THE CAPGEMINI GROUP

I – BACKGROUND

Founded by Serge Kampf in Grenoble in 1967, Capgemini has become one of the worldwide leaders in the IT services and consulting industry, thanks to the internationalisation and the diversification of its business that combined external and internal growth.

The Group progressively expanded in Europe, notably with the acquisition of Data Logic in Scandinavia, of Hoskyns in the United Kingdom (1990) and the one of Volmac in Netherlands (1992). At the same time, Capgemini also developed a management consulting business through the acquisition of US based companies in the early 90's (United Research, Mac Group), followed by Gruber Titze & Partners in Germany (1993) then Bossard in France (1997).

More recently, the acquisition of Ernst & Young Consulting (2000) strengthened the international profile of the Group by increasing significantly its presence in North America and some European countries.

Over the last three years, which proved to be particularly difficult for the IT services market, the Group felt the need to re-balance its portfolio towards two of its businesses : local professional services and outsourcing.

The acquisition of Transiciel at the end of 2003 resulted into doubling the size of the local professional services segment which were grouped together in 2001 within Sogeti. Today Sogeti-Transiciel contributes 15% to the Group's total revenue and is the European leader in this market, while pursuing its development in the United Sates.

In the outsourcing space, the Group's effort to build a significant presence in Europe and North America started to bear fruits in 2004. Following the Aspire contract signed at the end of 2003 with the British tax administration, which started early 2004, Capgemini signed a 10 years 3,5 billion US dollars contracts with the US-based group TXU in May 2004 in the Energy sector. In November 2004, the Group also signed a 10 years contract for a total value of 1.6 billion euros with the French group Schneider Electric

The Group's profile has thus been significantly reshaped in a few years time, showing its ability to face the new challenges if the IT services and consulting industry.

II – BUSINESS

Market environment

In the fragmented and heterogeneous IT services and consulting industry, Capgemini ranks n°5 behind IBM Global Services, which is n°1 with a market share close to 8% worldwide, EDS, Accenture and HP Services *(source : IDC 2003 ranking)*.

Capgemini is thus one of the very few global players in this industry thanks to its global geographic reach as well as its wide range of offerings, with four businesses covering most of customers' needs : consulting, systems integration, outsourcing and local services.

Since a few years, new players have significantly increased their presence in some segments of the IT services market, notably in the software development area. Based in low cost countries – in particular India – they have become active worldwide, leading the traditional players to adapt both their services offerings and delivery methods. Capgemini has developed a "Rightshore" approach with both off-shore capabilities (including 2,000 people in India at the end of 2004) and near-shore resources (such as Poland, Spain).

Capgemini is one of the world's leading consulting, information technology and outsourcing companies.

Operating in over 30 countries, Capgemini helps clients to innovate, transform themselves and become more competitive. To fulfill this mission, Capgemini possesses a vast range of capabilities and the ability to deliver them consistently. It works with clients to craft new directions, turn them into business reality and make the best use of information technology. On their behalf, it also manages their business processes and technology infrastructure. Its most precious expertise is to bring together business, technology and operational skills and so provide truly integrated services.

As a worldwide services only company, Capgemini is a people company – 59,324 people by the end of 2004. Their infinitely varied skills and competencies are grouped, besides management and support roles, into four major professions or disciplines. Each of these is specialized to respond to a specific set of client needs. It recruits, trains and develops the people it needs. It is governed by its specific economic rules, and managed with its own profit and loss responsibility. Yet within the Group's highly flexible, client-focused business approach, with its shared values, principles and management systems, all of these capabilities can be mobilized across the disciplines to deal with even the largest and most complex client situations and requirements.

The **four disciplines** are:

- **Consulting Services:** providing management consulting capabilities designed to improve performance of client companies through in-depth knowledge of their business and processes.
- **Technology Services:** planning, designing, managing, developing and integrating major information technology systems and applications.
- **Outsourcing Services** covers both infrastructure and business process outsourcing (BPO): managing client processes, applications and technology.
- **Local Professional Services:** providing proximity it support and know-how.

Consulting Services and Technology Services are organized according to geography, and networked globally to share best practices and mobilize resources. Outsourcing and Local Professional Services are both global organizations, with strong local presences.

To make sure the capabilities of the disciplines meet market needs, Capgemini develops the best possible intelligence of its clients' activities in their respective sectors. It also tailors skills and competencies to provide the right responses to their sector specific requirements.

Because client satisfaction is an overriding priority for the Group, all the services it provides are measured according to a standard known as OTACE ("On Time and Above Clients' Expectations").

This presentation of Capgemini's activities covers the disciplines and gives an overview of recent market and Group developments for the main industry sectors.

III – CAPGEMINI'S DISCIPLINES

3.1. Consulting Services (CS)

In the stabilized market of 2004, clients continued to expect a high level of content and specialization, delivering tangible benefits. While growth only came back in the fourth quarter, the year saw good progress in operational profitability.

The Consulting Services discipline has benefited from earlier investments in capabilities, notably through specialized training, and in offerings. The different domains within the discipline (transformation consulting, customer relationship management, supply chain, finance and employee transformation) have pushed this specialization further. Supply chain, for example, maintains an end-to-end view, but specializes in procurement, transportation management and demand planning.
While business management consulting remains the mainstay of the discipline, technology management consulting is growing in importance. Clients making large investments in information management want to be sure that their IT strategies are well in tune with their business goals. By placing high level technologists in its consulting operations, Capgemini ensures that its immense practical experience in all forms of information technology is intimately connected to business issues.

In the coming year, many clients will once again focus on revenue growth, while still insisting on clear bottom line improvement. Consulting Services will launch new offerings for top line growth and for improved product lifecycle management. New types of shared services, developed in close cooperation with sister disciplines, will help improve client productivity and pave the way for business process outsourcing.

3.2. Technology Services (TS)

Following several extraordinarily difficult years of weak markets and price pressures, the first half of 2004 brought more of the same. In the second half, however, Technology Services succeeded in stabilizing revenue, returning to operational profit and building morale.

Stabilized prices, a higher utilization rate and lower costs did not happen by accident. Besides many operational improvements, TS concentrated on a few essential fields such as enterprise-wide platforms, notably SAP, and business intelligence applications. It provided industry-specific offerings in four selected industries – a sure way to differentiate and provide more value, which then translates into better prices. To give one example: Extended Retail Services based on radio-frequency identification technologies (RFID) have already been selected by some twenty clients, while a more systematic use of "Rightshore"™ delivery helped reduce delivery costs.

In 2005, with markets improving in most countries, Capgemini expects the lower costs of technology development and an increase in growth-related investment to generate higher demand for technology projects. Technology Services (systems integration, IT applications) will also benefit from ties to other disciplines as, for example, business transformation programs call for an IT systems overhaul; technical transformation is the way to draw maximum advantadge from outsourcing. The trends observed during the second half of 2004 bode well for a continuing turnaround.

3.3. Outsourcing Services (OS)

In 2004, Capgemini grouped most European outsourcing activities into a single international organization with full profit and loss responsibility – and the benefits of this change are already obvious as the Group has become one of the world leaders in this field.

During the year, the unit known as Outsourcing Europe managed large deals more effectively, with a stronger focus on early deal profitability. Capabilities were optimized across borders and computing centers now use common practices, an approach that has reduced the number of software tools in use by 75 percent in one year.
Even more importantly, the single organization brought a sharper focus to the Group's outsourcing strategy. Higher margin services, like Applications Management and Business Process Outsourcing, now make up three quarters of the sales funnel. The various services are grouped in offerings driving innovation and client value, such as mobility or security. Major outsourcing contracts can be the basis for building platforms with deep competencies in specific market segments.

Entering 2005, this outsourcing organization is becoming truly global through the integration of the North American operations. One set of methods and standards will now drive Capgemini's outsourcing centers and service offers worldwide. Large opportunities can be selected based on the Group's – rather than an individual country's – priorities and strengths. The emphasis will be on transformational outsourcing which unites the sector and transformational expertise of Consulting Services and the advanced competencies of Technology Services within the framework of an efficient global outsourcing capability – a real Capgemini trump card.

3.4. Local Professional Services (LPS)

From January 2002, Local Professional Services have been provided by one global entity, Sogeti, operating through national subsidiaries. After the acquisition of Transiciel by Capgemini at the end of 2003, the operational merger leading to the creation of Sogeti-Transiciel was completed during the first half of 2004 – creating a 15,000-person powerhouse in nine countries (Belgium, France, Germany, Luxembourg, the Netherlands, Spain, Sweden, Switzerland and the United States).

In the second half of 2004, Sogeti-Transiciel grew at twice the speed of a recovering market in some countries. This momentum is fueling the 2005 ambition to achieve double digit growth, coupled with an increase in operational profitability.

The business is focused on three areas: infrastructure services (management of client infrastructures at the client's location), application services, and engineering services (high technology consulting). These services cover small- and mid-sized projects, provision of expertise and specific forms of outsourcing. **Clients are offered strong individual know-how,** with specific areas of **collective expertise** such as testing, security and systems management.

The organization is simple, clear and stable – branches are operated on an entrepreneurial basis, defining their own formula for business success, while line management ensures proper transfer of know-how and a solid sense of belonging. The whole approach builds on a strong emphasis on client satisfaction, enabling Sogeti-Transiciel to beat its competitors in many published industry rankings.

In 2005, while pursuing its general development in quality proximity services, Sogeti-Transiciel will take such major steps as the international development of its high technology services – providing not only engineering manpower and know-how for the industry, but also the outsourcing of specialized research and development functions.

IV – CAPGEMINI'S MARKETS

The Group's services are normally delivered in an industry context, with offers tailored to clients' exact needs, and often integrating capabilities from different disciplines. An overview of the main industries served by Capgemini helps understand the Group's activities.

In the **public sector**, public administrations are transforming themselves to become efficient, low cost service providers, and Capgemini intends to be their partner of choice. As a result, the public sector's weight in the Group's business has expanded in the last few years and for 2004 reached 15 percent.

In 2005, it is expected that public administrations will keep pushing vigorously for improved services and higher efficiency, but also face new challenges, like a growing focus on public security. Budget constraints in information management will be met through outsourcing in a wider range of countries, the growing use of civilian technologies by defense departments, and increased emphasis on offshore development, previously a taboo subject in many countries.

The **manufacturing, retail and distribution sector** represents about a third of the Group's business. It contributed half of European outsourcing bookings in 2004. Business Process Outsourcing is coming of age in manufacturing and life sciences, while the movement toward enterprise-wide applications and data management has resumed, with more new large projects than in recent years.

Apart from these general trends, each segment addresses specific client issues and opportunities. In retail and consumer products, for example, Capgemini is helping companies unlock the benefits of new enabling technologies, such as global data synchronization, radio frequency identification, mobility and in-store customer interaction. In life sciences, the emphasis is now on product lifecycle management, the fight against counterfeiting, quality management and the continuing transformation of research and development.

