



December 31, 2018

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS



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## FINANCIAL HIGHLIGHTS

### Consolidated Financial Statements

<i>in millions of euros</i>	2014	2015	2016	2017 reported	2017 restated <sup>(3)</sup>	2018
<b>Revenues</b>	<b>10,573</b>	<b>11,915</b>	<b>12,539</b>	<b>12,792</b>	<b>12,525</b>	<b>13,197</b>
Operating expenses	(9,603)	(10,653)	(11,099)	(11,299)	(11,032)	(11,600)
<b>Operating margin *</b>	<b>970</b>	<b>1,262</b>	<b>1,440</b>	<b>1,493</b>	<b>1,493</b>	<b>1,597</b>
% of revenues	9.2%	10.6%	11.5%	11.7%	11.9%	12.1%
<b>Operating profit</b>	<b>853</b>	<b>1,022</b>	<b>1,148</b>	<b>1,183</b>	<b>1,183</b>	<b>1,251</b>
% of revenues	8.1%	8.6%	9.2%	9.2%	9.4%	9.5%
<b>Profit for the year attributable to owners of the Company</b>	<b>580</b>	<sup>(1)</sup> <b>1,124</b>	<sup>(2)</sup> <b>921</b>	<b>820</b>	<b>820</b>	<b>730</b>
% of revenues	5.5%	9.4%	7.3%	6.4%	6.6%	5.5%
<b>Earnings per share</b>						
<i>Average number of shares outstanding during the year</i>	157,855,433	168,452,917	169,450,721	168,057,561	168,057,561	167,088,363
Basic earnings per share (in euros)	3.68	6.67	5.44	4.88	4.88	4.37
Normalized earnings per share* (in euros)	4.22	<sup>(1)</sup> 7.67	<sup>(2)</sup> 6.69	6.22	6.22	<sup>(4)</sup> 6.06
Dividend per share for the year (in euros)	1.20	1.35	1.55	1.70	1.70	<sup>(5)</sup> 1.70
<b>Goodwill at December 31</b>	<b>3,784</b>	<b>7,055</b>	<b>7,176</b>	<b>6,830</b>	<b>6,830</b>	<b>7,431</b>
<b>Equity attributable to owners of the Company at December 31</b>	<b>5,057</b>	<b>6,887</b>	<b>7,272</b>	<b>6,956</b>	<b>6,956</b>	<b>7,480</b>
<b>(Net debt) / net cash and cash equivalents* at December 31</b>	<b>1,218</b>	<b>(1,767)</b>	<b>(1,413)</b>	<b>(1,209)</b>	<b>(1,209)</b>	<b>(1,184)</b>
<b>Organic free cash flow* at December 31</b>	<b>668</b>	<b>815</b>	<b>1,071</b>	<b>1,080</b>	<b>1,080</b>	<b>1,160</b>
<b>Average number of employees</b>	<b>137,747</b>	<b>161,268</b>	<b>185,593</b>	<b>196,755</b>	<b>196,755</b>	<b>204,904</b>
<b>Number of employees at December 31</b>	<b>143,643</b>	<b>180,639</b>	<b>193,077</b>	<b>199,698</b>	<b>199,698</b>	<b>211,313</b>

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

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

(3) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

(4) Excluding tax expense of €53 million due to the transitional impact of the US tax reform.

(5) Subject to approval by the Shareholders' Meeting of May 23, 2019.

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



## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.  
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.  
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Capgemini SE  
11 rue de Tilsitt  
75017 Paris

To the annual general meeting of Capgemini SE

### Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Capgemini SE for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

### Basis for Opinion

#### **Audit Framework**

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

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

#### **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>st</sup> January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

#### **Emphasis of Matter**

Without qualifying our conclusion, we draw your attention to Note 1B "New Standards and interpretations applicable in 2018" to the consolidated financial statements, which describes the impact of the application as of January 1, 2018 of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments".

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

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

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



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

### ***Risks identified***

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

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

- Revenue from deliverable-based contracts is recognized over time by using the “cost-to-cost” method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract;
- Revenue from Resources-based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date;
- Revenue on services-based contracts is recognized as rights to bill arise, except in specific cases where invoicing terms do not reflect the value to the customer of services rendered to date relative to the value of the remaining services (for example, in case of significant front-loaded or back-loaded fees or discounts);
- Revenue on multi-deliverable contracts should be recognized applying the appropriate method as specified above, depending on the performance obligations identified.

Costs incurred to fulfill the contracts are expensed as incurred with the exception of certain initial set-up costs, such as transition and transformation costs that do not represent a separate performance obligation, which are capitalized if they create a resource that the Group will use to perform the promised service.

A provision for onerous contract is recorded if the unavoidable costs of fulfilling the contract exceed the related benefits.

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

- identify all the performance obligations in the long-term multi-service contracts and determine their related accounting treatment;
- measure the costs incurred for deliverable-based contracts or the total services rendered for resources-based and services-based contracts;
- estimate the costs to be incurred till the end of the contract.

Considering the judgments and estimates made by the management to determine how revenue and related costs should be recognized, notably in the context of the first application of the new revenue standard, IFRS 15, we deemed the recognition of revenue and costs related to long-term service contracts to be a key matter in our audit.

### ***Our audit approach***

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

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

Our work notably involved:

- assessing internal control procedures, identifying the most manual or automatic relevant controls for our audit and testing their design and operational efficiency;
- based on a sample of contracts:
  - assessing the performance obligations identified within the context of the contract;
  - assessing the method used to recognize revenue and related costs for each identified performance obligations;
  - comparing the accounting data against the operational monitoring of projects and assessing the reasonableness of the estimates used, particularly as regards to measuring costs to be incurred till the end of the contract;
- carrying out analytical audit procedures, and notably analyzing material changes in revenue and margin from one period to another;
- assessing the appropriateness of the information provided in the notes to the consolidated financial statements.



## Measurement of Goodwill

### **Risks identified**

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

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

At least once a year, Management ensures that the net carrying amount of goodwill recognized as an asset, amounting to €7,431 million at 31 December 2018, is not greater than the recoverable amount. Indeed, an adverse change in the business activities to which goodwill has been allocated, due to internal or external factors such as the financial and economic environment in markets where Capgemini operates, may have a significant adverse effect on the recoverable amount of goodwill and require the recognition of impairment. In such a case, it is necessary to reassess the relevance of the assumptions used to determine the recoverable amounts and the reasonableness and consistency of the criteria used in the calculation.

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

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

### **Our audit approach**

Our work entailed:

- assessing the appropriateness of the method used to identify cash generating units (CGU);
- gaining an understanding of and assessing the impairment testing process implemented by Management;
- assessing the appropriateness of the model used to calculate value in use;
- analysing the consistency of cash flow forecasts with Management's latest estimates presented to the Board of Directors as part of the budget process;
- comparing the cash flow forecasts for financial years 2019 to 2021 with the business plans used for prior year impairment testing;
- comparing 2018 earnings forecasts used for prior year impairment testing with actual results;
- interviewing the financial and operational staff responsible for the geographic areas representing cash generating units to analyse the main assumptions used in the 3 year strategic plan and cross-check the assumptions with the explanations obtained;
- assessing the methods used to calculate the discount rate applied to the estimated cash flows expected, as well as the long-term growth rate used to project the latest prior year expected cash flows to infinity; comparing these rates with market data and external sources and recalculating the rates based on our own data sources;
- assessing sensitivity testing of value in use to a change in the main assumptions used by Management;
- assessing the appropriateness of the financial information provided in Note 15 of the notes to the consolidated financial statements.

Our firms' valuation specialists were involved in this work.

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

### **Risks identified**

As of December 31, 2018, the following items were recorded in the consolidated financial statements: €1,128 million in respect of deferred tax assets, including €612 million related to deferred tax assets on tax loss carryforwards, of which €464 million in the United States, and €180 million in deferred tax liabilities. Deferred tax assets are only recognized when it is probable that the company will have future taxable profits sufficient to recover them. Unrecognized deferred tax assets on tax loss carryforwards amounted to €196 million in the financial statements for the year ended December 31, 2018.

As stated in the Note 16 to the consolidated financial statements for the year ended 31 December 2018, the Group's ability to recognize deferred tax assets relating to tax loss carryforwards is assessed by management at the end of each reporting period, taking into account forecasts of future taxable profits. The probability of recovering deferred tax assets is primarily assessed based on a ten-year business plan, taking into account the probability of generating future taxable profits as well as an assessment by the Group and local finance departments of the company's ability to meet the goals set out in its business plan in light of the risks identified at the end of the reporting period in the jurisdiction concerned.



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

#### ***Our audit approach***

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

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

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

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

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

We also considered the impact of the US tax reform on the measurement of the US deferred tax assets and liabilities as at 31 December 2018.

Our firms' tax specialists were involved in this work.

#### **Tax Audit**

##### ***Risks identified***

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

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

As stated in Note 29 to the Group's consolidated financial statements for the year ended 31 December 2018, these reassessments have not been accrued in the financial statements, as the Group has justified its position and believes that it is probable that it will prevail. This is the case, for instance in France, for the research tax credit for financial years 2008 to 2013. For some companies that have received approval for the research tax credit, the part relating to private customers has been rejected by the tax authorities.

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

##### ***Our audit approach***

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

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

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

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

- conducted interviews with the Group's tax department and with local tax departments to assess the current status of investigations and reassessment notices received from the tax authorities, and monitor the status of ongoing claims, disputes and pre-litigation proceedings;
- consulted the decisions and recent correspondence between the Group's companies and local tax authorities, along with the correspondence between the companies concerned and their legal counsel, when required;
- performed a critical review of Management's estimates and positions and the opinions of external advisors;



- analyzed the responses from the company's external advisors to our requests for information;
- verified that the latest developments have been taken into account in estimating the risks and provisions recognized in the balance sheet.

## **Provisions for pensions and other post-employment benefits**

### ***Risks identified***

As stated in the Note 24 to the consolidated financial statements for the year ended 31 December 2018, the Group contributes to several post-employment defined benefit plans. The main pension plans in the United Kingdom, Canada and France represent an actuarial value of cumulative benefit obligations of €4,048 million out of a total of €4,466 million at 31 December 2018. Given that these benefit obligations are hedged, particularly in the United Kingdom and Canada, by dedicated assets with a fair value of €3,455 million, the net benefit obligation totaled €1,011 million at 31 December 2018.

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

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

### ***Our audit approach***

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

With the support of our actuaries, our work involved:

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

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

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

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

We attest that the consolidated non-financial statement provided for by article L.225- 102- 1 of the French Commercial Code (*Code de commerce*) is included in the Management Report, it being specified that, in accordance with the provisions of article L.823- 10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

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

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

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

As at 31 December 2018, KPMG Audit and PricewaterhouseCoopers Audit were in the 17<sup>th</sup> year and 23<sup>rd</sup> year of total uninterrupted engagement.





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

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

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

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

The consolidated financial statements were approved the Board of Directors.

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

### *Objectives and audit approach*

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

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

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

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



### *Report to the Audit Committee*

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

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

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

### The Statutory Auditors

Neuilly-sur-Seine, 22 February 2019

Paris La Défense, 22 February 2019

PricewaterhouseCoopers Audit

KPMG Audit

*Division of KPMG S.A.*

Françoise Garnier  
Partner

Richard Béjot  
Partner

Frédéric Quélin  
Partner

Stéphanie Ortega  
Partner



## CONSOLIDATED INCOME STATEMENT

<i>in millions of euros</i>	Notes	2017 restated <sup>(1)</sup>		2018	
		Amount	%	Amount	%
<b>Revenues</b>	4 - 6	<b>12,525</b>	<b>100</b>	<b>13,197</b>	<b>100</b>
Cost of services rendered		(9,141)	(73.0)	(9,627)	(72.9)
Selling expenses		(1,019)	(8.1)	(1,043)	(7.9)
General and administrative expenses		(872)	(7.0)	(930)	(7.1)
<b>Operating expenses</b>	7	<b>(11,032)</b>	<b>(88.1)</b>	<b>(11,600)</b>	<b>(87.9)</b>
<b>Operating margin *</b>		<b>1,493</b>	<b>11.9</b>	<b>1,597</b>	<b>12.1</b>
Other operating income and expense	8	(310)	(2.5)	(346)	(2.6)
<b>Operating profit</b>		<b>1,183</b>	<b>9.4</b>	<b>1,251</b>	<b>9.5</b>
Net finance costs	9	(18)	(0.1)	(12)	(0.1)
Other financial income and expense	9	(54)	(0.4)	(68)	(0.5)
<b>Net financial expense</b>		<b>(72)</b>	<b>(0.5)</b>	<b>(80)</b>	<b>(0.6)</b>
<b>Income tax income (expense)</b>	10	<b>(303)</b>	<b>(2.4)</b>	<b>(447)</b>	<b>(3.4)</b>
<b>PROFIT FOR THE YEAR</b>		<b>808</b>	<b>6.5</b>	<b>724</b>	<b>5.5</b>
<i>Attributable to:</i>					
<i>Owners of the Company</i>		820	6.6	730	5.5
<i>Non-controlling interests</i>		(12)	(0.1)	(6)	-
<b>EARNINGS PER SHARE</b>					
Average number of shares outstanding during the year		168,057,561		167,088,363	
<b>Basic earnings per share</b> (in euros)	11	<b>4.88</b>		<b>4.37</b>	
Diluted average number of shares outstanding		172,082,122		171,697,335	
<b>Diluted earnings per share</b> (in euros)	11	<b>4.76</b>		<b>4.25</b>	

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in millions of euros</i>	<b>2017 restated <sup>(3)</sup></b>	<b>2018</b>
Actuarial gains and losses on defined benefit pension plans, net of tax <sup>(1)</sup>	110	114
Remeasurement of hedging derivatives, net of tax <sup>(2)</sup>	(61)	(53)
Translation adjustments <sup>(2)</sup>	(780)	177
<b>OTHER ITEMS OF COMPREHENSIVE INCOME</b>	<b>(731)</b>	<b>238</b>
Profit for the year (reminder)	808	724
Total comprehensive income for the period:	77	962
<i>Attributable to:</i>		
Owners of the Company	88	967
Non-controlling interests	(11)	(5)

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

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

(3) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>in millions of euros</i>	Note	January 1, 2017 restated <sup>(1)</sup>	December 31, 2017 restated <sup>(1)</sup>	December 31, 2018
Goodwill	13 - 15	7,176	6,830	7,431
Intangible assets	13	813	681	697
Property, plant and equipment	14	754	749	785
Deferred taxes	16	1,473	1,283	1,128
Other non-current assets	18	374	311	303
<b>Total non-current assets</b>		<b>10,590</b>	<b>9,854</b>	<b>10,344</b>
Contract costs	19	93	99	92
Contract assets	19	961	1,029	1,123
Trade receivables	19	1,969	2,042	2,064
Current tax receivables		132	107	94
Other current assets	20	627	657	592
Cash management assets	21	157	168	183
Cash and cash equivalents	21	1,879	1,988	2,006
<b>Total current assets</b>		<b>5,818</b>	<b>6,090</b>	<b>6,154</b>
<b>TOTAL ASSETS</b>		<b>16,408</b>	<b>15,944</b>	<b>16,498</b>

<i>in millions of euros</i>	Note	January 1, 2017 restated <sup>(1)</sup>	December 31, 2017 restated <sup>(1)</sup>	December 31, 2018
Share capital		1,373	1,348	1,338
Additional paid-in capital		3,453	3,169	2,979
Retained earnings and other reserves		1,525	1,619	2,433
Profit for the year		921	820	730
<b>Equity (attributable to owners of the Company)</b>		<b>7,272</b>	<b>6,956</b>	<b>7,480</b>
Non-controlling interests		13	4	(1)
<b>Total equity</b>		<b>7,285</b>	<b>6,960</b>	<b>7,479</b>
Long-term borrowings	21	3,287	2,783	3,274
Deferred taxes	16	227	172	180
Provisions for pensions and other post-employment benefits	24	1,374	1,196	1,011
Non-current provisions	25	26	25	19
Other non-current liabilities	26	292	311	305
<b>Total non-current liabilities</b>		<b>5,206</b>	<b>4,487</b>	<b>4,789</b>
Short-term borrowings and bank overdrafts	21	125	589	83
Accounts and notes payable	27	2,818	2,837	2,944
Contract liabilities	19	686	795	864
Current provisions	25	104	88	91
Current tax liabilities		109	107	141
Other current liabilities	26	75	81	107
<b>Total current liabilities</b>		<b>3,917</b>	<b>4,497</b>	<b>4,230</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,408</b>	<b>15,944</b>	<b>16,498</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.



## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>in millions of euros</i>	Notes	2017 restated <sup>(1)</sup>	2018
<b>Profit for the year attributable to owners of the Company</b>		<b>820</b>	<b>730</b>
Non-controlling interests		(12)	(6)
Depreciation, amortization and impairment of fixed assets		301	302
Change in provisions		(9)	(39)
Losses on disposals of assets		15	16
Expenses relating to share grants		64	84
Net finance costs	9	18	12
Income tax expense / (income)	10	303	447
Unrealized gains on changes in fair value and other		32	(10)
<b>Cash flows from operations before net finance costs and income tax (A)</b>		<b>1,532</b>	<b>1,536</b>
<b>Income tax paid (B)</b>		<b>(139)</b>	<b>(205)</b>
Change in trade receivables, contract assets net of liabilities and contract costs		(125)	32
Change in accounts and notes payable		55	25
Change in other receivables/payables		7	8
<b>Change in operating working capital (C)</b>		<b>(63)</b>	<b>65</b>
<b>NET CASH FROM OPERATING ACTIVITIES (D=A+B+C)</b>		<b>1,330</b>	<b>1,396</b>
Acquisitions of property, plant and equipment and intangible assets	13 - 14	(241)	(236)
Proceeds from disposals of property, plant and equipment and intangible assets		15	7
<b>Acquisitions of property, plant and equipment and intangible assets, net of disposals</b>		<b>(226)</b>	<b>(229)</b>
Cash inflows (outflows) on business combinations net of cash and cash equivalents acquired		(238)	(461)
Cash outflows in respect of cash management assets		(16)	(18)
Other cash inflows (outflows), net		(54)	(20)
<b>Net cash outflows from other investing activities</b>		<b>(308)</b>	<b>(499)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES (E)</b>		<b>(534)</b>	<b>(728)</b>
Proceeds from issues of share capital		320	230
Dividends paid		(262)	(284)
Net payments relating to transactions in Capgemini SE shares		(531)	(483)
Proceeds from borrowings		7	525
Repayments of borrowings		(97)	(592)
Interest paid		(86)	(56)
Interest received		62	49
<b>NET CASH USED IN FINANCING ACTIVITIES (F)</b>		<b>(587)</b>	<b>(611)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F)</b>		<b>209</b>	<b>57</b>
Effect of exchange rate movements on cash and cash equivalents (H)		(91)	(41)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)</b>	<b>21</b>	<b>1,870</b>	<b>1,988</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (G+H+I)</b>	<b>21</b>	<b>1,988</b>	<b>2,004</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in millions of euros</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated retained earnings and other reserves	Total income and expense recognized in equity		Equity (attributable to owners of the Company)	Non-controlling interests	Total equity
						Translation adjustments	Other			
<b>At January 1, 2017 <sup>(1)</sup></b>	<b>171,564,265</b>	<b>1,373</b>	<b>3,453</b>	<b>(247)</b>	<b>3,228</b>	<b>417</b>	<b>(952)</b>	<b>7,272</b>	<b>13</b>	<b>7,285</b>
Dividends paid out for 2016	-	-	-	-	(262)	-	-	(262)	-	(262)
Incentive instruments and employee share ownership	3,600,000	28	292	91	(18)	-	-	393	-	393
Elimination of treasury shares <sup>(2)</sup>	-	-	-	(534)	1	-	-	(533)	-	(533)
Share capital reduction by cancellation of treasury shares	(6,680,523)	(53)	(576)	629	-	-	-	-	-	-
Transactions with minority shareholders	-	-	-	-	(2)	-	-	(2)	2	-
<b>Transactions with shareholders</b>	<b>(3,080,523)</b>	<b>(25)</b>	<b>(284)</b>	<b>186</b>	<b>(281)</b>	<b>-</b>	<b>-</b>	<b>(404)</b>	<b>2</b>	<b>(402)</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(781)</b>	<b>49</b>	<b>(732)</b>	<b>1</b>	<b>(731)</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>820</b>	<b>(12)</b>	<b>808</b>
<b>At December 31, 2017 <sup>(1)</sup></b>	<b>168,483,742</b>	<b>1,348</b>	<b>3,169</b>	<b>(61)</b>	<b>3,767</b>	<b>(364)</b>	<b>(903)</b>	<b>6,956</b>	<b>4</b>	<b>6,960</b>
Impact of first-time application of IFRS 9 <sup>(3)</sup>	-	-	-	-	(6)	-	6	-	-	-
<b>At January 1, 2018, including impact of IFRS 9</b>	<b>168,483,742</b>	<b>1,348</b>	<b>3,169</b>	<b>(61)</b>	<b>3,761</b>	<b>(364)</b>	<b>(897)</b>	<b>6,956</b>	<b>4</b>	<b>6,960</b>
Dividends paid out for 2017	-	-	-	-	(284)	-	-	(284)	-	(284)
Incentive instruments and employee share ownership	2,833,291	23	207	64	28	-	-	322	-	322
Elimination of treasury shares <sup>(4)</sup>	-	-	-	(483)	2	-	-	(481)	-	(481)
Share capital reduction by cancellation of treasury shares	(4,023,303)	(33)	(397)	430	-	-	-	-	-	-
<b>Transactions with shareholders</b>	<b>(1,190,012)</b>	<b>(10)</b>	<b>(190)</b>	<b>11</b>	<b>(254)</b>	<b>-</b>	<b>-</b>	<b>(443)</b>	<b>-</b>	<b>(443)</b>
<b>Income and expense recognized in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>61</b>	<b>237</b>	<b>1</b>	<b>238</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>730</b>	<b>-</b>	<b>-</b>	<b>730</b>	<b>(6)</b>	<b>724</b>
<b>At December 31, 2018</b>	<b>167,293,730</b>	<b>1,338</b>	<b>2,979</b>	<b>(50)</b>	<b>4,237</b>	<b>(188)</b>	<b>(836)</b>	<b>7,480</b>	<b>(1)</b>	<b>7,479</b>

(1) Figures at January 1, 2017 and December 31, 2017 have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

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

(3) Equity at January 1, 2018 has been restated for the retrospective application of IFRS 9, Financial instruments; see Note 1 - Accounting basis.

(4) Including -€264 million in respect of the share purchased agreement implemented prior to the share capital increase under the ESOP 2018 international employee share ownership plan (see Note 12 - Equity).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### NOTE 1 ACCOUNTING BASIS

The consolidated financial statements for the year ended December 31, 2018 and the notes thereto were adopted by the Board of Directors on February 13, 2019. The consolidated financial statements will be approved by the Combined Shareholders' Meeting, scheduled for May 23, 2019.

#### A) IFRS standards-base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2018 consolidated financial statements have been prepared in accordance with international accounting standards (IFRS, International Financial Reporting Standards) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The Group also takes account of the positions adopted by Syntec Numérique, an organization representing major consulting and computer services companies in France, regarding the application of certain IFRSs.

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

#### B) New standards and interpretations applicable in 2018

##### a) New standards, amendments and interpretations of mandatory effect at January 1, 2018

The accounting policies applied by the Capgemini Group are unchanged on those applied for the preparation of the 2017 consolidated financial statements, with the exception of standards, amendments and interpretations that entered into mandatory effect on January 1, 2018 and that have an impact for the Group, as presented below.

##### b) Transition note on the application of IFRS 15, Revenue from contracts with customers

IFRS 15 on revenue recognition was adopted by the Group at January 1, 2018, applying the full retrospective method with restatement of 2017 comparative figures and recognition of the aggregate impact in equity at January 1, 2017.

On implementing the full retrospective method, the Group applied a number of practical expedients authorized by IFRS 15 paragraph C5 (a) and (b). Accordingly, completed contracts:

- that ended before January 1, 2017
- and/or included variable consideration

were not restated for revenue recognition purposes.

The Group's revenue recognition accounting policies are presented in Note 6.

As part of its operational activities, the Group can be required to resell hardware, software and services purchased from third-party suppliers to its customers. IFRS 15 amends the principles and indicators determining whether the Group should present these transactions in the Income Statement as a "principal", on a gross basis (with recognition of purchases in operating expenses) or as an "agent", on a net basis (recognition of revenues equal to amounts invoiced to the customer net of amounts invoiced by the supplier). Pursuant to IFRS 15, the Group considers it acts as a "principal" when it obtains control of the hardware, software or services before transferring them to the customer. Based on contract analyses conducted on implementation of IFRS 15, certain transactions are presented from now on a net basis, generating a reduction in consolidated revenues of €267 million in fiscal year 2017.

Except for the principal/agent distinction and the increased disclosures required in the financial statements, the application of IFRS15 does not have a material impact on the Group's Consolidated Statement of Financial Position and Consolidated Income Statement.

Adjustments recorded in the accounts on the retrospective application of IFRS 15 for each period are presented below.





## b.1) Income Statement

<i>in millions of euros</i>	2017 reported		IFRS 15 adjustments		2017 restated	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>	<b>12,792</b>	<b>100</b>	<b>(267)</b>	<b>-</b>	<b>12,525</b>	<b>100</b>
<b>Operating margin *</b>	<b>1,493</b>	<b>11.7</b>	<b>-</b>	<b>0.2</b>	<b>1,493</b>	<b>11.9</b>
<b>Operating profit</b>	<b>1,183</b>	<b>9.2</b>	<b>-</b>	<b>0.2</b>	<b>1,183</b>	<b>9.4</b>
<b>Net financial expense</b>	<b>(72)</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(0.5)</b>
<b>Income tax income (expense)</b>	<b>(303)</b>	<b>(2.4)</b>	<b>-</b>	<b>-</b>	<b>(303)</b>	<b>(2.4)</b>
<b>PROFIT FOR THE YEAR</b>	<b>808</b>	<b>6.3</b>	<b>-</b>	<b>0.2</b>	<b>808</b>	<b>6.5</b>
<i>Attributable to:</i>						
<i>Owners of the Company</i>	<i>820</i>	<i>6.4</i>	<i>-</i>	<i>0.2</i>	<i>820</i>	<i>6.6</i>
<i>Non-controlling interests</i>	<i>(12)</i>	<i>(0.1)</i>	<i>-</i>	<i>-</i>	<i>(12)</i>	<i>(0.1)</i>
<b>EARNINGS PER SHARE</b>						
Average number of shares outstanding during the period	168,057,561		-		168,057,561	
<b>Basic earnings per share (in euros)</b>	<b>4.88</b>		<b>-</b>		<b>4.88</b>	
Diluted average number of shares outstanding	172,082,122		-		172,082,122	
<b>Diluted earnings per share (in euros)</b>	<b>4.76</b>		<b>-</b>		<b>4.76</b>	

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

## b.2) Consolidated Statement of Financial Position

The Group also modified the presentation of certain amounts in the Consolidated Statement of Financial Position to reflect IFRS 15 terminology:

- contract costs were previously presented in trade receivables and related accounts (€99 million at December 31, 2017);
- contract assets were previously presented in trade receivables and related accounts (€1,124 million at December 31, 2017 reported);
- contract liabilities and advances from customers were already presented separately in the Consolidated Statement of Financial Position in "Advances from customers and billed in advance". Only the name of the account heading was changed to "Contract liabilities" on the application of IFRS 15.

Finally, IFRS 15 requires the presentation of contract assets and liabilities on a net basis for each contract and no longer for each project as was previously the case. The Group therefore restated the reported comparative periods as follows:



- At January 1, 2017:

<i>in millions of euros</i>	January 1, 2017 reported	Separate presentation of contract costs, contract assets / liabilities and trade receivables	Presentation of assets and liabilities net per contract	Total IFRS 15 restatements	January 1, 2017 restated
<b>Total non-current assets</b>	<b>10,590</b>	-	-	-	<b>10,590</b>
Contract costs	-	93	-	93	93
Contract assets	-	1,012	(51)	961	961
Trade receivables	-	1,969	-	1,969	1,969
Trade receivables and related accounts	3,074	(3,074)	-	(3,074)	-
<b>Total current assets</b>	<b>5,869</b>	-	<b>(51)</b>	<b>(51)</b>	<b>5,818</b>
<b>TOTAL ASSETS</b>	<b>16,459</b>	-	<b>(51)</b>	<b>(51)</b>	<b>16,408</b>

<i>in millions of euros</i>	January 1, 2017 reported	Separate presentation of contract costs, contract assets / liabilities and trade receivables	Presentation of assets and liabilities net per contract	Total IFRS 15 restatements	January 1, 2017 restated
<b>Total equity</b>	<b>7,285</b>	-	-	-	<b>7,285</b>
<b>Total non-current liabilities</b>	<b>5,206</b>	-	-	-	<b>5,206</b>
Contract liabilities	737	-	(51)	(51)	686
<b>Total current liabilities</b>	<b>3,968</b>	-	<b>(51)</b>	<b>(51)</b>	<b>3,917</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,459</b>	-	<b>(51)</b>	<b>(51)</b>	<b>16,408</b>

- At December 31, 2017:

<i>in millions of euros</i>	December 31, 2017 reported	Separate presentation of contract costs, contract assets / liabilities and trade receivables	Presentation of assets and liabilities net per contract	Total IFRS 15 restatements	December 31, 2017 restated
<b>Total non-current assets</b>	<b>9,854</b>	-	-	-	<b>9,854</b>
Contract costs	-	99	-	99	99
Contract assets	-	1,124	(95)	1,029	1,029
Trade receivables	-	2,042	-	2,042	2,042
Trade receivables and related accounts	3,265	(3,265)	-	(3,265)	-
<b>Total current assets</b>	<b>6,185</b>	-	<b>(95)</b>	<b>(95)</b>	<b>6,090</b>
<b>TOTAL ASSETS</b>	<b>16,039</b>	-	<b>(95)</b>	<b>(95)</b>	<b>15,944</b>

<i>in millions of euros</i>	December 31, 2017 reported	Separate presentation of contract costs, contract assets / liabilities and trade receivables	Presentation of assets and liabilities net per contract	Total IFRS 15 restatements	December 31, 2017 restated
<b>Total equity</b>	<b>6,960</b>	-	-	-	<b>6,960</b>
<b>Total non-current liabilities</b>	<b>4,487</b>	-	-	-	<b>4,487</b>
Contract liabilities	890	-	(95)	(95)	795
<b>Total current liabilities</b>	<b>4,592</b>	-	<b>(95)</b>	<b>(95)</b>	<b>4,497</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,039</b>	-	<b>(95)</b>	<b>(95)</b>	<b>15,944</b>



### b.3) Consolidated Statement of Cash Flows and Consolidated Statement of Comprehensive Income

The application of IFRS 15 had no impact on the Consolidated Statement of Cash Flows and the Consolidated Statement of Comprehensive Income.

### c) IFRS 9, Financial instruments

The Group adopted IFRS 9 at January 1, 2018, without restating fiscal year 2017 comparative figures. The application of this new standard did not have a material impact on opening equity at January 1, 2018.

IFRS 9 primarily amended IAS 39 in three phases:

- Phase 1: classification and measurement of financial instruments;
- Phase 2: impairment of financial assets; and
- Phase 3: hedge accounting, excluding macro-hedging.

Retrospective application of phase 1 “Classification and measurement of financial instruments” did not have a material impact on the Group’s accounting methods for the measurement of financial assets and liabilities held at January 1, 2018.

Implementation of the new phase “Impairment of financial assets” which replaces the IAS 39 “incurred losses” model with the “expected credit losses” model, did not have any impact for the Group.

Application of the “hedge accounting” phase required the retrospective restatement of the time value of currency options and, accordingly, the recognition at January 1, 2018, in a separate component of comprehensive income, of changes in the time value of currency options identified in hedging relationships classified as cash flow hedges in the positive amount of €6 million (net of tax impact). Other than the accounting treatment of the time value of options, the prospective application of phase 3 had no impact on the Group’s accounting methods for the recognition of hedging transactions and derivative financial instruments managed by the Group.

### d) Other new standards not yet in effect at January 1, 2018 and not adopted early

Capgemini Group will apply IFRS 16 from January 1, 2019, with an impact on the Consolidated Statement of Financial Position and the Consolidated Income Statement.

This new standard replaces the standard IAS 17, Leases and the interpretations IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating Leases – Incentives and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 introduces a single lessee accounting model for all leases.

Pursuant to this standard, the Group, as lessee, will:

- recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make future lease payments, in the Consolidated Statement of Financial Position,
- record amortization on the right-of-use asset and interest on the lease liability in place of the operating lease expenses previously recorded.

In 2018, the Group identified the leases concerned (real estate, computer hardware and company car leases) and undertook an initial analysis of the potential impacts of application of IFRS 16 on the consolidated financial statements.

The Group has elected to adopt the modified retrospective transition approach. At January 1, 2019, the Group will therefore recognize a right-of-use asset and corresponding lease liability of the same amount, equal to the present value of future lease payments during the enforceable contractual period, without restating the 2018 Consolidated Income Statement or equity at January 1, 2018. For certain major real estate leases, the Group has elected to determine the value of the right-of-use asset retrospectively, by recalculating the historical value of the asset at inception of the lease and applying amortization to December 31, 2018 to obtain the net carrying amount of the right-of-use asset at January 1, 2019.

The Group has also elected to apply the two capitalization exemptions proposed by the standard for leases with a term of 12 months or less and/or leases of assets with an individual value when new of less than US\$5,000, with the exception of IT hardware. In addition, for certain underlying asset categories (notably the automobile fleet), the Group has elected not to separate non-lease components and to recognize the entire contract as a single lease component.

Finally, in accordance with the option proposed by the standard, finance leases already recognized in the Consolidated Statement of Financial Position pursuant to IAS 17 at December 31, 2018, will be reclassified in right-of-use assets and lease liabilities at January 1, 2019.

Accordingly, the main expected impact at January 1, 2019 would be the recognition of right-of-use assets and related lease liabilities in respect of these leases in the estimated amount of between €750 and 850 million. This amount may however change following completion of the review of key assumptions underlying the calculation of the liability.



## C) Use of estimates

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



## NOTE 2 CONSOLIDATION PRINCIPLES AND GROUP STRUCTURE

### Consolidation methods

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

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

Details of the scope of consolidation are provided in Note 32 - List of the main consolidated companies by country. All consolidated companies prepared their accounts to December 31, 2018 in accordance with the accounting policies adopted by the Group.

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

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

### Foreign currency translation

The consolidated accounts presented in these consolidated financial statements have been prepared in euros.

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

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

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

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

	Average rate		Closing rate	
	2017	2018	2017	2018
Australian dollar	0.67970	0.63308	0.65164	0.61652
Brazilian real	0.27831	0.23279	0.25171	0.22502
Canadian dollar	0.68334	0.65372	0.66494	0.64082
Chinese renminbi yuan	0.13122	0.12812	0.12813	0.12698
Indian rupee	0.01362	0.01239	0.01305	0.01254
Norwegian krone	0.10728	0.10417	0.10162	0.10052
Polish zloty	0.23497	0.23475	0.23941	0.23248
Pound sterling	1.14188	1.13034	1.12710	1.11791
Swedish krona	0.10379	0.09753	0.10159	0.09752
US dollar	0.88730	0.84716	0.83382	0.87336

### Business combinations

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

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

The results and financial position of a foreign subsidiary are included in the Group's consolidated financial statements after the elimination of inter-company balances and transactions. However, a foreign exchange gain or loss arising on an inter-company



monetary asset or liability (e.g. an inter-company receivable denominated in a currency different from the functional currency of the subsidiary) cannot be eliminated. Such foreign exchange gains and losses are recognized in the Income statement or in Income and expense recognized directly in equity, if the underlying forms an integral part of the net investment in the foreign operation (e.g. a loan with no fixed maturity).

