

December 31, 2019

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS



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FINANCIAL HIGHLIGHTS

CONSOLIDATED FINANCIAL STATEMENTS

| <i>in millions of euros</i> | 2015 reported (1) | 2016 reported (1) | 2017 restated (1) | 2018 | 2019 ** |
|--|----------------------|----------------------|-------------------|----------------|----------------|
| Revenues | 11,915 | 12,539 | 12,525 | 13,197 | 14,125 |
| Operating expenses | (10,653) | (11,099) | (11,032) | (11,600) | (12,384) |
| Operating margin * | 1,262 | 1,440 | 1,493 | 1,597 | 1,741 |
| % of revenues | 10.6% | 11.5% | 11.9% | 12.1% | 12.3% |
| Operating profit | 1,022 | 1,148 | 1,183 | 1,251 | 1,433 |
| % of revenues | 8.6% | 9.2% | 9.4% | 9.5% | 10.1% |
| Profit for the period attributable to owners of the Company | (2) 1,124 | (3) 921 | 820 | 730 | 856 |
| % of revenues | 9.4% | 7.3% | 6.6% | 5.5% | 6.0% |
| Earnings per share | | | | | |
| Average number of shares outstanding during the period | 168,452,917 | 169,450,721 | 168,057,561 | 167,088,363 | 166,171,198 |
| Basic earnings per share (in euros) | 6.67 | 5.44 | 4.88 | 4.37 | 5.15 |
| Normalized earnings per share * (in euros) | (2) 7.67 | (3) 6.69 | 6.22 | (4) 6.06 | (4) 6.76 |
| Dividend per share for the year (in euros) | 1.35 | 1.55 | 1.70 | 1.70 | (5) 1.90 |
| Goodwill at December 31 | 7,055 | 7,176 | 6,830 | 7,431 | 7,662 |
| Equity attributable to owners of the Company at December 31 | 6,887 | 7,272 | 6,956 | 7,480 | 8,424 |
| (Net debt)/net cash and cash equivalents * at December 31 | (1,767) | (1,413) | (1,209) | (1,184) | (600) |
| Organic free cash flow * at December 31 | 815 | 1,071 | 1,080 | 1,160 | 1,288 |
| Average number of employees | 161,268 | 185,593 | 196,755 | 204,904 | 216,104 |
| Number of employees at December 31 | 180,639 | 193,077 | 199,698 | 211,313 | 219,314 |

(1) Only 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers.

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

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

(4) Excluding tax expense of €53 million in 2018 and €60 million in 2019 due to the transitional impact of the US tax reform.

(5) Subject to approval by the Shareholders' Meeting of May 20, 2020.

* 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 22 - Net debt/net cash and cash equivalents and Note 23 - Cash flows.

** 2019 figures reflect the application of IFRS 16, Leases, using the modified retrospective method, (see Note 1 - Accounting Basis).



IMPORTANT INFORMATION

Information relating to Capgemini's tender offer for Altran Technologies included in this document are communicated for information purposes only and does not constitute an offer to purchase, or a solicitation of an offer to sell, any securities of Altran Technologies.

Investors and shareholders are strongly advised to read the documentation relating to the tender offer, which includes the terms and conditions of the offer, as well as any amendments or supplements to those documents as they will contain important information about Capgemini, Altran Technologies and the offer. Capgemini's offer document and Altran's response document, as approved by the AMF on October 14, 2019 under visa no. 19-489 and visa no. 19-490 respectively, as well as documents relating to the other information of each company, are available on the AMF website (www.amf-france.org), and on the websites of Capgemini (www.capgemini.com/altran-en) or Altran Technologies (www.altran.com). These documents can be obtained free of charge from Capgemini (11 rue de Tilsitt, 75017 Paris, France) or Altran Technologies (96 avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France), depending on whether they relate to Capgemini or Altran Technologies.

The information relating to Capgemini's tender offer for Altran Technologies must not be published, broadcasted or distributed, directly or indirectly, in any country in which the distribution of such information is subject to legal restrictions. The tender offer will not be open to the public in jurisdictions in which its launch is subject to legal restrictions. The publication, broadcasting or distribution of the information relating to Capgemini's tender offer for Altran Technologies in certain countries may be subject to legal or regulatory restrictions. Therefore, persons located in countries where such information is published, broadcasted or distributed must inform themselves about and comply with such restrictions. Capgemini disclaims any responsibility for any violation of such restrictions.



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 2019.

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 2019 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 1st January 2019 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 2019" to the consolidated financial statements, which describes in particular the impact of the application as of January 1, 2019 of IFRS 16 "Leases".

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 of progress 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 all the costs necessary to fulfil 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 or the total services rendered;
- 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, we deemed the recognition of revenue and costs related to long-term service contracts to be a key matter in our audit.

Our audit approach

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

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

Our work notably involved:

- assessing internal control procedures, identifying the most relevant controls for our audit and testing their design and operational efficiency;
- carrying out analytical audit procedures, and notably analyzing material changes in revenue and margin from one period to another;
- based on a sample of contracts, selected by using a multi-criteria analysis:
 - 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;
- 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 €7,662 million at 31 December 2019, 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 16 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, especially in the context of the first application of IFRS 16 “Leases”.

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, including the impact following the adoption of IFRS 16;
- 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 2020 to 2022 with the business plans used for prior year impairment testing;
- comparing 2019 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 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 16 of the notes to the consolidated financial statements.

Our firms' valuation specialists were involved in this work.

Provisions for pensions and other post-employment benefits

Risks identified

As stated in the Note 25 to the consolidated financial statements for the year ended 31 December 2019, the Group contributes to several post-employment defined benefit plans. The main pension plans in the United Kingdom, Canada and France represent a net benefit obligation of €871 million out of a total of €1,046 million at 31 December 2019. These pension plans represent an actuarial value of cumulative benefit obligations of €4,629 million out of a total of €5,575 million with corresponding assets of €3,758 million out of €4,529 million at 31 December 2019.

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 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;
- assessing, based on sampling techniques, the reasonableness of the assumptions used to measure the dedicated assets.

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 control the Group's position on subjects relating to its ordinary business.

As stated in Note 30 to the Group's consolidated financial statements for the year ended 31 December 2019, tax audits may lead to re-assessments and disputes with the tax authorities, notably in France and in India.

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.

Estimates of risk relating to tax disputes are reviewed regularly by each subsidiary and by the Group's tax department, with the assistance of external counsels for the most significant or complex disputes.

We believe that tax audits are a key audit matter due to the Group's exposure to tax issues related to its presence worldwide and the level of judgment required by Management in estimating risk and the amounts at stake.

Our audit approach

Through discussions with Management, we have gained an understanding of the procedures implemented by the Group to identify tax audits.

We have also 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 provisions related to tax audits.

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

To assess whether tax audits 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 proposals or 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 counsels, when required;
- performed a critical review of Management's estimates and positions and of the opinions of external advisors.



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 2019, KPMG Audit and PricewaterhouseCoopers Audit were in the 18th year and 24th 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 by 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, 20 February 2020

Paris La Défense, 20 February 2020

PricewaterhouseCoopers Audit

KPMG Audit

Division of KPMG S.A.