In 2005, work with partners in sector specific uses of their applications will contribute to growth in this sector. In China, Capgemini grows by supporting large firms to expand in the country, and by helping Chinese companies internationalize.

2004 was a great year for Capgemini in the **energy, utilities and chemicals sector.** TXU Corp. engaged in a major partnership with the Group which, together with earlier Canadian outsourcing deals, creates a powerful platform of competencies and capabilities for utilities in North America. The outsourcing of the whole "meter to cash" process sets utilities free to concentrate on their core businesses, making it easier for them to compete successfully in a deregulated marketplace.
In Europe, Capgemini has taken advantage of the July 1, 2004, opening of markets to expand its services, thus enabling its clients to comply with new legislation and be successful in this increasingly competitive environment.

For oil companies, the Group has reinforced its position in lubricants and in functions such as client relationship and human resources management.

In 2005, these favorable developments should continue, with an increased flow of know-how across the Atlantic.

In the **financial services sector,** clients have returned to strong and sustainable profitability and are focusing on revenue growth again. They are accelerating the launch of new products and services, investing in customer relationship applications, and pursuing acquisitions. They are also devoting more resources to compliance with new regulations – such as Basel II for banks, Solvency II for insurance companies, Sarbanes/Oxley for anti-money laundering provisions.
In this context, the Group has enriched its offerings in the fields of risk and compliance, and retail insurance, while reinforcing its leading edge position in wealth management, retail banking and transaction services. For 2005, we expect the Group to benefit from its good positioning and capabilities in financial services.

In the **telecom, media & entertainment sector**, major players have regained substantial investment power and growth is again high on their agenda: the again vibrant market opens up significant opportunities for Capgemini.

Convergence of fixed line, mobile communications and media is leading to major reorganizations. Application systems are undergoing massive change, too, for example to provide real time billing with a mix of prepaid and postpaid, digital rights management, and end-to-end service provisioning and assurance. Applications management remains the main area for outsourcing, while business process outsourcing is growing in the United States. All of these developments promise a good level of demand in 2005.

Capgemini's distinctive new positioning

Capgemini's ambition is to be a distinctive, highly competitive major player in the consulting and information services industry. The Group is large enough to be global, yet entrepreneurial enough to remain close to the clients, listening to them more closely and responding more sensitively to their evolving needs.

While delivery in the past was a matter of worldwide methods and local management, the ability to handle some service components remotely is changing the very nature of services delivery. With the "Rightshore"™ concept, work takes place where it makes best sense for quality of service, availability of skills, and costs. The Group's director of global delivery shapes and orchestrates this new world – a fundamental direction.
Successful services delivery goes hand in hand with successful client relationships – both objectives and traditional strengths of Capgemini. When preparing the return to the Capgemini name early last year, the Group had an outstanding opportunity to go back to these roots and build a renewed, more distinctive and compelling platform for future success.
Clients and partners were asked for their views. Their responses provided two vital insights.

First, clients know that they need rapid access to a wide range of knowledge and experience. They believe that collaboration with a partner – as opposed to a simple contract with a supplier – is required for their own success.

Second, clients and partners value the way that Capgemini works with them, the quality of its people and the good relationships between their people and the Group's people. They believe that close and fruitful collaboration is a trademark of the Group.

Based on these insights, Capgemini launched the Collaborative Business Experience, which positions the Group as **the natural leader in developing closer, more effective, trust-based partnerships.** Collaborative Business Experience is much more than a slogan: it is the Group's way of life. It affirms that solid and more intimate working relationships deliver better results and enable clients to move more quickly, respond more flexibly and compete more effectively in a constantly changing business environment.

To bring this experience to a new level, new tools have been developed and new methodologies created. The Collaborative Business Experience is a long-term program for the Group, but it has already borne fruit. The advertising campaign launching it has brought new levels of awareness. Capgemini people find in it the embodiment of their beliefs. The Group's values – **honesty, boldness, trust, freedom, team spirit, modesty and fun** – crafted in the early days, take on a new life, and they are extended to every aspect of the client relationship.

For Capgemini's clients, the Collaborative Business Experience confirms and strengthens what they like in the Group. They know Capgemini people thrive when making their clients' people more successful. Clients embrace this new level of collaboration, which Capgemini intends to strengthen in the years to come.

V – GEOGRAPHIC ORGANIZATION AND MAIN GROUP SUBSIDIARIES

The Group is established in around thirty countries, with a strong presence in France (the Group's historical market, generating 24% of 2004 revenues), North America (22%), the United Kingdom (20%) and Benelux (14%). These areas together account for 80% of overall revenues.

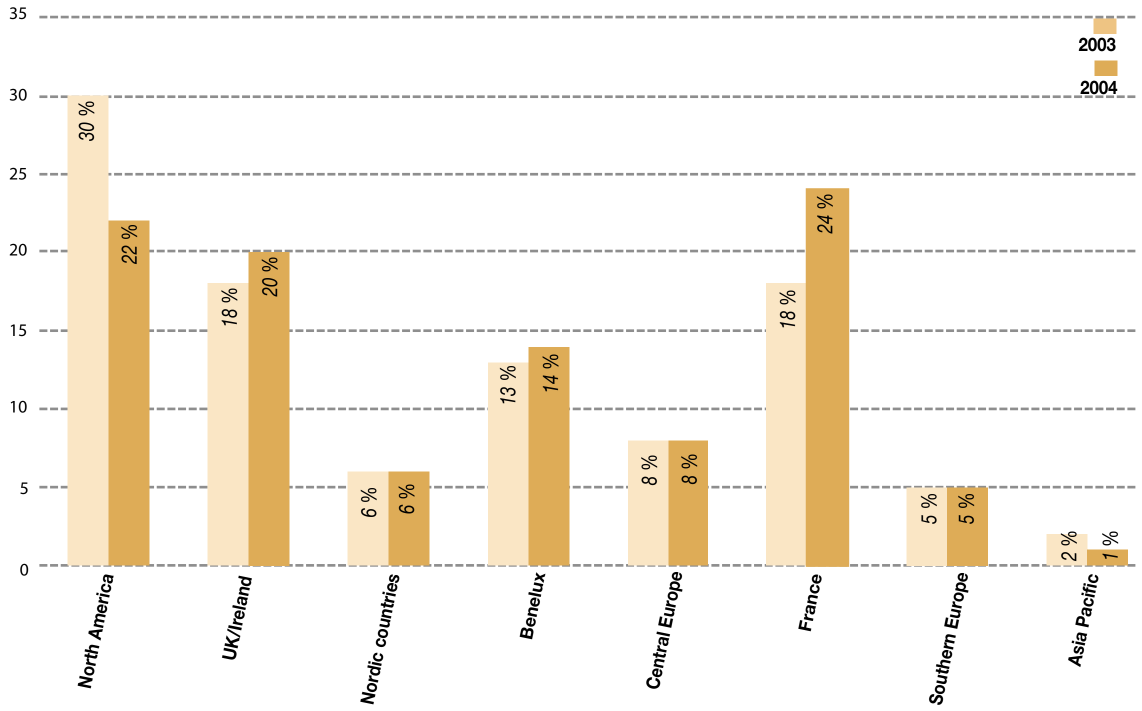
The Group performs its business activities through 129 consolidated subsidiaries as listed in note 27 « List of consolidated companies by country » (pages 86 to 88) to the consolidated financial statements. These subsidiaries are located in 8 geographic areas, whose relative contributions to Group consolidated revenues in 2003 and 2004 are illustrated in the diagram set out below.
In addition to these operating subsidiaries, Cap Gemini S.A. also holds 100% of the capital of three other entities:
- two non-trading real estate companies, one of which owns the premises of the registered office in the Place de l'Etoile in Paris, and the other houses the faci-

lities of the former Group University building located in Béhoust under a real estate leasing contract which was terminated by mutual agreement in March 2005;

- a limited liability company providing the premises, via a real estate leasing contract, for the Group's new University, an international training center located in Gouvieux, 40 km (25 miles) north of Paris, which opened at the beginning of 2003.

With regard to the Sogeti-Transiciel subsidiary, note that as of April 7, 2005, and in agreement with the management of the Capgemini Group, Transiciel's founder, Mr. Georges Cohen, is no longer serving as head of Sogeti-Transiciel. He will be replaced by Mr. Luc-François Salvador. This departure took place following the successful integration period of the two companies. All commitments undertaken at the time of the acquisition, including those related to the second stock-offering option, remain unchanged.

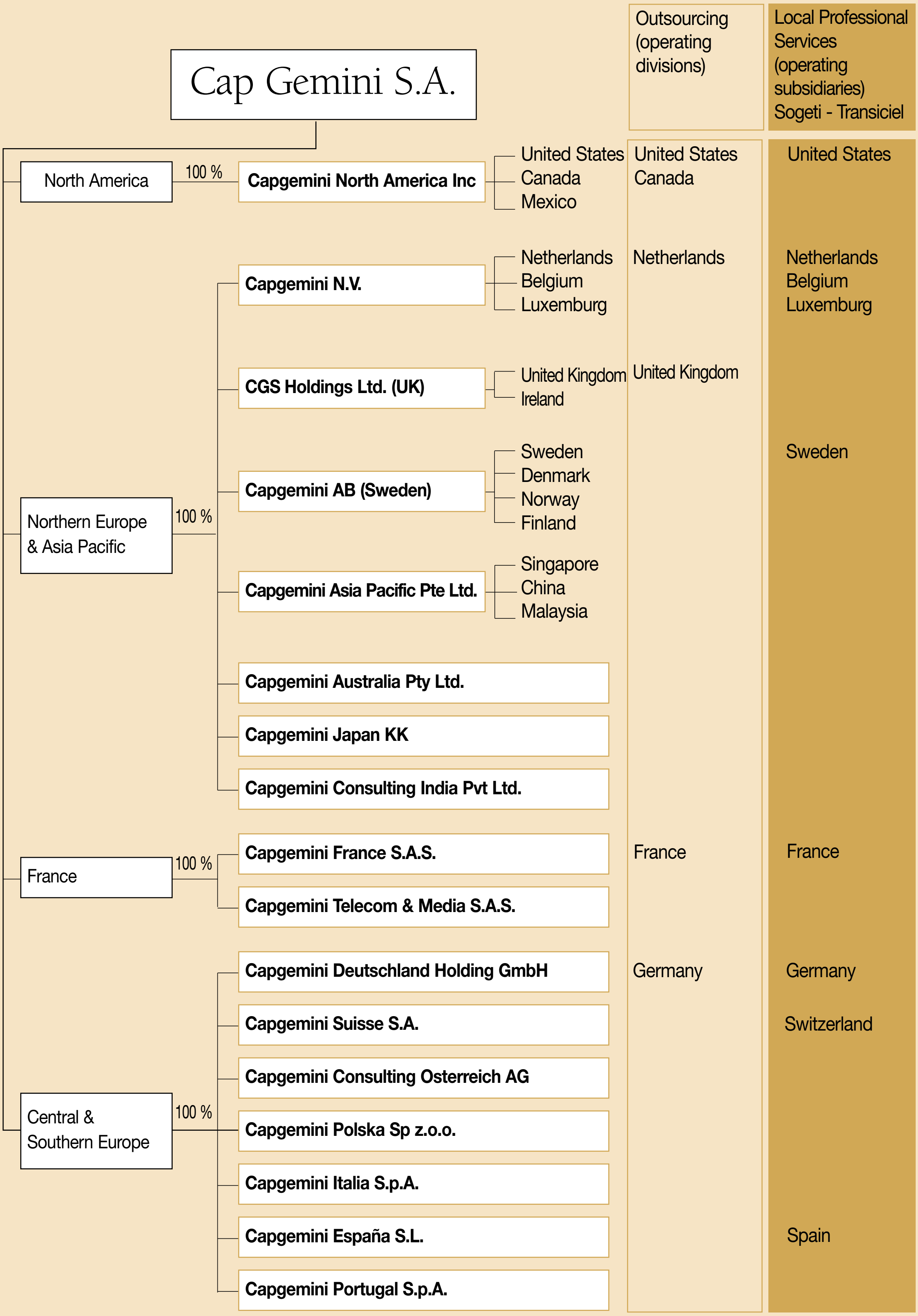
The parent company, Cap Gemini S.A. determines the Group's strategic orientations, via its Board of Directors, and oversees their implementation. In its role as shareholder, it contributes in particular to the financing of its subsidiaries, in the form of equity or loans or by providing security and guarantees. Finally, it allows its subsidiaries to use the trademarks and methodologies that it owns, notably "Deliver", and receives royalties in this respect (these royalties amounted to €126 million in 2004 compared to €125 million in 2003).