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

The Group acquired the following entities in 2018:

- LiquidHub Inc. in March 2018. This US company and its subsidiaries are experts in digital customer engagement and specialize in creating innovative customer experiences. The acquisition strengthens Capgemini's digital transformation consulting capabilities in North America and accelerates its portfolio shift in the region.
- Adaptative Lab Limited in June 2018, a digital design studio in the United Kingdom. This acquisition will enable Capgemini to meet growing demand from Group customers for end-to-end digital services, notably in the United Kingdom.
- Doing group in October 2018, a full service digital agency based in Italy. This acquisition further expands Capgemini's digital services capabilities in Italy.
- June 21 in October 2018, a consulting firm specializing in digital marketing. June 21 reinforces, notably in France, Capgemini Invent, the Group's recently launched digital consulting, innovation and transformation Global Business Line.

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

Furthermore, in the fourth quarter, the Group acquired a 20% stake in Azqore, Indosuez Wealth Management's subsidiary specializing in technology outsourcing services and banking transactions for the wealth management sector.



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## NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

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

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



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## NOTE 4 OPERATING SEGMENTS

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Group Management analyzes and measures activity performance:

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

The geographic analysis enables management to monitor the performance:

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

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

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

Costs relating to operations and incurred by Group holding companies on behalf of geographic areas and businesses are allocated to the relevant segments either directly or on the basis of an allocation key. Items not allocated correspond to headquarter expenses.

Inter-segment transactions are carried out on an arm's length basis.

The performance of operating segments is measured based on the operating margin\*. This indicator enables the measurement and comparison of the operating performance of operating segments, irrespective of whether their business results from internal or external growth.

The operating margin\* realized by the main offshore production centers (India, Poland and China) is reallocated to the geographic areas managing the contracts to enable a better understanding of the performance of these areas.

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

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## SEGMENT REPORTING BY GEOGRAPHIC AREA

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

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





## ANALYSIS OF THE INCOME STATEMENT BY GEOGRAPHIC AREA

2018 (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America	HQ expenses	Eliminations	Total
<b>Revenues</b>								
▶ external	4,230	2,848	1,565	3,605	949	-	-	13,197
▶ inter-geographic area	123	221	181	312	1,504	-	(2,341)	-
<b>TOTAL REVENUES</b>	<b>4,353</b>	<b>3,069</b>	<b>1,746</b>	<b>3,917</b>	<b>2,453</b>	<b>-</b>	<b>(2,341)</b>	<b>13,197</b>
<b>OPERATING MARGIN *</b>	<b>576</b>	<b>317</b>	<b>198</b>	<b>468</b>	<b>122</b>	<b>(84)</b>	<b>-</b>	<b>1,597</b>
% of revenues	13.6	11.1	12.6	13.0	12.8	-	-	12.1
<b>OPERATING PROFIT</b>	<b>455</b>	<b>222</b>	<b>166</b>	<b>416</b>	<b>76</b>	<b>(84)</b>	<b>-</b>	<b>1,251</b>

2017 restated <sup>(1)</sup> (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America	HQ expenses	Eliminations	Total
<b>Revenues</b>								
▶ external	3,872	2,676	1,580	3,415	982	-	-	12,525
▶ inter-geographic area	114	197	182	274	1,463	-	(2,230)	-
<b>TOTAL REVENUES</b>	<b>3,986</b>	<b>2,873</b>	<b>1,762</b>	<b>3,689</b>	<b>2,445</b>	<b>-</b>	<b>(2,230)</b>	<b>12,525</b>
<b>OPERATING MARGIN *</b>	<b>529</b>	<b>267</b>	<b>254</b>	<b>418</b>	<b>99</b>	<b>(74)</b>	<b>-</b>	<b>1,493</b>
% of revenues	13.7	10.0	16.1	12.2	10.1	-	-	11.9
<b>OPERATING PROFIT</b>	<b>412</b>	<b>211</b>	<b>215</b>	<b>353</b>	<b>66</b>	<b>(74)</b>	<b>-</b>	<b>1,183</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

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

## SEGMENT REPORTING BY BUSINESS

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

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

## BREAKDOWN OF REVENUES BY BUSINESS

in millions of euros	2017 restated <sup>(1)</sup>		2018	
	Amount	%	Amount	%
Consulting Services	583	5	785	6
Technology & Engineering Services	1,905	15	1,974	15
Application Services	7,828	62	8,393	64
Other Managed Services	2,209	18	2,045	15
<b>REVENUES</b>	<b>12,525</b>	<b>100</b>	<b>13,197</b>	<b>100</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.



## BREAKDOWN OF OPERATING MARGIN\* BY BUSINESS

<i>in millions of euros</i>	2017 restated <sup>(1)</sup>		2018	
	Amount	%	Amount	%
Consulting Services	66	11.3	101	12.9
Technology & Engineering Services	262	13.8	261	13.2
Application Services	1,024	13.1	1,140	13.6
Other Managed Services	215	9.7	179	8.7
Headquarter expenses	(74)	-	(84)	-
<b>OPERATING MARGIN *</b>	<b>1,493</b>	<b>11.9</b>	<b>1,597-</b>	<b>12.1</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

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

## NOTE 5 CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

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

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



## NOTE 6 REVENUES

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

### **Deliverable-based contracts**

Deliverable-based contracts typically include fixed price projects, for example, system integration or design and development of customized IT systems and related processes. Contract terms typically range from 6 months to 2 years. Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or level of benefits delivered to the customer.

For deliverable-based contracts, revenue is generally recognized over time, because at least one of the following condition is met: (i) the Group's performance enhances an asset that the customer controls as the Group performs or (ii) the Group builds an asset that has no alternative use (e.g. it is customer-specific) and the Group has an enforceable right to payment for performance to date in case of termination by the customer. The Group applies the "cost-to-cost" method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract. Estimates of total contract costs are revised when new elements arise. Change in estimates of cost at completion and related percentage of completion are recorded in the income statement as catch-up adjustments in the period in which the elements giving rise to the revision are known.

The related costs on deliverable-based contracts are expensed as incurred.

The Group earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed. The difference between cumulative billings and cumulative revenue recognized is reflected in the balance sheet as Contract assets (revenue in excess of billings) or Contract liabilities (billings in excess of revenue).

### **Resources-based contracts**

Revenue from Resources-based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date. Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services. The Services are priced based on the number of hours spent on the contract. The amount to be billed is representative of the value of the service delivered to the customer and therefore, applying the right-to-bill practical expedient, revenue is recognized over time based on the hours spent.

The related costs on resources-based contracts are expensed as incurred.

### **Services-based contracts**

Services-based contracts include infrastructure management, application management and business services activities. Contract terms typically range from 3 to 5 years. Fees are billable on a monthly basis, based on a fixed-price per work unit consumed, or based on monthly fixed fees subject to adjustment mechanisms for volume changes or scope changes. Contracts generally provide for service-level penalties.

Recurring services are generally considered to be one single performance obligation, comprised of a series of distinct daily units of service satisfied over time. Contract modifications are recorded on a prospective basis. Revenue on services-based contracts is recognized as rights to bill arise, except in specific cases where invoicing terms do not reflect the value to the customer of services rendered to date relative to the value of the remaining services (for example, in case of significant front-loaded or backloaded fees or discounts). Service-level penalties or bonuses, if any, are accrued in full the period when the performance targets are failed or achieved, as appropriate.

Upfront fees received from customers, if any, are deferred and recognized over the service period, even if non-refundable. Upfront amounts payable to customers, if in excess of the fair value of assets transferred from customer, are capitalized (presented in Contract assets) and amortized over the contractual period, as a deduction to revenue.

### **Resale activities**

As part of its operational activities, the Group may resell hardware equipment, software licenses, maintenance and services purchased from third-party suppliers. When the asset or service is distinct from the other services provided by the Group, the Group needs to assess whether it is acting as an agent or a principal in the purchase and resale transaction. The Group acts as a "principal" when it obtains control of the hardware, software or services before transferring them to the customer. In such case, the transaction is presented on a gross basis in the Income Statement (amounts charged by suppliers are presented in operating expenses). If the Group acts as an "agent", the transaction is recorded on a net basis (amounts charged by suppliers are recorded as a deduction to revenue). For example, transactions are recorded on a net basis when the Group does not have the primary responsibility for the fulfilment of the contract and does not bear inventory and customer acceptance risk.

### **Multi-deliverable contracts**

These contracts are long-term complex contracts with multiple phases which may include design, transition, transformation, build and service delivery (run).

The Group may be required to perform initial transition or transformation activities under certain recurring service contracts. Initial set-up activities, mainly transition phases, necessary to enable the ongoing services, are not considered to be performance



obligations. Any amount received in connection with those activities are deferred and recognized in revenue over the contractual service period. The other activities performed during the initial phase like design, transformation and build are treated as a separate performance obligation if they transfer to the customer the control of an asset or if the customer can benefit from those initial activities independently from the ongoing service. In such cases, the corresponding revenues are generally recognized over time.

When multiple Performance Obligations are identified within a single contract, the Group allocates the total contract price to the Performance Obligations based on their relative Standalone Selling Price ("SSP"). In the absence of directly observable prices for similar services sold separately to similar customers, SSPs are estimated, based on expected costs plus a margin rate commensurate with the nature and risk of the service.

#### Variable remuneration

Estimates of incentives, penalties, and any other variable revenues are included in the transaction price, but only to the extent that it is highly probable that the subsequent resolution of the price contingency will not result in a significant reversal of the cumulative revenue previously recognized. To make such an estimate, the Group considers the specific facts and circumstances of the contract and its experience with similar contracts. Changes in estimates of variable consideration are recorded as cumulative catch-up adjustments to revenue.

#### Costs to obtain and fulfill contracts

Sales commission incurred to obtain multi-year service contracts are capitalized and amortized over the contract period. Commissions are not capitalized if the amortization period is one year or less.

Costs incurred prior to the signature of an enforceable contract are capitalized only if they are directly attributable to the design or set-up phase of a specifically identified contract, if the signature of the contract is probable, and if the costs are expected to be recoverable from the contract.

Costs incurred to fulfill a contract are expensed as incurred, with the exception of certain initial set-up costs, such as transition and transformation costs that do not represent a separate performance obligation, which are capitalized if they create a resource that the Group will use to perform the promised service.

Reimbursements received from customers are recognized as revenue, as costs are incurred.

A provision for onerous contracts is recorded if the unavoidable costs of fulfilling the contract exceed the related benefits.

#### Balance sheet presentation

Contract assets are presented separately from trade receivables. Contract assets reflect revenue recognized for which the corresponding rights to receive consideration are contingent upon something else other than the passage of time, such as the Group's future performance, achievement of billing milestones, or customer acceptance. When customer contract assets are no longer contingent, except for the passage of time, they convert into trade receivables. The majority of contract assets relate to deliverable-based contracts (see above).

Contract liabilities represent consideration received or receivable in advance of performance. Contract assets and liabilities are presented on a net basis for each individual contract.

#### Financing components

If the expected time lag between revenue recognition and customer payments is greater than 12 months, the Group assesses, if a financing facility has been accorded or received by the client, and if the impact is significant, the financial component is recorded separately from revenues.

The turnover variation is as follows:

<i>in millions of euros</i>	2018	Variation on published figures	Variation at constant exchange rates <sup>(1)</sup>	2017 restated <sup>(1)</sup>
North America	4,230	9.2%	14.4%	3,872
France	2,848	6.4%	6.4%	2,676
United Kingdom and Ireland	1,565	-0.9%	0.1%	1,580
Rest of Europe	3,605	5.6%	6.9%	3,415
Asia-Pacific and Latin America	949	-3.3%	6.0%	982
<b>REVENUES</b>	<b>13,197</b>	<b>5.4%</b>	<b>8.1%</b>	<b>12,525</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

\* Growth at constant exchange rates, alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

The firm bookings taken in 2018 were €13,393 million.



## NOTE 7 OPERATING EXPENSES BY NATURE

<i>in millions of euros</i>	2017 restated <sup>(1)</sup>		2018	
	Amount	% of revenues	Amount	% of revenues
Personnel expenses	8,002	63.9%	8,147	61.7%
Travel expenses	516	4.1%	535	4.0%
	<b>8,518</b>	<b>68.0%</b>	<b>8,682</b>	<b>65.7%</b>
Purchases and sub-contracting expenses	1,838	14.7%	2,237	17.0%
Rent and local taxes	357	2.9%	366	2.8%
Other charges to depreciation, amortization and provisions and proceeds from asset disposals	319	2.5%	315	2.4%
<b>OPERATING EXPENSES</b>	<b>11,032</b>	<b>88.1%</b>	<b>11,600</b>	<b>87.9%</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

## BREAKDOWN OF PERSONNEL COSTS

<i>in millions of euros</i>	Note	2017 restated <sup>(1)</sup>	2018
Wages and salaries		6,499	6,588
Payroll taxes		1,434	1,500
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	24	69	59
<b>PERSONNEL EXPENSES</b>		<b>8,002</b>	<b>8,147</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.



## NOTE 8 OTHER OPERATING INCOME AND EXPENSE

<i>in millions of euros</i>	Notes	2017 restated	2018
Amortization of intangible assets recognized in business combinations	13	(65)	(75)
Expense relating to share grants	12	(71)	(91)
Restructuring costs		(131)	(122)
Integration costs for companies acquired		(29)	(25)
Acquisition costs		(9)	(13)
Other operating expenses		(8)	(29)
<b>Total operating expenses</b>		<b>(313)</b>	<b>(355)</b>
Other operating income		3	9
<b>Total operating income</b>		<b>3</b>	<b>9</b>
<b>OTHER OPERATING INCOME AND EXPENSE</b>		<b>(310)</b>	<b>(346)</b>

### Amortization of intangible assets recognized in business combinations

Amortization of intangible assets recognized in business combinations mainly concerns Customer Relationships (see Note 13 - Goodwill and intangible assets).

### Expense relating to share grants

The expense relating to share grants is €91 million, compared with €71 million in 2017. This increase mainly reflects the full-year impact of 2017 plans approved by the Board of Directors on July 26, 2017 and October 5, 2017, the implementation of the new 2018 plan approved by the Board of Directors on October 3, 2018, as well as the increased cost of social security contributions for the new plans. This increase also reflects the progressive increase in the Capgemini SE share price over the past five years (see Note 12 - Equity).

### Restructuring costs

Fiscal year 2018 restructuring costs primarily concern workforce reduction measures in the amount of €70 million (€94 million in 2017) and the streamlining of real estate and production assets in the amount of €40 million (€31 million in 2017).

### Integration costs for companies acquired

Integration costs for companies acquired total €25 million, including €14 million in respect of acquisitions during the fiscal year.



## NOTE 9 NET FINANCIAL EXPENSE

<i>in millions of euros</i>	Note	2017 restated	2018
Income from cash, cash equivalents and cash management assets		37	49
Net interest on borrowings		(52)	(58)
<b>Net finance costs at the nominal interest rate</b>		<b>(15)</b>	<b>(9)</b>
Impact of amortized cost on borrowings		(3)	(3)
<b>Net finance costs at the effective interest rate</b>		<b>(18)</b>	<b>(12)</b>
Net interest cost on defined benefit pension plans	24	(34)	(27)
Exchange gains (losses) on financial transactions		(51)	(13)
Gains (losses) on derivative instruments		36	(19)
Other		(5)	(9)
<b>Other financial income and expense</b>		<b>(54)</b>	<b>(68)</b>
<i>o/w financial income</i>		105	39
<i>o/w financial expenses</i>		(159)	(107)
<b>NET FINANCIAL EXPENSE</b>		<b>(72)</b>	<b>(80)</b>

### Net finance costs

“Net interest on borrowings” (€58 million) and the “Impact of amortized cost on borrowings” (€3 million) total €61 million in 2018 and mainly comprise:

- ▶ coupons on 2015 bond issues of €41 million, plus an amortized cost accounting impact of €2 million,
- ▶ coupons on the 2016 bond issue of €2 million, plus an amortized cost accounting impact of €1 million,
- ▶ coupons on 2018 bond issues of €11 million; the amortized cost accounting impact is negligible due to the exceptional positive impact of €4 million on the accounting recognition of the bond swap in April 2018.

### Other financial income and expenses

Exchange losses on financial transactions and losses on derivative instruments primarily concern inter-company loans and borrowings denominated in foreign currencies as well as their related hedging arrangements.



## NOTE 10 INCOME TAX EXPENSE

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

### Current income taxes

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

### Deferred taxes

Deferred taxes are recognized to take account of temporary differences between the carrying amounts of certain assets and liabilities and their tax basis. See note 16 - Deferred tax

The income tax expense for fiscal year 2018 breaks down as follows:

<i>in millions of euros</i>	Note	2017 restated	2018
Current income taxes		(261)	(290)
Deferred taxes	16	(42)	(157)
<b>INCOME TAX (EXPENSE) / INCOME</b>		<b>(303)</b>	<b>(447)</b>

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

<i>in millions of euros</i>	2017 restated		2018	
	Amount	%	Amount	%
<b>Profit before tax</b>	<b>1,111</b>		<b>1,171</b>	
<b>Standard tax rate in France (%)</b>	<b>34.43</b>		<b>34.43</b>	
<b>Tax expense at the standard rate</b>	<b>(382)</b>	<b>34.43</b>	<b>(403)</b>	<b>34.43</b>
Difference in tax rates between countries	22	(2.0)	50	(4.3)
<i>Impact of:</i>				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(23)	2.1	(16)	1.4
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	133	(12.0)	7	(0.6)
Remeasurement of deferred tax assets on US tax loss carry-forwards	299	(26.9)		
Impact of the change in the US federal tax rate	(295)	26.6		
Utilization of previously unrecognized tax loss carry-forwards	5	(0.4)	4	(0.3)
Prior year adjustments	1	(0.1)	3	(0.2)
Taxes not based on taxable profit	(53)	4.7	(43)	3.6
Permanent differences and other items	(10)	0.9	4	(0.3)
<b>Income tax expense and effective tax rate excluding tax expense due to the transitional impact of the US tax reform</b>	<b>(303)</b>	<b>27.3</b>	<b>(394)</b>	<b>33.7</b>
Tax expense due to the transitional impact of the US tax reform	-	-	(53)	4.5
<b>Income tax expense and effective tax rate after tax expense due to the transitional impact of the US tax reform</b>	<b>(303)</b>	<b>27.3</b>	<b>(447)</b>	<b>38.2</b>

In 2018, the "Taxes not based on taxable profit" primarily consists of:

- ▶ in France: the Corporate Value-Added Contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE),
- ▶ in the United States, certain State taxes and the "Transition Tax on Foreign Earnings",
- ▶ In Italy, the regional tax on productive activities (IRAP)

The tax expense of €53 million in 2018 due to the transitional impact of the US tax reform, based on current market interpretations of the related texts, comprises:

- ▶ the Base Erosion and Anti-abuse Tax (BEAT): this alternative tax is applicable from 2018. The tax rate is 5% in 2018, 10% from tax year 2019. The tax base is distinct from the corporate income tax base and includes certain payments to non-US Group





- entities, normally deductible for tax purposes. The resulting tax amount is compared with the standard income tax expense calculated at the standard rate after allocating tax loss carry-forwards, and the higher of the two amounts is payable;
- ▶ the tax on Global Intangible Low-Taxed Income (GILTI): inclusion in the taxable profits of US companies earnings, of the taxable profits of foreign subsidiaries in excess of a 10% of the fiscal value of the tangible assets of those subsidiaries. The federal tax rate is 21%. Except the entire offset of available tax losses carried forward, a 50% deduction is applied to the tax base and foreign tax credits deduction is possible.