Richard Béjot
Partner

Frédéric Quélin
Partner

Stéphanie Ortega
Partner



CONSOLIDATED INCOME STATEMENT

| <i>in millions of euros</i> | Notes | 2018 | | 2019 | |
|-------------------------------------|-------|-----------------|---------------|-----------------|---------------|
| | | Amount | % | Amount | % |
| Revenues | 4 - 6 | 13,197 | 100 | 14,125 | 100 |
| Cost of services rendered | | (9,627) | (72.9) | (10,274) | (72.7) |
| Selling expenses | | (1,043) | (7.9) | (1,123) | (8.0) |
| General and administrative expenses | | (930) | (7.1) | (987) | (7.0) |
| Operating expenses | 7 | (11,600) | (87.9) | (12,384) | (87.7) |
| Operating margin * | | 1,597 | 12.1 | 1,741 | 12.3 |
| Other operating income and expense | 8 | (346) | (2.6) | (308) | (2.2) |
| Operating profit | | 1,251 | 9.5 | 1,433 | 10.1 |
| Net finance costs | 9 | (12) | (0.1) | (3) | - |
| Other financial income and expense | 9 | (68) | (0.5) | (76) | (0.6) |
| Net financial expense | | (80) | (0.6) | (79) | (0.6) |
| Income tax expense | 10 | (447) | (3.4) | (502) | (3.5) |
| PROFIT FOR THE YEAR | | 724 | 5.5 | 852 | 6.0 |
| <i>Attributable to:</i> | | | | | |
| <i>Owners of the Company</i> | | 730 | 5.5 | 856 | 6.0 |
| <i>Non-controlling interests</i> | | (6) | - | (4) | - |

EARNINGS PER SHARE

| | | | |
|--|----|-------------|-------------|
| Average number of shares outstanding during the period | | 167,088,363 | 166,171,198 |
| Basic earnings per share (in euros) | 11 | 4.37 | 5.15 |
| Diluted average number of shares outstanding | | 171,697,335 | 171,047,762 |
| Diluted earnings per share (in euros) | 11 | 4.25 | 5.00 |

* 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> | 2018 | 2019 |
|--|-------------|-------------|
| Actuarial gains and losses on defined benefit pension plans, net of tax ⁽¹⁾ | 114 | (35) |
| Remeasurement of hedging derivatives, net of tax ⁽²⁾ | (53) | 1 |
| Other, net of tax ⁽¹⁾ | - | 1 |
| Translation adjustments ⁽²⁾ | 177 | 108 |
| OTHER ITEMS OF COMPREHENSIVE INCOME | 238 | 75 |
| Profit for the period (reminder) | 724 | 852 |
| Total comprehensive income for the period | 962 | 927 |
| <i>Attributable to:</i> | | |
| Owners of the Company | 967 | 931 |
| Non-controlling interests | (5) | (4) |

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

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>in millions of euros</i> | Notes | December 31, 2018 | December 31, 2019 |
|---------------------------------|---------|-------------------|-------------------|
| Goodwill | 13 - 16 | 7,431 | 7,662 |
| Intangible assets | 13 | 697 | 645 |
| Property, plant and equipment | 14 | 785 | 738 |
| Lease right-of-use assets | 15 | - | 762 |
| Deferred taxes assets | 17 | 1,128 | 999 |
| Other non-current assets | 19 | 303 | 766 |
| Total non-current assets | | 10,344 | 11,572 |
| Contract costs | 20 | 92 | 83 |
| Contract assets | 20 | 1,123 | 1,176 |
| Trade receivables | 20 | 2,064 | 2,121 |
| Current tax receivables | | 94 | 45 |
| Other current assets | 21 | 592 | 464 |
| Cash management assets | 22 | 183 | 213 |
| Cash and cash equivalents | 22 | 2,006 | 2,461 |
| Total current assets | | 6,154 | 6,563 |
| TOTAL ASSETS | | 16,498 | 18,135 |

| <i>in millions of euros</i> | Note | December 31, 2018 | December 31, 2019 |
|--|------|-------------------|-------------------|
| Share capital | | 1,338 | 1,355 |
| Additional paid-in capital | | 2,979 | 3,150 |
| Retained earnings and other reserves | | 2,433 | 3,063 |
| Profit for the year | | 730 | 856 |
| Equity (attributable to owners of the Company) | | 7,480 | 8,424 |
| Non-controlling interests | | (1) | (5) |
| Total equity | | 7,479 | 8,419 |
| Long-term borrowings | 22 | 3,274 | 2,564 |
| Deferred taxes liabilities | 17 | 180 | 185 |
| Provisions for pensions and other post-employment benefits | 25 | 1,011 | 1,046 |
| Non-current provisions | 26 | 19 | 17 |
| Non-current lease liabilities | 15 | - | 592 |
| Other non-current liabilities | 27 | 305 | 192 |
| Total non-current liabilities | | 4,789 | 4,596 |
| Short-term borrowings and bank overdrafts | 22 | 83 | 717 |
| Accounts and notes payable | 28 | 2,944 | 3,011 |
| Contract liabilities | 20 | 864 | 836 |
| Current provisions | 26 | 91 | 99 |
| Current tax liabilities | | 141 | 153 |
| Current lease liabilities | 15 | - | 221 |
| Other current liabilities | 27 | 107 | 83 |
| Total current liabilities | | 4,230 | 5,120 |
| TOTAL EQUITY AND LIABILITIES | | 16,498 | 18,135 |



CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>in millions of euros</i> | Notes | 2018 | 2019 |
|--|-----------|--------------|--------------|
| Profit for the year | | 724 | 852 |
| Depreciation, amortization and impairment of fixed assets and lease right-of-use assets | 1 | 302 | 545 |
| Change in provisions | | (39) | (48) |
| Losses on disposals of assets | | 16 | 19 |
| Expenses relating to share grants | | 84 | 88 |
| Net finance costs | 9 | 12 | 3 |
| Income tax expense/(income) | 10 | 447 | 502 |
| Unrealized (gains) losses on changes in fair value and other | | (10) | 20 |
| Cash flows from operations before net finance costs and income tax (A) | | 1,536 | 1,981 |
| Income tax paid (B) | | (205) | (217) |
| Change in trade receivables, contract assets net of liabilities and contract costs | | 32 | (98) |
| Change in accounts and notes payable | | 25 | (26) |
| Change in other receivables/payables | | 8 | 154 |
| Change in operating working capital (C) | | 65 | 30 |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES (D=A+B+C) | | 1,396 | 1,794 |
| Acquisitions of property, plant and equipment and intangible assets | 13-14 | (236) | (222) |
| Proceeds from disposals of property, plant and equipment and intangible assets | | 7 | 3 |
| Acquisitions of property, plant and equipment and intangible assets, net of disposals | | (229) | (219) |
| Cash (outflow s) inflow s on business combinations net of cash and cash equivalents acquired | | (461) | (165) |
| Cash outflow s in respect of cash management assets | | (18) | (30) |
| Cash outflow s in respect of the acquisition of Altran Technologies shares | 2 | - | (413) |
| Other cash outflow s, net | | (20) | (41) |
| Cash outflows from investing activities | | (499) | (649) |
| NET CASH USED IN INVESTING ACTIVITIES (E) | | (728) | (868) |
| Proceeds from issues of share capital | | 230 | 253 |
| Dividends paid | | (284) | (282) |
| Net payments relating to transactions in Capgemini SE shares | | (483) | (134) |
| Proceeds from borrowings | | 525 | 430 |
| Repayments of borrowings | | (592) | (448) |
| Repayments of lease liabilities | 15 | - | (272) |
| Interest paid | | (56) | (77) |
| Interest received | | 49 | 62 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES (F) | | (611) | (468) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F) | | 57 | 458 |
| Effect of exchange rate movements on cash and cash equivalents (H) | | (41) | (12) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (I) | 22 | 1,988 | 2,004 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD (G+H+I) | 22 | 2,004 | 2,450 |



