a critical review of Management's estimates and positions and the opinions of external advisors;
- analyzed the responses from the company's external advisors to our requests for information;
- verified that the latest developments have been taken into account in estimating the risks and provisions recognized in the balance sheet.

## Provisions for pensions and other post-employment benefits

### **Risks identified**

As stated in the Note 24 to the consolidated financial statements for the year ended 31 December 2017, the Group contributes to several post-employment defined benefit plans. The main pension plans in the United Kingdom, Canada and France represent an actuarial value of cumulative benefit obligations of €4,469 million out of a total of €4,812 million at 31 December 2017. Given that these benefit obligations are hedged, particularly in the United Kingdom and Canada, by dedicated assets with a fair value of €3,616 million, the net benefit obligation totaled €1,196 million at 31 December 2017.

Calculating pension plan assets and liabilities as well as actuarial costs for the period requires the judgment of management to determine which assumptions should be used, such as discount and inflation rates, salary inflation, staff turnover and life expectancy, etc. Any changes in these key assumptions can have a material impact on how the recognized net benefit obligation is determined and on the Group's results. Accordingly, management solicits external actuaries to assist in determining these assumptions.

In light of the amount the benefit obligation represents and the dedicated assets used to hedge it, as well as the judgment of management in determining actuarial assumptions and their resulting sensitivity, the obligations resulting from the defined benefit plans were deemed to be a key matter in our audit.

### **Our audit approach**

We were informed of the procedures implemented by the Group for measuring post-employment net benefit obligations resulting from defined benefit plans.

With the support of our actuaries, our work involved:

- assessing the reasonableness of the assumptions regarding discount and inflation rates in light of current market conditions;
- assessing assumptions as regards salary inflation and demographic data in order to measure their consistency with the specific nature of each plan and, where applicable, the relevant national and sector references;
- confirming, based on sampling techniques, that individual data and the actuarial and statistical assumptions used by external actuaries to calculate the benefit obligation have been correctly transcribed;
- verifying the accuracy of the calculations prepared by external actuaries;
- assessing the reasonableness of the assumptions used to measure the dedicated assets.





## **Verification of the Information Pertaining to the Group Presented in the Management Report**

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

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

## **Report on Other Legal and Regulatory Requirements**

### ***Appointment of the Statutory Auditors***

We were appointed as statutory auditors of Capgemini S.E by the annual general meeting held on 25 April 2002 for KPMG Audit and on 24 May 1996 for PricewaterhouseCoopers Audit.

As at 31 December 2017, KPMG Audit and PricewaterhouseCoopers Audit were in the 16<sup>th</sup> year and 22<sup>th</sup> year of total uninterrupted engagement.

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

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

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

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

The consolidated financial statements were approved the Board of Directors.

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

### ***Objectives and audit approach***

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.





- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

#### *Report to the Audit Committee*

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

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

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

#### The Statutory Auditors

Neuilly-sur-Seine, 26 February 2018

Paris La Défense, 26 February 2018

PricewaterhouseCoopers Audit

KPMG Audit

*Division of KPMG S.A.*

Françoise Garnier

Richard Béjot

Frédéric Quélin

*Partner*

*Partner*

*Partner*



## CONSOLIDATED INCOME STATEMENT

<i>in millions of euros</i>	Notes	2016		2017	
		Amount	%	Amount	%
<b>Revenues</b>	4 - 6	<b>12,539</b>	<b>100</b>	<b>12,792</b>	<b>100</b>
Cost of services rendered		(9,183)	(73.3)	(9,408)	(73.5)
Selling expenses		(1,032)	(8.2)	(1,019)	(8.0)
General and administrative expenses		(884)	(7.0)	(872)	(6.8)
<b>Operating expenses</b>	7	<b>(11,099)</b>	<b>(88.5)</b>	<b>(11,299)</b>	<b>(88.3)</b>
<b>Operating margin *</b>		<b>1,440</b>	<b>11.5</b>	<b>1,493</b>	<b>11.7</b>
Other operating income and expense	8	(292)	(2.3)	(310)	(2.5)
<b>Operating profit</b>		<b>1,148</b>	<b>9.2</b>	<b>1,183</b>	<b>9.2</b>
Net finance costs	9	(104)	(0.8)	(18)	(0.1)
Other financial income and expense	9	(42)	(0.4)	(54)	(0.4)
<b>Net financial expense</b>		<b>(146)</b>	<b>(1.2)</b>	<b>(72)</b>	<b>(0.5)</b>
<b>Income tax income (expense)</b>	10	<b>(<sup>(1)</sup> 94)</b>	<b>(0.8)</b>	<b>(303)</b>	<b>(2.4)</b>
<b>PROFIT FOR THE YEAR</b>		<b>908</b>	<b>7.2</b>	<b>808</b>	<b>6.3</b>
<i>Attributable to:</i>					
Owners of the Company		921	7.3	820	6.4
Non-controlling interests		(13)	(0.1)	(12)	(0.1)
<b>EARNINGS PER SHARE</b>					
Average number of shares outstanding during the year		169,450,721		168,057,561	
<b>Basic earnings per share</b> (in euros)	11	<b>5.44</b>		<b>4.88</b>	
Diluted average number of shares outstanding		179,080,780		172,082,122	
<b>Diluted earnings per share</b> (in euros)	11	<b>5.25</b>		<b>4.76</b>	

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

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in millions of euros</i>	2016	2017
Actuarial gains and losses on defined benefit pension plans, net of tax <sup>(1)</sup>	(257)	110
Remeasurement of hedging derivatives, net of tax <sup>(2)</sup>	53	(61)
Translation adjustments <sup>(2)</sup>	173	(780)
<b>OTHER ITEMS OF COMPREHENSIVE INCOME</b>	<b>(31)</b>	<b>(731)</b>
Profit for the year (reminder)	908	808
Total comprehensive income for the period:	877	77
<i>Attributable to:</i>		
Owners of the Company	886	88
Non-controlling interests	(9)	(11)

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

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>in millions of euros</i>	Note	December 31, 2016	December 31, 2017
Goodwill	13 - 15	7,176	6,830
Intangible assets	13	813	681
Property, plant and equipment	14	754	749
Deferred taxes	16	1,473	1,283
Other non-current assets	18	374	311
<b>Total non-current assets</b>		<b>10,590</b>	<b>9,854</b>
Accounts and notes receivable	19	3,074	3,265
Current tax receivables		132	107
Other current assets	20	627	657
Cash management assets	21	157	168
Cash and cash equivalents	21	1,879	1,988
<b>Total current assets</b>		<b>5,869</b>	<b>6,185</b>
<b>TOTAL ASSETS</b>		<b>16,459</b>	<b>16,039</b>

<i>in millions of euros</i>	Note	December 31, 2016	December 31, 2017
Share capital		1,373	1,348
Additional paid-in capital		3,453	3,169
Retained earnings and other reserves		1,525	1,619
Profit for the year		921	820
<b>Equity (attributable to owners of the Company)</b>		<b>7,272</b>	<b>6,956</b>
Non-controlling interests		13	4
<b>Total equity</b>		<b>7,285</b>	<b>6,960</b>
Long-term borrowings	21	3,287	2,783
Deferred taxes	16	227	172
Provisions for pensions and other post-employment benefits	24	1,374	1,196
Non-current provisions	25	26	25
Other non-current liabilities	26	292	311
<b>Total non-current liabilities</b>		<b>5,206</b>	<b>4,487</b>
Short-term borrowings and bank overdrafts	21	125	589
Accounts and notes payable	27	2,818	2,837
Advances from customers and billed in advance	19	737	890
Current provisions	25	104	88
Current tax liabilities		109	107
Other current liabilities	26	75	81
<b>Total current liabilities</b>		<b>3,968</b>	<b>4,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,459</b>	<b>16,039</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows for the period are discussed in Note 22, Cash flows.

<i>in millions of euros</i>	Notes	2016	2017
<b>Profit for the year attributable to owners of the Company</b>		<b>921</b>	<b>820</b>
Non-controlling interests		(13)	(12)
Depreciation, amortization and impairment of fixed assets		299	301
Change in provisions		(5)	(9)
Losses on disposals of assets		6	15
Expenses relating to share grants		54	64
Net finance costs	9	104	18
Income tax expense / (income)	10	94	303
Unrealized gains on changes in fair value and other		(11)	32
<b>Cash flows from operations before net finance costs and income tax (A)</b>		<b>1,449</b>	<b>1,532</b>
<b>Income tax paid (B)</b>		<b>(167)</b>	<b>(139)</b>
Change in accounts and notes receivable and advances from customers and amounts billed in advance		(45)	(113)
Change in capitalized costs on projects		13	(12)
Change in accounts and notes payable		128	55
Change in other receivables/payables		(59)	7
<b>Change in operating working capital (C)</b>		<b>37</b>	<b>(63)</b>
<b>NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)</b>		<b>1,319</b>	<b>1,330</b>
Acquisitions of property, plant and equipment and intangible assets	13 - 14	(197)	(241)
Proceeds from disposals of property, plant and equipment and intangible assets		21	15
		<b>(176)</b>	<b>(226)</b>
Cash inflows (outflows) on business combinations net of cash and cash equivalents acquired		(23)	(238)
Cash outflows in respect of cash management assets		(36)	(16)
Other cash (outflows) inflows, net		(16)	(54)
		<b>(75)</b>	<b>(308)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES (E)</b>		<b>(251)</b>	<b>(534)</b>
Proceeds from issues of share capital		-	320
Dividends paid		(229)	(262)
Net payments relating to transactions in Capgemini SE shares		(315)	(531)
Proceeds from borrowings		505	7
Repayments of borrowings		(1,004)	(97)
Interest paid		(115)	(86)
Interest received		43	62
<b>NET CASH USED IN FINANCING ACTIVITIES (F)</b>		<b>(1,115)</b>	<b>(587)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F)</b>		<b>(47)</b>	<b>209</b>
Effect of exchange rate movements on cash and cash equivalents (H)		(31)	(91)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)</b>	<b>21</b>	<b>1,948</b>	<b>1,870</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)</b>	<b>21</b>	<b>1,870</b>	<b>1,988</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in millions of euros</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated retained earnings and other reserves	Total income and expense recognized in equity		Equity (attributable to owners of the Company)	Non-controlling interests	Total equity
						Translation adjustments	Other			
<b>At January 1, 2016</b>	<b>172,181,500</b>	<b>1,377</b>	<b>3,499</b>	<b>(75)</b>	<b>2,586</b>	<b>248</b>	<b>(748)</b>	<b>6,887</b>	<b>26</b>	<b>6,913</b>
Dividends paid out for 2015	-	-	-	-	(229)	-	-	(229)	-	(229)
Incentive instruments and employee share ownership	-	-	-	62	15	-	-	77	-	77
Derivatives on Capgemini SE shares, net of tax	-	-	-	-	(32)	-	-	(32)	-	(32)
Early redemption of ORNANE 2013	-	-	-	56	(37)	-	-	19	-	19
Elimination of treasury shares	-	-	-	(340)	-	-	-	(340)	-	(340)
Share capital reduction by cancellation of treasury shares	(617,235)	(4)	(46)	50	-	-	-	-	-	-
Transactions with minority shareholders	-	-	-	-	4	-	-	4	(4)	-
<b>Transactions with shareholders</b>	<b>(617,235)</b>	<b>(4)</b>	<b>(46)</b>	<b>(172)</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>(501)</b>	<b>(4)</b>	<b>(505)</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>(204)</b>	<b>(35)</b>	<b>4</b>	<b>(31)</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>(13)</b>	<b>908</b>
<b>At December 31, 2016</b>	<b>171,564,265</b>	<b>1,373</b>	<b>3,453</b>	<b>(247)</b>	<b>3,228</b>	<b>417</b>	<b>(952)</b>	<b>7,272</b>	<b>13</b>	<b>7,285</b>
Dividends paid out for 2016	-	-	-	-	(262)	-	-	(262)	-	(262)
Incentive instruments and employee share ownership	3,600,000	28	292	91	(18)	-	-	393	-	393
Elimination of treasury shares <sup>(1)</sup>	-	-	-	(534)	1	-	-	(533)	-	(533)
Share capital reduction by cancellation of treasury shares	(6,680,523)	(53)	(576)	629	-	-	-	-	-	-
Transactions with minority shareholders	-	-	-	-	(2)	-	-	(2)	2	-
<b>Transactions with shareholders</b>	<b>(3,080,523)</b>	<b>(25)</b>	<b>(284)</b>	<b>186</b>	<b>(281)</b>	<b>-</b>	<b>-</b>	<b>(404)</b>	<b>2</b>	<b>(402)</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(781)</b>	<b>49</b>	<b>(732)</b>	<b>1</b>	<b>(731)</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>820</b>	<b>(12)</b>	<b>808</b>
<b>At December 31, 2017</b>	<b>168,483,742</b>	<b>1,348</b>	<b>3,169</b>	<b>(61)</b>	<b>3,767</b>	<b>(364)</b>	<b>(903)</b>	<b>6,956</b>	<b>4</b>	<b>6,960</b>

(1) Including -€360 million in respect of the share purchase agreement implemented prior to the share capital increase under the ESOP 2017 international employee share ownership plan (see Note 12, Equity).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### NOTE 1 ACCOUNTING BASIS

The consolidated financial statements for the year ended December 31, 2017 and the notes thereto were adopted by the Board of Directors on February 14, 2018. The consolidated financial statements will be approved by the Combined Shareholders' Meeting, scheduled for May 23, 2018.

To enable the Group's legal form to better reflect its international and European outlook, the Board of Directors of Cap Gemini S.A., the Group's parent company, proposed to convert the legal form of the Company to a European company (*Societas Europaea*, SE). This conversion took effect following its approval by the Combined Shareholders' Meeting of May 10, 2017. The Company's name was changed from "Cap Gemini S.A." to "Capgemini SE" at the same time. This new corporate name is used in the consolidated financial statements for the year ended December 31, 2017.

#### A) IFRS standards-base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2017 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 2017

##### a) New standards, amendments and interpretations of mandatory application (published by the IASB, endorsed by the EU, entered into effect on January 1, 2017)

The accounting policies applied by the Group are unchanged on those applied for the preparation of the 2016 consolidated financial statements, with the exception of new standards, amendments and interpretations which entered into effect on January 1, 2017 and which had no material impact on the Group financial statements.

##### b) New standards, amendments and interpretations not adopted early (published by the IASB, endorsed by the EU, not yet in effect at January 1, 2017)

- b-1) IFRS 15, Revenue from contracts with customers

IFRS 15 on revenue recognition entered into effect on January 1, 2018. The Group has been working with international sector peers and within Syntec Numérique in France on identifying implementation terms. At the same time, in 2016, the Group launched an analysis of a sample of contracts representative of the different revenue recognition categories. In 2017, the Group (i) completed its interpretation work, identifying the potential areas of impact and (ii) updated the sections of the accounting rules and procedures manual on the recognition of revenue and related costs and rolled out these principles in the Group entities.

The following main issues were identified:

- "Principal" versus "agent"

As part of its operational activities, the Group can be required to resell hardware, software and services purchased from third-party suppliers to its customers. IFRS 15 amends the principles and indicators determining whether the Group should present these transactions in the Income Statement as a "principal", on a gross basis (with recognition of purchases in operating expenses) or as an "agent", on a net basis (recognition of revenues equal to amounts invoiced to the customer net of amounts invoiced by the supplier). Pursuant to IFRS 15, the Group considers it acts as a "principal" when it obtains control of the hardware, software or services before transferring them to the customer. Based on analyses, the Group expects more transactions will be presented on a net basis, resulting in a decrease in consolidated revenues estimated at €270 million for fiscal year 2017.