As a reminder, tax loss carry-forwards in the United States are now fully recognized in the Group consolidated financial statements since December 31, 2017.



## NOTE 11 EARNINGS PER SHARE

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

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

### BASIC EARNINGS PER SHARE

	2017 restated	2018
Profit for the year attributable to owners of the Company (in millions of euros)	820	730
Weighted average number of ordinary shares outstanding	168,057,561	167,088,363
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>4.88</b>	<b>4.37</b>

### DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding during the year. The average share price in 2018 was €107.18.

In 2018, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- ▶ shares delivered in August 2018 to non-French employees under the 2014 performance share plan representing a weighted average of 398,792 shares.
- ▶ shares delivered in March 2018 to French employees and shares to be delivered in August 2019 for the non-French section, under the 2015 performance share plan, representing a weighted average of 650,675 shares. Since December 31, 2017, the only remaining condition applicable to these shares is the presence of the beneficiaries in the Group at the scheduled delivery date.
- ▶ shares delivered in March 2018 to French employees and shares available for grant under the share plan, the terms of which were approved by the Board of Directors on February 17, 2016, representing a weighted average of 131,500 shares and whose related presence conditions will be assessed in March 2020.
- ▶ shares available for grant under the performance share plan, the terms of which were approved by the Board of Directors on July 26, 2016, representing a weighted average of 1,538,625 shares and whose related performance conditions will be definitely assessed in August 2019.
- ▶ shares available for grant under the share plan, the terms of which were approved by the Board of Directors on July 26, 2017, representing a weighted average of 62,924 shares and whose related presence conditions will be definitely assessed in August 2020.
- ▶ shares available for grant under the performance share plan, the terms of which were approved by the Board of Directors on October 5, 2017, representing a weighted average of 1,481,700 shares and whose related performance conditions will be definitely assessed in October 2020.
- ▶ shares available for grant under the performance share plan, the terms of which were approved by the Board of Directors on October 3, 2018, representing a weighted average of 344,756 shares and whose related performance conditions will be definitely assessed in October 2021.



<i>in millions of euros</i>	2017 restated	2018
<b>Profit for the year attributable to owners of the Company</b>	<b>820</b>	<b>730</b>
<b>Diluted profit for the year attributable to owners of the Company</b>	<b>820</b>	<b>730</b>
Weighted average number of ordinary shares outstanding	168,057,561	167,088,363
<i>Adjusted for:</i>		
Performance shares and free shares available for exercise	4,024,561	4,608,972
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b>172,082,122</b>	<b>171,697,335</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>4.76</b>	<b>4.25</b>

## NORMALIZED EARNINGS PER SHARE

<i>in millions of euros</i>	2017 restated	2018
<b>Profit for the year attributable to owners of the Company</b>	<b>820</b>	<b>730</b>
Other operating income and expenses, net of tax calculated at the effective tax rate	226	229
<b>Normalized profit for the year attributable to owners of the Company</b>	<b>1,046</b>	<b>959</b>
Weighted average number of ordinary shares outstanding	168,057,561	167,088,363
<b>NORMALIZED EARNINGS PER SHARE (in euros)</b>	<b>6.22</b>	<b>5.74</b>

In fiscal year 2018, the Group recognized an income tax expense of €53 million in respect of the transitional impact of the US tax reform, reducing normalized earnings per share by €0.32. Excluding this income tax charge, 2018 normalized earnings per share would have been €6.06:

<i>in millions of euros</i>	2017 restated	2018
<b>NORMALIZED EARNINGS PER SHARE (in euros)</b>	<b>6.22</b>	<b>5.74</b>
Tax expense due to the transitional impact of the US tax reform	-	53
Weighted average number of ordinary shares outstanding	168,057,561	<b>167,088,363</b>
Impact of the tax expense due to the transitional impact of the US tax reform	-	0.32
<b>NORMALIZED EARNINGS PER SHARE – excl. the impact of the tax expense due to the transitional impact of the US tax reform (in euros)</b>	<b>6.22</b>	<b>6.06</b>



## NOTE 12 EQUITY

### Incentive instruments and employee share ownership

#### a) Instruments granted to employees

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

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

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

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

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

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

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

#### b) Instruments proposed to employees

##### Employee savings plan

Leveraged employee share ownership plans offering the possibility to subscribe for shares at a discounted preferential rate have been set up by the Group. When determining the IFRS 2 expense measuring the benefit granted to employees, the Group adjusts the amount of the discount granted to employees on the subscription price based on the following two items:

- ▶ the cost of the non-transferability of shares granted to employees during a period of five years. This cost is measured taking account of the five-year lock-in period. It corresponds to the cost of a two-stage strategy under which the market participant enters into a forward sale effective at the end of the five-year lock-in period and simultaneously borrows the amount necessary to buy a share available for immediate transfer. This borrowing is financed with the proceeds from the forward sale of the share and the dividends received during the lock-in period. This cost is calculated based on the following assumptions:
  - the subscription price is set by the Chairman and Chief Executive Officer pursuant to the powers delegated by the Board of Directors. This subscription price is equal to the average Capgemini SE share price, weighted for volumes, during the twenty trading days preceding the decision of the Chairman and Chief Executive Officer, to which a discount is applied,
  - the grant date is the date at which employees are fully informed of the specific characteristics and terms and conditions of the offer and particularly the subscription price,
  - the loan rate granted to employees and used to determine the cost of the non-transferability of shares, is the rate at which a bank would grant a consumer loan repayable on maturity without allocation, to a private individual with an average risk profile, for a term corresponding to the term of the plan;
- ▶ the opportunity gain reflecting the possibility granted to employees to benefit from market terms and conditions identical to those of the Group.

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

### Treasury shares

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

### Derivative instruments on own shares

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



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

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

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

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

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

The Combined Shareholders' Meetings of May 23, 2013, May 6, 2015, May 18, 2016, May 10, 2017 and then May 23, 2018 authorized the Board of Directors to grant shares to a certain number of Group employees, on one or several occasions and within a maximum period of 18 months, subject to performance and/or presence conditions. On July 30, 2014, July 29, 2015, February 17, 2016, July 26, 2016, July 26, 2017, October 5, 2017 and October 3, 2018, the Board of Directors approved the terms and conditions and the list of beneficiaries of these seven plans.

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



### July 2014 Plan

Maximum number of shares that may be granted	1,590,639 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,290,500 <sup>(1)</sup>
Date of Board of Directors' decision	July 30, 2014
Performance assessment dates	Three years for the internal performance condition and two years for the external performance condition
Vesting period	2 years as from the grant date (France) or four years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	4 years
Main market conditions at the grant date	
<i>Volatility</i>	26.33%
<i>Risk-free interest rate</i>	0.34% - 0.81%
<i>Expected dividend rate</i>	2.31%
Other conditions	
<i>Performance conditions</i>	Yes (see below)
<i>Employee presence within the Group at the vesting date</i>	Yes
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values (in euros)	
<i>Free shares (per share and in euros)</i>	n/a
<i>Performance shares (per share and in euros)</i>	26.46 – 48.26
<i>Of which corporate officers</i>	29.32
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and presence)
	697,500
	<i>o/w to corporate officers</i>
	-
	Number of shares subject to performance and/or presence conditions granted during the year
	-
	<i>o/w to corporate officers</i>
	-
Change during the period	Number of shares forfeited or canceled during the year
	24,250
	Number of shares vested during the year
	673,250
Number of shares at December 31, 2018	that may vest under the plan in respect of shares previously granted, subject to conditions (presence only)
	-
Weighted average number of shares	398,792
Share price at the grant date (in euros)	53.35



	July 2015 Plan	February 2016 Plan
Maximum number of shares that may be granted	1,721,759 shares	1,721,815 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	1,068,550 <sup>(1)</sup>	180,500 <sup>(5)</sup>
Date of Board of Directors' decision	July 29, 2015	February 17, 2016
Performance assessment dates	Three years for the two conditions	Presence condition only
Vesting period	2 years and 7 months as from the grant date (France) or 4 years as from the grant date (other countries)	2 years as from the grant date (France) or four years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	3 years	2 years
Main market conditions at the grant date		
<i>Volatility</i>	24.54%	n/a
<i>Risk-free interest rate</i>	0.10% - 0.55%	0.15% - 0.03%
<i>Expected dividend rate</i>	1.60%	1.60%
Other conditions		
<i>Performance conditions</i>	Yes (see below)	n/a
<i>Employee presence within the Group at the vesting date</i>	Yes	
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions	n/a
Range of fair values (in euros)		
<i>Free shares (per share and in euros)</i>	n/a	55.45 – 57.59
<i>Performance shares (per share and in euros)</i>	61.73 – 82.18	n/a
<i>Of which corporate officers</i>	56.66	-
Number of shares at December 31, 2017	955,598	144,050
	<i>o/w to corporate officers</i>	
	40,000 <sup>(1)</sup>	-
	Number of shares subject to performance and/or presence conditions granted during the year	
	-	-
	<i>o/w to corporate officers</i>	
	-	-
Change during the period	Number of shares forfeited or canceled during the year	
	36,015	18,100
	Number of shares vested during the year	
	326,291 <sup>(3)</sup>	7,000 <sup>(6)</sup>
Number of shares at December 31, 2018	593,292 <sup>(2)</sup>	118,950 <sup>(4)</sup>
	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	
Weighted average number of shares	650,675	131,500
Share price at the grant date (in euros)	87.60	71.61



### July 2016 Plan

Maximum number of shares that may be granted	1,721,815 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,663,500 <sup>(1)</sup>
Date of Board of Directors' decision	July 26, 2016
Performance assessment dates	Three years for the two conditions
Vesting period	3 years and a week as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years
Main market conditions at the grant date	
<i>Volatility</i>	26.35%
<i>Risk-free interest rate</i>	0.2% - 0.17%
<i>Expected dividend rate</i>	1.60%
Other conditions	
<i>Performance conditions</i>	Yes (see below)
<i>Employee presence within the Group at the vesting date</i>	Yes
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values (in euros)	
<i>Free shares (per share and in euros)</i>	n/a
<i>Performance shares (per share and in euros)</i>	54.02 – 77.1
<i>Of which corporate officers</i>	52.68
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 1,575,050 o/w to corporate officers 42,000 <sup>(1)</sup>
	Number of shares subject to performance and/or presence conditions granted during the year - o/w to corporate officers -
Change during the period	Number of shares forfeited or canceled during the year 72,850 Number of shares vested during the year -
Number of shares at December 31, 2018	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 1,502,200 <sup>(7)</sup>
Weighted average number of shares	1,538,625
Share price at the grant date (in euros)	83.78





	July 2017 Plan	October 2017 Plan
Maximum number of shares that may be granted	1,691,496 shares	1,691,496 shares
% of share capital at the date of the Board of Directors' decision	1%	1%
Total number of shares granted	63,597 <sup>(8)</sup>	1,522,500 <sup>(10)</sup>
Date of Board of Directors' decision	July 26, 2017	October 5, 2017
Performance assessment dates	Presence condition only	Three years for the two conditions
Vesting period	3 years and 1 week as from the grant date (other countries)	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	n/a	2 years
Main market conditions at the grant date		
<i>Volatility</i>	<i>n/a</i>	<i>25.65%</i>
<i>Risk-free interest rate</i>	<i>-0.25% / - 0.04%</i>	<i>-0.17% / + 0.90%</i>
<i>Expected dividend rate</i>	<i>1.60%</i>	<i>1.60%</i>
Other conditions		
<i>Performance conditions</i>	<i>n/a</i>	<i>Yes (see below)</i>
<i>Employee presence within the Group at the vesting date</i>	<i>Yes</i>	
Pricing model used to calculate the fair value of shares	<i>n/a</i>	<i>Monte Carlo for performance shares with external (market) conditions</i>
Range of fair values (in euros)		
<i>Free shares (per share and in euros)</i>	<i>89.05</i>	<i>86.98 – 93.25</i>
<i>Performance shares (per share and in euros)</i>	<i>n/a</i>	<i>62.02 – 93.25</i>
<i>Of which corporate officers</i>	<i>-</i>	<i>66.38</i>
Number of shares at December 31, 2017	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 63,597	1,505,200
	<i>o/w to corporate officers</i>	<i>35,000 <sup>(1)</sup></i>
	<i>-</i>	<i>-</i>
	Number of shares subject to performance and/or presence conditions granted during the year	-
	<i>-</i>	<i>-</i>
	<i>o/w to corporate officers</i>	<i>-</i>
Change during the period	<i>-</i>	<i>-</i>
	Number of shares forfeited or canceled during the year	47,000
	1,346	
	Number of shares vested during the year	-
	<i>-</i>	<i>-</i>
Number of shares at December 31, 2018	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) 62,251 <sup>(8)</sup>	1,458,200 <sup>(9)</sup>
Weighted average number of shares	62,924	1,481,700
Share price at the grant date (in euros)	94.20	100.25



### October 2018 Plan

Maximum number of shares that may be granted	1,688,170 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,384,530 <sup>(11)</sup>
Date of Board of Directors' decision	October 3, 2018
Performance assessment dates	Three years for the two conditions
Vesting period	3 years as from the grant date (France) or 4 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	2 years
Main market conditions at the grant date	
<i>Volatility</i>	23.29%
<i>Risk-free interest rate</i>	-0.109% / 0.2429%
<i>Expected dividend rate</i>	1.60%
Other conditions	
<i>Performance conditions</i>	Yes (see below)
<i>Employee presence within the Group at the vesting date</i>	Yes
Pricing model used to calculate the fair value of shares	Monte Carlo for performance shares with external (market) conditions
Range of fair values (in euros)	
<i>Free shares (per share and in euros)</i>	96.86 – 104.92
<i>Performance shares (per share and in euros)</i>	63.95 – 104.92
<i>Of which corporate officers</i>	80.32
	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)
Number of shares at December 31, 2017	-
	<i>o/w to corporate officers</i>
	-
	Number of shares subject to performance and/or presence conditions granted during the year
	1,384,530
	<i>o/w to corporate officers</i>
	61,000 <sup>(1)</sup>
Change during the period	Number of shares forfeited or canceled during the year
	11,015
	Number of shares vested during the year
	-
Number of shares at December 31, 2018	that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)
	1,373,515 <sup>(12)</sup>
Weighted average number of shares	344,756
Share price at the grant date (in euros)	112.35

(1) Grant subject to performance conditions only;

(2) In respect of the "foreign" plan only; these amounts include a 4% discount on the external performance condition as the performance of the Capgemini SE share compared with the basket of comparable securities and the CAC40 index is between 109 and 110% of the average performance of the basket;

(3) In respect of the "French" plan only; these amounts include a 4% discount on the external performance condition as the performance of the Capgemini SE share compared with the basket of comparable securities and the CAC40 index is between 109 and 110% of the average performance of the basket;

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

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

(6) In respect of the "French" plan only;

(7) Of which 433,050 shares in respect of the "French" plan and 1,069,150 shares in respect of the "foreign" plan;

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

(9) Of which 447,600 shares in respect of the "French" plan and 1,010,600 shares in respect of the "foreign" plan;

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

(11) Grant subject to performance conditions only, except for 124,955 shares subject to presence conditions only;

(12) Of which 408,850 shares in respect of the "French" plan and 964,665 shares in respect of the "foreign" plan.



## a) Shares vested under the 2014, 2015 and February 2016 plans

The assessment of performance conditions under the 2014 plan led to the grant of shares representing 100% of the initial allocation. Satisfaction of the presence condition at the end of July 2018 therefore led to the vesting on August 1, 2018 of 673,250 shares to beneficiaries not tax resident in France.

The assessment of performance conditions under the 2015 plan concluded the internal performance condition was 100% attained and the external performance condition was 96% attained. Satisfaction of the presence condition at the end of February 2018 led to the vesting of 326,291 shares on March 1, 2018.

The assessment of the presence conditions under February 2016 plan led to the vesting of 7,000 shares on March 1, 2018 under the February 2016 plan.

## b) Performance conditions of plans

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

The following internal and external performance conditions apply:

Under the 2012 to 2017 plans, the external performance condition accounts for 50% of the grant calculation as does the internal performance condition.

### External performance condition

The terms of the external performance condition were tightened for the 2016 to 2018 plans, compared with the preceding plans under which shares began to vest from a Capgemini SE share performance of at least 90% of the basket.

Accordingly, since 2016, under these plans:

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

The composition of the benchmark basket changed as follows:

- ▶ 2014, 2015 and 2016 Plans: Accenture / CSC / Atos / Tieto / CAC 40 index / CGI Group / Infosys / Sopra / Cognizant. Listing of the CSC security was ceased on April 1, 2017 and it was therefore replaced in the basket by the Euro Stoxx 600 Technology index since April 1, 2017 and for 2015 and 2016 plans;
- ▶ 2017 and 2018 Plans: the basket comprises the following companies: Accenture / Indra / Atos / Tieto / CGI Group / Infosys / Sopra Steria / Cognizant and two indices, the CAC 40 index and the Euro Stoxx 600 Technology index.