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in millions of euros | Number of shares | Share capital | Additional paid-in capital | Treasury shares | Consolidated retained earnings and other reserves | Income and expense recognized in equity | | Equity (attributable to owners of the Company) | Non-controlling interests | Total equity |
|--|------------------|---------------|----------------------------|-----------------|---|---|-------|--|---------------------------|--------------|
| | | | | | | Translation adjustments | Other | | | |
| At December 31, 2017 | 168,483,742 | 1,348 | 3,169 | (61) | 3,767 | (364) | (903) | 6,956 | 4 | 6,960 |
| Impact of first-time application of IFRS 9 ⁽¹⁾ | - | - | - | - | (6) | - | 6 | - | - | - |
| At January 1, 2018 including impact of IFRS 9 | 168,483,742 | 1,348 | 3,169 | (61) | 3,761 | (364) | (897) | 6,956 | 4 | 6,960 |
| 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 ⁽²⁾ | - | - | - | (483) | 2 | - | - | (481) | - | (481) |
| Share capital reduction by cancellation of treasury shares | (4,023,303) | (33) | (397) | 430 | - | - | - | - | - | - |
| Transactions with shareholders | (1,190,012) | (10) | (190) | 11 | (254) | - | - | (443) | - | (443) |
| Income and expense recognized in equity | - | - | - | - | - | 176 | 61 | 237 | 1 | 238 |
| Profit for the year | - | - | - | - | 730 | - | - | 730 | (6) | 724 |
| At December 31, 2018 | 167,293,730 | 1,338 | 2,979 | (50) | 4,237 | (188) | (836) | 7,480 | (1) | 7,479 |

| in millions of euros | Number of shares | Share capital | Additional paid-in capital | Treasury shares | Consolidated retained earnings and other reserves | Income and expense recognized in equity | | Equity (attributable to owners of the Company) | Non-controlling interests | Total equity |
|---|------------------|---------------|----------------------------|-----------------|---|---|-------|--|---------------------------|--------------|
| | | | | | | Translation adjustments | Other | | | |
| At December 31, 2018 | 167,293,730 | 1,338 | 2,979 | (50) | 4,237 | (188) | (836) | 7,480 | (1) | 7,479 |
| Impact of first-time application of IFRS 16 ⁽³⁾ | - | - | - | - | (16) | - | - | (16) | - | (16) |
| At January 1, 2019 including impact of IFRS 16 | 167,293,730 | 1,338 | 2,979 | (50) | 4,221 | (188) | (836) | 7,464 | (1) | 7,463 |
| Dividends paid out for 2018 | - | - | - | - | (282) | - | - | (282) | - | (282) |
| Incentive instruments and employee share ownership | 2,750,000 | 22 | 231 | 91 | 11 | - | - | 355 | - | 355 |
| Change in the fair value of put options granted to a minority shareholder | - | - | - | - | 92 | - | - | 92 | - | 92 |
| Elimination of treasury shares | - | - | - | (136) | - | - | - | (136) | - | (136) |
| Share capital reduction by cancellation of treasury shares | (698,231) | (5) | (60) | 65 | - | - | - | - | - | - |
| Transactions with shareholders | 2,051,769 | 17 | 171 | 20 | (179) | - | - | 29 | - | 29 |
| Income and expense recognized in equity | - | - | - | - | 1 | 108 | (34) | 75 | - | 75 |
| Profit for the year | - | - | - | - | 856 | - | - | 856 | (4) | 852 |
| At December 31, 2019 | 169,345,499 | 1,355 | 3,150 | (30) | 4,899 | (80) | (870) | 8,424 | (5) | 8,419 |

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

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

(3) Equity at January 1, 2019 has been restated for the application of IFRS 16, Leases, using the modified retrospective method (see Note 1 - Accounting Basis).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 ACCOUNTING BASIS

The consolidated financial statements for the year ended December 31, 2019 and the notes thereto were adopted by the Board of Directors on February 12, 2020. The consolidated financial statements will be approved by the Combined Shareholders' Meeting, scheduled for May 20, 2020.

A) IFRS standards base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2019 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 IFRS.

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

B) New standards and interpretations applicable in 2019

a) New standards, amendments and interpretations of mandatory effect at January 1, 2019

The accounting policies applied by the Capgemini Group are unchanged on those applied for the preparation of the December 31, 2018 consolidated financial statements, except for the standards, amendments, and interpretations which entered into mandatory effect on January 1, 2019 that have an effect for the Group and are presented below.

b) Transition note on the application of IFRS 16

IFRS 16, *Leases*, was adopted by the Group on January 1, 2019. This standard introduces a single lessee accounting model and 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*.

As a lessee, the Group now recognizes:

- a "lease right-of-use asset" in the Consolidated Statement of Financial Position, representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments,
- depreciation of the lease right-of-use asset and interest on the related lease liability in place of the operating lease expenses previously incurred.

The Group has elected to adopt the modified retrospective approach. The Group therefore recognized a lease right-of-use asset and a related lease liability for the same amount at January 1, 2019, equal to the present value of future lease payments discounted over the estimated lease period, without restating comparative periods.

For certain major real estate leases, as permitted by the standard, the Group has elected to determine the value of the lease right-of-use asset at January 1, 2019 retrospectively, by recalculating the historical value of the asset at the lease commencement date and applying depreciation to December 31, 2018, to obtain the net carrying amount of the lease right-of-use asset at January 1, 2019.

Discount rates applied at the transition date are based on the incremental borrowing rate, estimated by currency based on market data available at this date. These discount rates were determined taking account of average residual contract durations at the date of first-time application, i.e. January 1, 2019. The weighted average incremental borrowing rate at January 1, 2019 for all lease liabilities is 2.5%

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 a value when new of below US\$5,000, other than IT equipment.

Additionally, the Group has elected not to separate lease and non-lease components for certain categories of underlying asset (notably the vehicle fleet) 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 balance sheet pursuant to IAS 17 at December 31, 2018, were reclassified in lease right-of-use assets and related lease liabilities at January 1, 2019.



The following table presents the impacts of the first-time application of IFRS 16 in the Consolidated Statement of Financial Position at January 1, 2019:

| <i>in millions of euros</i> | December 31, 2018 | First-time application of IFRS 16 | January 1, 2019 |
|---------------------------------|----------------------|---|-----------------|
| Goodwill | 7,431 | - | 7,431 |
| Intangible assets | 697 | (7) | 690 |
| Property, plant and equipment | 785 | (70) | 715 |
| Lease right-of-use assets | - | 785 | 785 |
| Deferred taxes assets | 1,128 | 4 | 1,132 |
| Other non-current assets | 303 | - | 303 |
| Total non-current assets | 10,344 | 712 | 11,056 |
| Contract costs | 92 | - | 92 |
| Contract assets | 1,123 | - | 1,123 |
| Trade receivables | 2,064 | - | 2,064 |
| Current tax receivables | 94 | - | 94 |
| Other current receivables | 592 | (11) | 581 |
| Cash management assets | 183 | - | 183 |
| Cash and cash equivalents | 2,006 | - | 2,006 |
| Total current assets | 6,154 | (11) | 6,143 |
| TOTAL ASSETS | 16,498 | 701 | 17,199 |

| <i>in millions of euros</i> | December 31, 2018 | First-time application of IFRS 16 | January 1, 2019 |
|--|----------------------|---|-----------------|
| Share capital | 1,338 | - | 1,338 |
| Additional paid-in capital | 2,979 | - | 2,979 |
| Retained earnings and other reserves | 2,433 | (16) | 2,417 |
| Profit for the year | 730 | - | 730 |
| Equity (attributable to owners of the Company) | 7,480 | (16) | 7,464 |
| Non-controlling interests | (1) | - | (1) |
| Total equity | 7,479 | (16) | 7,463 |
| Long-term borrowings | 3,274 | (41) | 3,233 |
| Deferred taxes liabilities | 180 | - | 180 |
| Provisions for pensions and other post-employment benefits | 1,011 | - | 1,011 |
| Non-current provisions | 19 | - | 19 |
| Non-current lease liabilities | - | 576 | 576 |
| Other non-current liabilities | 305 | (2) | 303 |
| Total non-current liabilities | 4,789 | 533 | 5,322 |
| Short-term borrowings and bank overdrafts | 83 | (39) | 44 |
| Accounts and notes payable | 2,944 | (28) | 2,916 |
| Contract liabilities | 864 | - | 864 |
| Current provisions | 91 | - | 91 |
| Current tax liabilities | 141 | - | 141 |
| Current lease liabilities | - | 252 | 252 |
| Other current liabilities | 107 | (1) | 106 |
| Total current liabilities | 4,230 | 184 | 4,414 |
| TOTAL EQUITY AND LIABILITIES | 16,498 | 701 | 17,199 |



The first-time application of IFRS 16 therefore had the following impacts at January 1, 2019:

- recognition of lease right-of-use assets and the corresponding lease liabilities,
- reclassification of finance lease assets and liabilities existing at December 31, 2018,
- reclassification of any lease incentives as a deduction from the lease right-of-use asset,
- reclassification of provisions for onerous leases as a deduction from the lease right-of-use asset,
- reclassification of advance lease payments as an increase in the lease right-of-use asset.