Simplified organization chart for the Group

As from January 1, 2005, the Group is composed of six main operating units (Strategic Business Units or «SBUs»):

- 4 geographic units: North America – Northern Europe and Asia Pacific – France – Central and Southern Europe
- 2 units for specific businesses: firstly, the Outsourcing SBU which now performs its business activities on a worldwide basis and secondly, the Local Professional Services unit, consisting of the Sogeti-Transiciel business.



VI – SOCIAL RESPONSIBILITY AND STEWARDSHIP

Building on long-standing practices

The Group's fundamental objectives and overarching aim of being a standard-setting service provider for its clients and partners, offering proven expertise across all of its business lines, factor in the requirements of each of its stakeholders. Aimed at continually fine-tuning Capgemini's business model in order to ensure sustainable long-term growth, they are designed to benefit not only shareholders and employees, but also every other participant in the value chain. It is the Group's firm belief that these objectives can only be achieved through mutual respect and cooperation, as well as through a number of core values and clearly defined codes of conduct.

In the services business, success is powered just as much by shared values and by attitude and behavior as by employee skills and know-how. These values and standards have played a major role throughout the Group's history. At the same time, they are continually updated in line with market developments. They can be grouped into three main categories:

- respect for others, which is reflected in:
  - the Group's values and code of ethics,
  - the fundamental principles that govern the Group's relationship with its employees (particularly skills building, equal opportunities, and effective communication);
- professional enhancement, which incorporates:
  - career management,
  - personal development;
- relations with the Group's external stakeholders, notably clients.

These strategic goals tie in with the following challenges that the Group faces on a daily basis:

- meeting client requirements and constantly incorporating the latest technologies into the service offering, while ensuring compliance with changes in legislation and corporate governance codes.
- retaining the appeal of the IT and management consulting industry. This entails continually sharpening the expertise of employees and enhancing their personal development, via a collaborative approach that is in tune with the Group's strategic orientations.
- respecting values and business ethics and promoting best practices throughout Capgemini, while respecting the regulatory requirements of each country in which the Group operates – requirements that can sometimes contradict one another.

An area that is not regarded as a significant challenge is environmental matters, given that our industry is recognized as having only a low impact on the environment. Nevertheless, the Group has set up a think tank on the subject and has undertaken action points mainly at a local level, although some initiatives have also been implemented Group-wide.

The Group's strategy concerning Corporate Social Responsibility (CSR) has been drawn up under the responsibility of General Management and is coordinated by the Group's General Secretary. Capgemini has adopted a proactive and pragmatic approach to CSR, and in 2004 focused on the commitments set out in the 2003 annual report. These were:

- precise and regular measurement of compliance with fundamental rules on human relations, as defined within the Group;
- training and upgrading skill-sets in line with technological developments and market demand;
- better diversity management;
- defining environmental indicators.

Values and human rights

With a view to sharing best CSR practices, in March 2004 the Group decided to join the Global Compact launched in 1999 by the Secretary-General of the United Nations. The member companies of this program undertake to support and respect ten principles relating to human rights, the environment, labor rights and, since July 2004, anti-corruption. The Group has launched a number of action points centered around these principles, with a particular focus on eliminating discrimination.

Regarding values and ethics, the following initiatives were adopted in 2004:

- The creation of a Code of Ethics, which will be put on-line in 2005 on the Group's Intranet and external website. This code, which embraces the principles of the Global Compact, was prepared internally and widely discussed by contributors from all countries in which the Group operates. The members of the International Works Council were also consulted during the preparatory stages of the document, to obtain their comments and viewpoints.
- In order to communicate developments and progress in relation to the Group's membership of the Global Compact, Capgemini has decided that at the end of April 2005 it will publicly disclose the results of the project it has launched on managing diversity, which is particularly focused on promoting gender equality. These results will be posted on-line at www.unglobalcompact.org.

• Given the Group's constantly evolving environment – one which saw its headcount increase by a significant 14,000 employees in 2004 – it is vital for Capgemini to continually promote and share its corporate values. That is why it now regularly posts information relating to these values on the Group Intranet. To round out these communication initiatives, it set up a competition over a period of seven months aimed at rewarding and bringing to the fore employees and/or teams recommended by other people in the Group and who fully embrace Capgemini's seven values set out below:

- honesty, particularly the refusal of any unfair business practices aimed at obtaining any particular contract or advantage. In line with this principle, the Group has established clear rules with respect to commissions and gifts of all kinds;
- boldness, in the sense of entrepreneurship and desire to take considered risks and show commitment, combined with the principles of prudence and clear sightedness, without which a bold manager can become reckless;
- trust, which implies a willingness to empower both employees and teams, and to allow managers to experience the effects of their initiatives and decisions. Trust also implies an open mind and genuine transparency in the flow of information;
- freedom, which can also be expressed as creativity, innovation, independence of mind and respect for others in their diverse cultures, habits and customs, which is crucial for a Group that is present in more than 30 countries and includes over 100 nationalities among its 59,000 employees;
- solidarity and the ability to share in both good and bad times;
- modesty in relations with others and in the approach to issues;
- and lastly, fun, without which any corporate vision is extremely difficult, if not impossible, to implement.

The latter value won particular acclaim in 2004, as the Group's Indian entity was awarded a human resources prize for having encouraged fun and enjoyment in the workplace through a host of festive initiatives geared to promoting sociability among workers.

6.1. HUMAN RELATIONS

6.1.1. Renewed momentum for employee headcount

Employee headcount trends over the past ten years reflect the investment cycles for the IT services and management consulting industry. The number of employees rose significantly towards the end of the 1990s, culminating in the acquisition of Ernst & Young's consulting businesses in 2000. This increase in turn reflected growth in the Group's operations, which was spurred by the growing use of the Internet, the Year 2000 changeover and the switch to the euro.

Over the following three years, the IT services and management consulting industries were hit by the fall-out from the bursting of the Internet bubble and a dismal economic environment generated by the effects of major international crises, particularly the terrorist attacks of September 11th and the Iraq war. These market conditions led to a downward adjustment in the number of employees during that period.

The year 2004, however, saw an upturn in the number of employees, fueled particularly by two major outsourcing contracts (TXU and Aspire) which started in the middle of 2004 and which resulted in the transfer of over 5,300 staff members. In addition, hiring began again during the year.

Year	Average headcount		End of year headcount	
	Number	Change	Number	Change
1995	20,477		22,079	
1996	23,934	16.9%	25,950	17.5%
1997	28,059	17.2%	31,094	19.8%
1998	34,606	23.3%	38,341	23.3%
1999	39,210	13.3%	39,626	3.4%
2000	50,249	28.2%	59,549	50.3%
2001	59,906	19.2%	57,760	- 3.0%
2002	54,882	- 8.4%	52,683	- 8.8%
2003	49,805	- 9.3%	55,576*	5.5%
2004	57,387	15.2%	59,324	6.7%

* 48,304 excluding Transiciel

The impact of these staff transfers and the return to hiring led to a significant change in the geographic breakdown of personnel. Changes in headcount are summarized in the table below:

The breakdown of headcount by region is as follows

Year end	Headcount 2004	%	Headcount 2003	%	Headcount 2002	%	Headcount 2001	%
Central Europe	3,390	5.7%	3,055	5.5%	3,124	5.9%	3,555	6.2%
France	18,664	31.5%	18,442	33.2%	13 378	25.4%	14 045	24.3%
Southern Europe	5,151	8.7%	5,404	9.7%	4,636	8.8%	5,546	9.6%
Benelux	8,306	14.0%	8,540	15.4%	8,860	16.8%	9,862	17.1%
North America	8,893	15.0%	7,914	14.2%	9,674	18.4%	9,810	17.0%
U.K./Ireland	8,534	14.4%	6,496	11.7%	7,268	13.8%	7,906	13.7%
Nordic countries	3,485	5.9%	3,672	6.6%	4,250	8.1%	5,149	8.9%
Asia-Pacific	2,901	4.9%	2,053	3.7%	1,493	2.8%	1,887	3.3%
Total	59,324	100%	55,576	100%	52,683	100%	57,760	100%

These movements reflect three main trends over the period:

- the impact of headcount reduction measures taken between 2001 and 2003 in most of the countries in which the Group operates, and particularly in North America, the United Kingdom & Ireland, Benelux, and the Nordic countries;
- the effects of redeploying the Group's service offering, including:
  - development of local professional services, following the end-2003 acquisition of Transiciel, with a particularly strong focus on France, the Benelux countries, Spain.
  - sharp growth in the outsourcing business, marked by two new major contracts in 2004 – TXU in the United States and Aspire in the United Kingdom.
- gradual implementation of the "Rightshore" policy, which combines local resources close to the client with resources which may be located in specialized production centers based on a particular technology or service offering, or in countries with lower labor costs, such as in the Asia-Pacific region (mainly India and in China to a lesser extent), as well as Poland and Spain.