- Identification of performance obligations in outsourcing services

The new standard clarifies the treatment of revenues and costs of initial activities, performed before the start or at the start of recurring services. Pursuant to the standard, it is necessary to determine whether these activities represent a service benefiting the customer distinct from the outsourcing services, or whether they represent internal start-up activities for a recurring service. In the latter case, revenue can only be recognized as the recurring services are rendered and the initial costs must be capitalized if they create a resource used in the future performance of services. These clarifications should not have a material impact.

- Measuring the progress of fixed-price services

Fixed-price systems integration and solution development services will continue to be recognized based on expenditure incurred.

- Measuring the progress of outsourcing services

Outsourcing services will generally continue to be recognized as invoicing rights arise, except in specific cases where invoicing terms and conditions do not reflect the value of services rendered.





- Costs of obtaining contracts

Going forward, the Group will be required to capitalize commission and bonuses paid to obtain multi-year contracts. This change should not have a material impact.

- Reimbursements received from customers

Reimbursements received from customers shall no longer be recognized as a deduction from costs incurred but as revenues unless the Group is acting as an “agent”. This change should not have a material impact.

The Group has elected to adopt the full retrospective method with restatement of 2017 comparative figures and recognition of the cumulated effect in equity at January 1, 2017.

- b-2) IFRS 9, Financial Instruments

Application of this new standard at January 1, 2018 will not have a material impact on the Group consolidated financial statements.

- b-3) IFRS 16, Leases

The Group launched a project in 2017 to identify and analyze the contracts concerned by the application of IFRS 16, Leases. This standard enters into effect on January 1, 2019.

### C) Use of estimates

The preparation of consolidated financial statements involves the use of estimates and assumptions which may have an impact on the reported values of assets and liabilities at the period end or on certain items of either net profit or the income and expenses recognized directly in equity for the year. Estimates are based on economic data and assumptions which are likely to vary over time and are subject to a degree of uncertainty. They mainly concern revenue recognition on fixed-price contracts accounted for on a percentage-of-completion basis, recognition of deferred tax assets, measurement of the recoverable amount of intangible assets, provisions for pensions and other post-employment benefits, the fair value of derivatives, and provisions.



## NOTE 2 CONSOLIDATION PRINCIPLES AND GROUP STRUCTURE

### Consolidation methods

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

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

Details of the scope of consolidation are provided in Note 32, List of the main consolidated companies by country.

All consolidated companies prepared their accounts to December 31, 2017 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 accounts presented in these consolidated financial statements have been prepared in euros.

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

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

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	
	2016	2017	2016	2017
Australian dollar	0.67230	0.67970	0.68512	0.65164
Brazilian real	0.26057	0.27831	0.29150	0.25171
Canadian dollar	0.68234	0.68334	0.70482	0.66494
Chinese renminbi yuan	0.13609	0.13122	0.13661	0.12813
Indian rupee	0.01345	0.01362	0.01397	0.01305
Norwegian krone	0.10765	0.10728	0.11006	0.10162
Polish zloty	0.22920	0.23497	0.22674	0.23941
Pound sterling	1.22455	1.14188	1.16798	1.12710
Swedish krona	0.10567	0.10379	0.10469	0.10159
US dollar	0.90404	0.88730	0.94868	0.83382

### Business combinations

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

### Exchange gains and losses on inter-company transactions

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

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



## Acquisitions in 2017

The Group acquired the following entities in 2017:

- ▶ TCube Solutions Inc. in the United States in January 2017, the largest independent IT service provider specializing in Duck Creek Technologies solutions for property and casualty insurance management. This acquisition aims to accelerate the transition of the Group's business portfolio, particularly in North America.
- ▶ Idean Enterprises Oy in February 2017, a digital strategy and experience design consultancy with a strong presence in the United States and Finland. This acquisition helps the Group meet growing customer demand for end-to-end digital services.
- ▶ Itelios SAS in France in March 2017, a consulting firm specializing in connected commerce. This acquisition will enable the Group to meet growing customer demand for its end-to-end digital services, and positions it as the leader in Salesforce Commerce Cloud based solutions.
- ▶ Lyons Consulting Group LLC in the United States in November 2017, a US e-commerce provider with deep expertise in Salesforce Commerce Cloud solutions. This acquisition strengthens the Group's digital growth strategy.

The fair value remeasurement of the assets and liabilities of these companies and the calculation and determination of goodwill pursuant to IFRS 3 is ongoing and will be finalized within 12 months of the acquisition dates.

## Disposals in 2017

The Group sold its IBX business in early May 2017.

These acquisitions and disposals did not have a material impact on the Group financial statements for the year ended December 31, 2017.



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### NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

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

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



## NOTE 4 OPERATING SEGMENTS

Group Management analyzes and measures activity performance:

- ▶ in the geographic areas where the Group is present,
- ▶ in the different businesses (Consulting Services, Technology and Engineering Services, Application Services, and Other Managed Services).

The geographic analysis enables management to monitor the performance:

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

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

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

Costs relating to operations and incurred by Group holding companies on behalf of geographic areas and businesses 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, Poland and China) is reallocated to the geographic areas managing the contracts to enable a better understanding of the performance of these areas.

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

## SEGMENT REPORTING BY GEOGRAPHIC AREA

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

Segment reporting is supplemented by information on revenues and operating margin for each of the Group's four businesses.



## ANALYSIS OF THE INCOME STATEMENT BY GEOGRAPHIC AREA

<b>2017</b> (in millions of euros)	<b>North America</b>	<b>France</b>	<b>United Kingdom and Ireland</b>	<b>Rest of Europe</b>	<b>Asia- Pacific and Latin America</b>	<b>HQ expenses</b>	<b>Elimina- tions</b>	<b>Total</b>
<b>Revenues</b>								
► external	3,923	2,700	1,681	3,478	1,010	-	-	12,792
► inter-geographic area	114	197	182	274	1,463		(2,230)	-
<b>TOTAL REVENUES</b>	<b>4,037</b>	<b>2,897</b>	<b>1,863</b>	<b>3,752</b>	<b>2,473</b>	<b>-</b>	<b>(2,230)</b>	<b>12,792</b>
<b>OPERATING MARGIN *</b>	<b>529</b>	<b>267</b>	<b>254</b>	<b>418</b>	<b>99</b>	<b>(74)</b>	<b>-</b>	<b>1,493</b>
% of revenues	13.5	9.9	15.1	12.0	9.8	-	-	11.7
<b>OPERATING PROFIT</b>	<b>412</b>	<b>211</b>	<b>215</b>	<b>353</b>	<b>66</b>	<b>(74)</b>	<b>-</b>	<b>1,183</b>

<b>2016</b> (in millions of euros)	<b>North America</b>	<b>France</b>	<b>United Kingdom and Ireland</b>	<b>Rest of Europe</b>	<b>Asia- Pacific and Latin America</b>	<b>HQ expenses</b>	<b>Elimina- tions</b>	<b>Total</b>
<b>Revenues</b>								
► external	3,800	2,567	1,993	3,214	965	-	-	12,539
► inter-geographic area	151	200	155	273	1,251		(2,030)	-
<b>TOTAL REVENUES</b>	<b>3,951</b>	<b>2,767</b>	<b>2,148</b>	<b>3,487</b>	<b>2,216</b>	<b>-</b>	<b>(2,030)</b>	<b>12,539</b>
<b>OPERATING MARGIN *</b>	<b>587</b>	<b>234</b>	<b>290</b>	<b>339</b>	<b>64</b>	<b>(74)</b>	<b>-</b>	<b>1,440</b>
% of revenues	15.4	9.1	14.6	10.5	6.6	-	-	11.5
<b>OPERATING PROFIT</b>	<b>487</b>	<b>167</b>	<b>259</b>	<b>288</b>	<b>23</b>	<b>(76)</b>	<b>-</b>	<b>1,148</b>

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

## ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHIC AREA

At December 31, 2017 (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America	Not allocated	Elimina- tions	Total
<b>Assets by geographical area</b>								
► external	3,436	2,623	1,502	2,854	1,796	36	-	12,247
► inter-geographic area	58	83	48	72	202	32	(495)	-
<b>TOTAL ASSETS</b>	<b>3,494</b>	<b>2,706</b>	<b>1,550</b>	<b>2,926</b>	<b>1,998</b>	<b>68</b>	<b>(495)</b>	<b>12,247</b>
<i>o/w acquisitions of intangible assets and property, plant and equipment <sup>(1)</sup></i>	35	51	30	42	126	1		285
			Deferred tax assets					1,283
			Income tax assets					179
			Cash management assets					168
			Cash and cash equivalents					1,988
			Derivative instruments					174
			<b>TOTAL ASSETS</b>					<b>16,039</b>
<b>Liabilities by geographical area</b>								
► external	998	1,325	1,100	1,197	737	10		5,367
► inter-geographic area	157	108	41	129	60	-	(495)	-
<b>TOTAL LIABILITIES</b>	<b>1,155</b>	<b>1,433</b>	<b>1,141</b>	<b>1,326</b>	<b>797</b>	<b>10</b>	<b>(495)</b>	<b>5,367</b>
			Equity					6,960
			Deferred tax liabilities					172
			Income tax liabilities					150
			Borrowings and bank overdrafts					3,372
			Derivative instruments					18
			<b>TOTAL LIABILITIES AND EQUITY</b>					<b>16,039</b>
At December 31, 2016 (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America	Not allocated	Elimina- tions	Total
<b>Assets by geographical area</b>								
► external	3,507	2,611	1,620	2,835	1,910	39	-	12,522
► inter-geographic area	84	83	61	88	176	28	(520)	-
<b>TOTAL ASSETS</b>	<b>3,591</b>	<b>2,694</b>	<b>1,681</b>	<b>2,923</b>	<b>2,086</b>	<b>67</b>	<b>(520)</b>	<b>12,522</b>
<i>o/w acquisitions of intangible assets and property, plant and equipment <sup>(1)</sup></i>	26	46	29	64	91	1		257
			Deferred tax assets					1,473
			Income tax assets					159
			Cash management assets					157
			Cash and cash equivalents					1,879
			Derivative instruments					269
			<b>TOTAL ASSETS</b>					<b>16,459</b>
<b>Liabilities by geographical area</b>								
► external	907	1,197	1,405	1,070	732	10		5,321
► inter-geographic area	150	100	80	127	61	-	(518)	-
<b>TOTAL LIABILITIES</b>	<b>1,057</b>	<b>1,297</b>	<b>1,485</b>	<b>1,197</b>	<b>793</b>	<b>10</b>	<b>(518)</b>	<b>5,321</b>
			Equity					7,285
			Deferred tax liabilities					227
			Income tax liabilities					125
			Borrowings and bank overdrafts					3,412
			Derivative instruments					89
			<b>TOTAL LIABILITIES AND EQUITY</b>					<b>16,459</b>

(1) Total acquisitions of intangible assets and property, plant and equipment is different from the figure reported in the Statement of Cash Flows (€241 million in 2017 and €197 million in 2016), which excludes acquisitions of assets held under finance leases (€44 million in 2017 and €60 million in 2016).





## 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;
- ▶ Technology & Engineering Services, which provide assistance and support to internal IT teams;
- ▶ 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>	2016		2017	
	Amount	%	Amount	%
Consulting Services	506	4	584	5
Technology & Engineering Services	1,873	15	1,927	15
Application Services	7,557	60	7,940	62
Other Managed Services	2,603	21	2,341	18
<b>REVENUES</b>	<b>12,539</b>	<b>100</b>	<b>12,792</b>	<b>100</b>

### BREAKDOWN OF OPERATING MARGIN\* BY BUSINESS

<i>in millions of euros</i>	2016		2017	
	Amount	%	Amount	%
Consulting Services	54	10.7	66	11.2
Technology & Engineering Services	240	12.8	262	13.6
Application Services	960	12.7	1,024	12.9
Other Managed Services	260	10.0	215	9.2
Headquarter expenses	(74)	-	(74)	-
<b>OPERATING MARGIN *</b>	<b>1,440</b>	<b>11.5</b>	<b>1,493</b>	<b>11.7</b>

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



## NOTE 5 CONSOLIDATED INCOME STATEMENT

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

These three captions represent ordinary operating expenses which are deducted from revenues to obtain operating margin\*, one of the main Group business performance indicators.

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

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

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

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

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

## NOTE 6 REVENUES

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

### a. Time and materials contracts

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

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

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

### c. Outsourcing contracts

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

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

In 2017, revenues grew 2.0% year-on-year at current Group scope and exchange rates. Excluding the Brazilian equipment resale business, revenues grew 4.0% at constant exchange rates\*, while organic growth\* was 3.6%.

As disclosed in Note 1, Accounting basis, the main impact of the application of IFRS 15 concerns the principal/agent distinction and is assessed at €270 million, or 2.1% of 2017 revenues. Under the new standard, 2017 revenues would therefore be €12,522 million. The operating margin would remain unchanged in value terms, while the operating margin rate would increase from 11.7% to 11.9%.

*\* Organic growth and growth at constant exchange rates, alternative performance measures monitored by the Group, are defined in Note 3, Alternative performance measures.*



## NOTE 7 OPERATING EXPENSES BY NATURE

<i>in millions of euros</i>	2016		2017	
	Amount	% of revenues	Amount	% of revenues
Personnel expenses	7,611	60.7%	8,002	62.6%
Travel expenses	521	4.2%	516	4.0%
	<b>8,132</b>	<b>64.9%</b>	<b>8,518</b>	<b>66.6%</b>
Purchases and sub-contracting expenses	2,254	18.0%	2,105	16.4%
Rent and local taxes	380	3.0%	357	2.8%
Other charges to depreciation, amortization and provisions and proceeds from asset disposals	333	2.6%	319	2.5%
<b>OPERATING EXPENSES</b>	<b>11,099</b>	<b>88.5%</b>	<b>11,299</b>	<b>88.3%</b>

## BREAKDOWN OF PERSONNEL COSTS

<i>in millions of euros</i>	Note	2016	2017
Wages and salaries		6,151	6,499
Payroll taxes		1,401	1,434
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	24	59	69
<b>PERSONNEL EXPENSES</b>		<b>7,611</b>	<b>8,002</b>

## NOTE 8 OTHER OPERATING INCOME AND EXPENSE

<i>in millions of euros</i>	Notes	2016	2017
Amortization of intangible assets recognized in business combinations	13	(68)	(65)
Expense relating to share grants	12	(58)	(71)
Restructuring costs		(103)	(131)
Integration costs for companies acquired		(68)	(29)
Acquisition costs		(1)	(9)
Other operating expenses		(5)	(8)
<b>Total operating expenses</b>		<b>(303)</b>	<b>(313)</b>
Other operating income		11	3
<b>Total operating income</b>		<b>11</b>	<b>3</b>
<b>OTHER OPERATING INCOME AND EXPENSE</b>		<b>(292)</b>	<b>(310)</b>

## AMORTIZATION OF INTANGIBLE ASSETS RECOGNIZED IN BUSINESS COMBINATIONS

Amortization of intangible assets recognized in business combinations mainly concerns the Customer Relationship (see Note 13, Goodwill and intangible assets).

## EXPENSE RELATING TO SHARE GRANTS

The expense relating to share grants is €71 million, compared with €58 million in 2016. This increase mainly reflects the full-year impact of the 2016 International Plan approved by the Board of Directors on July 26, 2016 and the implementation of the new 2017 plans approved by the Board of Directors on July 26, 2017 and October 5, 2017 as well as the increased cost of social security contributions for the new plans. This increase also reflects the progressive increase in the Capgemini SE share price. (see Note 12, Equity).