Off-balance sheet commitments at December 31, 2018 reconcile with lease liabilities at the transition date as follows:

in millions of euros

| | |
|---|------------|
| Commitments given on non-cancellable leases at December 31, 2018 | 836 |
| Exclusion of firm leases with a date of effect after January 1, 2019 | (105) |
| Exclusion of non-lease components of certain contracts | (52) |
| Effect of optional periods not included in off-balance sheet commitments at December 31, 2018 | 116 |
| Other | 10 |
| Lease liabilities before discounting at January 1, 2019 | 805 |
| Effect of discounting | (57) |
| Reclassification of finance lease liabilities recognized at December 31, 2018 | 80 |
| Lease liabilities after discounting at January 1, 2019 | 828 |

c) IFRIC 23

IFRIC 23, *Uncertainty over income tax treatment*, applicable from January 1, 2019, clarifies the accounting treatment of income tax uncertainties.

The adoption of this interpretation does not impact either the measurement of the Group's income tax expense, or the Consolidated Statement of Financial Position.

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 a percentage-of-completion basis, provisions, measurement of the recoverable amount of intangible assets and deferred tax 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 33 - List of the main consolidated companies by country. All consolidated companies prepared their accounts to December 31, 2019 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 profit or net financial 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 | |
|-----------------------|--------------|---------|--------------|---------|
| | 2018 | 2019 | 2018 | 2019 |
| Australian dollar | 0.63308 | 0.62096 | 0.61652 | 0.62520 |
| Brazilian real | 0.23279 | 0.22676 | 0.22502 | 0.22145 |
| Canadian dollar | 0.65372 | 0.67321 | 0.64082 | 0.68503 |
| Chinese renminbi yuan | 0.12812 | 0.12932 | 0.12698 | 0.12787 |
| Indian rupee | 0.01239 | 0.01268 | 0.01254 | 0.01247 |
| Norwegian krone | 0.10417 | 0.10156 | 0.10052 | 0.10138 |
| Pound sterling | 1.13034 | 1.14039 | 1.11791 | 1.17536 |
| Polish zloty | 0.23475 | 0.23270 | 0.23248 | 0.23492 |
| Swedish krona | 0.09753 | 0.09448 | 0.09752 | 0.09572 |
| US dollar | 0.84716 | 0.89329 | 0.87336 | 0.89016 |

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.

A) Changes in the consolidation scope in 2019

In February 2019, the Group completed the acquisition of Leidos Cyber Group in the United States.

In August 2019, the Group acquired Konexus Consulting Group GmbH in Germany.

The fair value remeasurement of the assets and liabilities and the calculation and determination of goodwill pursuant to IFRS 3 are ongoing and will be finalized within 12 months of the acquisition date. The contribution of these acquisitions to Group financial indicators in 2019 is not material.

B) Proposed acquisition of the Altran Technologies group

On June 24, 2019, Capgemini SE and Altran Technologies SA ("Altran"), the global leader in Engineering and R&D services, jointly announced the proposed acquisition of Altran by Capgemini, through a friendly public tender offer at €14.00 per Altran share, payable in cash. This acquisition was unanimously approved by the Boards of Directors of both companies and seeks to create a global digital transformation leader for industrial and tech companies.

In this context, on June 24, 2019, Capgemini entered into an agreement for exclusive negotiations with Altran and a definitive agreement to acquire an 11.43% stake in Altran from a group of shareholders led by Apax Partners⁽¹⁾ (settlement and delivery of the transaction took place on July 2, 2019).

Following completion of the information or consultation process by Capgemini SE and Altran of their respective works councils, the two companies entered into a Tender Offer Agreement on August 11, 2019, to finalize the terms and conditions of the proposed acquisition of Altran by Capgemini through a public tender offer.

Capgemini filed its draft offer and the related offer document with the French Financial Markets Authority (AMF) on September 23, 2019. On October 14, 2019, the AMF issued its clearance to the draft offer and approved Capgemini's offer document (AMF visa no. 19-489 dated October 14, 2019) and Altran's response document (AMF visa no. 19-490 dated October 14, 2019).

After the 2019 year-end, Capgemini increased the offer price on January 14, 2020, from €14.00 to €14.50 per share.

The offer opened on October 16, 2019 and closed on January 22, 2020, with Capgemini obtaining all necessary regulatory authorizations during this period.

On January 27, 2020, Capgemini announced that, after the settlement and the delivery taken place on February 4, 2020, the group will held 137,674,545 shares, thereby exceeding the acceptance threshold set at 50.1% of Altran's share capital and voting rights (on a fully diluted basis). After taking account the 2,461,800 owned shares, Capgemini held 54.52% of Altran's share capital and 54.37% of Altran's voting rights ⁽²⁾.

In accordance with the AMF's General Regulations, the offer was automatically reopened from January 28 to February 10, 2020. The results of the reopened offer period will be known mid-February 2020.

An action to annul the tender offer clearance decision and the visa granted to the offer document is currently before the Paris Appeal Court. A ruling is expected by the end of March at the latest. In this context, Capgemini has given undertakings ⁽³⁾ and notably to the AMF, that it will not take control of Altran before the Paris Appeal Court has issued its ruling (see AMF notice no. 219C2818 of December 18, 2019).

The Capgemini Group has secured in June 2019 a bridge financing of €5.4 billion, covering the purchase of securities in connection with the public tender offer as well as Altran's gross debt. The Group plans to refinance the bridge with available cash for €1 billion and the balance by debt issuance, primarily new bond issues. This bridge loan has an initial term of one year, with two consecutive six-month extension options exercisable at Capgemini's initiative.

Following a partial cancellation, the bridge financing totals €4.4 billion and is available in full at December 31, 2019.

(1) Altrafin Participations, Mr. Alexis Kniazeff and Mr. Hubert Martigny

(2) On the basis of Altran's capital consisting of 257,021,105 shares accounting for 257,748,693 voting rights

(3) See AMF notice 219C2818 dated December 18, 2019, setting out the commitments made by Capgemini to the AMF; see also Capgemini's press release dated January 14, 2020 stating that Capgemini will, for at least 18 months from January 14, 2020, neither file a new offer nor implement a statutory merger based on a price per Altran share higher than the offer price (i.e. 14.50 euros per share).



NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

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 reported period.
- ▶ **Growth at constant exchange rates** in revenues is the growth rate calculated at exchange rates used for the reported 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 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.
- ▶ **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. Lease liabilities (including finance lease liabilities) are excluded from net debt at January 1, 2019.
- ▶ **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 repayments of lease liabilities and adjusted for flows relating to the net interest cost.



NOTE 4 OPERATING SEGMENTS

Group Management analyzes and measures activity performance in the geographic areas where the Group is present.

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.
- ▶ 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.

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 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 delivery 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.