Excluding the significant increase in headcount due to company acquisitions, notably Bexcel, and to major projects (Aspire and TXU), 2004 was also marked by a strong rise in new hires. Altogether, some 9,300 employees were taken on during the year. The hires were primarily experienced people, largely in order to compensate for the effect of voluntary departures. At the same time, however, there was a return to hiring young graduates, especially in France, India and the United Kingdom. All countries and business lines saw an increase in new hires, although levels were particularly high in India (71% increase) and in the Sogeti-Transiciel entity.

At the same time, employee turnover – which measures the percentage of voluntary departures – rose to 14.1% in 2004, representing over 8,000 voluntary departures during the year, following a slight decline in 2003 (10.7%, down from 12.3% in 2002 due to the lackluster market). The 2004 increase reflects the upturn in the IT services market and ensuing employee mobility. This turnover rate is in line with the rest of the industry, although is nonetheless carefully monitored on an ongoing basis. The rate differs depending on the business line and geographic area. For example, in India, which is currently a high growth market for IT services, employee turnover is structurally higher than in Western Europe and – to a lesser extent – the United States.

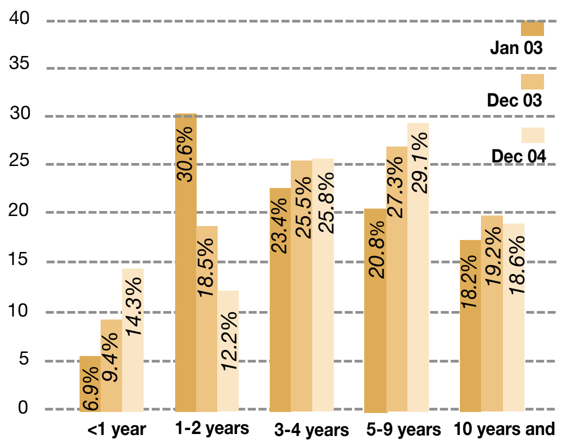
The resource utilization rate – defined as the ratio of time spent on projects to working time (including in particular sick leave and training but excluding vacation) – has improved overall in 2004 in respect of Projects and Consulting (therefore excluding Outsourcing) standing at 77% in the second half as against 75.5% in the first half (respectively 75.3% versus 73.5%

in relation to Technology, 63.1% compared to 64.6% in relation to Consulting and 85.4% as against 83.3% in relation to Local Professional Services).

Lastly, in order to fine-tune its assessment of the composition of its workforce, since 2003 the Group has worked on putting in place a number of indicators for average length of service, average employee age and the male/female ratio.

Breakdown of headcount by age, seniority and gender ratio

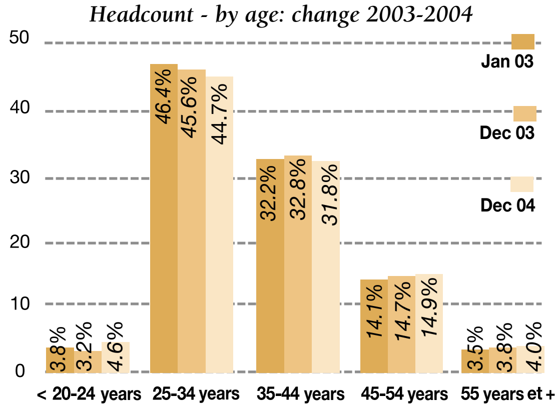
Headcount - Seniority: change 2003-2004



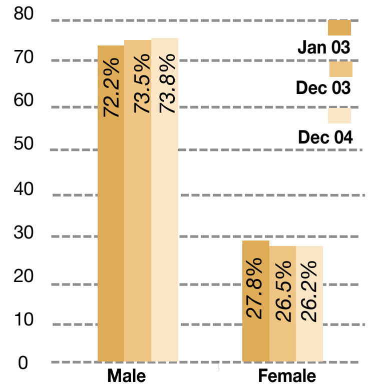
Changes in average seniority reflect the Group's hiring policy over the past few years, characterized by two years of very selective recruiting. As a result of this policy, the proportion of people with between one and two years' seniority declined substantially over the period. On the other hand, as a result of the increase in hiring in 2004, there has been a sharp rise in the number of people with less than one year of seniority. Overall, the hiring freeze of the past few years has led to a growing proportion of people who have been in the Group for over five years. In addition, seniority has been largely impacted by employee transfers following the winning of the TXU and Aspire projects, as the corresponding staff populations had high average seniority in the companies from which they were transferred. Obviously, this seniority was maintained at the time of the transfer concerned.

The average age of Group employees comes out at 36.9 years, down only slightly on 2003 despite the significant movements in headcount during the year. Although part of the Group's development takes place in countries where the age pyramid of the labor market tends to be younger, there has been a rise in the number of older employees. This reflects the higher age of the working population in the majority of countries where the Group has operations. In addition, based on statistics and in accordance with the Group's values, as well as with principle number five of the Global Compact, the Group does not employ anyone under the age of eighteen. However, it does regularly organize short apprenticeship courses for young people with a view to introducing them to company life.

Headcount - by age: change 2003-2004



Headcount - male/female ratio: change 2003-2004



The percentage of women employed edged down in 2004, as a larger proportion of women have left the Group than joined. Another explanatory factor is that the Group has expanded in countries such as India where there are fewer women in the workforce, and has developed in business lines such as local professional services and outsourcing, where the ratio of women to men is also low.

6.1.2. Human capital – the Group's most important asset

As an intellectual service provider, the Group's main production resource is its highly-qualified workforce. Employee motivation and intellectual resource management are thus a key to the Group's success. The Group's Corporate Social Responsibility policy is fundamentally focused on ensuring the development of a diverse range of experience and skills and promoting a culture of collaboration with the Group's various partners. In turn, this policy is firmly anchored in Capgemini's overall human resources strategy.

A. FUNDAMENTAL PRINCIPLES

The fundamental principles that govern the relationship which the Group wishes to build with its employees can be summarized as follows:

- all employees should be given an annual performance appraisal, as well as the opportunity to discuss its content in an individual interview,
- all employees are entitled to a personalized development plan,
- all employees should have the opportunity, if they so wish, of benefiting from the help of a mentor with whom they can discuss their career path,
- all employees should regularly be able to voice their opinion through a survey on overall trends concerning the Group and, more specifically, on professional development,
- all employees should be regularly informed by their managers and should be able to engage in dialogue concerning their assignments and work environment.

A performance appraisal system has been implemented across the Group in relation to the above criteria, in order to ensure that the principles can be realistically applied and to monitor the progress made. In addition, the main human resources processes were adapted during the year to ensure that they fit with the Group's strategic positioning further to the campaign launched in the first half of 2004 around the «Collaborative Business Experience» theme.

B. PERSONALIZED CAREER MANAGEMENT

The competency model

Employees' career development and professional enhancement is based on a competency model defined at Group level, which forms the basis for performance appraisals and professional development. It is around this model that the Group's human resources strategy has been built up, focused on proactive skills management. The generic model, rooted in shared values, is tailored to take into account the specific needs of each of the Group's businesses (particular competencies and experience required to move ahead, specific knowledge or expertise for each business, etc.)

Personal development and appraisals

One of the key challenges for a services company is to guarantee a consistent and transparent process of individual performance assessment, based on clearly defined and explained criteria. It is only with such a framework that it is possible to ensure the professional development and promotion of all employees, as skills assessment is the best way of respecting equal opportunities.

To allow this, the Group has a performance appraisal system based on regular evaluations generally conducted in relation to client projects and involving personal interviews with the employees.

A mentoring system has been set up in some businesses, to allow employees to benefit throughout their career from an outside view and career management advice, provided by more experienced colleagues.

Mobility

Geographical mobility, whether within a country or internationally, is one of the features of the Group's activities, and often corresponds to Group employee requests. To facilitate mobility within each country, job Intranet sites indicate available positions so that there is every chance that they will be filled by internal staff prior to being advertised externally. Likewise, for staff involved in overseas assignments and who are considering an international career, useful information can be found on company Intranets together with the relevant rules and procedures.

At the same time, in order to ensure the physical safety of its employees, travel to potentially high-risk countries is subject to strict rules and must be approved in advance. In addition, if trouble breaks out in a country where the Group's employees are present, Capgemini has set up a repatriation procedure with specific insurance cover in order to limit as far as possible the risks faced by its employees in such a situation.

C. TRAINING AS AN UTMOST PRIORITY

General training policy

The value of a consulting and IT services company lies in the quality of its intellectual capital. In a rapidly changing world, it is essential to update, adapt and develop the knowledge and expertise of employees to match cutting-edge technology and meet client requirements. New recruits join the Group keen to leverage and build on their knowledge and to gain rewarding professional experience. There is therefore a meeting of interests between the Group and its employees.

This fundamental strategy of competency development draws upon various approaches:
- standard training programs,
- mentoring systems,
- development of e-learning,
- on-project training,
- easily accessible databases for knowledge sharing,
- management of professional interest communities.

This approach is based on a culture of sharing and networks to facilitate the relaying and use of knowledge, as well as innovation and collaboration.

Particular attention is paid to the training of executives, account managers and project leaders, as they play a key role in defining and implementing the Group's strategy. New managerial training programs are regularly rolled out, and as from 2004 they include specific modules on corporate social responsibility. These new modules are intended to raise awareness of the pivotal role played by this issue and its impact on the Group's business model, as well as to foster feedback and knowledge sharing.

Considerable resources devoted to training

Resources are devoted to training both at Group level and locally.

The Group's training policy uses a common global system called "Mylearning", for which Group employees worldwide can register. This includes a catalog of courses available either in the form of e-learning or as classroom teaching. Classroom instruction is provided either at local training centers or within the Group University, which opened in early 2003. The €96 million investment made in this center reflects how important training is to the Group. This Group University is an ideal platform favoring employee integration and networking. The number of participants for the University's training programs totaled 2,910 in 2004, representing 2,470 employees, as some people were able to attend more than one course. The total number of training days provided by the University was 12,568.

In addition, training is provided locally (essentially for language and cost optimization reasons), based on offerings described in training catalogs and servers.

The training courses provided deal with a wide range of subjects and may be attended by all of the Group's employees. They cover technical skills development, in line with the Group's businesses and offerings, as well as more general interpersonal skills such as communication or public speaking.

An average of 12,700 people followed at least one course in each quarter of 2003 (one person may follow several courses in different quarters). In 2004 this figure increased to 14,700 employees trained per quarter, in line with the increase in average staff numbers. This illustrates that the majority of employees once again benefited from training during the year. To this should be added on-project training as well as e-learning. These latter types of training are not measured in hours but in terms of the number of individuals who have completed a cycle. They are particularly focused on technological training in order to promote the tailoring of skill-sets to market changes. In 2004, 14,572 people accessed the "My Learning" system, with particularly high user-numbers in the United States and the Netherlands.