## RESTRUCTURING COSTS

Fiscal year 2017 restructuring costs primarily concern workforce reduction measures in the amount of €94 million (€91 million in 2016) and the streamlining of real estate and production assets in the amount of €31 million (€7 million in 2016).

## INTEGRATION COSTS FOR COMPANIES ACQUIRED

Integration costs for companies acquired total €29 million and mainly consist of earn-outs comprising conditions of presence.

In 2016, integration costs mainly concerned the integration of the IGATE group and primarily comprised the cost of consultants involved in the integration and expenses relating to incentive instruments granted to IGATE employees.

## NOTE 9 NET FINANCIAL EXPENSE

<i>in millions of euros</i>	<b>Note</b>	<b>2016</b>	<b>2017</b>
Income from cash, cash equivalents and cash management assets		25	37
Net interest on borrowings		(95)	(52)
<b>Net finance costs at the nominal interest rate</b>		<b>(70)</b>	<b>(15)</b>
Impact of amortized cost on borrowings		(34)	(3)
<b>Net finance costs at the effective interest rate</b>		<b>(104)</b>	<b>(18)</b>
Net interest cost on defined benefit pension plans	24	(37)	(34)
Losses (exchange gains) on financial transactions		28	(51)
Gains (losses) on derivative instruments		(30)	36
Other		(3)	(5)
<b>Other financial income and expense</b>		<b>(42)</b>	<b>(54)</b>
<i>o/w financial income</i>		219	105
<i>o/w financial expenses</i>		(261)	(159)
<b>NET FINANCIAL EXPENSE</b>		<b>(146)</b>	<b>(72)</b>

### Net finance cost

“Net interest on borrowings” (€52 million) and the “Impact of amortized cost on borrowings” (€3 million) total €55 million in 2017 and mainly comprise (i) coupons on 2015 bond issues of €50 million, plus an amortized cost accounting impact of €3 million, unchanged on 2016 and (ii) the coupon on the 2016 bond issue of €2 million (negligible amount in 2016).

In 2016, “Net interest on borrowings” included coupons of €24 million on the 2011 bond issue redeemed in full on November 29, 2016 and the “Impact of amortized cost on borrowings” included €30 million in respect of the “ORNANE 2013” bonds redeemable in cash and/or in new and/or existing shares (see Note 21, Net debt / Net cash and cash equivalents).

“Net interest on borrowings” include a net income on EUR/USD fix-to-fix cross currency swaps of €6 million, including the gain realized on the interest rate component of these swaps when unwound early in the first-half of 2017, compared with a net cost of €16 million in 2016.

### Other financial income and expense

Exchange losses on financial transactions and gains on derivative instruments primarily concern inter-company loans denominated in foreign currencies as well as their related hedging arrangements and notably include the impact on the exchange rate component of the early unwinding of the cross currency swaps.



## NOTE 10 INCOME TAX EXPENSE

The income tax expense is the sum of the current tax expense and the deferred tax expense. It is recognized in 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 taxes

The current income tax expense is the estimated amount of tax payable (or receivable) in respect of the taxable profit (or loss) for a period and any adjustment to the current tax amount in respect of prior periods. The tax payable (or receivable) is calculated using tax rates that have been enacted or substantively enacted at the 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. See note 16, Deferred tax.

The income tax expense for fiscal year 2017 breaks down as follows:

<i>in millions of euros</i>	Note	2016	2017
Current income taxes		(131)	(261)
Deferred taxes	16	37	(42)
<b>INCOME TAX (EXPENSE)/INCOME</b>		<b>(94)</b>	<b>(303)</b>

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>	2016		2017	
	Amount	%	Amount	%
<b>Profit before tax</b>	<b>1,002</b>		<b>1,111</b>	
<b>Standard tax rate in France (%)</b>	<b>34.43</b>		<b>34.43</b>	
<b>Tax expense at the standard rate</b>	<b>(345)</b>	<b>34.43</b>	<b>(382)</b>	<b>34.43</b>
Difference in tax rates between countries	16	(1.6)	(23)	2.1
<i>Impact of:</i>				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(26)	2.6	(23)	2.1
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	116	(11.6)	133	(12.0)
Remeasurement of deferred tax assets on US tax loss carry-forwards			299	(26.9)
Impact of change in the US federal tax rate			(295)	26.6
Utilization of previously unrecognized tax loss carry-forwards	3	(0.3)	5	(0.4)
Prior year adjustments	8	(0.8)	1	(0.1)
Taxes not based on taxable profit	(45)	4.5	(53)	4.7
Permanent differences and other items	(1)	0.1	(10)	0.9
<b>Income tax expense and effective tax rate before tax income (net) in respect of goodwill arising on legal restructurings</b>	<b>(274)</b>	<b>27.3</b>	<b>(303)</b>	<b>27.3</b>
Tax income (net) in respect of goodwill arising on legal restructurings	<b>180</b>	<b>(18.0)</b>		
<b>Income tax (expense)/income and effective tax rate after tax income (net) in respect of goodwill arising on legal restructurings</b>	<b>(94)</b>	<b>9.3</b>	<b>(303)</b>	<b>27.3</b>

The "Difference in tax rates between countries" mainly comprises:

- ▶ in 2017, the impact of the progressive reduction in the corporate income tax rate in France, following the 2018 Finance Act, to 25.82% by 2022;
- ▶ in 2016, the impact of the reduction in the corporate income tax rate in France, following the 2017 Finance Act, to 28.92% by 2020.

The "Remeasurement of deferred tax assets on US tax loss carry-forwards" of €299 million as of December 31, 2017, reflects the change in the taxable profit outlook since the last remeasurement of US deferred tax assets in 2015. Tax loss carry-forwards in the United States are now fully recognized in the Group consolidated financial statements as of December 31, 2017.



The “Impact of change in US federal tax rate” reflects the change in our tax rate from 39% to 26%, following a decrease in the federal tax rate from 35% to 21% as part of the tax reforms introduced by the Tax Cuts and Jobs Act signed into law on December 22, 2017. The value of Group deferred tax assets was decreased by €295 million at December 31, 2017.

The “Taxes not based on taxable profit” primarily consists of:

- ▶ in France:
  - the Corporate Value-Added Contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE),
  - the repayment to Capgemini SE of the additional 3% contribution on distributed earnings following the October 6, 2017 decision of the Constitutional Court that it was unconstitutional,
  - the exceptional corporate income tax contribution and the additional exceptional corporate income tax contribution, introduced by the first 2017 amending Finance Act, increasing by 30% the income tax liability payable by the group fiscal unity in France for fiscal year 2017 only,
- ▶ in the United States, the Transition Tax on Foreign Earnings introduced by the tax reforms, a one-time charge on accumulated undistributed earnings and profit of US owned foreign subsidiaries, for €17 million, and certain State taxes;
- ▶ In Italy, the regional tax on productive activities (IRAP).

In addition to the change in the US federal tax rate and the Transition Tax on Foreign Earnings, the US tax reforms introduced other measures applicable to the Group, for which further clarification is expected. These measures include:

- ▶ the Base Erosion and Anti-abuse Tax (BEAT): this alternative tax is applicable from 2018. The tax rate will be 5% in 2018, 10% for the tax years 2019 to 2025 and 12.5% thereafter. The tax base is distinct from the corporate income tax base and includes certain payments to non-US group entities, normally deductible for tax purposes. The tax amount is compared with the standard income tax expense calculated at the standard rate, and the higher of the two amounts is payable;
- ▶ the tax on Global Intangible Low-Taxed Income (GILTI): earnings and profits of foreign subsidiaries in excess of a 10% return on the tangible assets of the subsidiaries are included in the taxable profits of US companies. A 50% deduction is applied to the tax base and the tax rate is 21%. Foreign tax credits may be deducted after the offset of available tax losses carried forward.

Based on current market interpretations, in the Group's opinion, these two measures introduced by the recent US tax reforms will not impact the calculation of the Group consolidated tax expense or the valuation of Group deferred tax assets in the United States as of December 31, 2017.



## NOTE 11 EARNINGS PER SHARE

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

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

### BASIC EARNINGS PER SHARE

	2016	2017
Profit for the year attributable to owners of the Company (in millions of euros)	921	820
Weighted average number of ordinary shares outstanding	169,450,721	168,057,561
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>5.44</b>	<b>4.88</b>

### DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding during the year. The average share price in 2017 was €91.54.

In 2017, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- ▶ shares delivered in March 2017 to non-French employees under the 2013 International performance share plan representing a weighted average of 110,650 shares;
- ▶ shares to be delivered to French and non-French employees under the 2014 and 2015 performance share plans, representing a weighted average of 1,736,149 shares. At December 31, 2017, the only remaining condition applicable to these shares is the presence of the beneficiaries in the Group at the scheduled delivery date in August 2018 for the non-French section of the 2014 plan, in March 2018 for the French section of the 2015 plan and in August 2019 for the non-French section of the 2015 plan;
- ▶ shares available for grant under the share plan, the terms of which were approved by the Board of Directors on February 17, 2016, representing a weighted average of 158,975 shares and whose related presence conditions will be assessed in March 2018 and March 2020;
- ▶ shares available for grant under the performance share plan, the terms of which were approved by the Board of Directors on July 26, 2016, representing a weighted average of 1,613,825 shares and whose related performance conditions will be assessed in August 2019;
- ▶ shares available for grant under the share plan, the terms of which were approved by the Board of Directors on July 26, 2017, representing a weighted average of 26,499 shares and whose related presence conditions will be assessed in August 2020;
- ▶ the shares available for grant under the performance share plan, the terms of which were approved by the Board of Directors on October 5, 2017, representing a weighted average of 378,463 shares and whose related performance conditions will be assessed in October 2020.





<i>in millions of euros</i>	2016	2017
<b>Profit for the year attributable to owners of the Company</b>	<b>921</b>	<b>820</b>
Finance cost savings linked to the conversion of "ORNANE 2013" convertible bonds, net of tax	20	-
<b>Diluted profit for the year attributable to owners of the Company</b>	<b>941</b>	<b>820</b>
Weighted average number of ordinary shares outstanding	169,450,721	168,057,561
<i>Adjusted for:</i>		
"ORNANE 2013" convertible bonds	5,305,591	-
Performance shares and free shares available for exercise	4,201,908	4,024,561
Redeemable Share Subscription or Purchase Warrants (BSAAR)	122,560	-
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b>179,080,780</b>	<b>172,082,122</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>5.25</b>	<b>4.76</b>

## NORMALIZED EARNINGS PER SHARE

<i>in millions of euros</i>	2016	2017
<b>Profit for the year attributable to owners of the Company</b>	<b>921</b>	<b>820</b>
Other operating income and expenses, net of tax calculated at the effective tax rate	212	226
<b>Normalized profit for the year attributable to owners of the Company</b>	<b>1,133</b>	<b>1,046</b>
Weighted average number of ordinary shares outstanding	169,450,721	168,057,561
<b>NORMALIZED EARNINGS PER SHARE (in euros)</b>	<b>6.69</b>	<b>6.22</b>



## NOTE 12 EQUITY

### Incentive instruments and employee share ownership

#### a) Instruments granted to employees

##### Shares subject to performance and presence conditions

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

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

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

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

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

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

#### b) Instruments proposed to employees

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

Redeemable share subscription or purchase warrants were proposed to employees and corporate officers of the Group. They conferred entitlement to subscribe for Capgemini SE 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 Capgemini SE share price, weighted for volumes, during the twenty trading days preceding the decision of the Chairman and Chief Executive Officer, to which a discount is applied,
  - the grant date is the date at which employees are fully informed of the specific characteristics and terms and conditions of the offer and particularly the subscription price,
  - the loan rate granted to employees and used to determine the cost of the non-transferability of shares, is the rate at which a bank would grant a consumer loan repayable on maturity without allocation, to a private individual with an average risk profile, for a term corresponding to the term of the plan;
- ▶ the opportunity gain reflecting the possibility granted to employees to benefit from market terms and conditions identical to those of the Group.

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

### Treasury shares

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

### Derivative instruments on own shares

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



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

## **INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP**

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### **A) Stock option plans**

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

### **B) Performance share plans**

The Combined Shareholders' Meetings of May 24, 2012, May 23, 2013, May 6, 2015, May 18, 2016 and then May 10, 2017, authorized the Board of Directors to grant shares to a certain number of Group employees, on one or several occasions and within a maximum period of 18 months, subject to performance and/or presence conditions. On December 12, 2012, February 20, 2013, July 30, 2014, July 29, 2015, February 17, 2016, July 26, 2016, July 26, 2017 and October 5, 2017, the Board of Directors approved the terms and conditions and the list of beneficiaries of these eight plans.

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



	2012 International Plan	2013 International Plan
Maximum number of shares that may be granted	2,426,555 shares	2,426,555 shares
% of share capital at the date of the Board of Directors' decision	1.5%	1.5%
Total number of shares granted	1,003,500 <sup>(1)</sup>	1,209,100 <sup>(1)</sup>
Date of Board of Directors' decision	December 12, 2012	February 20, 2013
Performance assessment dates	At the end of the first and second calendar years following the grant date	At the end of the first and second years following the grant date
Vesting period	2 years and ½ month as from the grant date (France) or 4 years and ½ month as from the grant date (other countries)	2 years and 1 week as from the grant date (France) or 4 years and 1 week as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	4 years	
Main market conditions at the grant date		
Volatility	25.80%	38.70%
Risk-free interest rate	0.35% - 0.98%	0.59% - 1.28%
Expected dividend rate	3.00%	3.00%
Other conditions		
Performance conditions	Yes (see below)	
Employee presence within the Group at the vesting date	Yes	
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	
Range of fair values (in euros)		
Free shares (per share and in euros)	n/a	n/a
Performance shares (per share and in euros)	14.35 – 28.67	16.18 – 32.14
Of which corporate officers	16.18	18.12
Number of shares at December 31, 2016	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)	
	499,500	663,900
	o/w to corporate officers	
	-	-
	Number of shares subject to performance and/or presence conditions granted during the year	
	-	-
	o/w to corporate officers	
	-	-
Change during the period	Number of shares forfeited or canceled during the year	
	0	4,800
	Number of shares vested during the year	
	499,500 <sup>(2)</sup>	659,100 <sup>(2)</sup>
Number of shares at December 31, 2017	0	0
Weighted average number of shares	-	110,650
Share price at the grant date (in euros)	33.15	36.53



	2014 International Plan	2015 International Plan
Maximum number of shares that may be granted	1,590,639 shares	1,721,759 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	1,290,500 <sup>(1)</sup>	1,068,550 <sup>(1)</sup>
Date of Board of Directors' decision	July 30, 2014	July 29, 2015
Performance assessment dates	Three years for the internal performance condition and two years for the external condition	Three years for the two conditions
Vesting period	2 years as from the grant date (France) or four years as from the grant date (other countries)	2 years and 7 months as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	4 years	3 years
Main market conditions at the grant date		
Volatility	26.33%	24.54%
Risk-free interest rate	0.34% - 0.81%	0.10% - 0.55%
Expected dividend rate	2.31%	1.60%
Other conditions		
Performance conditions	Yes (see below)	
Employee presence within the Group at the vesting date	Yes	
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	
Range of fair values (in euros)		
Free shares (per share and in euros)	n/a	n/a
Performance shares (per share and in euros)	26.46 – 48.26	61.73 – 82.18
Of which corporate officers	29.32	56.66
Number of shares at December 31, 2016	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)	
	776,250	1,042,950
	<i>o/w to corporate officers</i>	
	-	40,000 <sup>(1)</sup>
	Number of shares subject to performance and/or presence conditions granted during the year	
	-	-
	<i>o/w to corporate officers</i>	
	-	-
Change during the period	Number of shares forfeited or canceled during the year	
	78,750	87,352
	Number of shares vested during the year	
	-	-
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (presence only)	
	697,500 <sup>(2)</sup>	955,598 <sup>(4)</sup>
Weighted average number of shares	736,875	999,274
Share price at the grant date (in euros)	53.35	87.60