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

| 2019 (in millions of euros) | North America | France | United Kingdom and Ireland | Rest of Europe | Asia-Pacific and Latin America | Headquarter expenses | Eliminations | Total |
|--------------------------------|------------------|--------------|----------------------------------|-------------------|--------------------------------------|-------------------------|----------------|---------------|
| Revenues | | | | | | | | |
| ▶ external | 4,567 | 3,017 | 1,653 | 3,809 | 1,079 | - | - | 14,125 |
| ▶ inter-geographic area | 135 | 257 | 190 | 340 | 1,645 | - | (2,567) | - |
| TOTAL REVENUES | 4,702 | 3,274 | 1,843 | 4,149 | 2,724 | - | (2,567) | 14,125 |
| OPERATING MARGIN * | 637 | 366 | 251 | 451 | 120 | (84) | - | 1,741 |
| % of revenues | 13.9 | 12.1 | 15.2 | 11.8 | 11.2 | - | - | 12.3 |
| OPERATING PROFIT | 519 | 296 | 214 | 402 | 103 | (101) | - | 1,433 |

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

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

* 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 the operating margin*, one of the main Group business performance indicators.

Operating profit is obtained by deducting other operating income and expenses from the 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, as well as the interest expense on lease liabilities,
- ▶ 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 conditions 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. Changes 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 back-loaded fees or discounts). Service-level penalties or bonuses, if any, are accrued in full in 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 fulfillment 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 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.

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

A provision for onerous contracts is recorded if all the necessary 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.

In 2019, revenues grew 7.0% year-on-year at current Group scope and exchange rates. Revenues grew 5.3% at constant exchange rates*, while organic growth* was 4.2%.

| in millions of euros | Change | | | 2019 |
|--------------------------------|---------------|-------------|---|---------------|
| | 2018 | Reported | At constant exchange rates ^(*) | |
| North America | 4,230 | 8.0% | 2.6% | 4,567 |
| France | 2,848 | 5.9% | 5.9% | 3,017 |
| United Kingdom and Ireland | 1,565 | 5.6% | 4.7% | 1,653 |
| Rest of Europe | 3,605 | 5.7% | 6.2% | 3,809 |
| Asia-Pacific and Latin America | 949 | 13.6% | 12.8% | 1,079 |
| TOTAL | 13,197 | 7.0% | 5.3% | 14,125 |

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

The firm bookings taken in 2019 were €15,138 million.



NOTE 7 OPERATING EXPENSES BY NATURE

| <i>in millions of euros</i> | 2018 | | 2019 | |
|--|---------------|---------------|---------------|---------------|
| | Amount | % of revenues | Amount | % of revenues |
| Personnel expenses | 8,147 | 61.7% | 8,833 | 62.5% |
| Travel expenses | 535 | 4.0% | 534 | 3.8% |
| | 8,682 | 65.7% | 9,367 | 66.3% |
| Purchases and sub-contracting expenses | 2,237 | 17.0% | 2,299 | 16.3% |
| Rent and local taxes | 366 | 2.8% | 176 | 1.3% |
| Charges to depreciation, amortization and provisions and proceeds from asset disposals | 315 | 2.4% | 542 | 3.8% |
| OPERATING EXPENSES | 11,600 | 87.9% | 12,384 | 87.7% |

From January 1, 2019:

- the line "Rent and local taxes" excludes operating lease expenses falling under the scope of IFRS 16, *Leases* and replaced by depreciation of the lease right-of-use asset and interest on the related lease liability (see Note 15 - Lease right-of-use assets).
- the line "Charges to depreciation, amortization and provisions and proceeds from asset disposals" includes the net charge to depreciation of lease right-of-use assets. This net depreciation totaled €278 million in 2019 (see Note 15 - Lease right-of-use assets).

BREAKDOWN OF PERSONNEL EXPENSES

| <i>in millions of euros</i> | Note | 2018 | 2019 |
|---|------|--------------|--------------|
| Wages and salaries | | 6,588 | 7,205 |
| Payroll taxes | | 1,500 | 1,554 |
| Pension costs related to defined benefit pension plans and other post-employment benefit expenses | 25 | 59 | 74 |
| PERSONNEL EXPENSES | | 8,147 | 8,833 |



NOTE 8 OTHER OPERATING INCOME AND EXPENSE

| <i>in millions of euros</i> | 2018 | 2019 |
|---|--------------|--------------|
| Amortization of intangible assets recognized in business combinations | (75) | (73) |
| Expenses relating to share grants | (91) | (105) |
| Restructuring costs | (122) | (82) |
| Integration costs for companies acquired | (25) | (31) |
| Acquisition costs | (13) | (19) |
| Other operating expenses | (29) | (12) |
| Total operating expenses | (355) | (322) |
| Other operating income | 9 | 14 |
| Total operating income | 9 | 14 |
| OTHER OPERATING INCOME AND EXPENSE | (346) | (308) |

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).

Expenses relating to share grants

The expense relating to share grants is €105 million, compared with €91 million in 2018 due to:

- share price movements during the period that impacted the IFRS expense for new plans and the closing share price at the year-end, and
- higher social security contributions with, since the 2016 Plan, the payment of social security contributions on vesting based on the value of the share at this date, compared with a payment initially calculated on the IFRS value on grant.

Restructuring costs

Fiscal year 2019 restructuring costs primarily concern workforce reduction measures in the amount of €57 million (€70 million in 2018) and the streamlining of real estate and production assets in the amount of €25 million (€40 million in 2018).

Integration costs for companies acquired

Integration costs for companies acquired total €31 million, including €11 million in respect of acquisitions during the fiscal year.

Acquisition costs

Acquisition costs mainly include the costs relating to the Altran Technologies group acquisition project (see Note 2 - Consolidation principles and Group structure) of €17 million.



NOTE 9 NET FINANCIAL EXPENSE

| <i>in millions of euros</i> | Note | 2018 | 2019 |
|---|-------------|-------------|-------------|
| Income from cash, cash equivalents and cash management assets | | 49 | 62 |
| Net interest on borrowings | | (58) | (57) |
| Net finance costs at the nominal interest rate | | (9) | 5 |
| Impact of amortized cost on borrowings | | (3) | (8) |
| Net finance costs at the effective interest rate | | (12) | (3) |
| Net interest cost on defined benefit pension plans | 25 | (27) | (27) |
| Interest on lease liabilities | | - | (22) |
| Exchange (Losses) gains on financial transactions | | (13) | (31) |
| Gains (losses) on derivative instruments | | (19) | 14 |
| Other | | (9) | (10) |
| Other financial income and expense | | (68) | (76) |
| <i>o/w financial income</i> | | 39 | 28 |
| <i>o/w financial expense</i> | | (107) | (104) |
| NET FINANCIAL EXPENSE | | (80) | (79) |

Net interest on borrowings (€57 million) and the impact of amortized cost on borrowings (€8 million) total €65 million and mainly comprise:

- ▶ coupons on 2015 bond issues of €37 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 the 2018 bond issues of €15 million, plus an amortized cost accounting impact of €5 million.

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

From January 1, 2019, the net financial expense includes interest on lease liabilities in accordance with IFRS 16, *Leases*. This interest totaled €22 million in 2019 (see Note 15 - Lease right-of-use assets).



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 the 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 recorded to take account of temporary differences between the carrying amounts of certain assets and liabilities and their tax basis. See Note 17 - Deferred tax.