Anticipating needs, or "employability"

In an industry characterized by rapid technological change, we need to keep our employees' knowledge and skills up-to-date and in line with market needs as a first priority in terms of both economic and employee development. This is why personalized development plans are designed at the time of the annual performance interview. Further, a systematic and iterative process is being deployed within operating units to review the portfolio of training offerings and plan for future needs with global and local programs geared to building up new competencies. Various partners and experts from Group businesses and from the Group's in-house certification network take part in this review.

The certification process

This in-house peer review process gets employees to appraise the competencies of colleagues based on precise and clearly identified criteria – experience gained, knowledge sharing, use of in-house tools and methods, mentoring and leadership. This process has three objectives:
- to create a strong and recognized professional-interest community by sharing information, knowledge and skills in specific areas,
- to ensure a blended distribution of competencies and a graduated progression therein, both for in-house needs and in relation to client service,
- to thereby create the win-win situation of ensuring a competitive edge for both the Group and the employee as well as increasing his or her "employability".

Driven by the joint advantages of this process, the Group has decided to promote new certificates. There are now six certificates available in the following subjects: Program Management, Architecture, Program Engineering, Systems Engineering, Transformation Processes and ERP.

At the end of 2004, 3,456 people had received certification at Group level (some 6% of the Group's global headcount), significantly up on the end-2003 figure of 2,285.

The Group has an already long-standing external certification policy. Many sites or operating units have obtained ISO 9001/ISO 9001-2000 certification in France, the United Kingdom, Belgium, Spain, Italy, the United States, Canada, the Nordic countries and India. More recently, sites have been working towards the CMM (Capability Maturity Model) certification that is specific to the applications development business. The Mumbai center in India has obtained the highest CMM certification (Level 5), while several applications development centers are already certified (United States, the Netherlands, France-Grenoble, Spain) or are about to be certified at Level 2 or Level 3 (the United Kingdom, France, the Nordic countries and Belgium).

D. A FIRM COMMITMENT TO INTERNAL COMMUNICATION

Because communication is an essential tool for rolling out knowledge, several initiatives have been put in place to promote it, particularly the following at Group level:

- the Group's intranet site, Talent, updated on a weekly basis, which includes all information, processes and methods concerning the Group and contains links to local sites, training sites and network communities,
- the Group University, which provides a platform for international exchange,
- "Executive Link" – a rapid interactive medium for exchanging information between General Management and the Group's main operational managers,
- cross-functional organizations, set up by business or industry,
- internal communities to debate and discuss technical topics.

Above all, though, communication is a daily management task, drawing on various local initiatives developed through newsletters, Intranet sites, information meetings and formal or informal person-to-person exchanges. These local efforts are an integral part of Capgemini's corporate culture. As previously mentioned, the Group's Indian subsidiary recently won a prize as the company which best promotes fun and enjoyment at work. This was an important accolade, given the highly competitive nature of the IT labor market, in which companies are trying to outmatch one another in finding innovative ways of attracting and retaining employees.

There is also a Group procedure aimed at tracking employee satisfaction, which is managed locally. This tool is based on a set of questions that remain basically identical over time, albeit with some updating such as last year to include the impact of the Collaborative Business Experience and diversity management measures. This stable base of questions makes it possible to monitor changes in satisfaction data and the impact of any corrective action taken. Employees are informed of the results of these satisfaction surveys.

Internal communication also takes the form of a dialogue with employee representatives:

- within the International Works Council (IWC) set up in June 2001, which meets four times a year and is attended by employee representatives from 15 European countries and, since 2004, representatives from non-European countries including the Americas and India;
- at a local level through dialogue with unions or other employee representatives, within the relevant bodies and through the processes provided for in legislation, regulations and agreements.

The Group has signed an agreement with the IWC to set up a dedicated website, to give all Group employees access to this information. Members of the IWC have also been given training in order to help them with the working methods for such a multi-cultural group. In France, an Information Dissemination Agreement was signed in 2002 to define the terms and conditions applicable to the set up and use of the Group's Intranet site provided for employees to access information issued by the unions, Health and Safety Committee and other employee representatives. Similar practices also exist in other countries where the Group operates such as Spain and the United Kingdom.

The quality of dialogue with employee representatives was vital during the Group's transition period and accompanying transfer of over 2,200 employees. For example, certain employees from ASPIRE retained their previous status that provided for the application of salary increases on August 1. Negotiations were entered into on this issue upstream of the transfer in order to ensure that the planned increases could be implemented on a timely basis. The agreement reached was voted on by the employees.

Training, working time, flexible working hours and salaries are the major issues negotiated with the Group's employee representatives. Where required, employee representatives are involved in the negotiations relating to the implementation of headcount reduction measures and redeployment plans. Such plans are always last resort solutions, as the Group always tries to limit or avoid, when possible, redundancy plans. Capgemini looks at numerous different ways of ensuring the alignment between employee numbers and demand. As long as client requirements can still be met, the Group offers its staff the following:

- the opportunity for people who wish to do so to take a leave of absence. At December 31, 2004, 1.6% of Group staff had taken up this option, compared with 1.2% in 2003. This leave can take several different forms, and reasons and durations vary depending on the country concerned.
- the use of part-time work which has been increased. 4.6% of the Group's employees worked part-time at the end of 2004, compared to 3.6% one year earlier.

The Group is also constantly seeking innovative working methods in order to adapt to economic fluctuations as job insecurity is not the way forward and cannot comply with Capgemini's career development goals for its employees. Temporary staff or fixed-term contracts are used in a very limited way within the Group and are subject to strict rules. At the end of 2004, this form of employment represented less than 2% of the Group's total headcount.

E. REMUNERATION POLICY

The Group's remuneration policy is based on common principles, applied in a decentralized way and tailored to local job market conditions and regulations. The aims of this policy are to:

- attract and retain top talent,
- reward performance with a remuneration model that is motivating yet flexible,
- be consistent with the Group's financial and operational targets.

When local rules permit, employees can select the components of their remuneration package from a predefined menu. This allows employees additional flexibility and enables them to reconcile their financial and personal situations in the best possible way.

Profit-sharing is provided to employees where applicable under local regulations in the country concerned.

F. STOCK OPTIONS

Stock options are granted on a regular basis in line with corporate governance recommendations. These grants are made selectively, with the aim of retaining those employees who have made exceptional contributions to sales, production, innovation or management, or to reward specific initiatives. They are therefore an exceptional reward for specific contributions and do not form part of the Group's general remuneration policy. At December 31, 2004 a total of 5,842 options had been granted to 3,542 people under the fifth stock option plan, which was launched in May 2000 and expires in May 2005. The number of options granted to Directors represents a very small percentage of the total number of options granted (less than 1.2%).

Detailed information concerning stock option plans as well as stock options granted by Cap Gemini S.A. to the ten non-director employees with the most stock options or options exercised by those employees is provided on page 108 and 120 of this report.

G. DIVERSITY, EQUAL OPPORTUNITY AND WORKING CONDITIONS

In all countries in which it operates, the Group complies with local labor legislation and international labor regulations.

In its relations with employees, the Group endeavors to guarantee equal opportunities to all and to apply its principles and values in such a way as to promote diversity, the physical integrity of its employees and a fair balance between work and private life.

In line with the UN Global Compact and the growing importance of Corporate Social Responsibility, a diversity management project was launched in 2004, highlighting the issue of women's representation within the Group as a key priority. The following are some of the many initiatives that have been rolled out as part of the project:

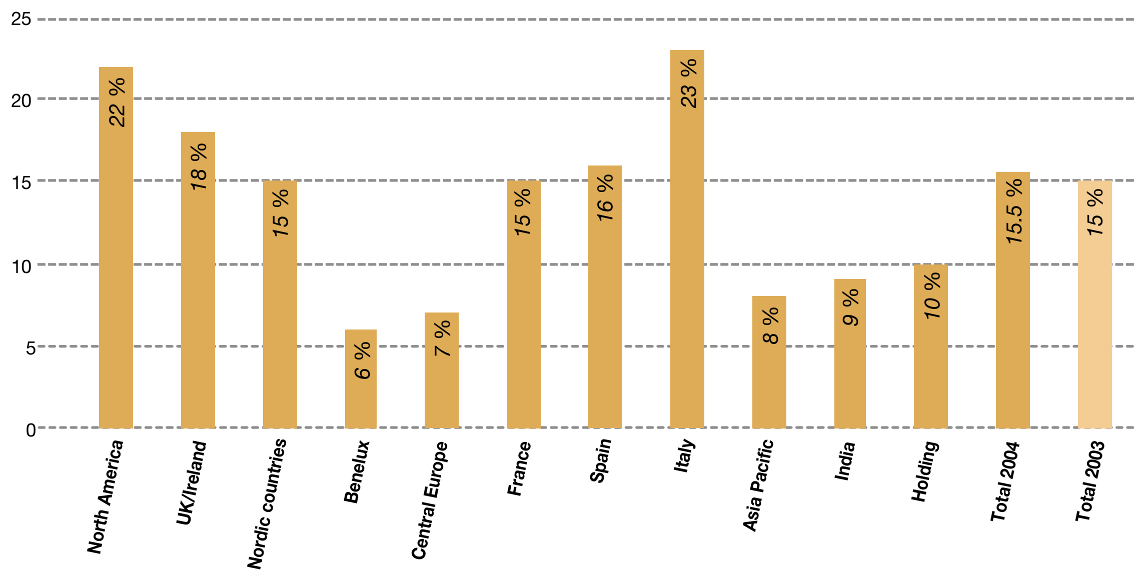
- A diversity charter describing the Group's commitments in this area was drafted and a diversity management section will be added to our external website in the course of 2005;
- The Group also issued guidelines explaining the reasons for implementing a diversity management policy and identifying what can help or hinder it. Beginning in 2005, specific modules will be added to manager training programs to address these guidelines;
- Specific measurements have been created, in compliance with applicable legislation, to better assess and understand the situation of women within the Group, such as the percentage of women in recruitments, departures, promotions and at the various levels within the reporting structure;

- An internal communications program was launched to raise employee awareness regarding the importance of diversity and of measures to promote it. Two articles on the subject, published on the Group's Intranet, sparked so many positive responses and generated such interest that this type of communication will be continued in 2005;
- Performance indicators were designed, to assess initiatives taken in this area and measure progress;
- Local initiatives are being coordinated to allow the sharing of knowledge and to roll out best practices within the community that has formed up around this issue.