## 2016 International Plans

Maximum number of shares that may be granted	1,721,815 shares	1,721,815 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	180,500 <sup>(5)</sup>	1,663,500 <sup>(1)</sup>
Date of Board of Directors' decision	February 17, 2016	July 26, 2016
Performance assessment dates	Presence condition only	Three years for the two conditions
Vesting period	2 years as from the grant date (France) or 4 years as from the grant date (other countries)	3 years and 1 week as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years	2 years
Main market conditions at the grant date		
Volatility	n/a	26.35%
Risk-free interest rate	0.15% - 0.03%	0.2% - 0.17%
Expected dividend rate	1.60%	1.60%
Other conditions		
Performance conditions	Yes (see below)	
Employee presence within the Group at the vesting date	Yes	
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	
Range of fair values (in euros)		
Free shares (per share and in euros)	n/a	n/a
Performance shares (per share and in euros)	55.45 – 57.59	54.02 – 77.1
Of which corporate officers	-	52.68
Number of shares at December 31, 2016	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 173,900	1,652,600
	o/w to corporate officers	-
		42,000 <sup>(1)</sup>
	Number of shares subject to performance and/or presence conditions granted during the year	-
	o/w to corporate officers	-
Change during the period	-	-
	Number of shares forfeited or canceled during the year	
	29,850	77,550
	Number of shares vested during the year	-
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 144,050 <sup>(6)</sup>	1,575,050 <sup>(7)</sup>
Weighted average number of shares	158,975	1,613,825
Share price at the grant date (in euros)	71.61	83.78



## 2017 International Plans

Maximum number of shares that may be granted	1,691,496 shares	1,691,496 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	63,597 <sup>(8)</sup>	1,522,500 <sup>(3)</sup>
Date of Board of Directors' decision	July 26, 2017	October 5, 2017
Performance assessment dates	Presence condition only	Three years for the two conditions
Vesting period	3 years and 1 week as from the grant date (other countries)	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	n/a	2 years
Main market conditions at the grant date		
Volatility	n/a	25.65%
Risk-free interest rate	-0.25% / - 0.04%	-0.17% / + 0.90%
Expected dividend rate	1.60%	1.60%
Other conditions		
Performance conditions	Yes (see below)	
Employee presence within the Group at the vesting date	Yes	
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	
Range of fair values (in euros)		
Free shares (per share and in euros)	89.05	86.98 – 93.25
Performance shares (per share and in euros)	n/a	62.02 – 93.25
Of which corporate officers	-	66.38
Number of shares at December 31, 2016	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	
	-	-
	o/w to corporate officers	
	-	-
	Number of shares subject to performance and/or presence conditions granted during the year	
	63,597	1,522,500
	o/w to corporate officers	
	-	35,000 <sup>(1)</sup>
Change during the period	Number of shares forfeited or canceled during the year	
	-	17,300
	Number of shares vested during the year	
	-	-
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	
	63,597 <sup>(8)</sup>	1,505,200 <sup>(9)</sup>
Weighted average number of shares	26,499	378,463
Share price at the grant date (in euros)	94.20	100.25

(1) Grant subject to performance conditions only;

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

(3) Grant subject to performance conditions only, except for 19,150 shares subject to presence conditions only;

(4) Of which 337,316 shares in respect of the "French" plan and 618,282 shares in respect of the "foreign" plan; these amounts include a 4% discount on the external performance condition as the performance of the Capgemini SE share compared with the basket of comparable securities and the CAC40 index is between 109 and 110% of the average performance of the basket;

(5) Grant subject to presence conditions only for beneficiaries employed by IGATE, acquired on July 1, 2015;

(6) Of which 7,500 shares in respect of the "French" plan and 136,550 shares in respect of the "foreign" plan;

(7) Of which 441,350 shares in respect of the "French" plan and 1,133,700 shares in respect of the "foreign" plan;

(8) Grant subject to presence conditions only for beneficiaries employed by Idean, acquired in February 2017;

(9) Of which 456,400 shares in respect of the "French" plan and 1,048,800 shares in respect of the "foreign" plan.





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

Shares representing 100% of the initial allocation vested to beneficiaries not tax resident in France and still present in the Group at the vesting date, following the assessment in 2015 of the performance conditions under the 2012 and 2013 plans. Satisfaction of the presence condition at the vesting date therefore led to the vesting in January 2017 of 499,500 shares under the 2012 plan and the vesting in March 2017 of 659,100 shares under the 2013 plan.

## b) Performance conditions of the 2012, 2013 2014, 2015, 2016 and 2017 plans

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

The following internal and external performance conditions apply:

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

### External performance condition

The external performance condition is applied in an identical manner across the 2012 to 2015 plans and in line with the conditions applied to the first two plans, as follows:

- ▶ No shares are granted if the performance of the Capgemini SE 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 Capgemini SE 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 Capgemini SE share is equal to 100% of the basket,
  - is equal to 100% of the number of shares initially allocated if the relative performance of the Capgemini SE share is higher than or equal to 110% of the basket,
  - varies on a straight-line basis between 40% and 60% and between 60% and 100% of the initial allocation, based on a pre-defined schedule, where the performance of the Capgemini SE share is between 90% and 100% of the basket in the first case and 100% and 110% of the basket in the second case.

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

The terms of the external performance condition were tightened for the 2016 and 2017 plans and accordingly:

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

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, 2015 and 2016 Plans: Accenture / CSC / Atos / Tieto / CAC 40 index / CGI Group / Infosys / Sopra / Cognizant. Listing of the CSC security was ceased on April 1, 2017 and it was therefore replaced in the basket by the Stoxx 600 Technology E index.
- ▶ 2017 Plan: CSC was replaced by Indra following cessation of the security's listing on April 1, 2017. The rest of the basket remains unchanged.

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



### Internal performance condition

The internal performance condition is based on the generation of Organic Free Cash Flow\* (OFCF) over a three-year period encompassing fiscal years 2012 to 2014 for the 2012 and 2013 plans, fiscal years 2013 to 2015 for the 2014 plan, fiscal years 2015 to 2017 for the 2015 plan, fiscal years 2016 to 2018 for the 2016 plan and fiscal years 2017 to 2019 for the 2017 plan. Accordingly:

- ▶ no shares will be granted in respect of the internal performance condition if the cumulative increase in Organic Free Cash Flow over the reference period is less than €750 million for the 2012 and 2013 plans, €850 million for the 2014 plan, €1,750 million for the 2015 plan, €2,400 million for the 2016 plan and €2,900 million for the 2017 plan;
- ▶ 100% of the initial internal allocation will be granted if Organic Free Cash Flow is equal to or exceeds €1,000 million for the 2012 and 2013 plans, €1,100 million for the 2014 plan, €2,000 million for the 2015 plan, €2,700 million for the 2016 plan and €3,200 million for the 2017 plan.

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

\* Organic free cash flow, an alternative performance measure monitored by the Group, is defined in Note 3, Alternative performance measures and Note 22, Cash flows.

### C) 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. This plan expired on September 27, 2017.

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

The Group set up an employee share ownership plan (ESOP 2014) in the second-half of 2014. On December 18, 2014, the Group issued 5,000,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €229 million net of issue costs. The total cost of this employee share ownership plan in 2014 was €1.1 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*Fonds Commun de Placement Entreprise, FCPE*) was not possible or relevant.

### E) International Employee Share Ownership Plan – ESOP 2017

Pursuant to the 17<sup>th</sup> and 18<sup>th</sup> resolutions adopted by the Combined Shareholders' Meeting of May 10, 2017, the Group set up an employee share ownership plan (ESOP 2017) in the second-half of 2017. Nearly 187,300 Group employees in 21 countries, representing approximately 97% of the Group headcount, were invited to subscribe for Capgemini SE shares. Under the plan, a minimum length of service of three months was required at November 19, 2017, acquired consecutively or not since January 1, 2016 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 2017) includes a 12.5% discount. Under the delegation of authority granted by the Board of Directors, the subscription price was set at €89.39 by the Chairman and Chief Executive Officer on November 15, 2017. This price corresponds to the daily average Capgemini SE share price, weighted for volumes, over the twenty stock market trading days preceding the Chairman and Chief Executive Officer's decision, less a 12.5% discount.

On December 18, 2017, the Group issued 3,600,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €320 million net of issue costs (€1.0 million, net of tax). Paul Hermelin subscribed for Capgemini SE shares in the amount of €33,517.30 through the Capgemini Employee Savings Mutual Fund (FCPE).

In those countries where the leverage through an FCPE or directly in the employee's name 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 of €2.2 million 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 employee's name 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. This similarly applies to an increase of 0.5 points in the retail rate/institutional rate volatility difference, as the cost of non-transferability would still be greater than the total discount at the date of grant plus the opportunity gain.



The table below presents the main features of the ESOP 2017 employee share ownership plan, the amounts subscribed and the pricing assumptions (excluding SAR):

<b>2017 Plan</b>	
<b>Plan features</b>	
Grant date	November 15, 2017
Plan maturity (in years)	5
Base price (in euros)	102.16
Subscription price (in euros)	89.39
Par value discount (in %)	12.50%
Share price on Grant date (in euros)	100,00
(a) Total discount at the grant date (in %)	10.61%
Amount subscribed by employees (in millions of euros)	32.2
Total amount subscribed (in millions of euros)	321.8
Total number of shares subscribed	3,600,000
<b>Pricing assumptions</b>	
Employee financing rate	5.31%
5-year risk-free interest rate	0.19%
Repo and reverse repo rates	0.40%
Retail rate / Institutional rate volatility difference	1.51%
(b) Cost to the participant of non-transferability (in %)	22.63%
(c) Opportunity gain (in %)	0.84%
(d) Total cost for the Group (in %) (a-b+c) <sup>(1)</sup>	0.00%

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

Pursuant to the share purchase agreement signed on September 21, 2017 with an investment services provider, which is also the institution managing the ESOP 2017 employee share ownership plan, Capgemini SE purchased 3,522,495 of its own shares for a consideration of €360 million to neutralize the dilution related to this plan. All of these shares were canceled in the fourth quarter of 2017.

## IMPACT OF INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS

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

		2016		2017	
		Expense of	Residual	Expense of	Residual
		the period	amount to be	the period	amount to be
<i>in millions of euros</i>			amortized in		amortized in
	Note		future periods		future periods
<b>EXPENSE ON INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS</b>		<b>8</b>	<b>58</b>	<b>161</b>	<b>71</b>
					<b>217</b>



## F) Employee incentive instruments - IGATE

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

		2015 Plan
Vesting period	One, two or three years for the market condition and three years for the internal condition	
Number of Performance Units at December 31, 2016 that may vest under the plan in respect of Performance Units previously granted subject to performance and presence conditions		85,555
Number of Performance Units subject to performance and presence conditions granted during the year		-
Number of Performance Units forfeited or cancelled during the year		34,471
Number of Performance Units vested during the year		9,212
Number of Performance Units at December 31, 2017 that may vest under the plan in respect of units previously granted subject to performance and presence conditions		41,872
Main market conditions at the grant date		
	<i>Risk-free interest rate</i>	0.35%
	<i>Expected dividend rate</i>	1.60%
Fair value in euros (per unit)		€56.30

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

- ▶ The number of PUs granted was calculated by multiplying the number of IGATE PSAs outstanding by the following ratio:
 
$$\frac{\text{US\$ 48 (unit purchase price of IGATE shares paid by Capgemini)}}{\text{€78.37 (closing price of the Capgemini SE on April 24, 2015) x 1.0824 (€/US\$ exchange rate on April 24, 2015)}}$$
- ▶ This calculation is equivalent to adjusting the number of PSAs by the exchange parity of the IGATE and Capgemini SE shares in US\$ on April 24, 2015.
- ▶ The vesting of PUs is subject to the attainment of internal and market performance conditions and the presence of the beneficiary in the Group at the vesting date:
  - The internal performance condition consists of a cumulative organic free cash flow (OFCF)\* objective for the period 2015 to 2017, as presented in the audited, published Statements of Cash Flows for fiscal years 2015, 2016 and 2017, with the maximum number of units vesting for an aggregate amount of €2 billion.
  - The market performance condition is based on the ability of the Capgemini SE share to outperform a reference basket comprising the CAC40 index and the following companies in equal weighting: Accenture, CSC, Atos, Tieto, CGI Group, Infosys, Sopra, and Cognizant.
- ▶ The vesting schedule is as follows:
  - 25% of PUs on July 1, 2016, subject to presence and market performance conditions,
  - 25% of PUs on July 1, 2017, subject to presence and market performance conditions,
  - 25% of PUs on July 1, 2018, subject to presence and market performance conditions,
  - 25% of PUs on July 1, 2019, subject to presence and internal performance conditions.
- ▶ In addition, PUs vesting in the first three years are subject to a final adjustment clause tied to the change in the Capgemini SE share price between the vesting dates and July 1, 2019.

The internal condition was only satisfied 54% at the first vesting date, resulting in the vesting of 15,400 PUs and the cancellation of 13,118 PUs for this first tranche.

The internal condition was only satisfied 44% at the second vesting date, resulting in the vesting of 9,212 PUs and the cancellation of 34,471 PUs for this second tranche, including the impact of failure to satisfy the presence condition.

\* Organic free cash flow, an alternative performance measure monitored by the Group, is defined in Note 3, Alternative performance measures and Note 22, Cash flows.



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

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

At December 31, 2017, treasury shares were deducted from consolidated equity in the amount of €61 million. These consist of (i) 570,393 shares purchased under the share buyback program and (ii) 123,628 shares held under the liquidity agreement (the associated liquidity line is €20 million) and the contractual holding system for key employees of American activities.

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

The Group's capital management strategy is designed to maintain a strong capital base in view of supporting the continued development of its business activities and delivering a return to shareholders, while adopting a prudent approach to debt. At December 31, 2017, the Group had net debt\* of €1,209 million (compared with €1,413 million at December 31, 2016). In order to best manage the structure of its capital, the Group can notably issue new shares, buy back its own shares, adjust the dividend paid to shareholders or enter into derivative instruments on its own shares.

*\* Net debt, an alternative performance measure monitored by the Group, is defined in Note 21, Net debt / Net cash and cash equivalents.*

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

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Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, the consolidated financial statements are particularly impacted by fluctuations in the US dollar and the pound sterling against the euro. These had a negative impact on translation reserves, mainly due to the depreciation of the US dollar and the pound sterling against the euro in 2017.

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



## NOTE 13 GOODWILL AND INTANGIBLE ASSETS

### Goodwill

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

Goodwill balances are allocated to the different cash-generating units (as defined in Note 15, Cash-generating units and asset impairment tests) based on the value in use contributed to each unit.