The income tax expense for fiscal year 2019 breaks down as follows:

| <i>in millions of euros</i> | Note | 2018 | 2019 |
|------------------------------------|------|--------------|--------------|
| Current income taxes | | (290) | (322) |
| Deferred taxes | 17 | (157) | (180) |
| INCOME TAX (EXPENSE) INCOME | | (447) | (502) |

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> | 2018 | | 2019 | |
|---|--------------|--------------|--------------|--------------|
| | Amount | % | Amount | % |
| Profit before tax | 1,171 | | 1,354 | |
| Standard tax rate in France (%) | 34.43 | | 34.43 | |
| Tax expense at the standard rate | (403) | 34.43 | (466) | 34.43 |
| Difference in tax rates between countries | 50 | (4.3) | 66 | (4.8) |
| <i>Impact of:</i> | | | | |
| Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period | (16) | 1.4 | (19) | 1.4 |
| Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1 | 7 | (0.6) | 5 | (0.4) |
| Utilization of previously unrecognized tax loss carry-forwards | 4 | (0.3) | 2 | (0.1) |
| Prior year adjustments | 3 | (0.2) | (3) | 0.2 |
| Taxes not based on taxable profit | (43) | 3.6 | (29) | 2.1 |
| Permanent differences and other items | 4 | (0.3) | 2 | (0.2) |
| Income tax expense and effective tax rate before tax expense due to the transitional impact of the US tax reform | (394) | 33.7 | (442) | 32.6 |
| Tax expense due to the transitional impact of the US tax reform | (53) | 4.5 | (60) | 4.5 |
| Income tax expense and effective tax rate after tax expense due to the transitional impact of the US tax reform | (447) | 38.2 | (502) | 37.1 |

In 2019, the "Taxes not based on taxable profit" primarily consist of:

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

The tax expense of €60 million in 2019 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 and 10% from 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 10% of the fiscal value of the tangible assets of those subsidiaries. The applicable tax rate is 26%. Except where available tax losses carried forward are offset in full, a 50% deduction is applied to the tax base and foreign tax credits deduction is possible.

The effective income tax rate used to calculate normalized earnings per share (see Note 11 – Earning per share) at December 31, 2019 is 32.6%, as it is adjusted for the tax expense of €60 million due to the transitional impact of the US tax reform, compared with 33.7% at December 31, 2018.



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. 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

| | 2018 | 2019 |
|---|-------------|-------------|
| Profit for the year attributable to owners of the Company (<i>in millions of euros</i>) | 730 | 856 |
| Weighted average number of ordinary shares outstanding | 167,088,363 | 166,171,198 |
| BASIC EARNINGS PER SHARE (<i>in euros</i>) | 4.37 | 5.15 |

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by assuming conversion into ordinary shares of all dilutive instruments outstanding during the year.

In 2019, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- ▶ shares delivered in August 2019 to non-French employees under the 2015 performance share plan representing a weighted average of 342,914 shares,
- ▶ shares delivered in August 2019 to French employees and shares to be delivered in August 2020 for the non-French section, under the performance share plan approved by the Board of Directors on July 26, 2016, representing a weighted average of 1,213,388 shares. Since August 1, 2019, the remaining shares are only subject to a condition of presence at the delivery date for non-French beneficiaries,
- ▶ shares available for grant in March 2020 to non-French employees, under the performance share plan approved by the Board of Directors on February 17, 2016, representing a weighted average of 113,200 shares and whose related presence conditions will be assessed at the end of February 2020,
- ▶ shares available for grant in August 2020 to non-French employees under the performance share plan approved by the Board of Directors on July 26, 2017, representing a weighted average of 54,448 shares and whose related presence conditions will be assessed at the end of July 2020,
- ▶ shares available for grant under the performance share plan approved by the Board of Directors on October 5, 2017, representing a weighted average of 1,415,725 shares and whose related performance conditions will be definitely assessed in October 2020,
- ▶ shares available for grant under the performance share plan approved by the Board of Directors on October 3, 2018, representing a weighted average of 1,357,117 shares and whose related performance conditions will be definitely assessed in October 2021,
- ▶ shares available for grant under the performance share plan approved by the Board of Directors on October 2, 2019, representing a weighted average of 379,772 shares and whose related performance conditions will be definitely assessed in October 2022.



| | | |
|--|--------------------|--------------------|
| <i>in millions of euros</i> | 2018 | 2019 |
| Profit for the year attributable to owners of the Company | 730 | 856 |
| Diluted profit for the year attributable to owners of the Company | 730 | 856 |
| Weighted average number of ordinary shares outstanding | 167,088,363 | 166,171,198 |
| <i>Adjusted for:</i> | | |
| Performance shares and free shares available for exercise | 4,608,972 | 4,876,564 |
| Weighted average number of ordinary shares outstanding (diluted) | 171,697,335 | 171,047,762 |
| DILUTED EARNINGS PER SHARE (in euros) | 4.25 | 5.00 |

NORMALIZED EARNINGS PER SHARE

| | | |
|---|-------------|--------------|
| <i>in millions of euros</i> | 2018 | 2019 |
| Profit for the period attributable to owners of the Company | 730 | 856 |
| Other operating income and expenses, net of tax calculated at the effective tax rate ⁽¹⁾ | 229 | 207 |
| Normalized profit for the year attributable to owners of the Company | 959 | 1,063 |
| Weighted average number of ordinary shares outstanding | 167,088,363 | 166,171,198 |
| NORMALIZED EARNINGS PER SHARE (in euros) | 5.74 | 6.40 |

(1) See Note 10 - Income tax expense

In fiscal year 2019, the Group recognized an income tax expense of €60 million in respect of the transitional impact of the US tax reform, reducing normalized earnings per share by €0.36. Excluding this income tax charge, 2019 normalized earnings per share would have been €6.76:

| | | |
|---|-------------|--------------------|
| <i>in millions of euros</i> | 2018 | 2019 |
| NORMALIZED EARNINGS PER SHARE (in euros) | 5.74 | 6.40 |
| Tax expense due to the transitional impact of the US tax reform | 53 | 60 |
| Weighted average number of ordinary shares outstanding | 167,088,363 | 166,171,198 |
| Impact of the tax expense due to the transitional impact of the US tax reform | 0.32 | 0.36 |
| NORMALIZED EARNINGS PER SHARE - excl. the tax expense due to the transitional impact of the US tax reform (in euros) | 6.06 | 6.76 |



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

A) Share subscription 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 6, 2015, May 18, 2016, May 10, 2017, May 23, 2018 and then May 23, 2019, 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 29, 2015, February 17, 2016, July 26, 2016, July 26, 2017, October 5, 2017, October 3, 2018 and October 2, 2019, 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 2015 Plan | |
|---|---|
| Maximum number of shares that may be granted | 1,721,759 shares |
| % of share capital at the date of the Board of Directors' decision | 1% |
| Total number of shares granted | 1,068,550 ⁽¹⁾ |
| Date of Board of Directors' decision | July 29, 2015 |
| Performance assessment dates | Three years for the two performance conditions |
| Vesting period | 2 years and 7 months as from the grant date (France) or 4 years as from the grant date (other countries) |
| Mandatory lock-in period effective as from the vesting date (France only) | 3 years |
| Main market conditions at the grant date | |
| Volatility | 24.54% |
| Risk - free interest rate | 0.10% - 0.55% |
| Expected dividend rate | 1.60% |
| Other conditions | |
| Performance conditions | Yes (see below) |
| Employee presence within the Group at the vesting date | Yes |
| Pricing model used to calculate the fair value of shares | Monte Carlo for performance shares with external (market) conditions |
| Range of fair values (in euros) | |
| Free shares (per share and in euros) | n/a |
| Performance shares (per share and in euros) | 61.73 - 82.18 |
| Of which corporate officers | 56.66 |
| Number of shares at December 31, 2018 | 593,292 |
| | Of which corporate officers |
| | 0 |
| | Number of shares subject to performance and/or presence conditions granted during the year |
| | - |
| | Of which corporate officers |
| | - |
| Change during the period | Number of shares forfeited or canceled during the year |
| | 38,073 |
| | Number of shares vested during the year |
| | 555,219 ⁽²⁾ |
| Number of shares at December 31, 2019 | that may vest under the plan in respect of shares previously granted, subject to conditions (presence only) |
| | - |
| Weighted average number of shares | 342,914 |
| Share price at the grant date (in euros) | 87.60 |