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

### Internal performance condition

The internal performance condition is based on the generation of organic free cash flow\* (OFCF) over a three-year period encompassing fiscal years 2015 to 2017 for the 2015 plan, fiscal years 2016 to 2018 for the 2016 plan, fiscal years 2017 to 2019 for the 2017 plan and fiscal years 2018 to 2020 for the 2018 plan. Accordingly:

- ▶ no shares will be granted in respect of the internal performance condition if the cumulative increase in organic free cash flow over the reference period is less than €1,750 million for the 2015 plan, €2,400 million for the 2016 plan, €2,900 million for the 2017 plan and €3,000 million for the 2018 plan;
- ▶ 100% of the initial internal allocation will be granted if organic free cash flow is equal to or exceeds €2,000 million for the 2015 plan, €2,700 million for the 2016 plan, €3,200 million for the 2017 plan and €3,250 million for the 2018 plan.



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

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

## Inclusion of a new CSR performance condition in 2018

The Board of Directors' meeting of March 13, 2018 wished to align the performance conditions with the Group's strategic priorities by proposing the inclusion of a performance condition based on diversity and sustainable development objectives reflecting the Group's Corporate, Social and Environmental Responsibility strategy.

### Overview of performance conditions applicable to beneficiaries

Performance condition	Weighting applied for managers*	Weighting applied for other beneficiaries	Percentage of the grant determined by each performance condition
<b>Market condition: Performance of the Capgemini SE share</b> over a three-year period	35%	15%	<ul style="list-style-type: none"> <li>0% if &lt;100% of the average performance of the basket</li> <li>50% to 100% between 100% and 110% of the average performance of the basket over the reference period</li> </ul>
<b>Financial condition: Organic free cash flow</b> For the three-year cumulative period from January 1, 2018 to December 31, 2020	50%	70%	<ul style="list-style-type: none"> <li>0% if &lt; €3,000 million</li> <li>30% to 100% between €3,000 and €3,250 million over the reference period</li> </ul>
<b>CSR condition comprising two objectives:</b> Diversity: increase in the number of female Vice Presidents over a three-year period	7.5%	7.5%	<ul style="list-style-type: none"> <li>0% if the % of women becoming Vice-President through external recruitment or internal promotion is &lt;20%</li> <li>30% to 100% if this percentage is between 20% and 25% over the reference period</li> </ul>
Reduction in the carbon footprint in 2020 compared with 2015	7.5%	7.5%	<ul style="list-style-type: none"> <li>0% if &lt;20% reduction in greenhouse gas emissions/person</li> <li>40% to 100% if the reduction in greenhouse gas emissions/person in 2020 is between 20% and 22% compared with reference emissions in 2015</li> </ul>

\* Executive corporate officers (Chairman and Chief Executive Officer and Chief Operating Officers), members of the General Management Team and key executive managers of the Group.

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

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

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

The Group set up an employee share ownership plan (ESOP 2017) in the second-half of 2017. On December 18, 2017, the Group issued 3,600,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €320 million net of issue costs. The total cost of this employee share ownership plan in 2017 was €2.2 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

## E) International Employee Share Ownership Plan – ESOP 2018

Pursuant to the 24<sup>th</sup> and 25<sup>th</sup> resolutions adopted by the Combined Shareholders' Meeting of May 23, 2018, the Group set up an employee share ownership plan (ESOP 2018) in the second-half of 2018. Nearly 200,000 Group employees in 24 countries, representing approximately 98% of the Group headcount, were invited to subscribe for Capgemini SE shares. Under the plan, a minimum length of service of three months was required at November 15, 2018, acquired consecutively or not since January 1, 2017 to qualify as a candidate for subscription. This leveraged plan offered employees the possibility of subscribing at a discounted preferential rate and, via a bank which secured and supplemented the investment so that the total amount invested represented ten times the personal contribution of the employee, potentially generating a greater capital gain than would have been the case had it been calculated based solely on the employee's personal contribution. In return, the employee waives a portion of any increase in the price of shares subscribed on his behalf, as well as dividends and other financial rights that could be paid on these shares throughout the entire term of the plan. In addition, the shares will be unavailable for a period of five years (except for cases of early release covered by plan rules in accordance with applicable legislation).



This employee share ownership plan (ESOP 2018) includes a 12.5% discount. Under the delegation of authority granted by the Board of Directors, the subscription price was set at € 92.28 by the Chairman and Chief Executive Officer on November 12, 2018. This price corresponds to the daily average Capgemini SE share price, weighted for volumes, over the twenty stock market trading days preceding the Chairman and Chief Executive Officer's decision, less a 12.5% discount.

On December 18, 2018, the Group issued 2,500,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €230 million net of issue costs. . Due to the high over-subscription rate for the ESOP 2018 and the applicable reduction rules favoring the largest number of employees, Messrs. Paul Hermelin, Aiman Ezzat and Thierry Delaporte subscribed for shares in the amount of €10,782.74, €10,366.53 and €4,284.99, respectively, through the Capgemini Employee Savings Mutual Fund (FCPE).

In those countries where the leverage through an FCPE or directly in the employee's name has been possible, the IFRS 2 expense is nil, as the cost of non-transferability to the participant is greater than the total discount at the date of grant plus the opportunity gain. The IFRS 2 expense of €1.3 million is attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the introduction of a leveraged plan through an FCPE or directly in the employee's name is not possible or relevant.

Finally, it should also be noted that a decrease of 0.5 points in the employee financing rate would not impact the IFRS 2 expense, as the non-transferability cost would remain greater than the total discount at the grant date. This similarly applies to an increase of 0.5 points in the retail rate/institutional rate volatility difference, as the cost of non-transferability would still be greater than the total discount at the date of grant plus the opportunity gain.

The table below presents the main features of the ESOP 2018 employee share ownership plan, the amounts subscribed and the pricing assumptions (excluding SAR):

<b>Plan features</b>	
Grant date	November 12, 2018
Plan maturity (in years)	5
Base price (in euros)	105.46
Subscription price (in euros)	92.28
Par value discount (in %)	12.5%
Share price at the grant date (in euros)	106.70
(a) Total discount at the grant date (in %)	13.51%
Amount subscribed by employees (in millions of euros)	23.1
Total amount subscribed (in millions of euros)	230.7
Total number of shares subscribed	2,500,000
<b>Pricing assumptions</b>	
Employee financing rate	4.15%
5-year risk-free interest rate	0.33%
Repo and reverse repo rates	0.40%
Retail rate / Institutional rate volatility difference	5.08%
(b) Cost to the participant of non-transferability (in %)	17.97%
(c) Opportunity gain (in %)	2.13%
Total cost for the Group (in %) (a-b+c) <sup>(1)</sup>	-

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

Pursuant to the share purchase agreement signed on September 24, 2018 with an investment services provider, which is also the institution managing the ESOP 2018 employee share ownership plan, Capgemini SE purchased 2,500,000 of its own shares for a consideration of €264 million to neutralize the dilution related to this plan. All of these shares were canceled at the same time as the share capital increase on December 18, 2018.



## IMPACT OF INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS

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

<i>in millions of euros</i>	Note	2017 restated		2018	
		Expense of the period	Residual amount to be amortized in future periods	Expense of the period	Residual amount to be amortized in future periods
<b>EXPENSE ON INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS</b>	<b>8</b>	<b>71</b>	<b>217</b>	<b>91</b>	<b>242</b>

### F) Employee incentive instruments - IGATE

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

	2015 Plan
Vesting period	One, two or three years for the market condition and three years for the internal condition
Number of Performance Units at December 31, 2017 that may vest under the plan in respect of Performance Units previously granted subject to performance and presence conditions	41,872
Number of Performance Units subject to performance and presence conditions granted during the year	-
Number of Performance Units forfeited or cancelled during the year	17,835
Number of Performance Units vested during the year	7,345
Number of Performance Units at December 31, 2018 that may vest under the plan in respect of Performance Units previously granted subject to performance and presence conditions	16,692
Main market conditions at the grant date	
<i>Risk-free interest rate</i>	0.35%
<i>Expected dividend rate</i>	1.60%
Fair value in euros (per unit)	€56.30

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

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



- ▶ in addition, PUs vesting in the first three years are subject to a final adjustment clause tied to the change in the Capgemini SE share price between the vesting dates and July 1, 2019.

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

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

The external condition was only satisfied 44% at the third vesting date, resulting in the vesting of 7,345 PUs and the cancellation of 17,835 PUs for this third tranche, including the impact of failure to satisfy the presence condition.

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

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

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

At December 31, 2018, treasury shares were deducted from consolidated equity in the amount of €50 million. These consist of (i) 205,000 shares purchased under the share buyback program and (ii) 298,242 shares held under the liquidity agreement (the associated liquidity line is €2 million) and the contractual holding system for key employees of American activities.

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

The Group's capital management strategy is designed to maintain a strong capital base in view of supporting the continued development of its business activities and delivering a return to shareholders, while adopting a prudent approach to debt. At December 31, 2018, the Group had net debt\* of €1,184 million (compared with €1,209 million at December 31, 2017). In order to best manage the structure of its capital, the Group can notably issue new shares, buy back its own shares, adjust the dividend paid to shareholders or enter into derivative instruments on its own shares.

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

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

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Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, in 2018 the Group's consolidated financial statements are particularly impacted by fluctuations in the US dollar, generating a positive impact on foreign exchange translation reserves as a result of the appreciation of the US dollar against the euro and in the Indian rupee, generating a negative impact on foreign exchange translation reserves resulting from the depreciation of the Indian rupee against the euro.

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





## NOTE 13 GOODWILL AND INTANGIBLE ASSETS

### Goodwill

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

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

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

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

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

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

### Customer relationships

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

### Licenses and software

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

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





<i>in millions of euros</i>	Goodwill	Customer relationships	Licenses and software <sup>(2)</sup>	Other intangible assets <sup>(2)</sup>	Total
<b>GROSS</b>					
<b>At January 1, 2017<sup>(2)</sup></b>	<b>7,279</b>	<b>835</b>	<b>439</b>	<b>314</b>	<b>8,867</b>
Translation adjustments	(621)	(91)	(14)	(10)	(736)
Acquisitions / Increase	-	-	26	-	26
Internal developments	-	-	26	13	39
Disposals / Decrease	-	(2)	(6)	(1)	(9)
Business combinations	267	15	1	1	284
Other movements	-	(3)	(9)	(43)	(55)
<b>At December 31, 2017<sup>(2)</sup></b>	<b>6,925</b>	<b>754</b>	<b>463</b>	<b>274</b>	<b>8,416</b>
Translation adjustments	205	31	(2)	(4)	230
Acquisitions / Increase	-	-	42	-	42
Internal developments	-	-	-	12	12
Disposals / Decrease	-	-	(34)	(5)	(39)
Business combinations	392	70	2	9	473
Other movements	-	(20)	10	(9)	(19)
<b>At December 31, 2018</b>	<b>7,522</b>	<b>835</b>	<b>481</b>	<b>277</b>	<b>9,115</b>

#### ACCUMULATED AMORTIZATION AND IMPAIRMENT <sup>(1)</sup>

<b>At January 1, 2017<sup>(2)</sup></b>	<b>103</b>	<b>288</b>	<b>326</b>	<b>161</b>	<b>878</b>
Translation adjustments	(8)	(29)	(11)	(2)	(50)
Charges and provisions	-	64	45	16	125
Reversals	-	(2)	(6)	-	(8)
Business combinations	-	-	1	-	1
Other movements	-	(3)	(6)	(32)	(41)
<b>At December 31, 2017<sup>(2)</sup></b>	<b>95</b>	<b>318</b>	<b>349</b>	<b>143</b>	<b>905</b>
Translation adjustments	(4)	8	(2)	-	2
Charges and provisions	-	67	52	17	136
Reversals	-	-	(33)	(4)	(37)
Business combinations	-	-	2	-	2
Other movements	-	(21)	6	(6)	(21)
<b>At December 31, 2018</b>	<b>91</b>	<b>372</b>	<b>374</b>	<b>150</b>	<b>987</b>

#### NET

<b>At December 31, 2017<sup>(2)</sup></b>	<b>6,830</b>	<b>436</b>	<b>114</b>	<b>131</b>	<b>7,511</b>
<b>At December 31, 2018</b>	<b>7,431</b>	<b>463</b>	<b>107</b>	<b>127</b>	<b>8,128</b>

(1) Goodwill is subject to impairment only.

(2) Certain amounts were transferred from "Licenses and software" to "Other intangible assets" at January 1, 2017 in line with the fiscal year 2018 presentation. These reclassifications had no impact on net profit or net cash flows.



The amounts shown in “Business combinations” for Goodwill and Customer relationships come mainly from the acquisition of LiquidHub, Inc acquired during 2018 (See Note 2 – Consolidation principles and Group structure).

## INTANGIBLE ASSETS BY GEOGRAPHIC AREA

<i>in millions of euros</i>	December 31, 2017		December 31, 2018	
	Net carrying amount	Acquisitions during the period	Net carrying amount	Acquisitions during the period
North America	329	7	367	4
France	98	38	91	32
United Kingdom and Ireland	83	9	82	12
Rest of Europe	25	5	22	2
Asia-Pacific and Latin America	146	6	135	4
<b>INTANGIBLE ASSETS</b>	<b>681</b>	<b>65</b>	<b>697</b>	<b>54</b>



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

### Property, plant and equipment

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

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

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

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

Buildings	20 to 40 years
Fixtures and fittings	10 years
Computer equipment	3 to 5 years
Office furniture and equipment	5 to 10 years
Vehicles	5 years
Other equipment	5 years

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

The sale of property, plant and equipment gives rise to disposal gains and losses corresponding to the difference between the selling price and the net carrying amount of the relevant asset.

### Finance leases

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

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



<i>in millions of euros</i>	Land, buildings and fixtures and fittings	Computer equipment	Other PP&E	Total
<b>GROSS</b>				
<b>At January 1, 2017</b>	<b>946</b>	<b>748</b>	<b>279</b>	<b>1,973</b>
Translation adjustments	(39)	(26)	(16)	(81)
Acquisitions / Increase	103	97	20	220
Disposals / Decrease	(14)	(74)	(8)	(96)
Business combinations	2	6	1	9
Other movements	(39)	(7)	38	(8)
<b>At December 31, 2017</b>	<b>959</b>	<b>744</b>	<b>314</b>	<b>2,017</b>
Translation adjustments	(16)	(6)	(7)	(29)
Acquisitions / Increase	75	99	52	226
Disposals / Decrease	(88)	(147)	(20)	(255)
Business combinations	3	5	3	11
Other movements	6	(15)	-	(9)
<b>At December 31, 2018</b>	<b>939</b>	<b>680</b>	<b>342</b>	<b>1,961</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
<b>At January 1, 2017</b>	<b>457</b>	<b>566</b>	<b>196</b>	<b>1,219</b>
Translation adjustments	(14)	(20)	(11)	(45)
Charges and provisions	48	97	31	176
Reversals	(13)	(58)	(7)	(78)
Business combinations	1	4	1	6
Other movements	(21)	(8)	19	(10)
<b>At December 31, 2017</b>	<b>458</b>	<b>581</b>	<b>229</b>	<b>1,268</b>
Translation adjustments	(4)	(4)	(5)	(13)
Charges and provisions	49	88	29	166
Reversals	(87)	(141)	(18)	(246)
Business combinations	1	4	2	7
Other movements	3	(8)	(1)	(6)
<b>At December 31, 2018</b>	<b>420</b>	<b>520</b>	<b>236</b>	<b>1,176</b>
<b>NET</b>				
<b>At December 31, 2017</b>	<b>501</b>	<b>163</b>	<b>85</b>	<b>749</b>
<b>At December 31, 2018</b>	<b>519</b>	<b>160</b>	<b>106</b>	<b>785</b>



## PROPERTY, PLANT AND EQUIPMENT PURCHASED UNDER FINANCE LEASE

<i>Net (in millions of euros)</i>	2017	2018
<b>At January 1</b>	<b>107</b>	<b>101</b>
Translation adjustments	(3)	-
Acquisitions / Increase	44	35
Disposals / Decrease	(1)	(1)
Charges and provisions	(46)	(44)
Business combinations	-	1
Other movements	-	(21)
<b>At December 31</b>	<b>101</b>	<b>71</b>

## PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA

<i>in millions of euros</i>	December 31, 2017		December 31, 2018	
	Net carrying amount	Acquisitions of the period <sup>(1)</sup>	Net carrying amount	Acquisitions of the period <sup>(1)</sup>
North America	44	26	52	25
France	154	37	167	49
United Kingdom and Ireland	39	20	30	7
Rest of Europe	87	33	88	42
Asia-Pacific and Latin America	425	104	448	103
<b>PROPERTY, PLANT AND EQUIPMENT <sup>(1)</sup></b>	<b>749</b>	<b>220</b>	<b>785</b>	<b>226</b>

<sup>(1)</sup> Total acquisitions of property, plant and equipment differ from the figure reported in the Statement of Cash Flows, which excludes acquisitions of assets held under finance leases.



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

### Cash-generating units

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

### Asset impairment tests

Intangible assets and property, plant and equipment with a definite useful life are tested for impairment when there is an indication at the period end that their recoverable amount may be less than their carrying amount. Goodwill and assets with an indefinite useful life are tested for impairment at least once a year.

The impairment test consists of assessing the recoverable amount of each asset or group of assets generating cash flows that are separate from the cash flows generated by other assets or groups of assets (cash-generating units or CGU).

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

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

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

### GOODWILL PER CASH-GENERATING UNIT

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

<i>in millions of euros</i>	December 31, 2017			December 31, 2018		
	Gross value	Impairment	Net carrying amount	Gross value	Impairment	Net carrying amount
North America	2,129	(7)	2,122	2,581	(8)	2,573
France	1,431	(1)	1,430	1,479	(1)	1,478
United Kingdom and Ireland	928	-	928	968	-	968
Benelux	964	(12)	952	977	(12)	965
Southern Europe	121	-	121	144	-	144
Nordic countries	296	-	296	301	-	301
Germany and Central Europe	393	(31)	362	402	(31)	371
Asia-Pacific	514	-	514	535	-	535
Latin America	149	(44)	105	135	(39)	96
<b>GOODWILL</b>	<b>6,925</b>	<b>(95)</b>	<b>6,830</b>	<b>7,522</b>	<b>(91)</b>	<b>7,431</b>

The increase of Goodwill gross value comes mainly from the acquisitions realized during 2018 (see Note 2 – Consolidation principles and Group structure).