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

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

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

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

### Customer relationships

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

### Licenses and software

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

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



<i>in millions of euros</i>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Licenses and software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>GROSS</b>					
<b>At January 1, 2016</b>	<b>7,148</b>	<b>807</b>	<b>282</b>	<b>414</b>	<b>8,651</b>
Translation adjustments	112	28	2	(4)	138
Acquisitions / Increase	-	-	24	-	24
Internal developments	-	-	-	47	47
Disposals / Decrease	-	(1)	(14)	-	(15)
Business combinations	19	1	-	-	20
Other movements	-	-	2	-	2
<b>At December 31, 2016</b>	<b>7,279</b>	<b>835</b>	<b>296</b>	<b>457</b>	<b>8,867</b>
Translation adjustments	(621)	(91)	(14)	(10)	(736)
Acquisitions / Increase	-	-	26	-	26
Internal developments	-	-	-	39	39
Disposals / Decrease	-	(2)	(6)	(1)	(9)
Business combinations	267	15	1	1	284
Other movements <sup>(2)</sup>	-	(3)	(9)	(43)	(55)
<b>At December 31, 2017</b>	<b>6,925</b>	<b>754</b>	<b>294</b>	<b>443</b>	<b>8,416</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT <sup>(1)</sup></b>					
<b>At January 1, 2016</b>	<b>93</b>	<b>212</b>	<b>214</b>	<b>229</b>	<b>748</b>
Translation adjustments	10	11	4	(3)	22
Charges and provisions	-	67	29	27	123
Disposals	-	(2)	(13)	-	(15)
<b>At December 31, 2016</b>	<b>103</b>	<b>288</b>	<b>234</b>	<b>253</b>	<b>878</b>
Translation adjustments	(8)	(29)	(11)	(2)	(50)
Charges and provisions	-	64	27	34	125
Disposals	-	(2)	(5)	(1)	(8)
Business combinations	-	-	1	-	1
Other movements <sup>(2)</sup>	-	(3)	(6)	(32)	(41)
<b>At December 31, 2017</b>	<b>95</b>	<b>318</b>	<b>240</b>	<b>252</b>	<b>905</b>
<b>NET</b>					
<b>At December 31, 2016</b>	<b>7,176</b>	<b>547</b>	<b>62</b>	<b>204</b>	<b>7,989</b>
<b>At December 31, 2017</b>	<b>6,830</b>	<b>436</b>	<b>54</b>	<b>191</b>	<b>7,511</b>

(1) Goodwill is subject to impairment only.

(2) In 2017, "Other movements" mainly concern the sale of the IBX business (see Note 2, Consolidation Principles and Group Structure).



## NOTE 14 PROPERTY, PLANT AND EQUIPMENT (PP&E)

### Property, plant and equipment

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

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

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

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

Buildings	20 to 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.

### Finance 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. The related obligation is recorded in liabilities within borrowings. The asset is depreciated over the period during which it is expected to be used by the Group and the obligation is amortized over the lease term. Deferred tax is recognized as appropriate.





<i>in millions of euros</i>	Land, buildings and fixtures and fittings	Computer equipment	Other PP&E	Total
<b>GROSS</b>				
<b>At January 1, 2016</b>	<b>927</b>	<b>733</b>	<b>267</b>	<b>1,927</b>
Translation adjustments	(14)	(10)	1	(23)
Acquisitions / Increase	54	111	21	186
Disposals / Decrease	(24)	(94)	(15)	(133)
Business combinations	3	6	6	15
Other movements	-	2	(1)	1
<b>At December 31, 2016</b>	<b>946</b>	<b>748</b>	<b>279</b>	<b>1,973</b>
Translation adjustments	(39)	(26)	(16)	(81)
Acquisitions / Increase	103	97	20	220
Disposals / Decrease	(14)	(74)	(8)	(96)
Business combinations	2	6	1	9
Other movements	(39)	(7)	38	(8)
<b>At December 31, 2017</b>	<b>959</b>	<b>744</b>	<b>314</b>	<b>2,017</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
<b>At January 1, 2016</b>	<b>437</b>	<b>542</b>	<b>185</b>	<b>1,164</b>
Translation adjustments	(14)	(10)	1	(23)
Charges and provisions	53	101	22	176
Disposals	(21)	(72)	(14)	(107)
Business combinations	1	4	3	8
Other movements	1	1	(1)	1
<b>At December 31, 2016</b>	<b>457</b>	<b>566</b>	<b>196</b>	<b>1,219</b>
Translation adjustments	(14)	(20)	(11)	(45)
Charges and provisions	48	97	31	176
Disposals	(13)	(58)	(7)	(78)
Business combinations	1	4	1	6
Other movements	(21)	(8)	19	(10)
<b>At December 31, 2017</b>	<b>458</b>	<b>581</b>	<b>229</b>	<b>1,268</b>
<b>NET</b>				
<b>At December 31, 2016</b>	<b>489</b>	<b>182</b>	<b>83</b>	<b>754</b>
<b>At December 31, 2017</b>	<b>501</b>	<b>163</b>	<b>85</b>	<b>749</b>

## PROPERTY, PLANT AND EQUIPMENT PURCHASED UNDER FINANCE LEASE

<i>Net (in millions of euros)</i>	2016	2017
<b>At January 1</b>	<b>113</b>	<b>107</b>
Translation adjustments	(5)	(3)
Acquisitions / Increase	48	44
Disposals / Decrease	(1)	(1)
Charges and provisions	(46)	(46)
Other movements	(2)	-
<b>At December 31</b>	<b>107</b>	<b>101</b>



## NOTE 15 CASH-GENERATING UNITS AND ASSET IMPAIRMENT TESTS

### Cash-generating units

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

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

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

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

### GOODWILL PER CASH-GENERATING UNIT

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

<i>in millions of euros</i>	December 31, 2016			December 31, 2017		
	Gross value	Impairment	Net carrying amount	Gross value	Impairment	Net carrying amount
North America	2,193	(8)	2,185	2,129	(7)	2,122
France	1,469	(1)	1,468	1,431	(1)	1,430
United Kingdom and Ireland	1,014	-	1,014	928	-	928
Benelux	1,003	(12)	991	964	(12)	952
Southern Europe	132	-	132	121	-	121
Nordic countries	297	-	297	296	-	296
Germany and Central Europe	420	(32)	388	393	(31)	362
Asia-Pacific	581	-	581	514	-	514
Latin America	170	(50)	120	149	(44)	105
<b>GOODWILL</b>	<b>7,279</b>	<b>(103)</b>	<b>7,176</b>	<b>6,925</b>	<b>(95)</b>	<b>6,830</b>

Goodwill was tested for impairment at December 31, 2017 in line with the Group valuation procedure for such assets.



During 2017, the Group decided to refine its method of calculating discount and long-term growth rates, factoring in the specific characteristics of each geographic zone and market data for a sample of comparable companies.

The main assumptions used were therefore:

	December 31, 2017	
	Long-term growth rate	Discount rate
North America	2.9%	7.4%
Latin America	6.3%	12.1%
Asia-Pacific	4.7%	11.9%
United Kingdom and Ireland	2.9%	7.2%
Continental Europe	2.4%	6.7%

No impairment losses were recognized at December 31, 2017 as a result of these impairment tests.

For the Latin America cash-generating unit, which was tested for impairment at June 30, 2017, the use at December 31, 2017 of discount and long-term growth rates calculated using the 2016 calculation method, would not have resulted in the recognition of an impairment loss at December 31, 2017. Similarly, it would not have impacted the sensitivity tests presented below.

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

- ▶ +/- 2 points in the revenue growth rate for the first five years;
- ▶ +/- 1 point in the operating margin rate\* for the first five years;
- ▶ +/- 0.5 points in the discount rate;
- ▶ +/- 0.5 points in the long-term growth rate;

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

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



## NOTE 16 DEFERRED TAXES

Deferred taxes are:

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

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

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

### RECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets and movements therein break down as follows:

<i>in millions of euros</i>	Note	Tax loss carry-forwards	Temporary differences on amortizable goodwill	Provisions for pensions and other post-employment benefits	Other deductible temporary differences	Total deferred tax assets
<b>At January 1, 2016</b>		<b>944</b>	<b>40</b>	<b>296</b>	<b>132</b>	<b>1,412</b>
Business combinations		-	-	-	2	2
Translation adjustments		20	9	(17)	(1)	11
Deferred tax recognized in the Income Statement	10	(46)	120	(15)	(24)	35
Deferred tax recorded in income and expense recognized in equity		(27)	-	22	12	7
Other movements		1	-	(5)	10	6
<b>At December 31, 2016</b>		<b>892</b>	<b>169</b>	<b>281</b>	<b>131</b>	<b>1,473</b>
Business combinations		1	-	-	(3)	(2)
Translation adjustments		(77)	(10)	(9)	(9)	(105)
Deferred tax recognized in the Income Statement	10	(63)	(39)	-	38	(64)
Deferred tax recorded in income and expense recognized in equity		18	-	(17)	-	1
Other movements including offset with deferred tax liabilities		(8)	(2)	(9)	(1)	(20)
<b>At December 31, 2017</b>		<b>763</b>	<b>118</b>	<b>246</b>	<b>156</b>	<b>1,283</b>

Recognized tax loss carry-forwards total €763 million at December 31, 2017 (€892 million at December 31, 2016) and primarily concern the United States in the amount of €554 million (US\$ 664 million) and France in the amount of €181 million.

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

At December 31, 2017, cumulative US tax losses carried forward totaled €2,164 million (US\$ 2,595 million) and are fully recognized following the change in the taxable profit outlook since the last remeasurement of US deferred tax assets in 2015.

Net deferred tax assets of €541 million (US\$ 649 million) are therefore recognized in the United States, including tax loss carryforwards of €554 million (US\$ 664 million), after adjustment for losses offset during the year, the recognition of additional tax loss carry-forwards and the change in tax rates in the United States.



In addition to the change in the US federal tax rate and the Transition Tax on Foreign Earnings, the US tax reforms introduced other measures applicable to the Group, for which further clarification is expected. These measures include:

- ▶ the Base Erosion and Anti-abuse Tax (BEAT): this alternative tax is applicable from 2018. The tax rate will be 5% in the 2018, 10% for the tax years 2019 through 2025 and 12.5% thereafter. The tax base is distinct from the corporate income tax base and includes certain payments to non-US group entities, normally deductible for tax purposes. The tax amount is compared with the standard income tax expense calculated at the standard rate, and the higher of the two amounts is payable;
- ▶ the tax on Global Intangible Low-Taxed Income (GILTI): earnings and profits of foreign subsidiaries in excess of a 10% return on the tangible assets of the subsidiaries are included in the taxable profits of US companies. A 50% deduction is applied to the tax base and the tax rate is 21%. Foreign tax credits may be deducted after the offset of available tax losses carried forward.

Based on current market interpretations, in the Group's opinion, these two measures introduced by the recent US tax reforms will not impact the calculation of the Group consolidated tax expense or the valuation of Group deferred tax assets in the United States as of December 31, 2017.

## UNRECOGNIZED DEFERRED TAX ASSETS

<i>At December 31 (in millions of euros)</i>	2016	2017
Deferred tax on tax loss carry-forwards	660	228
Deferred tax on other temporary differences	38	6
<b>UNRECOGNIZED DEFERRED TAX ASSETS</b>	<b>698</b>	<b>234</b>

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

<i>At December 31 (in millions of euros)</i>	2016		2017	
	Amount	%	Amount	%
Between 1 and 5 years	51	1	41	1
Between 6 and 10 years	1,388	32	1,256	35
Between 11 and 15 years	1,071	25	835	24
Beyond 15 years (definite expiry date)	257	6	112	3
Carried forward indefinitely	1,529	36	1,337	37
<b>TAX LOSS CARRY-FORWARDS (taxable base)</b>	<b>4,296</b>	<b>100</b>	<b>3,581</b>	<b>100</b>
<i>o/w recognized tax losses</i>	2,433	57	2,856	80



## 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	Other taxable temporary differences	Total deferred tax liabilities
<b>At January 1, 2016</b>		<b>64</b>	<b>71</b>	<b>86</b>	<b>221</b>
Business combinations		-	-	-	-
Translation adjustments		2	2	-	4
Deferred tax recognized in the Income Statement	10	1	(8)	5	(2)
Deferred tax recorded in income and expense recognized in equity		-	-	1	1
Other movements		-	(7)	10	3
<b>At December 31, 2016</b>		<b>67</b>	<b>58</b>	<b>102</b>	<b>227</b>
Business combinations		-	2	-	2
Translation adjustments		(5)	(7)	(4)	(16)
Deferred tax recognized in the Income Statement	10	(10)	(7)	(5)	(22)
Deferred tax recorded in income and expense recognized in equity		-	-	1	1
Other movements including offset with deferred tax assets		(2)	-	(18)	(20)
<b>At December 31, 2017</b>		<b>50</b>	<b>46</b>	<b>76</b>	<b>172</b>



## NOTE 17 FINANCIAL INSTRUMENTS

Financial instruments consist of:

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

### a) Recognition of financial instruments

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

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

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

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

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

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

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

### b) Derivative instruments

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

#### Other derivative instruments

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

When operating or financial cash flow hedges are eligible for hedge accounting, 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 value measured based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- ▶ Level 2: fair value 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 value 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, 2017 (in millions of euros)	Note	Net carrying amount		Fair value		
		Fair value	Amortized cost	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Shares in non-consolidated companies and associates	18	4				4
Long-term deposits, receivables and other investments	18		124			
Other non-current assets	18		130			
Current and non-current asset derivative instruments	18 - 20	174			174	
Accounts and notes receivables	19		3,265			
Other current assets	20		536			
Cash management assets	21	168		168		
Cash and cash equivalents	21	1,988		1,988		
<b>Financial liabilities</b>						
Bonds	21		3,264			
Obligations under finance leases	21		87			
Draw-downs on bank and similar facilities and other borrowings, net	21		21			
Other current and non-current liabilities	26		374			
Current and non-current liability derivative instruments	26	18			18	
Accounts and notes payable	27		2,837			
Bank overdrafts	21	-		-		

## NOTE 18 OTHER NON-CURRENT ASSETS

At December 31 (in millions of euros)	Note	2016	2017
Long-term deposits, receivables and other investments		119	124
Derivative instruments	23	120	53
Non-current tax receivables		83	72
Other		52	62
<b>OTHER NON-CURRENT ASSETS</b>	<b>22</b>	<b>374</b>	<b>311</b>

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

Derivative instruments primarily consist of the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €53 million (current portion of €110 million, see Note 20, Other current assets).

At December 31, 2017, “Non-current tax receivables” include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €54 million (€56 million as of December 31, 2016).





## NOTE 19 ACCOUNTS AND NOTES RECEIVABLE

<i>At December 31 (in millions of euros)</i>	<b>Note</b>	<b>2016</b>	<b>2017</b>
Accounts receivable		1,996	2,066
Provisions for doubtful accounts		(27)	(24)
Accrued income		1,012	1,124
<b>Accounts and notes receivable, excluding capitalized costs on projects</b>	<b>22</b>	<b>2,981</b>	<b>3,166</b>
Capitalized costs on projects	22	93	99
<b>ACCOUNTS AND NOTES RECEIVABLE</b>		<b>3,074</b>	<b>3,265</b>

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

<i>At December 31 (in millions of euros)</i>	<b>Note</b>	<b>2016</b>	<b>2017</b>
Accounts and notes receivable, excluding capitalized costs on projects	22	2,981	3,166
Advances from customers and billed in advance	22	(737)	(890)
<b>TOTAL ACCOUNTS RECEIVABLE NET OF ADVANCES FROM CUSTOMERS AND BILLED IN ADVANCE</b>		<b>2,244</b>	<b>2,276</b>
In number of days' annual revenue <sup>(1)</sup>		64	64

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

As of December 31, 2017, receivables totaling €99 million were assigned with transfer of credit risk as defined by IAS 39 to financial institutions (€66 million in 2016) and were therefore derecognized in the Statement of Financial Position as of December 31, 2017.