| | February 2016 Plan | July 2016 Plan |
|---|---|--|
| Maximum number of shares that may be granted | 1,721,815 shares | 1,721,815 shares |
| % of share capital at the date of the Board of Directors' decision | 1% | 1% |
| Total number of shares granted | 180,500 ⁽⁵⁾ | 1,663,500 ⁽¹⁾ |
| Date of Board of Directors' decision | February 17, 2016 | July 26, 2016 |
| Performance assessment dates | Presence condition only | Three years for the two performance conditions |
| Vesting period | 2 years as from the grant date (France) or 4 years as from the grant date (other countries) | 3 years and 1 week as from the grant date (France) or 4 years as from the grant date (other countries) |
| Mandatory lock-in period effective as from the vesting date (France only) | 2 years | 2 years |
| Main market conditions at the grant date | | |
| Volatility | n/a | 26.35% |
| Risk - free interest rate | 0.15% - 0.03% | 0.2% - 0.17% |
| Expected dividend rate | 1.60% | 1.60% |
| Other conditions | | |
| Performance conditions | n/a | Yes (see below) |
| Employee presence within the Group at the vesting date | Yes | |
| Pricing model used to calculate the fair value of shares | n/a | Monte Carlo for performance shares with external (market) conditions |
| Range of fair values (in euros) | | |
| Free shares (per share and in euros) | 55.45 - 57.59 | n/a |
| Performance shares (per share and in euros) | n/a | 54.02 - 77.1 |
| Of which corporate officers | - | 52.68 |
| 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, 2018 | 118,950 | 1,502,200 |
| | Of which corporate officers | |
| | - | 42,000 ⁽¹⁾ |
| Number of shares subject to performance and/or presence conditions granted during the year | | |
| | - | - |
| | Of which corporate officers | |
| | - | - |
| Change during the period | | |
| | Number of shares forfeited or canceled during the year | |
| | 11,500 | 273,615 |
| | Number of shares vested during the year | |
| | 0 | 364,810 ⁽³⁾ |
| Number of shares at December 31, 2019 | that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) | |
| | 107,450 ⁽⁴⁾ | 863,775 ⁽⁴⁾ |
| Weighted average number of shares | 113,200 | 1,213,388 |
| Share price at the grant date (in euros) | 71.61 | 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 ⁽⁸⁾ | 1,522,500 ⁽¹⁰⁾ |
| Date of Board of Directors' decision | July 26, 2017 | October 5, 2017 |
| Performance assessment dates | Presence condition only | Three years for the two performance conditions |
| Vesting period | 3 years and 1 week as from the grant date (other countries) | 3 years as from the grant date (France) or 4 years as from the grant date (other countries) |
| Mandatory lock-in period effective as from the vesting date (France only) | n/a | 2 years |
| Main market conditions at the grant date | | |
| Volatility | n/a | 25.65% |
| Risk - free interest rate | -0.25% / -0.04% | -0.17% /+ 0.90% |
| Expected dividend rate | 1.60% | 1.60% |
| Other conditions | | |
| Performance conditions | n/a | Yes (see below) |
| Employee presence within the Group at the vesting date | Yes | |
| Pricing model used to calculate the fair value of shares | n/a | Monte Carlo for performance shares with external (market) conditions |
| Range of fair values (in euros) | | |
| Free shares (per share and in euros) | 89.05 | 86.98 - 93.25 |
| Performance shares (per share and in euros) | n/a | 62.02 - 93.25 |
| Of which corporate officers | - | 66.38 |
| | 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, 2018 | 62,251 | 1,458,200 |
| | Of which corporate officers | |
| | - | 35,000 ⁽¹⁾ |
| | Number of shares subject to performance and/or presence conditions granted during the year | |
| | Of which corporate officers | |
| | - | |
| Change during the period | | |
| | Number of shares forfeited or canceled during the year | |
| | 15,605 | 84,950 |
| | Number of shares vested during the year | |
| | - | - |
| Number of shares at December 31, 2019 | that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) | |
| | 46,646 ⁽⁸⁾ | 1,373,250 ⁽⁷⁾ |
| Weighted average number of shares | 54,448 | 1,415,725 |
| 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 ⁽¹¹⁾ |
| Date of Board of Directors' decision | October 3, 2018 |
| Performance assessment dates | Three years for the two performance 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, 2018 | 1,373,515 |
| | Of which corporate officers |
| | 61,000 ⁽¹⁾ |
| | Number of shares subject to performance and/or presence conditions granted during the year |
| | Of which corporate officers |
| Change during the period | Number of shares forfeited or canceled during the year |
| | 32,795 |
| | Number of shares vested during the year |
| | - |
| Number of shares at December 31, 2019 | that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) |
| | 1,340,720 ⁽¹²⁾ |
| Weighted average number of shares | 1,357,117 |
| Share price at the grant date (in euros) | 112.35 |



| October 2019 Plan | |
|---|---|
| Maximum number of shares that may be granted | 1,672,937 shares |
| % of share capital at the date of the Board of Directors' decision | 1% |
| Total number of shares granted | 1,523,015 ⁽⁶⁾ |
| Date of Board of Directors' decision | October 2, 2019 |
| Performance assessment dates | Three years for the two performance 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 | |
| Volatility | 23.14% |
| Risk-free interest rate | -0.478% / -0.458% |
| Expected dividend rate | 1.60% |
| Other conditions | |
| Performance conditions | Yes (see below) |
| Employee presence within the Group at the vesting date | Yes |
| Pricing model used to calculate the fair value of shares | Monte Carlo for performance shares with external (market) conditions |
| Range of fair values (in euros) | |
| Free shares (per share and in euros) | 99.57 |
| Performance shares (per share and in euros) | 52.81 - 99.57 |
| Of which corporate officers | 74.12 |
| | 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, 2018 | 0 |
| | Of which corporate officers |
| | 0 |
| | Number of shares subject to performance and/or presence conditions granted during the year |
| | 1,523,015 |
| | Of which corporate officers |
| | 63,500 ⁽¹⁾ |
| Change during the period | Number of shares forfeited or canceled during the year |
| | 7,853 |
| | Number of shares vested during the year |
| | 0 |
| Number of shares at December 31, 2019 | that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence) |
| | 1,515,162 ⁽⁹⁾ |
| Weighted average number of shares | 379,772 |
| Share price at the grant date (in euros) | 107.35 |

(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.

(3) In respect of the French plan only: these amounts include a 20% discount on the external performance condition.

(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) Grant subject to performance conditions only, except for 8,852 shares subject to presence conditions only.

(7) Of which 438,550 shares in respect of the French plan and 934,700 shares in respect of the foreign plan.

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

(9) Of which 450,200 shares in respect of the French plan and 1,064,962 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 405,300 shares in respect of the French plan and 935,420 shares in respect of the foreign plan.



a) Shares vested under the 2015 and July 2016 plans

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 July 2019 led to the vesting of 555,219 shares on August 1, 2019.

The assessment of performance conditions under the July 2016 plan concluded that the internal performance condition was 100% attained and the external performance condition was 80% attained, given the performance of the Capgemini SE share, which, while above that of the comparison basket, was below the 110% threshold enabling the maximum allocation. Satisfaction of the presence condition at the end of July 2019 therefore led to the vesting of 364,410 shares to non-French beneficiaries on August 1, 2019, plus an additional 400 shares which vested in 2019 to the heirs of a non-French beneficiary who died at the end of 2018, representing a total of 364,810 shares.

b) Performance conditions of the 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 as 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 performance of the Capgemini SE share is at least equal to 100% of the basket,
 - is equal to 100% of the number of shares initially allocated if the relative performance of the Capgemini SE share is higher than or equal to 110% of the basket,
 - varies on a straight-line basis between 50% and 100% of the initial allocation, based on a pre-defined schedule, where the performance of the Capgemini SE share is between 100% and 110% of the basket.