Goodwill was tested for impairment at December 31, 2018 in line with the Group valuation procedure for such assets.



The main assumptions used were as follows:

	December 31, 2018	
	Long-term growth rate	Discount rate
North America	3.0%	7.7%
Latin America	6.0%	12.4%
United Kingdom and Ireland	2.8%	7.0%
Continental Europe	2.5%	6.5%
Asia-Pacific	4.5%	13.1%

No impairment losses were recognized at December 31, 2018 as a result of these impairment tests.

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

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

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

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



## NOTE 16 DEFERRED TAXES

Deferred taxes are:

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

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

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

### RECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets and movements therein break down as follows:

<i>in millions of euros</i>	Note	Tax loss carry- forwards	Temporary differences on amortizable goodwill	Provisions for pensions and other post- employment benefits	Other deductible temporary differences	Total deferred tax assets
<b>At January 1, 2017</b>		<b>892</b>	<b>169</b>	<b>281</b>	<b>131</b>	<b>1,473</b>
Business combinations		1	-	-	(3)	(2)
Translation adjustments		(77)	(10)	(9)	(9)	(105)
Deferred tax recognized in the Income Statement	10	(63)	(39)	-	38	(64)
Deferred tax recorded in income and expense recognized in equity		18	-	(17)	-	1
Other movements, including offset with deferred tax liabilities		(8)	(2)	(9)	(1)	(20)
<b>At December 31, 2017</b>		<b>763</b>	<b>118</b>	<b>246</b>	<b>156</b>	<b>1,283</b>
Business combinations		-	-	-	3	3
Translation adjustments		23	(6)	(3)	(4)	10
Deferred tax recognized in the Income Statement	10	(187)	(25)	(10)	74	(148)
Deferred tax recorded in income and expense recognized in equity		15	-	(13)	2	4
Other movements, including offset with deferred tax liabilities		(2)	(2)	1	(21)	(24)
<b>At December 31, 2018</b>		<b>612</b>	<b>85</b>	<b>221</b>	<b>210</b>	<b>1,128</b>

Recognized tax loss carry-forwards total €612 million at December 31, 2018 (€763 million at December 31, 2017) and primarily concern the United States in the amount of €464 million (US\$ 532 million) and France in the amount of €123 million. As a reminder, tax loss carry-forwards in the United States are now fully recognized in the Group consolidated financial statements since December 31, 2017.





## UNRECOGNIZED DEFERRED TAX ASSETS

<i>At December 31 (in millions of euros)</i>	2017	2018
Deferred tax on tax loss carry-forwards	228	196
Deferred tax on other temporary differences	6	10
<b>UNRECOGNIZED DEFERRED TAX ASSETS</b>	<b>234</b>	<b>206</b>

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

<i>At December 31 (in millions of euros)</i>	2017		2018	
	Amount	%	Amount	%
Between 1 and 5 years	41	1	39	1
Between 6 and 10 years	1,256	35	1,031	35
Between 11 and 15 years	835	24	794	27
Beyond 15 years (definite expiry date)	112	3	44	1
Carried forward indefinitely	1,337	37	1,082	36
<b>TAX LOSS CARRY-FORWARDS (taxable base)</b>	<b>3,581</b>	<b>100</b>	<b>2,990</b>	<b>100</b>
<i>o/w recognized tax losses</i>	2,856	80	2,325	78



## DEFERRED TAX LIABILITIES

Deferred tax liabilities and movements therein break down as follows:

<i>in millions of euros</i>	Note	Tax-deductible goodwill amortization	Customer relationships	Other taxable temporary differences	Total deferred tax liabilities
<b>At January 1, 2017</b>		<b>67</b>	<b>58</b>	<b>102</b>	<b>227</b>
Business combinations		-	2	-	2
Translation adjustments		(5)	(7)	(4)	(16)
Deferred tax recognized in the Income Statement	10	(10)	(7)	(5)	(22)
Deferred tax recorded in income and expense recognized in equity		-	-	1	1
Other movements, including offset with deferred tax assets		(2)	-	(18)	(20)
<b>At December 31, 2017</b>		<b>50</b>	<b>46</b>	<b>76</b>	<b>172</b>
Business combinations		-	20	-	20
Translation adjustments		1	2	(2)	1
Deferred tax recognized in the Income Statement	10	3	(6)	12	9
Deferred tax recorded in income and expense recognized in equity		-	-	-	-
Other movements, including offset with deferred tax assets		(2)	(19)	(1)	(22)
<b>At December 31, 2018</b>		<b>52</b>	<b>43</b>	<b>85</b>	<b>180</b>



## NOTE 17 FINANCIAL INSTRUMENTS

Financial instruments consist of:

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

### a) Recognition of financial instruments

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

IFRS 9 provisions regarding the classification and measurement of financial assets are based on the Group's management model and the contractual terms of financial assets. Depending on their classification in the Consolidated Statement of Financial Position, financial assets and liabilities are subsequently measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost.

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss if held for trading.

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

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

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

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

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

### b) Derivative instruments

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

When operating or financial cash flow hedges are eligible for hedge accounting, changes in the fair value of the hedging instruments are recognized firstly in "Income and expense recognized in equity" and subsequently taken to operating profit or net financial expense when the hedged item itself impacts the Income Statement.

All changes in the value of hedging costs (time value of foreign exchange options and forward element of foreign exchange forward contracts) are recognized in a separate component of comprehensive income and released to profit or loss when then the hedged flow is realized.

Other derivative instruments are measured at fair value, with changes in fair value, estimated based on market rates or data provided by bank counterparties, recognized in the Income Statement at the reporting date.

### c) Fair value measurement

Fair value measurement methods for financial and non-financial assets and liabilities as defined above are classified according to the following three fair value levels:

- ▶ Level 1: fair values measured based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- ▶ Level 2: fair values measured using inputs other than quoted prices in active markets, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);



► Level 3: fair values of assets or liabilities measured using inputs that are not based on observable market data (unobservable inputs).

As far as possible, the Group applies Level 1 measurement methods.

## FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE HIERARCHY

The following table presents the net carrying amount of financial assets and liabilities and the fair value of financial instruments broken down according to the three classification levels defined above (except for financial instruments where the net carrying amount represents a reasonable approximation of fair value).

	Net carrying amount			Fair value		
		Hedge accounting	Fair value through profit or loss	Amortized cost	Level 1	Level 2
<b>December 31, 2018</b>						
<i>(in millions of euros)</i>						
<b>Financial assets</b>						
Shares in non-consolidated companies	18		1			1
Long-term deposits, receivables and other investments	18			120		
Other non-current assets	18			117		
Current and non-current asset derivative instruments	18 - 20	94			94	
Trade receivables and related accounts	19			3,279		
Other current assets	20			518		
Cash management assets	21		183		183	
Cash and cash equivalents	21		2,006		2,006	
<b>Financial liabilities</b>						
Bonds	21			3,259		
Obligations under finance leases	21			80		
Draw-downs on bank and similar facilities and other borrowings, net	21			16		
Liabilities related to acquisitions of consolidated companies <sup>(1)</sup>	26		106			106
Other current and non-current liabilities	26			166		
Current and non-current liability derivative instruments	26	36			36	
Accounts and notes payable	27			2,944		
Bank overdrafts	21			2		

(1) excluding € 104 million of put options granted to Caixa Participações and EMC as the fair value variations are shown in equity.



## NOTE 18 OTHER NON-CURRENT ASSETS

<i>At December 31 (in millions of euros)</i>	Note	2017 restated	2018
Long-term deposits, receivables and other investments		124	120
Shares in associates		4	45
Derivative instruments	23	53	20
Non-current tax receivables		72	79
Other		58	39
<b>OTHER NON-CURRENT ASSETS</b>	<b>22</b>	<b>311</b>	<b>303</b>

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

Shares in associates consist of the Group’s investment in Azqore (see Note 2 - Consolidation principles and Group structure).

Derivative instruments primarily consist of the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €19 million (current portion of €74 million, see Note 20 - Other current assets).

At December 31, 2018, “Non-current tax receivables” include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €38 million (€54 million at December 31, 2017).



## NOTE 19 TRADE RECEIVABLES, CONTRACT ASSETS AND CONTRACT COSTS

<i>At December 31 (in millions of euros)</i>	Note	2017 restated <sup>(1)</sup>	2018
Trade receivables		2,066	2,082
Provisions for doubtful accounts		(24)	(18)
Contract assets		1,029	1,123
<b>Trade receivables and contract assets excluding contract costs</b>	<b>22</b>	<b>3,071</b>	<b>3,187</b>
Contract costs	22	99	92
<b>TRADE RECEIVABLES, CONTRACT ASSETS AND CONTRACT COSTS</b>		<b>3,170</b>	<b>3,279</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

Total trade receivables and contract assets net of contract liabilities can be analyzed as follows in number of days' annual revenue:

<i>At December 31 (in millions of euros)</i>	Note	2017 restated <sup>(1)</sup>	2018
Trade receivables and contract assets excluding contract costs	22	3,071	3,187
Contract liabilities	22	(795)	(864)
<b>TRADE RECEIVABLE AND CONTRACT ASSETS NET OF CONTRACT LIABILITIES</b>		<b>2,276</b>	<b>2,323</b>
In number of days' annual revenue <sup>(1)</sup>		65	63

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

Changes in contract assets and liabilities in fiscal year 2018 are due to the following usual factors:

- ▶ timing differences between revenue recognition, billing and collection, leading to the recognition of trade receivables and contract assets (sales invoice accruals),
- ▶ the receipt of advances from customers, leading to the recognition of contract liabilities (advances from customers and billed in advance).

Client payments terms and conditions comply with local regulations in the countries where we operate and, where applicable, standard commercial practice and payment schedules defined contractually.

At December 31, 2018, receivables totaling €103 million were assigned with transfer of credit risk as defined by IFRS 9 to financial institutions (€99 million at December 31, 2017) and were therefore derecognized in the Statement of Financial Position at December 31, 2018.

### AGED ANALYSIS OF ACCOUNTS RECEIVABLE

The low bad debt ratio reflects the fact that most invoices are only issued after the client has validated the services provided. At end-2018, past due balances total €402 million (€411 million at December 31, 2017) and represent 19.4% of trade receivables less provisions for doubtful accounts (20.1% in 2017). The breakdown is as follows:

<i>in millions of euros</i>	< 30 days	> 30 days and < 90 days	> 90 days
<b>Net trade receivables</b>	<b>240</b>	<b>97</b>	<b>65</b>
As a % of trade receivables, net of provisions for doubtful accounts	11.6%	4.7%	3.1%

Past due balances concern customer accounts which are individually analyzed and monitored.

### CREDIT RISK

The Group's three largest clients contribute around 7% of Group revenues (compared with 7% in 2017). The Group's five largest clients contribute around 10% of Group revenues (compared with 10% in 2017). The top ten clients collectively account for 15% of Group revenues. The solvency of these major clients and the sheer diversity of the other smaller clients help limit credit risk. The economic environment could impact the business activities of the Group's clients, as well as the amounts receivable from these clients. However, the Group does not consider that any of its clients, business sectors or geographic areas present a significant credit risk that could materially impact the financial position of the Group as a whole.

An analysis of credit risk pursuant to IFRS 9 provisions did not identify any material impact.



## NOTE 20 OTHER CURRENT ASSETS

<i>At December 31 (in millions of euros)</i>	Notes	2017 restated	2018
Social security and tax-related receivables, other than income tax		259	246
Prepaid expenses		212	226
Derivative instruments	23	121	74
Other		65	46
<b>OTHER CURRENT ASSETS</b>	<b>22</b>	<b>657</b>	<b>592</b>

At December 31, 2018, Social security and tax-related receivables, other than income tax include research tax credit receivables and competitiveness and employment tax credit receivables in France in the amount of €125 million (€107 million at December 31, 2017), after recognition of research tax credit income and competitiveness and employment tax credit income in France deducted from operating expenses of €58 million (€60 million in 2017).



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

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

Net debt or net cash and cash equivalents comprise cash and cash equivalents as defined above, and cash management assets (assets presented separately in the Consolidated Statement of Financial Position due to their characteristics), less short- and long-term borrowings. Account is also taken of the impact of hedging instruments when these relate to borrowings and own shares.

<i>in millions of euros</i>	<b>2017 restated</b>	<b>2018</b>
Short-term investments	1,497	1,476
Cash at bank	491	530
Bank overdrafts	-	(2)
<b>Cash and cash equivalents</b>	<b>1,988</b>	<b>2,004</b>
<b>Cash management assets</b>	<b>168</b>	<b>183</b>
Bonds	(2,739)	(3,233)
Obligations under finance leases	(43)	(41)
Draw-downs on bank and similar facilities and other borrowings	(1)	-
<b>Long-term borrowings</b>	<b>(2,783)</b>	<b>(3,274)</b>
Bonds	(525)	(26)
Obligations under finance leases	(44)	(39)
Draw-downs on bank and similar facilities and other borrowings, net	(20)	(16)
<b>Short-term borrowings</b>	<b>(589)</b>	<b>(81)</b>
<b>Borrowings</b>	<b>(3,372)</b>	<b>(3,355)</b>
Derivative instruments	7	(16)
<b>NET DEBT (*)</b>	<b>(1,209)</b>	<b>(1,184)</b>

\* Net debt / Net cash and cash equivalents, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures.

### SHORT-TERM INVESTMENTS

At December 31, 2018, short-term investments mainly consist of mutual fund units, negotiable debt securities and term bank deposits, paying interest at standard market rates.

### CASH MANAGEMENT ASSETS

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

### BORROWINGS

#### A) Bonds

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

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

► 2015 Bond issue (July 2018):

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





The bond issue was redeemed by the Group at maturity on July 2, 2018.

► 2015 Bond issue (July 2020):

This tranche has a nominal amount of €1,250 million, comprising 12,500 bonds with a unit value of €100,000 each. The bonds mature on July 1, 2020 and pay an annual coupon of 1.75% (issue price 99.853%). The Group performed a partial bond swap in April 2018 (see below "April 2018 Bond issues").

► 2015 Bond issue (July 2023):

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

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

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

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

### b) 2016 Bond issue

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

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

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

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

### c) April 2018 Bond issues

On April 3, 2018, Capgemini SE performed a dual tranche bond issue for a total amount of €1,100 million, with a settlement/delivery date of April 18, 2018.

► 2024 Bond issue:

This tranche has a nominal amount of €600 million, comprising 6,000 bonds with a unit value of €100,000 each. The bonds mature on October 18, 2024 and pay an annual coupon of 1.00% (issue price 99.377%).

This tranche was fully subscribed by a bank in a debt swap transaction. In exchange for the new securities issued, the bank presented July 2020 bonds with a nominal value of €574.4 million acquired directly on the market through a Tender Offer.

This bond swap was recognized as a modification to a borrowing with the same counterparty, without any substantial change to the terms of the debt. Accordingly, at the swap date, the amortized cost of the modified debt in the balance sheet (the 2024 bond) represents the present value of future cash flows from this debt discounted at the effective interest rate of the original debt (the 2020 bond), after the add-back of transaction costs, of €564 million. The difference between the amortized cost of the original debt and the amortized cost of the modified debt is recognized in profit or loss (See Note 9 – Net financial expense).

► 2028 Bond issue:

This tranche has a nominal amount of €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds mature on April 18, 2028 and pay an annual coupon of 1.75% (issue price 99.755%).

These two bond issues are callable before their respective maturity dates by Capgemini SE, subject to certain conditions set out in the issue prospectus and particularly concerning the minimum redemption price.

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

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on April 10, 2018 under reference number no.18-126.



## IMPACT OF BONDS ON THE FINANCIAL STATEMENTS

At December 31 (in millions of euros)	2018					
	2015 Bond issues			2016 Bond issue	2018 Bond issues	
	(July 2018)	(July 2020)	(July 2023)		(October 2024)	(April 2028)
Equity component	n/a	n/a	n/a	n/a	n/a	n/a
Option component in respect of the embedded conversion option	n/a	n/a	n/a	n/a	n/a	n/a
Debt component at amortized cost, including accrued interest	-	680	1,010	498	569	502
Effective interest rate	0.6%	1.9%	2.6%	0.6%	2.0%	1.8%
Interest expense recognized in the Income Statement for the period	1	16	26	3	8	7
Nominal interest rate	0.5%	1.8%	2.5%	0.5%	1.0%	1.8%
Nominal interest expense (coupon)	1	15	25	2	4	7

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

## FAIR VALUE OF BONDS

At December 31 (in millions of euros)	2018				
	2015 Bond issues		2016 Bond issue	2018 Bond issues	
	(July 2020)	(July 2023)		(October 2024)	(April 2028)
Fair value	695	1,083	503	592	496
Market rate	0.4%	0.9%	0.3%	1.3%	2.0%

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



## B) Breakdown of borrowings by currency

<i>in millions of euros</i>	At December 31, 2017			At December 31, 2018		
	Euro	Other currencies	Total	Euro	Other currencies	Total
2015 Bond issue – July 2018	500	-	500	-	-	-
2015 Bond issue – July 2020	1,258	-	1,258	680	-	680
2015 Bond issue – July 2023	1,008	-	1,008	1,010	-	1,010
2016 Bond issue	498	-	498	498	-	498
2018 Bond issue – October 2024				569	-	569
2018 Bond issue – April 2028				502	-	502
Draw-downs on bank and similar facilities and other borrowings, net	1	20	21	1	15	16
Obligations under finance leases	51	36	87	43	37	80
Bank overdrafts	-	-	-	-	2	2
<b>BORROWINGS</b>	<b>3,316</b>	<b>56</b>	<b>3,372</b>	<b>3,303</b>	<b>54</b>	<b>3,357</b>

Obligations under finance leases in other currencies than the euro are mainly denominated in pound sterling in the amount of €20 million (€22 million at December 31, 2017) and in US dollars in the amount of €12 million (€9 million at December 31, 2017).