### AGED ANALYSIS OF ACCOUNTS RECEIVABLE

The low bad debt ratio reflects the fact that most invoices are only issued after the client has validated the services provided. At end-2017, past due balances total €411 million (€341 million as of December 31, 2016) and represent 20.1% of accounts and notes receivable less provisions for doubtful accounts (17.3% in 2016). The breakdown is as follows:

<i>in millions of euros</i>	<b>&lt; 30 days</b>	<b>&gt; 30 days and &lt; 90 days</b>	<b>&gt; 90 days</b>
<b>Net accounts receivable</b>	<b>249</b>	<b>102</b>	<b>60</b>
As a % of accounts and notes receivable, net of provisions for doubtful accounts	12.2%	5.0%	2.9%

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

### CREDIT RISK

The Group's three largest clients contribute around 7% of Group revenues (compared with 9% in 2016). The Group's five largest clients contribute around 10% of Group revenues (compared with 11% in 2016). The top ten clients collectively account for 15% 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 20 OTHER CURRENT ASSETS

<i>At December 31 (in millions of euros)</i>	Notes	2016	2017
Social security and tax-related receivables, other than income tax		216	259
Prepaid expenses		209	212
Derivative instruments	23	149	121
Other		53	65
<b>OTHER CURRENT ASSETS</b>	<b>22</b>	<b>627</b>	<b>657</b>

As of December 31, 2017, Social security and tax-related receivables, other than income tax include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €107 million (€88million at December 31, 2016), after recognition of research tax credit and competitiveness and employment tax credit income in France deducted from operating expenses of €60 million (€54 million in 2016).

## NOTE 21 NET DEBT / NET CASH AND CASH EQUIVALENTS

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

Net debt or net cash and cash equivalents comprise cash and cash equivalents as defined above, and cash management assets (assets presented separately in the Consolidated Statement of Financial Position due to their characteristics), less short- 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>	2016	2017
Short-term investments	1,449	1,497
Cash at bank	430	491
Bank overdrafts	(9)	-
<b>Cash and cash equivalents</b>	<b>1,870</b>	<b>1,988</b>
<b>Cash management assets</b>	<b>157</b>	<b>168</b>
Bonds	(3,236)	(2,739)
Obligations under finance leases	(51)	(43)
Draw-downs on bank and similar facilities and other borrowings	-	(1)
<b>Long-term borrowings</b>	<b>(3,287)</b>	<b>(2,783)</b>
Bonds	(24)	(525)
Obligations under finance leases	(49)	(44)
Draw-downs on bank and similar facilities and other borrowings, net	(43)	(20)
<b>Short-term borrowings</b>	<b>(116)</b>	<b>(589)</b>
<b>Borrowings</b>	<b>(3,403)</b>	<b>(3,372)</b>
Derivative instruments	(37)	7
<b>NET DEBT</b>	<b>(1,413)</b>	<b>(1,209)</b>

## SHORT-TERM INVESTMENTS

At December 31, 2017, short-term investments mainly consist of mutual fund units, negotiable debt securities and term bank deposits, paying interest at standard market rates.

## CASH MANAGEMENT ASSETS

Cash management assets consist of capitalization contracts with insurance companies which may be cancelled by Capgemini SE at any time without penalty, as well as marketable securities held by certain Group companies which do not meet all the monetary UCITS classification criteria defined by ESMA (European Securities and Markets Authority) for money market mutual funds, particularly with regards to the average maturity of the portfolio. These funds may, however, be redeemed at any time without penalty.



## BORROWINGS

### A) Bonds

#### a) 2016 Bond issue

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

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

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

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

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

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

##### ► 2015 Bond issue (July 2018):

This tranche has a nominal amount of €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds mature on July 2, 2018 and pay a floating coupon of 3 month Euribor + 85pb, revised quarterly (issue price 100%).

##### ► 2015 Bond issue (July 2020):

This tranche has a nominal amount of €1,250 million, comprising 12,500 bonds with a unit value of €100,000 each. The bonds mature on July 1, 2020 and pay an annual coupon of 1.75% (issue price 99.853%).

##### ► 2015 Bond issue (July 2023):

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

The July 2020 and July 2023 tranches are callable by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

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

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

#### c) “ORNANE 2013” Bond issue

On October 18, 2013, Capgemini SE 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), maturing on January 1, 2019. Bondholders enjoyed all rights from October 25, 2013.

The total nominal amount of the issue was €400 million, comprising 5,958,587 bonds with a nominal value of €67.13 each, representing an issue premium of 42.5% compared with the Capgemini SE reference share price over 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 enhanced the effective dilution threshold of the ORNANEs by approximately 5%.

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

Capgemini redeemed early all ORNANE bonds outstanding at November 21, 2016 at par and based on a conversion ratio of 1.00 Capgemini SE share for one ORNANE bond.

In this context, holders of 5,934,131 ORNANE bonds exercised their share allotment rights resulting in the presentation of €398 million and 640,184 existing shares. On November 21, 2016, Capgemini SE redeemed all outstanding ORNANE bonds, i.e. 24,456 bonds for a total of €2 million.

The conversion option embedded in the ORNANE bonds and the call option on own shares recognized in “Other non-current liabilities” and “Other non-current assets”, respectively, of similar amount, were released without any net impact on the Income Statement.

In this context, Capgemini SE exercised in full the call option on its own shares purchased on October 18, 2013. The call option sold by the Company was also exercised in full. Capgemini SE received an amount of €14 million on the exercise of these two calls in 2016.



#### d) 2011 Bond issue

The 2011 bond issue of a nominal amount of €500 million bore annual interest of 5.25%. It was redeemed in full on maturity on November 29, 2016.

#### IMPACT OF BONDS ON THE FINANCIAL STATEMENTS

At December 31 (in millions of euros)	2017			
	2015 Bond issue			2016 Bond issue
	July 2018	July 2020	July 2023	
Equity component	n/a	n/a	n/a	n/a
Option component in respect of the embedded conversion option	n/a	n/a	n/a	n/a
Debt component at amortized cost, including accrued interest	500	1,258	1,008	498
Effective interest rate	0.6%	1.9%	2.6%	0.6%
Interest expense recognized in the Income Statement for the period	4	23	26	2
Nominal interest rate	0.5%	1.8%	2.5%	0.5%
Nominal interest expense (coupon)	3	22	25	2

At December 31 (in millions of euros)	2016					
	2011 Bond issue	“ORNANE 2013” bonds	2015 Bond issue			2016 Bond issue
			July 2018	July 2020	July 2023	
Equity component	n/a	n/a	n/a	n/a	n/a	n/a
Option component in respect of the embedded conversion option	n/a	n/a	n/a	n/a	n/a	n/a
Debt component at amortized cost, including accrued interest	-	-	500	1,256	1,007	497
Effective interest rate	5.5%	2.7%	1.0%	1.9%	2.6%	0.6%
Interest expense recognized in the Income Statement for the period	25	30	4	23	26	-
Nominal interest rate	5.3%	0.0%	0.8%	1.8%	2.5%	0.5%
Nominal interest expense (coupon)	24	-	3	22	25	-

#### FAIR VALUE OF BONDS

At December 31 (in millions of euros)	2017			
	2015 Bond issue			2016 Bond issue
	July 2018	July 2020	July 2023	
Fair value	502	1,309	1,112	505
Market rate	0.1%	0.2%	0.7%	0.3%

At December 31 (in millions of euros)	2016			
	2015 Bond issue			2016 Bond issue
	July 2018	July 2020	July 2023	
Fair value	505	1,320	1,116	502
Market rate	0.1%	0.4%	0.9%	0.4%



## B) Breakdown of borrowings by currency

<i>in millions of euros</i>	At December 31, 2016			At December 31, 2017		
	Euro	Other currencies	Total	Euro	Other currencies	Total
2015 Bond issue – July 2018	500	-	500	500	-	500
2015 Bond issue – July 2020	1,256	-	1,256	1,258	-	1,258
2015 Bond issue – July 2023	1,007	-	1,007	1,008	-	1,008
2016 Bond issue	497	-	497	498	-	498
Draw-downs on bank and similar facilities and other borrowings, net	-	43	43	1	20	21
Obligations under finance leases	65	35	100	51	36	87
Bank overdrafts	3	6	9	-	-	-
<b>BORROWINGS</b>	<b>3,328</b>	<b>84</b>	<b>3,412</b>	<b>3,316</b>	<b>56</b>	<b>3,372</b>

Obligations under finance leases in other currencies than euro are mainly denominated in pound sterling in the amount of €22 million (€20 million as of December 31, 2016) and in US dollars in the amount of €9 million (€11 million as of December 31, 2016).

## C) Syndicated credit facility negotiated by Capgemini SE

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

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

An upgrade or downgrade in Capgemini SE's credit rating would have no impact on the availability of this credit facility. The other main terms and conditions of the credit facility, in particular with respect to certain financial ratios, are detailed in Note 29, Off-balance sheet commitments.

This credit facility had not been drawn as of December 31, 2017.

## NET DEBT BY MATURITY AT REDEMPTION VALUE

The amounts indicated below correspond to the undiscounted value of future contractual cash flows. Future cash flows relating to the 2015 and 2016 bond issues were estimated based on contractual nominal interest rates and assuming the bonds would be redeemed in full at maturity. The contractual cash flows associated with "Obligations under finance leases" represent contractual repayments of the liability.



<i>in millions of euros</i>	Contractual maturity	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
<b>At December 31, 2017</b>							
			-	-	-	-	-
<b>Cash and cash equivalents</b>	2018	<b>1,988</b>	<b>1,988</b>	<b>1,988</b>	-	-	-
<b>Cash management assets</b>	2018	<b>168</b>	<b>168</b>	<b>168</b>	-	-	-
2015 Bond issue – July 2018	2018	(500)	(502)	(502)	-	-	-
2015 Bond issue – July 2020	2020	(1,258)	(1,316)	(22)	(22)	(1,272)	-
2015 Bond issue – July 2023	2023	(1,008)	(1,150)	(25)	(25)	(75)	(1,025)
2016 Bond issue	2021	(498)	(510)	(3)	(3)	(504)	-
Obligations under finance leases	2018 to 2022	(87)	(90)	(46)	(28)	(16)	-
Draw-downs on bank and similar facilities and other borrowings, net	2018 to 2022	(21)	(22)	(21)	-	(1)	-
<b>Borrowings</b>		<b>(3,372)</b>	<b>(3,590)</b>	<b>(619)</b>	<b>(78)</b>	<b>(1,868)</b>	<b>(1,025)</b>
Derivative instruments on borrowings		7					
<b>NET DEBT</b>		<b>(1,209)</b>	<b>(1,434)</b>	<b>1,537</b>	<b>(78)</b>	<b>(1,868)</b>	<b>(1,025)</b>

<i>in millions of euros</i>	Contractual maturity	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
<b>At December 31, 2016</b>							
<b>Cash and cash equivalents</b>	2017	<b>1,870</b>	<b>1,870</b>	<b>1,870</b>	-	-	-
<b>Cash management assets</b>	2017	<b>157</b>	<b>157</b>	<b>157</b>	-	-	-
2015 Bond issue – July 2018	2018	(500)	(505)	(3)	(502)	-	-
2015 Bond issue – July 2020	2020	(1,256)	(1,338)	(22)	(22)	(1,294)	-
2015 Bond issue – July 2023	2023	(1,008)	(1,175)	(25)	(25)	(75)	(1,050)
2016 Bond issue	2021	(497)	(513)	(3)	(3)	(507)	-
Obligations under finance leases	2017 to 2020	(100)	(105)	(53)	(34)	(18)	-
Draw-downs on bank and similar facilities and other borrowings	2017 to 2020	(42)	(105)	(52)	(18)	(35)	-
<b>Borrowings</b>		<b>(3,403)</b>	<b>(3,741)</b>	<b>(158)</b>	<b>(604)</b>	<b>(1,929)</b>	<b>(1,050)</b>
Derivative instruments on borrowings		(37)					
<b>(NET DEBT)</b>		<b>(1,413)</b>	<b>(1,714)</b>	<b>1,869</b>	<b>(604)</b>	<b>(1,929)</b>	<b>(1,050)</b>

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

The 2015 bonds issues and the 2016 bond issues are the main borrowings that could expose the Group to liquidity risk in the event of repayment.

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

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



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

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

At December 31, 2017, short-term investments totaled €1,497 million and comprise mainly (i) money market mutual fund units meeting the criteria defined by ESMA (European Securities and Markets Authority) for classification in the “monetary category”; and (ii) negotiable debt securities and term deposits maturing within three months or immediately available, issued by highly rated companies or financial institutions (minimum rating of A2/P2 or equivalent). Consequently, these short-term investments do not expose the Group to any material credit risk.



## NOTE 22 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, 2017, cash and cash equivalents totaled €1,988 million (see Note 21, Net debt / Net cash and cash equivalents), up €118 million on December 31, 2016 (€1,870 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of negative €91 million, this increase is €209 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

### NET CASH FROM OPERATING ACTIVITIES

In 2017, net cash from operating activities totaled €1,330 million (compared with €1,319 million in 2016) and resulted from:

- ▶ cash flows from operations before net finance costs and income tax in the amount of €1,532 million;
- ▶ payment of current income taxes in the amount of €139 million;
- ▶ an increase in working capital requirements, generating a negative cash impact of €63 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, 2016	December 31, 2017	Net impact	Non working capital items <sup>(1)</sup>	Impact of WCR items	Net profit impact	Foreign exchange impact	Reclas-sifications <sup>(2)</sup> and changes in Group structure	Amount
Accounts and notes receivable, excl. capitalized costs on projects	19	2,981	3,166	(185)	(3)	(188)	-	(144)	28	(304)
Capitalized costs on projects	19	93	99	(6)	-	(6)	-	(6)	-	(12)
Advances from customers and billed in advance	19	(737)	(890)	153	-	153	-	29	9	191
<b>Change in accounts and notes receivable and advances from customers and amounts billed in advance</b>				<b>(38)</b>	<b>(3)</b>	<b>(41)</b>	<b>-</b>	<b>(121)</b>	<b>37</b>	<b>(125)</b>
Accounts and notes payable (accounts payable)	27	(1,105)	(1,124)	19	4	23	-	52	(20)	55
<b>Changes in accounts and notes payable</b>				<b>19</b>	<b>4</b>	<b>23</b>	<b>-</b>	<b>52</b>	<b>(20)</b>	<b>55</b>
Other non-current assets	18	374	311	63	(72)	(9)	-	(6)	(18)	(33)
Other current assets	20	627	657	(30)	(16)	(46)	6	(18)	19	(39)
Accounts and notes payable (excluding accounts payable)	27	(1,713)	(1,713)	0	1	1	-	60	(4)	57
Other current and non-current liabilities	26	(367)	(392)	25	(10)	15	-	8	(1)	22
<b>Change in other receivables/payables</b>				<b>58</b>	<b>(97)</b>	<b>(39)</b>	<b>6</b>	<b>44</b>	<b>(4)</b>	<b>7</b>
<b>CHANGE IN OPERATING WORKING CAPITAL</b>						<b>(57)</b>	<b>6</b>	<b>(25)</b>	<b>13</b>	<b>(63)</b>

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

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





## NET CASH USED IN INVESTING ACTIVITIES

The main components of net cash used in investing activities of €534 million (compared with €251 million in 2016) reflect:

- ▶ cash outflows of €161 million relating to acquisitions of property, plant and equipment, net of disposals, primarily due to purchases of computer hardware for customer projects or the partial renewal of IT installations and the renovation, extension and refurbishment of office space;
- ▶ cash outflows of €65 million relating to acquisitions of intangible assets, net of disposals, mainly involving software for customer projects or for internal use and internally generated intangible assets (see Note 13, Goodwill and intangible assets);
- ▶ cash inflows and outflows on business combinations net of cash and cash equivalents acquired of €238 million.