The following represent a sampling of local good practices:
- Sweden has developed a diversity plan, involving tailored recruitment policies, a parental leave program and flexible working conditions for parents with children aged 8 and under, as well as the possibility of working from home;
- In the Netherlands, a protocol in favor of minority rights was signed with the government, with the aim of ensuring that any complaint motivated by discrimination or harassment be reviewed and examined by an independent committee;
- In India, the Group has set up a proactive diversity management policy that is non-discriminatory with regard to religion, caste, disability or geographical origin. Diversity sponsors have been appointed to act as contact persons in the field;
- In 2003 Capgemini's subsidiary in the United Kingdom was named by the "Race for Opportunity" organization as one of the ten companies which made the most progress as regards respect for minorities. There is also an Intranet site dealing specifically with diversity. The site explains why diversity management programs are useful, provides the full list of existing procedures, and reports on steps taken in this field. Many links have also been set up with outside organizations, such as the Employers' Forum on Age, Race for Opportunity, Opportunity Now, the Employers' Forum on Disability and the National AIDS Trust. Lastly, the British subsidiary enables employees to update on-line their personal data with respect to their ethnic origin or disability status. This makes it possible to constantly refine the statistical measurement of the employee population and, in the case of people suffering from disabilities, to work with them to improve their working conditions and enhance their on-the-job satisfaction;
- Women's networks have been created in Belgium, Australia and the Netherlands, among other countries;
- The Group is also part of outside think-tanks and encourages the creation of in-house networks of people working to change the place of women in the corporate world and to lower barriers to women's professional advancement.

In terms of women's representation at the highest levels of responsibility, the situation was as follows as of December 31, 2004:

Proportion of women at the highest levels of responsability within each operating unit



This situation reflects the following changes compared with what had been measured at the end of 2003:

There has been a slight rise in the proportion of female managers, by half a percentage point on average, in all countries except Italy. The countries with the largest proportion of women at high levels of responsibility, namely the United States and United Kingdom, are also those that have the strongest anti-discrimination legislation.

There are no Group-level initiatives as regards disabled employees, because local legislation on the subject is often contradictory from one country to another, which makes it difficult to create a consistent Group policy. There are, however, many local initiatives which the Group supports and encourages:

- In North America, Group companies pursue a policy of non-discrimination both during the recruitment process, and throughout a disabled employee's career, in accordance with the provisions of the Americans with Disabilities Act. This involves providing suitable work environments and ensuring the confidentiality of personal data;
- In France, two regions have seen the test launch of what is to be a national campaign to promote the hiring of persons with disabilities. Part of the apprenticeship tax refunds which French companies are entitled to when they support specialized educational institutions are being directed to vocational training programs for disabled students;
- In the United Kingdom, the diversity management policy also applies to disabled persons and the company was a sponsor of the 2004 Employers' Forum on Disability;
- India, Spain and Italy collect data on their disabled employees in order to provide tailored help.

Work/Life balance is an issue about which employees have become much more aware over the past few years. Even though working in the services industry necessarily implies a fairly high level of adaptability and flexibility, initiatives to promote this balance are being implemented locally:

- an annual quota of hours that employees can keep for their personal use over the course of the year;
- special leave or unpaid leave, above and beyond the legal allowance;
- work from home;
- sabbatical leave of up to one year, paid at 1/3 of an employee's salary.

This policy, based on respect for individuals, is appreciated by employees of clients who join the Group under outsourcing contracts, thus giving the Group a further competitive edge.

Safety in the workplace is also an important feature of human resources management. Fortunately, the Group's businesses do not involve any high-risk activities and there were no fatal workplace accidents in 2004. There were also few non-fatal work-related accidents, and most of these were car accidents in journeys between the office and home.

Other avenues are also being explored to provide greater job flexibility, taking into account each country's circumstances and legislation. Facilities have been set up to help parents that have small children or disabled children; child-care vouchers are given to employees in the United Kingdom and Finland, while in Denmark parents can entrust their children to a dedicated facility that is open outside the hours of child-care centers.

6.2. THE GROUP AND ITS CLIENTS

6.2.1. The OTACE client satisfaction policy

The Group has developed a client relationship management process for its own use. The key indicator for success in client relations is known as OTACE reporting (for On Time Above Client Expectations). Clients are asked to indicate their main expectations regarding the Group's services, based on a set of relevant indicators related not only to the type of service provided, but also to the nature of the working relationship, to knowledge sharing and to qualitative factors. These indicators are documented and reviewed with the client, then used to produce a rating on an agreed schedule (at least annual). The teams in charge of this program report to the Group Director "Global Delivery", and the results of these evaluations are published.

6.2.2. The CSR (Corporate Social Responsibility) offering

The Group helps some of its clients deal with this complex issue, that involves a large number of different stakeholders – companies, international organizations, government agencies, media, employee representatives and investors, to name a few

- by providing assistance with
- designing a sustainable development strategy,
- designing and deploying sustainable products,
- identifying technological developments that may affect the Group's competitiveness, positioning or investment policy in the medium term,
- assessing necessary changes based on existing regulations or forecast changes,
- building reporting tools to better grasp what is at stake and monitor progress,
- tailoring risk-management policies,
- raising awareness through diagnostics and training.

In providing these services, the Group leverages:
- a strong local and international industry knowledge, providing in-depth understanding of the issues at play and of developments in value-creation models,
- a holistic approach to sustainable development issues, that includes an economic and financial dimension,
- a network of experts, thanks to its global presence,
- active involvement in independent institutions, such as France's Collège des Hautes Etudes de l'Environnement et du Développement Durable since 2002,
- its experience in organizing events such as seminars and conferences.

6.3. THE GROUP AND ITS ENVIRONMENT

6.3.1. Supplier relations

The Group provides intellectual services, which means that personnel costs account for almost two thirds of its expenses, while its external purchases are mostly made up of rent, IT and telecommunications costs, as well as purchases of outside services (training, legal and auditing fees, recruitment or IT services).

Following the deployment of a new purchasing management software package, the Group's new procurement procedures contain guidelines on the ethics of purchasing and the selection of suppliers. The Group's suppliers must comply at least with the following principles:
- no use of forced labor or child labor, and no discriminatory practices,
- freedom of association, and more generally compliance with applicable laws, including those relating to working conditions, health and safety, etc.

6.3.2. Relations with society as a whole

Exemplary programs

The British subsidiary was recognized by Business In The Community (BITC) with a "Big Tick" award in the Education and Lifelong Learning category, for two programs designed to boost education:
"Partners in Leadership"
"Time to Read".

The Big Tick is awarded to companies that are able to demonstrate exemplary business practices, and can show a positive impact on society as well as on the business itself.

The Partners in Leadership program matches company managers with head teachers from local schools for support with a broad range of management issues. In the period between 1999 and 2004, Capgemini was the largest participant in the scheme, with more than 235 of its managers being involved in partnerships. Furthermore, each year about 80% of participants decided to stay on in the program when their year-long commitment elapsed.

"Time to Read" involves Capgemini staff at all levels supporting children in local primary schools with literacy and numeracy challenges. In 2003, 250 staff were regularly working with 14 different schools across the UK.

Some of the benefits of this approach for Capgemini include:
- enhancing the Group's image with its employees and with university graduates;
- gaining a better understanding of society as a whole and of the educational issues it faces;
- broadening participants' knowledge, particularly in terms of interpersonal skills that can prove very useful in client projects.

Within society, improving education is an ever-present issue and all initiatives that help reach this target can only be beneficial.
Among the other examples deserving a mention, in the United States the Group supports employee involvement in many charities or community organizations, among them Shampoos for Shelters, the Chicago Abused Women's Coalition, the Special Olympics, Habitat for Humanity and Adopt-a-Family. The annual National United Way campaign gathers funds to support fire departments or families of disaster victims, collecting contributions directly from the paycheck of employees wishing to take part.
Programs have also been developed in Chicago and Los Angeles to train and partner minority-owned companies, the aim being to help them obtain state-of-the-art technology.
The Group also made direct donations to various charitable and community organizations, for a total amount of almost $250,000 in 2004.

In India, activities such as trips for homeless children on their birthday are organized in partnership with non-governmental organizations (NGOs). A conference on the living conditions of homeless children, followed by a fundraising drive, was prepared in partnership with the Childline India Foundation. Another fundraising effort to improve the lot of children in India was put together with the NGO Child Relief & You.

In the United Kingdom, the Group also encourages its employees to make contributions to charitable organizations by offering them the possibility of having donations deducted from their paychecks.

In France, Capgemini supports the work of "Solidarités Nouvelles face au Chômage" (SNC, new solidarity against unemployment), an organization created 20 years ago by Jean-Baptiste de Foucauld, which has around a 1,000 volunteers throughout France that try to help the unemployed recover or find their place within society. The volunteers try to guide unemployed people towards reestablishing or creating social links and building a positive momentum, redefining professional objectives and finding a new job.
As SNC was brainstorming its medium-term outlook, Capgemini's entire Accelerated Solutions Environment team decided to devote a full day, free of charge, to helping the managers of the 80 solidarity groups take stock of their mission, their working methods and their aims. The 80 group managers came away from this day-long session with a clearer picture of their mission and a genuine roadmap that carried everyone's commitment.

Lastly, like so many companies and private individuals, the Group was moved by the deaths or injuries of employees or of their families or friends as a result of the Asian earthquake and tsunami disasters. The Group undertook to help the affected population, through the following measures:
- a donation to the International Red Cross,
- encouraging individual donations,
- encouraging and supporting local action plans launched by Group entities
- setting up a specific plan for India that was managed by the Group's Indian subsidiary.

6.3.3. Environmental policy

Even though its impact on the environment is limited due to the very nature of its operations, the Group does take direct action to improve the environment, in relation to its real estate and technology assets and to its employees' business travel. The Group has consolidated for the first time in 2004 a set of data that should help it better understand its subsidiaries' environmental situation, as well as the environmental impact caused by:
- its power consumption
- its office space and the type of equipment it uses.

This tally and these two indicators represent a first step in building an environmental policy, which was mentioned for the first time in the in-house procedures guidebook as one of the items that have to be managed on a daily basis. The key features of this environmental policy are as follows:
- compliance with local and international environmental legislation,
- taking environmental impacts into account in CSR training programs and raising employee awareness of these issues,
- using, in our sphere of influence, the best practices available in this area,
- setting up indicators to monitor progress.

The 2004 baseline survey of our offices and centers, which are mostly rented, yielded the following data: we have just under 400 sites, representing more than 830,000 square meters (or 10,010,000 square feet). Our facilities are currently being streamlined and their number should fall in the coming years, based on constant employee headcount numbers. These buildings are generally recent or have been renovated regularly, and 86% of them are air-conditioned.
A comprehensive survey was carried out on facilities, but the same level of thoroughness could not be achieved as regards power consumption, because for many sites this information is included in overall maintenance charges and is not provided separately by the owner.

Based on 52% of the total surface area of Group facilities, power consumption in 2004 totaled 119.7 million kWh. This comes to 223.5 kWh per square meter.