## C) Syndicated credit facility negotiated by Capgemini SE

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

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

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

This credit facility had not been drawn at December 31, 2018.

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

Bond issues are the main borrowings that could expose the Group to liquidity risk in the event of repayment.

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

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



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

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

At December 31, 2018, short-term investments totaled €1,476 million and comprise mainly (i) money market mutual fund units meeting the criteria defined by ESMA (European Securities and Markets Authority) for classification in the “monetary category”; and (ii) negotiable debt securities and term deposits maturing within three months or immediately available, issued by highly rated companies or financial institutions (minimum rating of A2/P2 or equivalent). Consequently, these short-term investments do not expose the Group to any material credit risk.

## NET DEBT BY MATURITY AT REDEMPTION VALUE

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

<i>in millions of euros</i>	Contractual maturity	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
<b>At December 31, 2018</b>			-	-	-	-	-
<b>Cash and cash equivalents</b>	2019	<b>2,004</b>	<b>2,004</b>	<b>2,004</b>	-	-	-
<b>Cash management assets</b>	2019	<b>183</b>	<b>183</b>	<b>183</b>	-	-	-
2015 Bond issue – July 2020	2020	(680)	(700)	(12)	(688)	-	-
2015 Bond issue – July 2023	2023	(1,010)	(1,125)	(25)	(25)	(1,075)	-
2016 Bond issue	2021	(498)	(509)	(3)	(3)	(503)	-
2018 Bond issue – October 2024	2024	(569)	(636)	(6)	(6)	(18)	(606)
2018 Bond issue – April 2028	2028	(502)	(588)	(9)	(9)	(26)	(544)
Obligations under finance leases	2019 to 2023	(80)	(82)	(40)	(26)	(16)	-
Draw-downs on bank and similar facilities and other borrowings, net	2019	(16)	(16)	(16)	-	-	-
<b>Borrowings</b>		<b>(3,355)</b>	<b>(3,656)</b>	<b>(111)</b>	<b>(757)</b>	<b>(1,638)</b>	<b>(1,150)</b>
Derivative instruments on borrowings		(16)	-	-	-	-	-
<b>NET DEBT</b>		<b>(1,184)</b>	<b>(1,469)</b>	<b>2,076</b>	<b>(757)</b>	<b>(1,638)</b>	<b>(1,150)</b>



## NOTE 22 CASH FLOWS

The Consolidated Statement of Cash Flows analyzes the year-on-year change in cash flows from operating, investing and financing activities.

Foreign currency cash flows are translated into euros at the average exchange rate for the year. Exchange gains or losses resulting from the translation of cash flows relating to foreign currency assets and liabilities at the year-end exchange rate are shown in "Effect of exchange rate movements on cash and cash equivalents" in the Statement of Cash Flows.

At December 31, 2018, cash and cash equivalents totaled €2,004 million (see Note 21 - Net debt / Net cash and cash equivalents), up €16 million on December 31, 2017 (€1,988 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of negative €41 million, this increase is €57 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

### NET CASH FROM OPERATING ACTIVITIES

In 2018, net cash from operating activities totaled €1,396 million (compared with €1,330 million in 2017) and resulted from:

- ▶ cash flows from operations before net finance costs and income tax in the amount of €1,536 million,
- ▶ payment of current income taxes in the amount of €205 million,
- ▶ a decrease in working capital requirements, generating a positive cash impact of €65 million.

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

in millions of euros	Notes	Working capital requirement components (Consolidated Statement of Financial Position)					Neutralization of items with no cash impact			Statement of Cash Flows items
		December 31, 2017 restated <sup>(1)</sup>	December 31, 2018	Net impact	Non working capital items <sup>(2)</sup>	Impact of WCR items	Net profit impact	Foreign exchange impact	Reclas-sifications <sup>(3)</sup> and changes in Group structure	Amount
Trade receivables and contract assets, excl. contract costs	19	3,071	3,187	(116)	2	(114)	-	11	72	(31)
Contract costs	19	99	92	7	2	9	-	2	-	11
Contract liabilities	19	(795)	(864)	69	-	69	-	-	(17)	52
<b>Change in trade receivables, contract assets, contract liabilities and contract costs</b>				<b>(40)</b>	<b>4</b>	<b>(36)</b>	<b>-</b>	<b>13</b>	<b>55</b>	<b>32</b>
Accounts and notes payable (trade payables)	27	(1,124)	(1,172)	48	(9)	39	-	(1)	(13)	25
<b>Changes in trade payables</b>				<b>48</b>	<b>(9)</b>	<b>39</b>	<b>-</b>	<b>(1)</b>	<b>(13)</b>	<b>25</b>
Other non-current assets	18	311	303	8	11	19	-	-	(21)	(2)
Other current assets	20	657	592	65	(106)	(41)	(3)	(5)	12	(37)
Accounts and notes payable (excluding trade payables)	27	(1,713)	(1,772)	59	(1)	58	-	4	(21)	41
Other current and non-current liabilities	26	(392)	(412)	20	(22)	(2)	(1)	5	4	6
<b>Change in other receivables/payables</b>				<b>152</b>	<b>(118)</b>	<b>34</b>	<b>(4)</b>	<b>4</b>	<b>(26)</b>	<b>8</b>
<b>CHANGE IN OPERATING WORKING CAPITAL</b>						<b>37</b>	<b>(4)</b>	<b>16</b>	<b>16</b>	<b>65</b>

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers; see Note 1 - Accounting basis.

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

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



## NET CASH USED IN INVESTING ACTIVITIES

The main components of net cash used in investing activities of €728 million (compared with €534 million in 2017) reflect:

- ▶ cash outflows of €184 million relating to acquisitions of property, plant and equipment, net of disposals, primarily due to purchases of computer hardware for customer projects or the partial renewal of IT installations and the renovation, extension and refurbishment of office space;
- ▶ cash outflows of €45 million relating to acquisitions of intangible assets, net of disposals, mainly involving software for customer projects or for internal use and internally generated intangible assets (see Note 13 - Goodwill and intangible assets);
- ▶ cash inflows and outflows on business combinations net of cash and cash equivalents acquired of €461 million.

## NET CASH FROM FINANCING ACTIVITIES

Net cash outflows as a result of financing activities totaled €611 million (compared with cash inflows of €587 million in 2017) and mainly comprised:

- ▶ cash outflows of €483 million for the buyback of own shares;
- ▶ payment of the 2017 dividend of €284 million;
- ▶ cash outflows of €52 million to reimburse obligations under finance leases;
- ▶ the redemption on maturity of the 2015 bond issue in July 2018 for €500 million;

offset by:

- ▶ the €230 million share capital increase following the issue of new shares under the international employee share ownership plan (see Note 12 E - Equity);
- ▶ cash inflows of €496 million following the 2018 bond issue maturing 2028.

## ORGANIC FREE CASH FLOW

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

At December 31 (in millions of euros)	2017 restated	2018
<b>Cash flows from operations</b>	<b>1,330</b>	<b>1,396</b>
Acquisitions of property, plant and equipment and intangible assets	(241)	(236)
Proceeds from disposals of property, plant and equipment and intangible assets	15	7
<b>Acquisitions of property, plant, equipment and intangible assets (net of disposals)</b>	<b>(226)</b>	<b>(229)</b>
Interest paid	(86)	(56)
Interest received	62	49
<b>Net interest cost</b>	<b>(24)</b>	<b>(7)</b>
<b>ORGANIC FREE CASH FLOW</b>	<b>1,080</b>	<b>1,160</b>



## NOTE 23 CURRENCY, INTEREST RATE AND COUNTERPARTY RISK MANAGEMENT

### CURRENCY RISK MANAGEMENT

#### A) Exposure to currency risk and currency risk management policy

##### a) Currency risk and hedging operating transactions

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

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

These hedging transactions are recorded in accordance with cash flow hedge accounting rules.

The Group determines the existence of an economic link between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows.

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

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

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

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

A 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 3.0% change in revenues and a 2.4% change in the operating margin\* amount. Similarly, a 10% fluctuation in the pound sterling-euro exchange rate would trigger a corresponding 1.2% change in revenues and a 1.0% change in the operating margin\* amount.

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

#### B) Hedging derivatives

Amounts hedged at December 31, 2018 using forward purchase and sale foreign exchange contracts, mainly concern the parent company and the centralized management of currency risk on operating transactions and inter-company financing transactions.

At December 31, 2018, the euro-equivalent nominal value of foreign exchange derivatives (forward purchase and sale foreign exchange contracts and options) breaks down by transaction type and maturity as follows:

<i>in millions of euros</i>		< 6 months	> 6 months and < 12 months	> 12 months	TOTAL
<b>Operating transactions</b>		<b>1,683</b>	<b>1,479</b>	<b>901</b>	<b>4,063</b>
<i>o/w</i>	▶ fair value hedge	461	-	-	461
	▶ cash flow hedge	1,222	1,479	901	3,602
<b>Financial transactions</b>		<b>977</b>	<b>-</b>	<b>-</b>	<b>977</b>
<i>o/w</i>	▶ fair value hedge	977	-	-	977
<b>TOTAL</b>		<b>2,660</b>	<b>1,479</b>	<b>901</b>	<b>5,040</b>

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2019 and 2021 with an aggregate euro-equivalent value at closing exchange rates of €4,063 million (€4,535 million at December 31, 2017). The hedges were chiefly taken out in respect of transactions in Indian rupee (INR 181,393 million), US dollars (USD 1,282 million) and Polish zloty (PLN 1,188 million).

The maturities of the hedges range from 1 to 36 months and the main counterparty is Capgemini SE for a euro-equivalent value of €4,012 million.



Hedges contracted in respect of financial transactions concern Capgemini SE in the amount of €977 million at December 31, 2018. They mainly concern inter-company loans for €961 million (€546 million at December 31, 2017), primarily denominated in US dollar.

The Group's overall exposure to currency risk on assets/liabilities primarily concerns the Group's internal financing activity and is on the major currencies as follows :

At December 31, 2018				
<i>in millions of euros</i>	US dollar	Indian rupee	Other currencies	TOTAL
Assets	1,065	2	188	1,255
Liabilities	(81)	(193)	(231)	(505)
<b>Net exposure in the Consolidated Statement of Financial Position</b>				<b>750</b>
Hedging derivatives				(899)
<b>NET EXPOSURE</b>				<b>(149)</b>

At December 31, 2017					
<i>in millions of euros</i>	US dollar	Swedish krona	Indian rupee	Other currencies	TOTAL
Assets	604	5	-	246	855
Liabilities	(64)	(36)	(191)	(230)	(521)
<b>Net exposure in the Consolidated Statement of Financial Position</b>					<b>334</b>
Hedging derivatives					(372)
<b>NET EXPOSURE</b>					<b>(38)</b>

### C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

<i>At December 31 (in millions of euros)</i>	Note	2017 restated	2018
Other non-current assets	18	53	20
Other current assets	20	121	74
Other current and non-current liabilities	26	(18)	(36)
<b>Fair value of hedging derivatives, net</b>		<b>156</b>	<b>58</b>
<i>Relating to:</i>			
▶ <i>operating transactions</i>		149	74
▶ <i>financial transactions</i>		7	(16)

The main hedging derivatives notably comprise the fair value of derivative instruments contracted as part of the centralized management of currency risk recorded in "Other non-current assets" in the amount of €19 million, in "Other current assets" in the amount of €74 million, in "Other non-current liabilities" in the amount of €3 million and in "Other current liabilities" in the amount of €16 million.





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

<i>in millions of euros</i>	<b>2018</b>
<b>Hedging derivatives recorded in income and expense recognized in equity at January 1</b>	<b>117</b>
Amounts reclassified to net profit in respect of transactions performed	(7)
Fair value of derivative instruments hedging future transactions	(73)
<b>Hedging derivatives recorded in income and expense recognized in equity at December 31</b>	<b>37</b>

No hedging relationship was discontinued during the fiscal year. The equity balance consists only of the fair value of existing hedging instruments.

## **INTEREST RATE RISK MANAGEMENT**

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### **A) Interest rate risk management policy**

The Group's exposure to interest rate risk should be analyzed in light of its cash position: at December 31, 2018, the Group had €2,189 million in liquidity, with short-term investments mainly at floating rates (or failing this, at fixed rates for periods of less than or equal to 3 months), and €3,355 million in gross indebtedness principally at fixed rates (99.8%) (see Note 21 - Net debt / Net cash and cash equivalents). The high proportion of fixed-rate borrowings is due to the weight of fixed-rate bond issues in gross indebtedness.

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

As 99.8% of Group borrowings were at fixed rates in 2018, any increase or decrease in interest rates would have had a negligible impact on the Group's net finance costs.

Based on average levels of floating-rate short-term investments, cash management assets and borrowings at floating rates, a 100-basis point rise in interest rates would have had a positive impact of around €11 million on the Group's net finance costs in 2018. Conversely, a 100-basis point fall in interest rates would have had an estimated €11 million negative impact on the Group's net finance costs.

## **COUNTERPARTY RISK MANAGEMENT**

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In addition, in line with its policies for managing currency and interest rate risks as described above, the Group also enters into hedging agreements with leading financial institutions. Accordingly, counterparty risk can be deemed not material. At December 31, 2018, the Group's main counterparties for managing currency and interest rate risk are Barclays, BNP Paribas, CA CIB, Citibank, Commerzbank, HSBC, ING, JP Morgan, Morgan Stanley, Natixis, Royal Bank of Scotland, Santander, and Société Générale.



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

### Defined contribution plans

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

### Defined benefit pension plans

Defined benefit pension plans consist of either:

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

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

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

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

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

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

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

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



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

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

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

	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2017 restated	2018	2017 restated	2018	2017 restated	2018
<i>At December 31 (in millions of euros)</i>						
United Kingdom	3,490	3,118	(2,886)	(2,674)	604	444
Canada	716	663	(479)	(453)	237	210
France	263	267	(20)	(30)	243	237
Germany	99	99	(56)	(58)	43	41
Sweden	31	30	(10)	(10)	21	20
India	59	63	(48)	(48)	11	15
Other	154	226	(117)	(182)	37	44
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>4,812</b>	<b>4,466</b>	<b>(3,616)</b>	<b>(3,455)</b>	<b>1,196</b>	<b>1,011</b>

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

<i>in millions of euros</i>	Note	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
		2017 restated	2018	2017 restated	2018	2017 restated	2018
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>		<b>4,869</b>	<b>4,812</b>	<b>(3,495)</b>	<b>(3,616)</b>	<b>1,374</b>	<b>1,196</b>
<b>Expense for the period recognized in the Income Statement</b>		<b>201</b>	<b>172</b>	<b>(98)</b>	<b>(93)</b>	<b>103</b>	<b>79</b>
Service cost	8	69	59	-	-	69	59
Curtailements, settlements and plan transfers		-	(7)	-	-	-	(7)
Interest cost	10	132	120	(98)	(93)	34	27
<b>Impact on income and expense recognized in equity</b>		<b>54</b>	<b>(340)</b>	<b>(189)</b>	<b>208</b>	<b>(135)</b>	<b>(132)</b>
Change in actuarial gains and losses		54	(340)	-	-	54	(340)
<i>Impact of changes in financial assumptions</i>		204	(246)	-	-	204	(246)
<i>Impact of changes in demographic assumptions</i>		(114)	(132)	-	-	(114)	(132)
<i>Experience adjustments</i>		(36)	38	-	-	(36)	38
Return on plan assets <sup>(1)</sup>		-	-	(189)	208	(189)	208
<b>Other</b>		<b>(312)</b>	<b>(178)</b>	<b>166</b>	<b>46</b>	<b>(146)</b>	<b>(132)</b>
Contributions paid by employees		7	6	(7)	(6)	-	-
Benefits paid to employees		(158)	(183)	147	160	(11)	(23)
Contributions paid		-	-	(94)	(89)	(94)	(89)
Translation adjustments		(188)	(47)	144	36	(44)	(11)
Business combinations		-	2	-	-	-	2
Other movements		27	44	(24)	(55)	3	(11)
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>		<b>4,812</b>	<b>4,466</b>	<b>(3,616)</b>	<b>(3,455)</b>	<b>1,196</b>	<b>1,011</b>

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



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

### A) United Kingdom

In the United Kingdom, post-employment benefits primarily consist of defined contribution pension plans.

A very small number of employees accrue pensionable service within a defined benefit pension plan.

In addition certain former and current employees accrue deferred benefits in defined benefit pension plans. The plans are administered within trusts which are legally separate from the employer and are governed by a trustee Board comprising independent trustees and representatives of the employer.

The defined benefit pension plans provide pensions and lump sums to members on retirement and to their dependents on death. Members who leave service before retirement are entitled to a deferred pension.

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

- ▶ 132 current employees accruing pensionable service (617 at December 31, 2017),
- ▶ 7,115 former and current employees not accruing pensionable service (7,583 at December 31, 2017),
- ▶ 3,344 retirees (2,972 at December 31, 2017).

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

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

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

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

<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2017 restated	2018	2017 restated	2018	2017 restated	2018
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>3,633</b>	<b>3,490</b>	<b>(2,787)</b>	<b>(2,886)</b>	<b>846</b>	<b>604</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>106</b>	<b>93</b>	<b>(72)</b>	<b>(69)</b>	<b>34</b>	<b>24</b>
Service cost	12	5	-	-	12	5
Curtailments, settlements and plan transfers	-	4	-	-	-	4
Interest cost	94	84	(72)	(69)	22	15
<b>Impact on income and expense recognized in equity</b>	<b>(18)</b>	<b>(299)</b>	<b>(174)</b>	<b>182</b>	<b>(192)</b>	<b>(117)</b>
Change in actuarial gains and losses	(18)	(299)	-	-	(18)	(299)
<i>Impact of changes in financial assumptions</i>	151	(207)	-	-	151	(207)
<i>Impact of changes in demographic assumptions</i>	(139)	(132)	-	-	(139)	(132)
<i>Experience adjustments</i>	(30)	40	-	-	(30)	40
Return on plan assets <sup>(1)</sup>	-	-	(174)	182	(174)	182
<b>Other</b>	<b>(231)</b>	<b>(166)</b>	<b>147</b>	<b>99</b>	<b>(84)</b>	<b>(67)</b>
Contributions paid by employees	1	-	(1)	-	-	-
Benefits paid to employees	(105)	(133)	105	133	-	-
Contributions paid	-	-	(58)	(56)	(58)	(56)
Translation adjustments	(127)	(25)	101	22	(26)	(3)
Other movements	-	(8)	-	-	-	(8)
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>3,490</b>	<b>3,118</b>	<b>(2,886)</b>	<b>(2,674)</b>	<b>604</b>	<b>444</b>

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



## a) Main actuarial assumptions

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

<i>in %</i>	At December 31, 2017	At December 31, 2018
Discount rate	2.4	2.8
Salary inflation rate	2.3-3.1	2.3-3.1
Inflation rate	3.1	3.1

In 2018, the benchmark indexes used to calculate discount rates were similar to those used in previous years.