## NET CASH FROM FINANCING ACTIVITIES

Net cash outflows as a result of financing activities totaled €587 million (compared with cash inflows of €1,115 million in 2016) and mainly comprised:

- ▶ cash outflows of €531 million for the buyback of own shares;
- ▶ payment of the 2016 dividend of €262 million;
- ▶ cash outflows of €54 million to reimburse obligations under finance leases;
- ▶ cash outflows of €24 million in respect of interest payments net of interest received;

offset by:

- ▶ the €320 million share capital increase following the issue of new shares under the international employee share ownership plan (see Note 12 E, Equity)

## ORGANIC FREE CASH FLOW

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

At December 31 <i>(in millions of euros)</i>	2016	2017
<b>Cash flows from operations</b>	<b>1,319</b>	<b>1,330</b>
Acquisitions of property, plant and equipment and intangible assets	(197)	(241)
Proceeds from disposals of property, plant and equipment and intangible assets	21	15
<b>Acquisitions of property, plant, equipment and intangible assets (net of disposals)</b>	<b>(176)</b>	<b>(226)</b>
Interest paid	(115)	(86)
Interest received	43	62
<b>Net interest cost</b>	<b>(72)</b>	<b>(24)</b>
<b>ORGANIC FREE CASH FLOW</b>	<b>1,071</b>	<b>1,080</b>



## NOTE 23 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 significant use of offshore production centers located in India, Poland, China and Latin America, exposes the Group to currency risk with respect to some of its production costs.

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

##### b) Currency risk and hedging financial transactions

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

- ▶ inter-company financing transactions, mainly within the parent company, these flows generally being hedged (in particular using forward purchase and sale foreign exchange contracts);
- ▶ fees paid to the parent company by subsidiaries whose functional currency is not the euro.

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

A 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 2.8% change in revenues and a 2.4% change in the operating margin\* amount. Similarly, a 10% fluctuation in the pound sterling-euro exchange rate would trigger a corresponding 1.3% change in revenues and a 1.2% change in the operating margin\* amount.

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

#### B) Hedging derivatives

Amounts hedged at December 31, 2017 using forward purchase and sale foreign exchange contracts, mainly concern the parent company and the centralized management of currency risk on operating transactions and inter-company financing transactions.

As of December 31, 2017, the euro-equivalent value of forward purchase and sale foreign exchange contracts breaks down by transaction type and maturity as follows:

<i>in millions of euros</i>	< 6 months	> 6 months and < 12 months	> 12 months	TOTAL
<b>Operating transactions</b>	<b>1,461</b>	<b>1,298</b>	<b>1,776</b>	<b>4,535</b>
<i>o/w</i> ▶ fair value hedge	406	-	-	406
▶ cash flow hedge	1,055	1,298	1,776	4,129
<b>Financial transactions</b>	<b>354</b>	<b>-</b>	<b>208</b>	<b>562</b>
<i>o/w</i> ▶ fair value hedge	354	-	208	562
<b>TOTAL</b>	<b>1,815</b>	<b>1,298</b>	<b>1,984</b>	<b>5,097</b>

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2018 and 2021 with an aggregate euro-equivalent value at closing exchange rates of €4,535 million (€4,164 million at December 31, 2016). The hedges were chiefly taken out in respect of transactions in Indian rupee (INR 219,000 million), US dollars (USD 1,117 million) and Polish zloty (PLN 1,218 million).

The maturities of the hedges range from 1 to 45 months and the main counterparty is Capgemini SE for a euro-equivalent value of €4,445 million.

Hedges contracted in respect of financial transactions concern Capgemini SE in the amount of €562 million at December 31, 2017, after the early unwinding at the end of April 2017 of EUR/USD fix-to-fix cross currency swaps. They mainly concern inter-company loans for €546 million (€1,241 million at December 31, 2016), primarily denominated in US dollar and Swedish krona.



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

**At December 31, 2017**

<i>in millions of euros</i>	<b>US dollar</b>	<b>Swedish krona</b>	<b>Indian rupee</b>	<b>Other currencies</b>	<b>TOTAL</b>
Assets	604	5	-	246	855
Liabilities	(64)	(36)	(191)	(230)	(521)
<b>Net exposure in the Consolidated Statement of Financial Position</b>					<b>334</b>
Hedging derivatives					(372)
<b>NET EXPOSURE</b>					<b>(38)</b>

**At December 31, 2016**

<i>in millions of euros</i>	<b>US dollar</b>	<b>Swedish krona</b>	<b>Indian rupee</b>	<b>Other currencies</b>	<b>TOTAL</b>
Assets	245	8	-	247	500
Liabilities	(1,098)	(130)	(151)	(226)	(1,605)
<b>Net exposure in the Consolidated Statement of Financial Position</b>					<b>(1,105)</b>
Hedging derivatives					946
<b>NET EXPOSURE</b>					<b>(159)</b>

### C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

<i>At December 31 (in millions of euros)</i>	<b>Note</b>	<b>2016</b>	<b>2017</b>
Other non-current assets	18	120	53
Other current assets	20	149	121
Other current and non-current liabilities	26	(89)	(18)
<b>Fair value of hedging derivatives, net</b>		<b>180</b>	<b>156</b>
<i>Relating to:</i> ► operating transactions		217	149
► financial transactions		(37)	7

The main hedging derivatives notably comprise the fair value of derivative instruments contracted as part of the centralized management of currency risk recorded in "Other non-current assets" in the amount of €53 million, in "Other current assets" in the amount of €110 million, in "Other non-current liabilities" in the amount of €8 million and in "Other current liabilities" in the amount of €10 million.

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

<i>in millions of euros</i>	<b>2017</b>
<b>Hedging derivatives recorded in income and expense recognized in equity at January 1</b>	<b>203</b>
Amounts reclassified to net profit in respect of transactions performed	(8)
Fair value of derivative instruments hedging future transactions	(88)
<b>Hedging derivatives recorded in income and expense recognized in equity at December 31</b>	<b>107</b>



## INTEREST RATE RISK MANAGEMENT

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### A) Interest rate risk management policy

The Group's exposure to interest rate risk should be analyzed in light of its cash position: at December 31, 2017, the Group had €2,156 million in cash and cash equivalents, with short-term investments mainly at floating rates (or failing this, at fixed rates for periods of less than or equal to 3 months), and €3,372 million in gross indebtedness principally at fixed rates (85%) (see Note 21, Net debt / Net cash and cash equivalents). The high proportion of fixed-rate borrowings is due to the weight of fixed-rate bond issues in gross indebtedness.

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

As 85% of Group borrowings were at fixed rates in 2017, 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, cash management assets and borrowings at floating rates, a 100-basis point rise in interest rates would have had a positive impact of around €6 million on the Group's net finance costs in 2017. Conversely, a 100-basis point fall in interest rates would have had an estimated €6 million negative impact on the Group's net finance costs.

## COUNTERPARTY RISK MANAGEMENT

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In addition, in line with its policies for managing currency and interest rate risks as described above, the Group also enters into hedging agreements with leading financial institutions. Accordingly, counterparty risk can be deemed not material. At December 31, 2017, the Group's main counterparties for managing currency and interest rate risk are Barclays, BNP Paribas, CA CIB, Citibank, Commerzbank, HSBC, ING, JP Morgan, Morgan Stanley, Natixis, Royal Bank of Scotland, Santander, and Société Générale.



## NOTE 24 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### Defined contribution plans

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

### Defined benefit pension plans

Defined benefit pension plans consist of either:

- ▶ unfunded plans, where benefits are paid directly by the Group and the related obligation is covered by a provision corresponding to the present value of future benefit payments. Estimates are based on regularly reviewed internal and external assumptions. These unfunded plans correspond mainly to retirement termination payments and healthcare assistance plans,
- ▶ funded plans, where the benefit obligation is covered by external funds. Group contributions to these external funds are made in accordance with the specific regulations in force in each country.

Obligations under these plans are determined by independent actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each of these units is valued separately in order to obtain the amount of the Group's final obligation.

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

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

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

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

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

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



## BREAKDOWN OF PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2016	2017	2016	2017	2016	2017
<i>At December 31 (in millions of euros)</i>						
United Kingdom	3,633	3,490	(2,787)	(2,886)	846	604
Canada	674	716	(484)	(479)	190	237
France	237	263	(22)	(20)	215	243
Germany	101	99	(57)	(56)	44	43
Sweden	34	31	(9)	(10)	25	21
India	45	59	(27)	(48)	18	11
Other	145	154	(109)	(117)	36	37
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>4,869</b>	<b>4,812</b>	<b>(3,495)</b>	<b>(3,616)</b>	<b>1,374</b>	<b>1,196</b>

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

	Note	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
		2016	2017	2016	2017	2016	2017
<i>in millions of euros</i>							
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>		<b>4,498</b>	<b>4,869</b>	<b>(3,282)</b>	<b>(3,495)</b>	<b>1,216</b>	<b>1,374</b>
<b>Expense for the period recognized in the Income Statement</b>		<b>209</b>	<b>201</b>	<b>(113)</b>	<b>(98)</b>	<b>96</b>	<b>103</b>
Service cost	7	59	69	-	-	59	69
Interest cost	9	150	132	(113)	(98)	37	34
<b>Impact on income and expense recognized in equity</b>		<b>772</b>	<b>54</b>	<b>(496)</b>	<b>(189)</b>	<b>276</b>	<b>(135)</b>
Change in actuarial gains and losses		772	54	-	-	772	54
Impact of changes in financial assumptions		858	204	-	-	858	204
Impact of changes in demographic assumptions		(11)	(114)	-	-	(11)	(114)
Experience adjustments		(75)	(36)	-	-	(75)	(36)
Return on plan assets <sup>(1)</sup>		-	-	(496)	(189)	(496)	(189)
<b>Other</b>		<b>(610)</b>	<b>(312)</b>	<b>396</b>	<b>166</b>	<b>(214)</b>	<b>(146)</b>
Contributions paid by employees	7	7	7	(7)	(7)	-	-
Benefits paid to employees		(152)	(158)	124	147	(28)	(11)
Contributions paid		-	-	(89)	(94)	(89)	(94)
Translation adjustments		(469)	(188)	369	144	(100)	(44)
Other movements	4	27	(1)	(24)	3	3	3
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>		<b>4,869</b>	<b>4,812</b>	<b>(3,495)</b>	<b>(3,616)</b>	<b>1,374</b>	<b>1,196</b>

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



## ANALYSIS OF THE CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### A) United Kingdom

In the United Kingdom, post-employment benefits primarily consist of defined contribution pension plans with some employees accruing pensionable service within a defined benefit pension plan. In addition certain former and current employees accrue deferred benefits in defined benefit pension plans. The plans are administered within trusts which are legally separate from the employer and are governed by a trustee Board comprising independent trustees and representatives of the employer.

The defined benefit pension plans provide pensions and lump sums to members on retirement and to their dependents on death. Members who leave service before retirement are entitled to a deferred pension. The main plan is closed to the accrual of benefits for all current employees since March 31, 2015.

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

- ▶ 617 current employees accruing pensionable service (700 at December 31, 2016),
- ▶ 7,583 former and current employees not accruing pensionable service (7,690 at December 31, 2016),
- ▶ 2,972 retirees (2,868 at December 31, 2016).

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

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

The average maturity of pension plans in the United Kingdom is 22 years.

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

<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2016	2017	2016	2017	2016	2017
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>3,330</b>	<b>3,633</b>	<b>(2,633)</b>	<b>(2,787)</b>	<b>697</b>	<b>846</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>121</b>	<b>106</b>	<b>(88)</b>	<b>(72)</b>	<b>33</b>	<b>34</b>
Service cost	10	12	-	-	10	12
Curtailments, settlements and plan transfers	-	-	-	-	-	-
Interest cost	111	94	(88)	(72)	23	22
<b>Impact on income and expense recognized in equity</b>	<b>765</b>	<b>(18)</b>	<b>(481)</b>	<b>(174)</b>	<b>284</b>	<b>(192)</b>
Change in actuarial gains and losses	765	(18)	-	-	765	(18)
<i>Impact of changes in financial assumptions</i>	830	151	-	-	830	151
<i>Impact of changes in demographic assumptions</i>	-	(139)	-	-	-	(139)
<i>Experience adjustments</i>	(65)	(30)	-	-	(65)	(30)
Return on plan assets <sup>(1)</sup>	-	-	(481)	(174)	(481)	(174)
<b>Other</b>	<b>(583)</b>	<b>(231)</b>	<b>415</b>	<b>147</b>	<b>(168)</b>	<b>(84)</b>
Contributions paid by employees	1	1	(1)	(1)	-	-
Benefits paid to employees	(72)	(105)	72	105	-	-
Contributions paid	-	-	(58)	(58)	(58)	(58)
Translation adjustments	(512)	(127)	402	101	(110)	(26)
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>3,633</b>	<b>3,490</b>	<b>(2,787)</b>	<b>(2,886)</b>	<b>846</b>	<b>604</b>

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



## a) Main actuarial assumptions

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

<i>in %</i>	At December 31, 2016	At December 31, 2017
Discount rate	2.6-2.8	2.4
Salary inflation rate	2.3-3.1	2.3-3.1
Inflation rate	3.1	3.1

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

## b) Plan assets

<i>in millions of euros</i>	2016		2017	
Shares	1,377	49%	1,516	52%
Bonds and hedging assets	1,336	48%	1,322	46%
Other	74	3%	48	2%
<b>TOTAL</b>	<b>2,787</b>	<b>100%</b>	<b>2,886</b>	<b>100%</b>

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

## c) Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2017	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(345)	399
Increase/decrease of 50 basis points in the inflation rate	264	(256)
Increase/decrease of 50 basis points in the mortality rate	(57)	61

## d) Contributions

### Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2018 are estimated at €58 million, including the funding of pension plan deficits over the period defined with the trustees as part of the regular actuarial valuations.

## B) Canada

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

The average maturity of pension plans in Canada is 20 years.

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

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

- ▶ 927 current employees accruing pensionable service (1,000 at December 31, 2016),
- ▶ 88 former and current employees not accruing pensionable service (80 at December 31, 2016),
- ▶ 348 retirees (303 at December 31, 2016).





<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2016	2017	2016	2017	2016	2017
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>624</b>	<b>674</b>	<b>(448)</b>	<b>(484)</b>	<b>176</b>	<b>190</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>50</b>	<b>49</b>	<b>(19)</b>	<b>(18)</b>	<b>31</b>	<b>31</b>
Service cost	25	25	-	-	25	25
Curtailments, settlements and plan transfers	-	-	-	-	-	-
Interest cost	25	24	(19)	(18)	6	6
<b>Impact on income and expense recognized in equity</b>	<b>(6)</b>	<b>55</b>	<b>(9)</b>	<b>(9)</b>	<b>(15)</b>	<b>46</b>
Change in actuarial gains and losses	(6)	55	-	-	(6)	55
Impact of changes in financial assumptions	14	57	-	-	14	57
Impact of changes in demographic assumptions	(14)	(2)	-	-	(14)	(2)
Experience adjustments	(6)	-	-	-	(6)	-
Return on plan assets <sup>(1)</sup>	-	-	(9)	(9)	(9)	(9)
<b>Other</b>	<b>6</b>	<b>(62)</b>	<b>(8)</b>	<b>32</b>	<b>(2)</b>	<b>(30)</b>
Contributions paid by employees	4	4	(4)	(4)	-	-
Benefits paid to employees	(45)	(26)	43	23	(2)	(3)
Contributions paid	-	-	(14)	(15)	(14)	(15)
Translation adjustments	42	(40)	(30)	28	12	(12)
Business combinations	-	-	-	-	-	-
Other movements	5	-	(3)	-	2	-
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>674</b>	<b>716</b>	<b>(484)</b>	<b>(479)</b>	<b>190</b>	<b>237</b>

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

## a) Main actuarial assumptions

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

<i>in %</i>	At December 31, 2016	At December 31, 2017
Discount rate	3.9	3.4
Salary inflation rate	2.8	2.3
Inflation rate	2.0	2.0

In 2017, 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>	2016		2017	
Shares	280	58%	271	57%
Bonds and hedging assets	199	41%	198	41%
Other	5	1%	10	2%
<b>TOTAL</b>	<b>484</b>	<b>100%</b>	<b>479</b>	<b>100%</b>

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets. Bonds primarily comprise Canadian government bonds. A portion of these investments seeks to partially hedge interest rate risk on the plan liabilities; this matching portfolio consists of Canadian government bonds, owned directly or borrowed via sale and repurchase agreements.