These steps taken at Group level supplement local initiatives:
- when the Group opens new office buildings, as it recently has in the Netherlands, it makes a point of installing the most advanced energy-saving systems, such as automated shutting off of lighting in unoccupied rooms or recycling of hot air generated in the summer to supply winter heating;
- in the United Kingdom, facilities managers have been trained in environmental compliance. They report on a monthly basis on Health and Safety issues, and the company has been ISO14001 certified since 1996;
- in most countries recycling systems are in place for paper, aluminum and electronic equipment. In the United States as an example, the company has set up processes for recycling IT equipment through approved vendors, who commit to disposing of equipment in accordance with EPA standards;
- in 2004 the French organization purchased a system to measure power consumption, with a view to identifying areas for optimization;

- to reduce pollution from car exhausts, the Indian company decided to set up a bus commuting system, with a fleet of 60 buses that can carry 30 passengers at a time. Every day, employees that wish to use this service are driven along specified routes based on predefined schedules. The system is managed by a Transport Committee that includes various employee representatives as well as management.

The Group also makes a major contribution to improving the environmental impact of its clients' businesses, notably by optimizing production cycle management and distribution networks, thus limiting the use of resources – especially natural ones – by means of constantly updated technological processes. In 2004 the Sogeti-Transiciel business unit took part in designing, in partnership with the Villefranche-sur-Mer Oceanographic Center, an autonomous buoy that will measure on a continuous basis, the impact of human activity on the marine ecosystem. This project will provide a reliable analytical basis for developing policies and initiatives to preserve the marine environment.

VII – THE GROUP'S INVESTMENT POLICY

The Group has sufficient critical mass to operate efficiently in its businesses, geographic areas and market segments. Acquiring new business partners is nevertheless envisaged, with or without accompanying financial links, with a view to reinforcing the Group's geographic presence on certain markets or to picking up the pace of its growth strategy in the most promising market segments.

In the first half of 2004, the Group therefore finalized the acquisition of Transiciel after a public exchange offer followed by compulsory buyout procedure.

Regarding Outsourcing, the Group intends to develop outsourcing services that are not strictly IT- based ("Business Process Outsourcing"). To achieve this, in relation to new contracts, it will leverage the administrative and finance capabilities provided by the two centers integrated into the business in 2003 in Poland and China respectively.

In relation to systems integration, the growing industrialization of production will lead the Group to produce an ever-increasing proportion of services in its applications development centers. These will be specialized, in terms of service offering or technologies, and the Group will choose their locations based on factors such as the level of qualification and the cost of IT professionals and technicians employed. In this respect, the Group may need to increase its production capacity in Asia or Eastern Europe in the coming years.

Lastly, in the fall of 2004 the Group prepared a targeted program of asset disposals, in relation to assets that were non-strategic or not sufficiently profitable, part of which has already been completed (the sale of an interest in Vertex, the disposal of infrastructure management businesses in Singapore, Sweden and Norway).

The major investments carried out in 2002, 2003 and 2004 are described in notes 2 a) b) and 9, 10, 11 to the consolidated financial statements.

VIII – RISKS

8.1. MARKET RISKS

8.1.1. Credit risks

Short and medium-term assets, which could potentially give rise to a concentrated credit risk for the Group due to their nature, consist of short-term financial investments and accounts receivable. Short-term financial investments mainly comprise money market securities which take the form of marketable securities managed by leading financial institutions as well as negotiable debt instruments issued by companies or financial institutions with a high rating from reputed rating agencies. These short-term financial investments therefore do not entail a material risk. The Group's clients also owe it certain debts; these clients are not concentrated in any one geographic area or any one particular business sector (the Group's biggest client only represents 6% of total revenues and the 10 biggest clients account for approximately 20% of revenues).
The businesses of the Group's clients may be affected by their economic environment and the corresponding receivables may be affected as a consequence thereof; however, the Group considers that none of its clients, none of its business segments nor any geographic area in which it operates, represent any material risk in relation to their recoverability.

8.1.2. Financial instruments

Financial instruments are used to hedge certain risks arising as a result of the Group's business activities. These hedges are always based on existing assets or liabilities and/or financial or operational transactions.

The Group carries out these operations by entering into hedging agreements with leading financial institutions and the counterparty risk is therefore deemed to be negligible. All exchange rate and interest rate positions are taken using financial instruments listed on organized or OTC markets which entail minimal counterparty risks. These financial instruments are principally exchange rate or interest rate swap contracts. The results for these financial instruments used in hedging operations are recognized in a symmetrical manner to the results for the hedged items.
The fair value of the financial instruments is assessed on the basis of listed market prices or the values specified by banks. The figures in this respect are set out in note 19 to the Group's consolidated financial statements.

8.1.3. Financing policy

In relation to its financing, the Group has various bank facilities, including primarily a multi-currency syndicated line of credit for €600 million signed on July 31, 2001, for a term of 5 years, together with a Commercial Paper program for some €550 million.
These lines of credit were not used as at December 31, 2004. Only local lines of credit and overdraft facilities were in use to cover short and medium-term operating requirements.
76% of Group debt is financed at a floating interest rate and 24% at a fixed rate.
The Group finances some of its real property under real estate leasing contracts.

8.1.4. Share risk

The Group has no material exposure in relation to shares.

8.2. LEGAL RISKS AND RISKS RELATING TO THE BUSINESS

The Group's business is not a regulated activity and therefore does not require any particular administrative or regulatory authorization for its performance. However, one of its US subsidiaries, Capgemini Government Solutions LLC ("Government Solutions") which performs services for the US Federal government and for the individual States is bound to comply with certain specific regulations (in particular, in relation to security).
Moreover, certain services, for example in respect of outsourcing, that are provided to clients that are themselves subject to specific regulations, may require the Group to comply with such regulations.
The main areas of risk that relate to the Group's business are as follows:

- **Carrying out client projects**
  The main risk concerns the inability (i) to provide the services which the Group has undertaken to provide or (ii) to provide them within the time periods that have been contractually agreed. To this extent, projects of certain size and/or complexity are subject to specific control procedures described below in the Chairman's Report to the Board of Directors, page 44. The Group has developed a set of formalized methods grouped together in its methodology entitled "Deliver", which is ISO 9001 certified and which it applies to its projects. Those in charge of a project are given specific training which enables them to improve their competencies and acquire different levels of certification.
- **The level of employee attrition**
  The proper completion of client projects depends, for a large part, on the competencies and experience of employees. In order to avoid high levels of employee attrition, the Group has set up human resources departments who have the specific task of putting in place a performance evaluation policy and an employee loyalty policy.
- **Suppliers, co-contractors and sub-contractors**
  There are numerous client projects that require the Group to work with business partners in relation to which the Group may find itself in a position of dependence. It is for this reason that the Group chooses its own suppliers with great care and ensures that the best possible terms and conditions are negotiated to govern its relationships with co-contractors and sub-contractors, in the context of its projects.
- **IT systems**
  The IT systems must be sufficient both for the internal needs of the Group and for its clients' needs in relation to the services provided. In order to ensure that the risks of an IT system breakdown are properly managed, the Group has implemented a certain number of security rules.

These risks are managed by a policy of prevention at the level of the operating entities, together with insurance cover at Group level.

8.3. INSURANCE

8.3.1. General civil and professional liability

Cap Gemini S.A,. together with all its subsidiaries and all companies that are more than 50% controlled directly or indirectly, are insured in relation to the pecuniary consequences of general civil and professional liability which may arise as a result of their business activities under an integrated global program, through several policies with several different insurance companies. The terms and conditions of this program, including the limitations on cover, are reviewed and adjusted from time to time in order to take account of changes in revenues, the business activities that are carried out and the level of risk incurred.

A part of this program, in relation to €20 million, is reinsured through a consolidated captive insurance company.

8.3.2. Direct damage and business interruption

The premises in which the Group carries on its business activities are located in many different countries and, in most countries, there are several sites. A substantial part of the services provided take place on the clients' premises. This geographical spread limits the risks, in particular in relation to business interruption, which may arise out of an incident that may affect the production site. The main outsourcing center for the Group, which of course has a contingency plan to ensure business continuity, represents less than 2% of the Group's total revenues.

Due to the wide geographic spread of the business, the insurance policies that are put in place to cover property damage and business interruption are managed at a local level. The limitations on the insurance cover are set for each country in relation to the value of property, the nature of the work carried out at each site and the level of risk incurred.

8.3.3. Other risks

Other risks of a general nature are covered in accordance with local practices and regulations. The corresponding insurance policies, in particular those concerning employees and vehicles, are taken out, on a country-by-country basis, in light of the size of the risk incurred.

Certain risks are subject to general exclusions imposed by the market practices of the insurance industry, in particular, the risks in relation to terrorism. At this time, the Group has not considered it necessary to specifically insure this risk, save where such cover is compulsory and available.

IX – CAP GEMINI AND THE STOCK MARKET

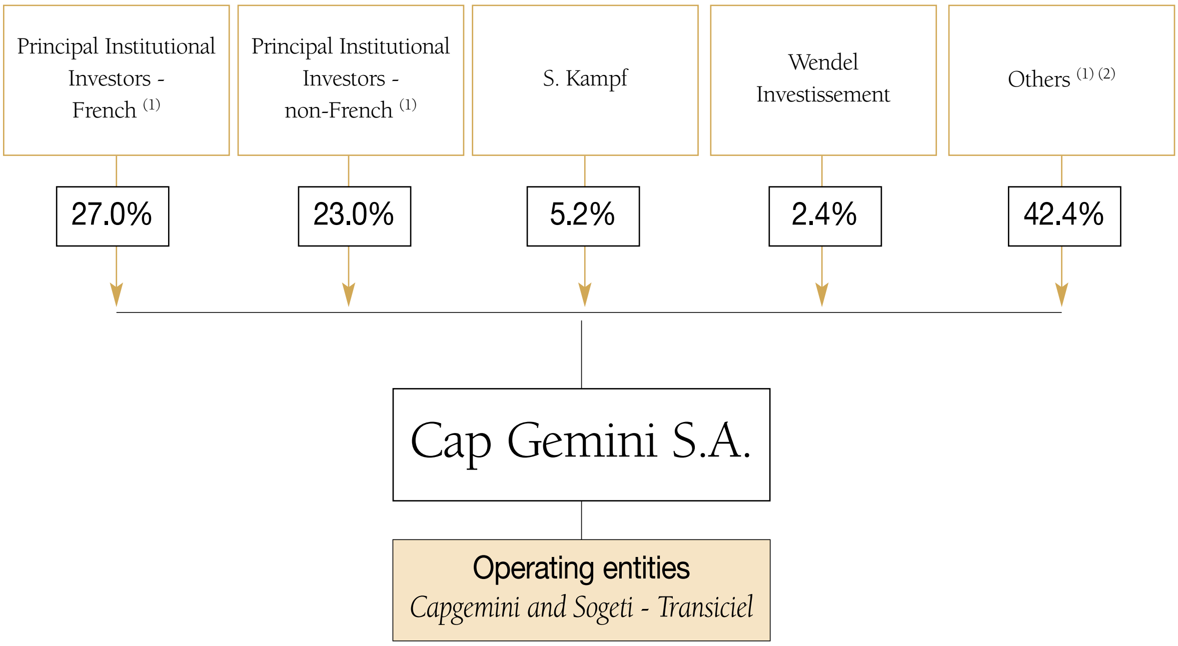
At December 31, 2004, the capital of Cap Gemini S.A. was made up of 131,383,178 shares (ISIN code: FR0000125338) listed on the Paris stock exchange first market (Premier Marché de la Bourse de Paris) with a year-on-year increase of 217,829 shares as a result of the issue of 211,129 new shares, following the extension of the Company's public exchange offer in relation to Transiciel and the issue of 6,700 shares as a result of the exercise of stock options by Group employees.