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

## b) Plan assets

<i>in millions of euros</i>	2017		2018	
Shares	1,516	52%	1,508	56%
Bonds and hedging assets	1,322	46%	1,061	40%
Other	48	2%	105	4%
<b>TOTAL</b>	<b>2,886</b>	<b>100%</b>	<b>2,674</b>	<b>100%</b>

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

## Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2018	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(283)	304
Increase/decrease of 50 basis points in the inflation rate	200	(215)
Increase/decrease of 50 basis points in the mortality rate	(47)	35

## c) Contributions

### Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2019 are estimated at €56 million, including the funding of pension plan deficits over the period defined with the trustees as part of the regular actuarial valuations.

## B) Canada

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

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

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

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



- ▶ 888 current employees accruing pensionable service (927 at December 31, 2017),
- ▶ 86 former and current employees not accruing pensionable service (88 at December 31, 2017),
- ▶ 384 retirees (348 at December 31, 2017).

<i>in millions of euros</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2017 restated	2018	2017 restated	2018	2017 restated	2018
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT JANUARY 1</b>	<b>674</b>	<b>716</b>	<b>(484)</b>	<b>(479)</b>	<b>190</b>	<b>237</b>
<b>Expense for the period recognized in the Income Statement</b>	<b>49</b>	<b>31</b>	<b>(18)</b>	<b>(16)</b>	<b>31</b>	<b>15</b>
Service cost	25	20	-	-	25	20
Curtailments, settlements and plan transfers	-	(12)	-	-	-	(12)
Interest cost	24	23	(18)	(16)	6	7
<b>Impact on income and expense recognized in equity</b>	<b>55</b>	<b>(40)</b>	<b>(9)</b>	<b>20</b>	<b>46</b>	<b>(20)</b>
Change in actuarial gains and losses	55	(40)	-	-	55	(40)
<i>Impact of changes in financial assumptions</i>	57	(40)	-	-	57	(40)
<i>Impact of changes in demographic assumptions</i>	(2)	3	-	-	(2)	3
<i>Experience adjustments</i>	-	(3)	-	-	-	(3)
Return on plan assets <sup>(1)</sup>	-	-	(9)	20	(9)	20
<b>Other</b>	<b>(62)</b>	<b>(44)</b>	<b>32</b>	<b>22</b>	<b>(30)</b>	<b>(22)</b>
Contributions paid by employees	4	4	(4)	(4)	-	-
Benefits paid to employees	(26)	(23)	23	22	(3)	(1)
Contributions paid	-	-	(15)	(12)	(15)	(12)
Translation adjustments	(40)	(25)	28	16	(12)	(9)
Other movements	-	-	-	-	-	-
<b>PRESENT VALUE OF THE BENEFIT OBLIGATION AT DECEMBER 31</b>	<b>716</b>	<b>663</b>	<b>(479)</b>	<b>(453)</b>	<b>237</b>	<b>210</b>

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

## a) Main actuarial assumptions

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

<i>in %</i>	At December 31, 2017	At December 31, 2018
Discount rate	3.4	3.7
Salary inflation rate	2.3	2.3
Inflation rate	2.0	2.0

In 2018, the benchmark indexes used to calculate discount rates were similar to those used in previous years.

Mortality tables used are those commonly used in Canada.



## b) Plan assets

<i>in millions of euros</i>	2017		2018	
Shares	271	57%	229	50%
Bonds and hedging assets	198	41%	221	49%
Other	10	2%	3	1%
<b>TOTAL</b>	<b>479</b>	<b>100%</b>	<b>453</b>	<b>100%</b>

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

## c) Sensitivity analysis

<i>in millions of euros</i>	Impact on the obligation at December 31, 2018	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(57)	65
Increase/decrease of 50 basis points in the inflation rate	43	(36)
Increase/decrease of 50 basis points in the mortality rate	(1)	4

## d) Future contributions

Contributions to the Canadian defined benefit pension funds in respect of 2019 are estimated at €17 million, including the funding of pension plan deficits defined as part of the regular actuarial valuations.



## NOTE 25 CURRENT AND NON-CURRENT PROVISIONS

A provision is recognized in the Consolidated Statement of Financial Position at the year-end if, and only if, (i) the Group has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the impact of the time value of money is material.

Movements in current and non-current provisions break down as follows:

<i>in millions of euros</i>	2017 restated	2018
<b>At January 1</b>	<b>130</b>	<b>113</b>
Charge	55	45
Reversals (utilization of provisions)	(46)	(38)
Reversals (surplus provisions)	(14)	(12)
Other	(12)	2
<b>At December 31</b>	<b>113</b>	<b>110</b>

At December 31, 2018, current provisions (€91 million) and non-current provisions (€19 million) concern risks relating to projects and contracts of €97 million (€96 million at December 31, 2017) and risks of €13 million (€17 million at December 31, 2017) mainly to labor disputes.

## NOTE 26 OTHER CURRENT AND NON-CURRENT LIABILITIES

<i>At December 31 (in millions of euros)</i>	Note	2017 restated	2018
Special employee profit-sharing reserve		34	40
Derivative instruments	23	18	36
Liabilities related to acquisitions of consolidated companies		201	218
Non-current tax liabilities		43	29
Other		96	89
<b>OTHER CURRENT AND NON-CURRENT LIABILITIES</b>	<b>22</b>	<b>392</b>	<b>412</b>

Liabilities related to acquisitions of consolidated companies consist for €104 million of put options granted to Caixa Participações and EMC in 2012 and 2013 on their investments in Capgemini Brasil S.A. (formerly CPM Braxis) and earn-outs granted at the time of certain acquisitions.

## NOTE 27 ACCOUNTS AND NOTES PAYABLE

<i>At December 31 (in millions of euros)</i>	Note	2017 restated	2018
Trade payables		1,124	1,172
Accrued taxes other than income tax		409	389
Personnel costs		1,291	1,352
Other		13	31
<b>ACCOUNTS AND NOTES PAYABLE</b>	<b>22</b>	<b>2,837</b>	<b>2,944</b>





## NOTE 28 NUMBER OF EMPLOYEES

### AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

	2017		2018	
	Employees	%	Employees	%
North America	17,377	9	17,702	8
France	24,489	13	25,630	13
United Kingdom and Ireland	8,561	4	8,443	4
Benelux	7,970	4	8,054	4
Southern Europe	8,349	4	8,967	4
Nordic countries	4,173	2	4,437	2
Germany and Central Europe	13,245	7	14,620	7
Asia-Pacific and Latin America	112,445	57	116,903	58
Not allocated	146	-	148	-
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>196,755</b>	<b>100</b>	<b>204,904</b>	<b>100</b>

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

	2017		2018	
	Employees	%	Employees	%
North America	17,209	9	17,684	9
France	25,299	13	26,318	12
United Kingdom and Ireland	8,217	4	8,635	4
Benelux	8,011	4	8,143	4
Southern Europe	8,629	4	9,284	4
Nordic countries	4,247	2	4,573	2
Germany and Central Europe	13,970	7	15,306	7
Asia-Pacific and Latin America	113,968	57	121,218	58
Not allocated	148	-	152	-
<b>NUMBER OF EMPLOYEES AT DECEMBER 31</b>	<b>199,698</b>	<b>100</b>	<b>211,313</b>	<b>100</b>



## NOTE 29 OFF-BALANCE SHEET COMMITMENTS

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

#### A) Commitments given on client contracts

The Group has provided performance and/or financial guarantees for some major contracts. The clients concerned represented approximately 8% of Group revenues in 2018.

In addition, certain clients enjoy:

- ▶ limited financial guarantees issued by the Group and totaling €1,686 million at December 31, 2018 (€1,719 million at December 31, 2017);
- ▶ bank guarantees borne by the Group and totaling €131 million at December 31, 2018 (€170 million at December 31, 2017).

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

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

<i>in millions of euros</i>	Computer equipment	Offices	Vehicles and other non-cancellable leases	Total
Y+1	5	170	57	232
Y+2	3	140	35	178
Y+3	2	115	18	135
Y+4	-	94	6	100
Y+5	-	68	-	68
Y+6 and beyond	-	123	-	123
<b>At December 31, 2018</b>	<b>10</b>	<b>710</b>	<b>116</b>	<b>836</b>
<b>At December 31, 2017</b>	<b>14</b>	<b>676</b>	<b>117</b>	<b>807</b>

Lease payments recognized in the Income Statement in 2018 totaled €346 million (€339 million in 2017).

#### C) Other commitments given

Other commitments given total €15 million at December 31, 2018 (€30 million at December 31, 2017) and mainly comprise firm purchase commitments relating to goods or services in France.

Furthermore, the Group signed an agreement for the acquisition of Leidos Cyber, Leidos' cybersecurity branch for private sector companies in June 2018.

#### D) Other commitments received

Other commitments received total €44 million at December 31, 2018 (€118 million at December 31, 2017) and primarily comprise commitments received following the purchase of shares held by certain minority shareholders of Capgemini Brasil S.A. for an amount of €34 million.



## OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

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### A) Bonds

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

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

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

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

At December 31, 2018 and 2017, the Group complied with these financial ratios.

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

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

### C) Borrowings secured by assets

Some borrowings are secured by assets recorded in the Consolidated Statement of Financial Position. At December 31, 2018, these related to finance leases in the amount of €80 million and other borrowings in the amount of €1 million.

## CONTINGENT LIABILITIES

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During 2018 and in previous fiscal years, certain Group companies underwent tax audits leading in some cases to tax reassessments. A number of proposed adjustments have been challenged and litigation and pre-litigation proceedings were in progress at the period end. In general, no provisions have been set aside for these disputes in the consolidated financial statements in so far as Capgemini can justify its positions and considers the likelihood of winning the disputes to be high. This is particularly the case, in France, for research tax credits for the period 2008 to 2013, in respect of which the tax authorities have rejected the portion concerning private clients in certain companies registered for the research tax credit.



## NOTE 30 RELATED-PARTY TRANSACTIONS

### ASSOCIATES

Associates are equity-accounted companies over which the Group exercises significant influence. Transactions with these associates in 2018 were performed at arm's length and were of immaterial volume.

### OTHER RELATED-PARTIES

In 2018, no material transactions were carried out with:

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

Moreover, it is worth noting that Caixa Participações, a minority shareholder, is also one of Capgemini Brasil S.A.'s main clients, accounting for approximately 6% of its revenues.

### GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of the 2017 and 2018 compensation of members of management bodies present at each year-end (25 members in 2018 and 22 in 2017) and directors (compensation, attendance fees and fees).

<i>in thousands of euros</i>	2017	2018
Short-term benefits excluding employer payroll taxes <sup>(1)</sup>	21,943	23,367
<i>o/w attendance fees paid to salaried directors</i>	196	188
<i>o/w attendance fees paid to non-salaried directors</i> <sup>(2) (3)</sup>	1,004	831
Short-term benefits: employer payroll taxes	5,144	8,501
Post-employment benefits <sup>(4)</sup>	1,258	2,319
Share-based payment <sup>(5)</sup>	8,722	11,829

<sup>(1)</sup> Including gross wages and salaries, bonuses, profit-sharing, attendance fees, fees and benefits in kind;

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

<sup>(3)</sup> 16 directors in 2017 and 17 during 2018;

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

<sup>(5)</sup> Deferred recognition of the annualized expense relating to the grant of performance shares.

## NOTE 31 SUBSEQUENT EVENTS

At the Shareholders' Meeting, the Board of Directors will recommend a dividend payout to Capgemini SE shareholders of €1.70 per share in respect of 2018. A dividend of €1.70 per share was paid in respect of fiscal year 2017.



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

Capgemini SE is the parent company of what is generally known as “the Capgemini Group” comprising 141 companies. The main consolidated companies at December 31, 2018 are listed below.

Country	List of the main companies consolidated at December 31, 2018	% interest	Consolidation Method <sup>(1)</sup>
<b>ARGENTINA</b>	Capgemini Argentina S.A.	100.00%	FC
<b>AUSTRALIA</b>	Capgemini Australia Pty Limited	100.00%	FC
<b>AUSTRIA</b>	Capgemini Consulting Österreich AG	100.00%	FC
<b>BELGIUM</b>	Capgemini Belgium N.V./S.A.	100.00%	FC
<b>BRAZIL</b>	Capgemini Business Services Brasil - Assessoria Empresarial Ltda.	100.00%	FC
	Capgemini Brasil S.A.	78.61%	FC
	CPM Braxis Tecnologia, Ltda.	78.61%	FC
<b>CANADA</b>	Capgemini Canada Inc.	100.00%	FC
	Capgemini Solutions Canada Inc.	100.00%	FC
	Inergi LP	100.00%	FC
	New Horizon System Solutions LP	100.00%	FC
	Société en Commandite Capgemini Québec	100.00%	FC
<b>CHINA</b>	Capgemini (China) Co., Ltd.	100.00%	FC
	Capgemini Business Services (China) Ltd.	100.00%	FC
	Capgemini Hong Kong Ltd.	100.00%	FC
<b>DENMARK</b>	Capgemini Danmark A/S	100.00%	FC
<b>FINLAND</b>	Capgemini Finland Oy	100.00%	FC
	Sogeti Finland Oy	100.00%	FC
<b>FRANCE</b>	Capgemini SE	Parent company	
	Capgemini Consulting S.A.S.	100.00%	FC
	Capgemini France S.A.S.	100.00%	FC
	Capgemini Gouvieux S.A.S.	100.00%	FC
	Capgemini Latin America S.A.S.	100.00%	FC
	Capgemini Service S.A.S.	100.00%	FC
	Capgemini Technology Services S.A.S.	100.00%	FC
	Prosodie S.A.S.	100.00%	FC
	Itelios S.A.S.	100.00%	FC
	Sogeti France S.A.S.	100.00%	FC
Sogeti High Tech S.A.S.	100.00%	FC	
<b>GERMANY</b>	Capgemini Deutschland GmbH	100.00%	FC
	Capgemini Deutschland Holding GmbH	100.00%	FC
	Capgemini Outsourcing Services GmbH	100.00%	FC
	Sogeti Deutschland GmbH	100.00%	FC
<b>GUATEMALA</b>	Capgemini Business Services Guatemala S.A.	100.00%	FC
<b>INDIA</b>	Capgemini Technology Services India Limited	99.77%	FC
	LiquidHub Analytics Private Limited	100.00%	FC
<b>IRELAND</b>	Capgemini Ireland Limited	100.00%	FC
<b>ITALY</b>	Capgemini BS S.r.l.	100.00%	FC
	Capgemini Italia S.p.A.	100.00%	FC
<b>JAPAN</b>	Capgemini Japan K.K.	100.00%	FC
<b>LUXEMBOURG</b>	Capgemini Reinsurance International S.A.	100.00%	FC



	Sogeti Luxembourg S.A.	100.00%	FC
<b>MALAYSIA</b>	Capgemini Services Malaysia Sdn. Bhd.	100.00%	FC
<b>MEXICO</b>	Capgemini México S. de R.L. de C.V.	100.00%	FC
<b>MOROCCO</b>	Capgemini Technology Services Maroc SA	100.00%	FC
<b>NETHERLANDS</b>	Capgemini Educational Services B.V.	100.00%	FC
	Capgemini N.V.	100.00%	FC
	Capgemini Nederland B.V.	100.00%	FC
	Sogeti Nederland B.V.	100.00%	FC
<b>NORWAY</b>	Capgemini Norge AS	100.00%	FC
<b>POLAND</b>	Capgemini Polska Sp. z.o.o.	100.00%	FC
<b>PORTUGAL</b>	Capgemini Portugal, Serviços de Consultoria e Informática, S.A.	100.00%	FC
<b>SINGAPORE</b>	Capgemini Asia Pacific Pte. Ltd.	100.00%	FC
	Capgemini Singapore Pte. Ltd.	100.00%	FC
<b>SPAIN</b>	Capgemini España S.L.	100.00%	FC
	Prosodie Ibérica S.L.	100.00%	FC
	Sogeti España S.L.	100.00%	FC
<b>SWEDEN</b>	Capgemini AB	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	Sogeti Sverige AB	100.00%	FC
<b>SWITZERLAND</b>	Capgemini Suisse S.A.	100.00%	FC
<b>UNITED KINGDOM</b>	Capgemini Financial Services UK Limited	100.00%	FC
	Capgemini UK plc	100.00%	FC
	CGS Holdings Limited	100.00%	FC
	IGATE Computer Systems (UK) Limited	100.00%	FC
	Sogeti UK Limited	100.00%	FC
<b>UNITED STATES</b>	Capgemini America, Inc.	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Capgemini North America, Inc.	100.00%	FC
	Capgemini Technologies LLC	100.00%	FC
	CHCS Services, Inc.	100.00%	FC
	Annik Inc.	100.00%	FC

FC = Full consolidation



## NOTE 33 AUDIT FEES

Statutory audit fees for fiscal year 2018 break down as follows:

<i>in millions of euros (excl. VAT)</i>	KPMG		PwC	
	2018	2017	2018	2017
<b>Certification of the accounts</b>	<b>3.3</b>	<b>3.2</b>	<b>3.4</b>	<b>3.0</b>
• Capgemini SE	0.4	0.5	0.4	0.5
• Fully-consolidated subsidiaries	2.9	2.7	3.0	2.5
<b>Non-audit services <sup>(1)</sup></b>	<b>1.6</b>	<b>1.8</b>	<b>0.8</b>	<b>1.3</b>
<b>TOTAL</b>	<b>4.9</b>	<b>5.0</b>	<b>4.2</b>	<b>4.3</b>

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