### c) Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2017	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(66)	74
Increase/decrease of 50 basis points in the inflation rate	47	(42)
Increase/decrease of 50 basis points in the mortality rate	-	3

### d) Future contributions

Contributions to the Canadian defined benefit pension funds in respect of 2018 are estimated at €16 million, including the funding of pension plan deficits defined as part of the regular actuarial valuations.



## NOTE 25 NON CURRENT AND 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>	2016	2017
<b>At January 1</b>	<b>118</b>	<b>130</b>
Charge	46	55
Reversals (utilization of provisions)	(14)	(46)
Reversals (surplus provisions)	(16)	(14)
Other	(4)	(12)
<b>At December 31</b>	<b>130</b>	<b>113</b>

At December 31, 2017, current provisions (€88 million) and non-current provisions (€25 million) mainly concern risks relating to projects and contracts of €96 million (€110 million at December 31, 2016) and risks relating to tax and labor disputes of €17 million (€20 million at December 31, 2016).

## NOTE 26 OTHER NON CURRENT AND CURRENT LIABILITIES

<i>At December 31 (in millions of euros)</i>	Note	2016	2017
Special employee profit-sharing reserve		28	34
Derivative instruments	23	89	18
Liabilities related to acquisitions of consolidated companies		147	201
Non-current tax liabilities		16	43
Other		87	96
<b>OTHER CURRENT AND NON-CURRENT LIABILITIES</b>	<b>22</b>	<b>367</b>	<b>392</b>

Liabilities related to acquisitions of consolidated companies consist for €117 million of put options granted to Caixa Participações and EMC in 2012 and 2013 on their investments in Capgemini Brasil S.A. (formerly CPM Braxis) and earn-outs granted at the time of certain acquisitions.

At December 31, 2016, derivative instruments primarily consisted of EUR/USD fix-to-fix cross currency swaps valued at €35 million. These contracts were unwound early in fiscal 2017.

## NOTE 27 ACCOUNTS AND NOTES PAYABLE

<i>At December 31 (in millions of euros)</i>	Note	2016	2017
Accounts payable		1,105	1,124
Accrued taxes other than income tax		392	409
Personnel costs		1,311	1,291
Other		10	13
<b>ACCOUNTS AND NOTES PAYABLE</b>	<b>22</b>	<b>2,818</b>	<b>2,837</b>



## NOTE 28 NUMBER OF EMPLOYEES

### AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

	2016		2017	
	Employees	%	Employees	%
North America	16,846	9	17,377	9
France	23,690	13	24,489	13
United Kingdom and Ireland	9,075	5	8,561	4
Benelux	8,200	4	7,970	4
Southern Europe	7,713	4	8,349	4
Nordic countries	4,041	2	4,173	2
Germany and Central Europe	11,897	7	13,245	7
Asia-Pacific and Latin America	103,972	56	112,445	57
Not allocated	159	-	146	-
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>185,593</b>	<b>100</b>	<b>196,755</b>	<b>100</b>

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

	2016		2017	
	Employees	%	Employees	%
North America	16,895	9	17,209	9
France	24,226	13	25,299	13
United Kingdom and Ireland	9,025	5	8,217	4
Benelux	8,037	4	8,011	4
Southern Europe	8,074	4	8,629	4
Nordic countries	4,067	2	4,247	2
Germany and Central Europe	12,464	6	13,970	7
Asia-Pacific and Latin America	110,135	57	113,968	57
Not allocated	154	-	148	-
<b>NUMBER OF EMPLOYEES AT DECEMBER 31</b>	<b>193,077</b>	<b>100</b>	<b>199,698</b>	<b>100</b>



## NOTE 29 OFF-BALANCE SHEET COMMITMENTS

### OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP OPERATING ACTIVITIES

#### A) Commitments given on client contracts

The Group has provided performance and/or financial guarantees for a number of major contracts. The clients concerned represented approximately 8% of Group revenue in 2017.

In addition, certain clients enjoy:

- ▶ limited financial guarantees issued by the Group and totaling €1,719 million at December 31, 2017 (€1,601 million at December 31, 2016);
- ▶ bank guarantees borne by the Group and totaling €170 million at December 31, 2017 (€197 million at December 31, 2016).

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

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

<i>in millions of euros</i>	Computer equipment	Offices	Vehicles and other non-cancellable leases	Total
Y+1	6	182	54	242
Y+2	4	142	37	183
Y+3	2	96	20	118
Y+4	2	77	6	85
Y+5	-	65	-	65
Y+6 and beyond	-	114	-	114
<b>At December 31, 2017</b>	<b>14</b>	<b>676</b>	<b>117</b>	<b>807</b>
<b>At December 31, 2016</b>	<b>16</b>	<b>635</b>	<b>124</b>	<b>775</b>

Lease payments recognized in the Income Statement in 2017 totaled €339 million (€362 million in 2016).

#### C) Other commitments given

Other commitments given total €30 million at December 31, 2017 (€37 million at December 31, 2016) and mainly comprise firm purchase commitments relating to goods or services in the United Kingdom and France.

#### D) Other commitments received

Other commitments received total €118 million at December 31, 2017 (€130 million at December 31, 2016) and primarily comprise:

- ▶ commitments received on client contracts. The Group received a limited financial guarantee of €50 million from a client on the signature of a contract in 2010;
- ▶ commitments received following the purchase of shares held by certain minority shareholders of Capgemini Brasil S.A. for an amount of €59 million.



## OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

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### A) Bonds

Capgemini SE has committed to standard obligations in respect of the 2015 bond issues and the 2016 bond issue detailed in Note 21, Net debt / Net cash and cash equivalents, and particularly to maintain *pari passu* status with all other marketable bonds that may be issued by the Company.

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

Capgemini SE has agreed to comply with the following financial ratios (as defined in IFRS) in respect of the credit facility disclosed in Note 21, Net debt / Net cash and cash equivalents:

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

At December 31, 2017 and 2016, the Group complied with these financial ratios.

The credit facility agreement also includes covenants restricting Capgemini SE'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. Capgemini SE also committed to standard obligations, including an agreement to maintain *pari passu* status.

*\* The alternative performance measures monitored by the Group (operating margin and net debt) are defined in Note 3, Alternative performance measures, and broken down in Note 21, Net debt / Net cash and cash equivalents.*

### C) Borrowings secured by assets

Some borrowings are secured by assets recorded in the Consolidated Statement of Financial Position. At December 31, 2017, these related to finance leases in the amount of €87 million and other borrowings in the amount of €3 million.

## CONTINGENT LIABILITIES

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During 2017 and in previous fiscal years, certain Group companies underwent tax audits leading in some cases to tax reassessments. A number of proposed adjustments have been challenged and litigation and pre-litigation proceedings were in progress at the period end. In general, no provisions have been set aside for these disputes in the consolidated financial statements in so far as Capgemini can justify its positions and considers the likelihood of winning the disputes to be high. This is particularly the case, in France, for research tax credits for the period 2008 to 2013, in respect of which the tax authorities have rejected the portion concerning private clients in certain companies registered for the research tax credit.

## NOTE 30 RELATED-PARTY TRANSACTIONS

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### ASSOCIATES

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Associates are equity-accounted companies over which the Group exercises significant influence. At December 31, 2017, O2C Pro LLC is the only company equity-accounted by the Group since the acquisition of a 49% stake. Transactions with this equity associate in 2017 were performed at arm's length and were of immaterial volume.

### OTHER RELATED-PARTIES

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In 2017, no material transactions were carried out with:

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

Moreover, it is worth noting that Caixa Participações, a minority shareholder, is also one of Capgemini Brasil S.A.'s main clients, accounting for approximately 24% of its revenues.

Finally, MM Consulting, whose Chairman and Chief Executive Officer is Yann Delabrière (a director of Capgemini SE), signed a one-year agreement with Capgemini Consulting to provide this entity with assistance in the Digital Manufacturing market, by



contributing its knowledge of the automobile sector. Fees of €157,500 were invoiced to the consulting entity for work performed in 2017 under the terms of the agreement which entered into effect in October 2016.

## GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of the 2016 and 2017 compensation of members of management bodies at each year-end (22 members in 2017 and 26 in 2016) and Directors (compensation, attendance fees and fees).

<i>in thousands of euros</i>	2016	2017
Short-term benefits excluding employer payroll taxes <sup>(1)</sup>	24,166	21,943
<i>o/w attendance fees paid to salaried directors</i>	80	196
<i>o/w attendance fees paid to non-salaried directors</i> <sup>(2) (3)</sup>	719	1,004
Short-term benefits: employer payroll taxes	4,573	5,144
Post-employment benefits <sup>(4)</sup>	1,695	1,258
Share-based payment <sup>(5)</sup>	9,781	8,722

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

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

(3) 15 directors in 2016 and 16 in 2017;

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

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

## NOTE 31 SUBSEQUENT EVENTS

At the Ordinary Shareholders' Meeting, the Board of Directors will recommend a dividend payout to Capgemini SE shareholders of €1.70 per share in respect of 2017. A dividend of €1.55 per share was paid in respect of fiscal year 2016.

On the 5<sup>th</sup> of February 2018, the Group announced the acquisition of LiquidHub, a digital customer engagement firm. The transaction is due to close in the next couple of months.



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

Capgemini SE is the parent company of what is generally known as “the Capgemini Group” comprising 137 companies. The main consolidated companies at December 31, 2017 are listed below.

Country	List of the main companies consolidated at December 31, 2017	% interest	Consolidation Method <sup>(1)</sup>
<b>ARGENTINA</b>	Capgemini Argentina S.A.	100.00%	FC
<b>AUSTRALIA</b>	Capgemini Australia Pty Limited	100.00%	FC
<b>AUSTRIA</b>	Capgemini Consulting Österreich AG	100.00%	FC
<b>BELGIUM</b>	Capgemini Belgium N.V./S.A.	100.00%	FC
<b>BRAZIL</b>	Capgemini Business Services Brasil - Assessoria Empresarial Ltda.	100.00%	FC
	Capgemini Brasil S.A.	78.61%	FC
	CPM Braxis Tecnologia, Ltda.	78.61%	FC
<b>CANADA</b>	Capgemini Canada Inc.	100.00%	FC
	Capgemini Solutions Canada 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
<b>CHINA</b>	Capgemini (China) Co., Ltd.	100.00%	FC
	Capgemini Business Services (China) Ltd.	100.00%	FC
	Capgemini Hong Kong Ltd.	100.00%	FC
<b>DENMARK</b>	Capgemini Danmark A/S	100.00%	FC
<b>FINLAND</b>	Capgemini Finland Oy	100.00%	FC
	Sogeti Finland Oy	100.00%	FC
	Idean Enterprises Oy	100.00%	FC
<b>FRANCE</b>	Capgemini SE	Parent company	
	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 Latin America 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
	Immobilière Les Fontaines S.A.R.L.	100.00%	FC
	Prosodie S.A.S.	100.00%	FC
	SCI Paris Etoile	100.00%	FC
	Silgem S.A.S.	50.00%	FC
	Itelios S.A.S.	100.00%	FC
	Sogeti Corporate Services S.A.S.	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
<b>GERMANY</b>	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
	Idean Enterprises GmbH	100.00%	FC
<b>GUATEMALA</b>	Capgemini Business Services Guatemala S.A.	100.00%	FC
<b>INDIA</b>	Capgemini Technology Services India Limited	99.77%	FC
<b>IRELAND</b>	Capgemini Ireland Limited	100.00%	FC





<b>ITALY</b>	Capgemini BS S.r.l.	100.00%	FC
	Capgemini Italia S.p.A.	100.00%	FC
<b>JAPAN</b>	Capgemini Japan K.K.	100.00%	FC
<b>LUXEMBOURG</b>	Capgemini Reinsurance International S.A.	100.00%	FC
	Sogeti Luxembourg S.A.	100.00%	FC
<b>MEXICO</b>	Capgemini México S. de R.L. de C.V.	100.00%	FC
<b>MOROCCO</b>	Capgemini Technology Services Maroc SA	100.00%	FC
<b>NETHERLANDS</b>	Capgemini Educational Services B.V.	100.00%	FC
	Capgemini N.V.	100.00%	FC
	Capgemini Nederland B.V.	100.00%	FC
	Dunit B.V.	100.00%	FC
	Sogeti Nederland B.V.	100.00%	FC
<b>NORWAY</b>	Capgemini Norge AS	100.00%	FC
<b>POLAND</b>	Capgemini Polska Sp. z o.o.	100.00%	FC
<b>PORTUGAL</b>	Capgemini Portugal, Serviços de Consultoria e Informática S.A.	100.00%	FC
<b>SINGAPORE</b>	Capgemini Asia Pacific Pte. Ltd.	100.00%	FC
	Capgemini Singapore Pte. Ltd.	100.00%	FC
<b>SPAIN</b>	Capgemini España S.L.	100.00%	FC
	Prosodie Ibérica S.L.	100.00%	FC
	Sogeti España S.L.	100.00%	FC
<b>SWEDEN</b>	Capgemini AB	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	Sogeti Sverige AB	100.00%	FC
<b>SWITZERLAND</b>	Capgemini Suisse S.A.	100.00%	FC
<b>UNITED KINGDOM</b>	Capgemini Financial Services UK Limited	100.00%	FC
	Capgemini UK plc	100.00%	FC
	CGS Holdings Limited	100.00%	FC
	IGATE Computer Systems (UK) Limited	100.00%	FC
	IGATE Information Services (UK) Limited	100.00%	FC
	Sogeti UK Limited	100.00%	FC
	Lyons Consulting Group Limited	100.00%	FC
<b>UNITED STATES</b>	Capgemini America, Inc.	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Capgemini North America, Inc.	100.00%	FC
	Capgemini Technologies LLC	100.00%	FC
	CHCS Services, Inc.	100.00%	FC
	Restaurant Application Development International LLC	100.00%	FC
	Idean Enterprises, Inc.	100.00%	FC
	O2C Pro LLC	49.00%	EM
	Lyons Consulting Group LLC	100.00%	FC

FC = Full consolidation  
EM = Equity method



## NOTE 33 AUDIT FEES

Statutory audit fees for fiscal year 2017 breakdown as follows:

	KPMG		PwC	
	2017	2016	2017	2016
<i>in millions of euros (excl. VAT)</i>				
<b>Certification of the accounts</b>	<b>3.2</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
• Capgemini SE	0.5	0.5	0.5	0.5
• Fully-consolidated subsidiaries	2.7	2.8	2.5	2.6
<b>Non-audit services <sup>(1)</sup></b>	<b>1.8</b>	<b>1.8</b>	<b>1.3</b>	<b>1.5</b>
<b>TOTAL</b>	<b>5.0</b>	<b>5.1</b>	<b>4.3</b>	<b>4.6</b>

(1) The majority of these fees concern assignments performed at the request of our clients pursuant to ISA 34-02 and concern the audit of applications and/or processes outsourced to the Group.



## About Capgemini

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A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2016 global revenues of EUR 12.5 billion.

Learn more about us at [www.capgemini.com](http://www.capgemini.com)

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