Cap Gemini shares are listed on the CAC40 index, on the Euronext 100 index and on the European Dow Jones STOXX and Dow Jones Euro STOXX Indexes. Between January 1 and December 31, 2004, the share price on the Paris stock exchange first market fell from €36.28 to €23.56.

In 2004, the average daily trading volumes in relation to Cap Gemini shares was around 1.32% of the total volume of shares traded on the Paris market.

Most recent data available on allocation of the capital

at December 31, 2004

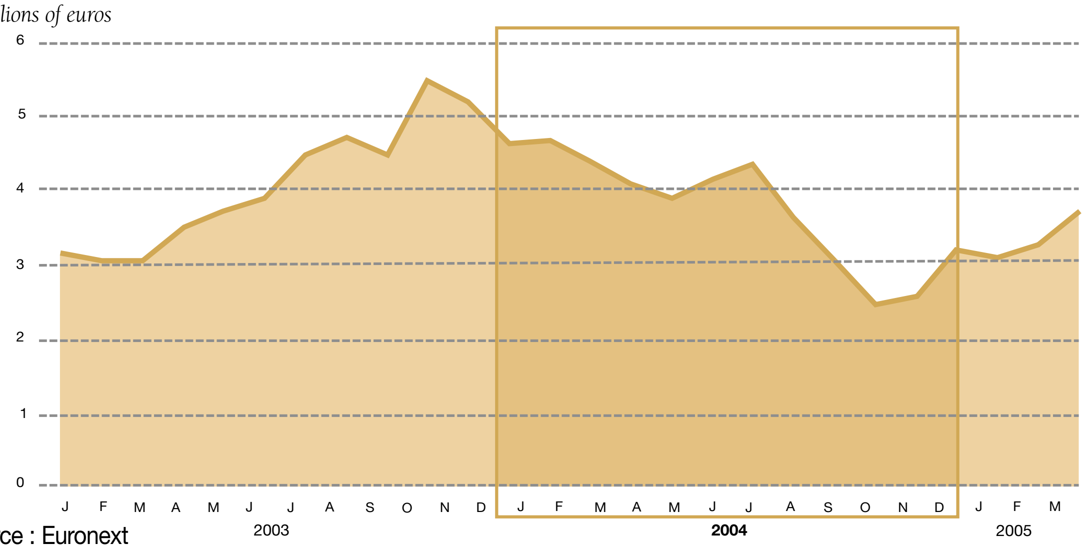


(1) on the basis of a shareholder survey at August 31, 2004
(2) including:
- the proportion of shares held by Group managers, in particular those holding shares as a result of the exercise of stock options together with former partners of Ernst & Young Consulting having received shares in May 2000 following this acquisition and having since become Group employees.
- shares returned by former partners of Ernst & Young Consulting who became Group employees as a result of the merger and have since left the Group.

STOCK MARKET CAPITALIZATION

From January 1, 2003 to March 31, 2005

in billions of euros

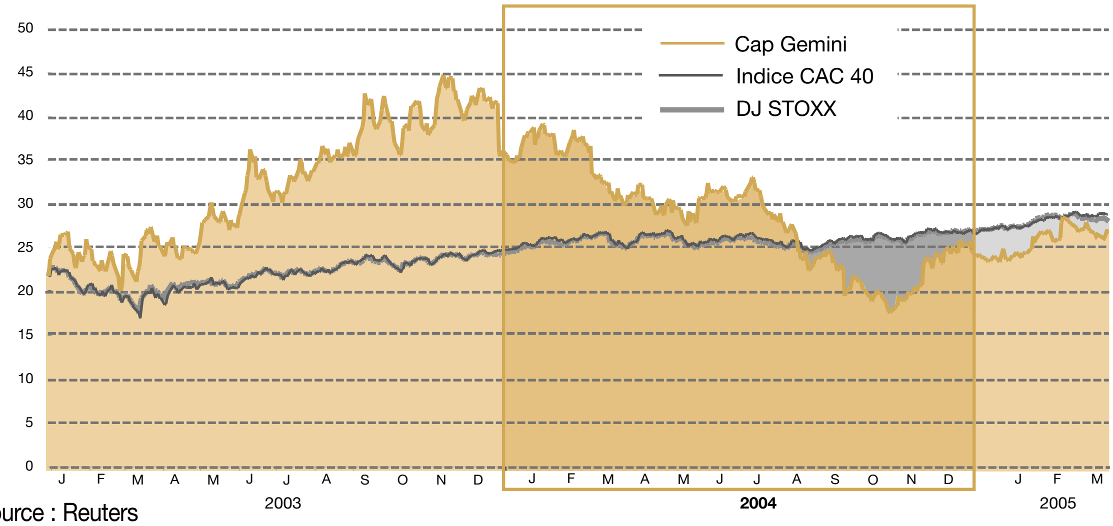


source : Euronext

SHARE PRICE

From January 1, 2003 to March 31, 2005

in euros

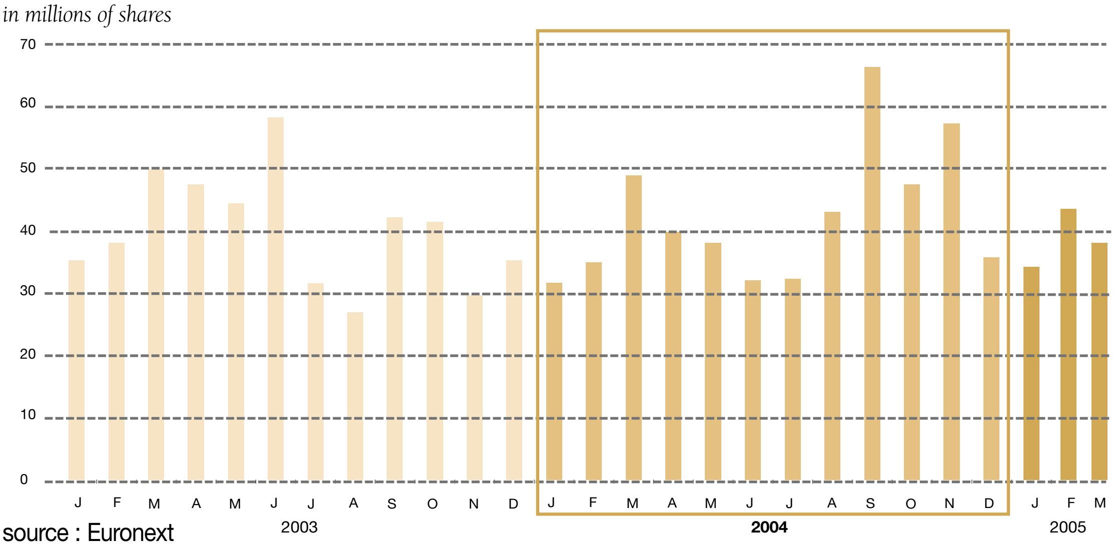


source : Reuters

NUMBER OF TRADES PER MONTH

From January 1, 2003 to March 31, 2005

in millions of shares



source : Euronext

SHARE PRICE AND TRADING VOLUME

The following table presents an analysis of trading in the Company's shares over the last 24 months:

Month	Number of trading days	Share price (in euros)			Trading volume		
					Number of shares		Value
		high	average	low	total	average (daily)	(millions of euros)
April 03	20	28.44	25.11	23.59	46,076,402	2,303,820	1,171.7
May 03	21	30.50	28.42	26.46	43,026,575	2,048,885	1,217.5
June 03	21	36.67	32.66	29.39	56,423,975	2,686,856	1,828.5
July 03	23	36.30	33.28	29.90	30,507,086	1,326,395	1,016.3
August 03	21	38.15	35.83	34.41	26,060,480	1,240,975	941.3
September 03	22	42.90	39.69	35.10	40,805,907	1,854,814	1,610.5
October 03	23	43.70	39.73	35.13	40,192,445	1,747,498	1,593.3
November 03	20	44.86	42.08	38.16	28,662,940	1,433,147	1,201.4
December 03	21	43.29	38.91	34.16	34,177,403	1,627,495	1,301.4
January 04	21	39.61	37.66	35.43	30,611,858	1,457,708	1,153.7
February 04	20	38.46	36.43	33.07	33,936,403	1,696,820	1,220.4
March 04	23	33.71	31.46	29.42	47,509,811	2,065,644	1,512.2
April 04	20	32.76	30.06	28.40	38,648,631	1,932,432	1,167.4
May 04	21	32.61	29.77	26.98	36,949,265	1,759,489	1,099.2
June 04	22	33.85	31.31	30.00	31,086,128	1,413,006	979.9
July 04	22	33.80	28.90	26.54	31,340,171	1,424,553	914.8
August 04	22	27.49	24.12	21.50	41,820,263	1,900,921	1,008.4
September 04	22	23.68	21.14	18.80	64,414,638	2,927,938	1,358.3
October 04	21	20.60	19.05	17.40	46,076,642	2,194,126	880.4
November 04	22	25.53	22.88	19.63	55,569,130	2,525,870	1,283.1
December 04	23	26.31	24.59	23.26	34,707,411	1,509,018	855.1
January 05	21	24.95	24.13	22.13	33,176,891	1,579,852	793.1
February 05	20	28.57	26.54	24.67	42,221,975	2,111,099	1,126.7
March 05	21	28.42	27.13	25.83	36,411,491	1,733,881	981.1

Source : Euronext

DIVIDENDS PAID BY CAP GEMINI

Year ended December 31	Distribution of dividend		Number of shares	Dividend per share	"Avoir fiscal" tax credit[(a)]	Total revenue [(b)]
	In millions	*% of net amount*				
1999	€78M	29%	77,945,108	1 euro	0.50 euro	1.50 euro
2000	€149M	35%	124,305,544	1.20 euro	0.60 euro	1.80 euro
2001	€50M	33%	125,244,256	0.40 euro	0.20 euro	0.60 euro
2002			No dividend was paid			
2003			No dividend was paid			

The Board of Directors recommends that no dividend should be paid in respect of 2004.

(a) and (b): the "avoir fiscal" tax credit represents 50% of the amounts distributed in relation to tax credits used by an individual or a company benefiting from the parent-subsidiary regime provided for under article 145 of the French Tax Code, or 10% for other entities using their "avoir fiscal" tax credit as from January 1, 2003. The 2004 Finance Act abolished the "avoir fiscal" tax credit with effect from January 1, 2005.