Moreover, in 2019, an outperformance condition was added applicable to all beneficiaries except corporate officers, such that if the relative performance of the share reaches or exceeds 120% of the basket, the allocation may amount to 110% of the external performance portion (but the final grant may not exceed 100% of the initial grant).

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 from this date for the 2015 and 2016 plans,
- ▶ For the 2017, 2018 and 2019 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, fiscal years 2018 to 2020 for the 2018 plan and fiscal years 2019 to 2021 for the 2019 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, €3,000 million for the 2018 plan and €3,100 million for the 2019 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, €3,250 million for the 2018 plan and €3,400 million for the 2019 plan. The trigger threshold for application of the 110% outperformance bonus is €3,700 million (but the final grant may not exceed 100% of the initial grant).

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 23 - Cash flows.

Inclusion of a new CSR performance condition since 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. This provision was retained in 2019 and in view of the inclusion of an outperformance condition, the following table summarizes the applicable performance conditions, under the 2019 plan, for each of the three conditions:

Summary of performance conditions applicable to beneficiaries of the 2019 plan

| Performance condition | Weighting applied for managers * | Weighting applied for other beneficiaries | Percentage of the grant determined by each performance condition |
|--|----------------------------------|---|---|
| Market condition: Performance of the Capgemini share over a three-year period | 35% | 15% | <ul style="list-style-type: none"> • 0% if <100% of the average performance of the basket • 50% to 100% between 100% and 110% of the average performance of the basket over the reference period • 110% if the average performance of the share is 120% of the average performance of the basket or higher (excluding Executive Corporate Officers) |
| Financial condition: Organic Free Cash Flow for the three-year cumulative period from January 1, 2019 to December 31, 2021 | 50% | 70% | <ul style="list-style-type: none"> • 0% if <€3,100 million • 30% to 100% between €3,100 million and €3,400 million over the reference period • 110% if at least equal to €3,700 million (for beneficiaries other than Executive Corporate Officers) |
| CSR condition comprising two objectives: Diversity: increase in the number of women in the Vice-President inflow population over a three-year period (2019-2021) | 7.5% | 7.5% | <ul style="list-style-type: none"> • 0% if the % of women in the Vice-President inflow population through recruitment or internal promotion is <22% • 30% to 100% if this percentage is between 22% and 25% over the reference period • 110% if at least equal to 27% (for beneficiaries other than Executive Corporate Officers) |
| Reduction in the carbon footprint in 2021 compared with 2015 | 7.5% | 7.5% | <ul style="list-style-type: none"> • 0% if the reduction in greenhouse gas emissions/person is <21% • 30% to 100% if the reduction in greenhouse gas emissions/person in 2021 is between 21% and 23% compared with reference emissions in 2015 • 110% if at least equal to 24% (for beneficiaries other than Executive Corporate Officers) |

* 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. This plan expired on December 18, 2019.

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

The Group set up an employee share ownership plan (ESOP 2018) in the second-half of 2018. 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. The total cost of this employee share ownership plan in 2018 was €1.3 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

F) International Employee Share Ownership Plan – ESOP 2019

The Group set up an employee share ownership plan (ESOP 2019) in the second-half of 2019. On December 18, 2019, the Group issued 2,750,000 new shares reserved for employees with a par value of €8, representing a share capital increase of €253 million net of issue costs. The total cost of this employee share ownership plan in 2019 was €1.6 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.

IMPACT OF INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS

The following table presents 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.

| | Note | 2018 | | 2019 | |
|--|----------|-----------------------|---|-----------------------|---|
| | | Expense of the period | Residual amount to be amortized in future periods | Expense of the period | Residual amount to be amortized in future periods |
| <i>in millions of euros</i> | | | | | |
| Expense on incentive instruments and employee share ownership plans | 8 | 91 | 242 | 105 | 270 |

G) Employee incentive instruments - IGATE

The main features of this plan, which expired in June 2019, 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, 2018 that may vest under the plan in respect of units previously granted subject to performance and presence conditions | | 16,692 |
| Number of Performance Units subject to performance and presence conditions granted during the year | | - |
| Number of Performance Units forfeited or cancelled during the year | | 2,037 |
| Number of Performance Units vested during the year | | 14,655 |
| Number of Performance Units at December 31, 2019 that may vest under the plan in respect of units previously granted subject to performance and presence conditions | | 0 |
| 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:

$$\frac{\text{US\$48 (unit purchase price of IGATE shares paid by Capgemini)}}{\text{€78.37 (closing price of the Capgemini SE share on April 24, 2015) x €1.0824 (€/US\$ exchange rate on April 24, 2015)}}$$

- ▶ 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.

The internal condition was satisfied 100% at the fourth vesting date, therefore resulting in the vesting of 14,655 PUs, while 2,037 PUs were canceled following failure to satisfy the presence condition. An additional amount of €0.8 million was paid to beneficiaries present in the Group, in respect of the increase in the share price between the initial price and the share price at the end of the four-year plan.

** Organic free cash flow, an alternative performance measure monitored by the Group, is defined in Note 3 - Alternative performance measures and Note 23 - Cash flows.*

TREASURY SHARES AND MANAGEMENT OF SHARE CAPITAL AND MARKET RISKS

The Group does not hold any shares for financial investment purposes and does not have any interests in listed companies, except the Altran shares purchased under the Altran Technologies group acquisition project (see Note 2 – Consolidation principles and Group structures).

At December 31, 2019, treasury shares were deducted from consolidated equity in the amount of €30 million. These consist of (i) 184,971 shares purchased under the share buyback program and (ii) 131,747 shares held under the liquidity agreement (the associated liquidity line is €19 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, 2019, the Group had net debt* of €600 million (compared with €1,184 million at December 31, 2018). 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 22 - 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

Regarding risks arising on the translation of the foreign currency accounts of consolidated subsidiaries, in 2019 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 16 - 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 | Other intangible assets | Total |
|--|--------------|------------------------|-----------------------|-------------------------|--------------|
| GROSS | | | | | |
| At January 1, 2018 | 6,925 | 754 | 463 | 274 | 8,416 |
| 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) |
| At December 31, 2018 | 7,522 | 835 | 481 | 277 | 9,115 |
| First-time application of IFRS 16 | - | - | - | (7) | (7) |
| At January 1, 2019 | 7,522 | 835 | 481 | 270 | 9,108 |
| Translation adjustments | 113 | 14 | 2 | 1 | 130 |
| Acquisitions / Increase | - | - | 48 | - | 48 |
| Internal developments | - | - | - | 2 | 2 |
| Disposals / Decrease | - | (5) | (25) | (9) | (39) |
| Business combinations | 131 | 28 | 2 | 1 | 162 |
| Other movements | (14) | - | 10 | (11) | (15) |
| At December 31, 2019 | 7,752 | 872 | 518 | 254 | 9,396 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT | | | | | |
| At January 1, 2018 | 95 | 318 | 349 | 143 | 905 |
| 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) |
| At December 31, 2018 | 91 | 372 | 374 | 150 | 987 |
| First-time application of IFRS 16 | - | - | - | - | - |
| At January 1, 2019 | 91 | 372 | 374 | 150 | 987 |
| Translation adjustments | (1) | 6 | 2 | 1 | 8 |
| Charges and provisions | - | 70 | 51 | 10 | 131 |
| Reversals | - | (6) | (23) | (9) | (38) |
| Business combinations | - | - | 2 | - | 2 |
| Other movements | - | - | 6 | (7) | (1) |
| At December 31, 2019 | 90 | 442 | 412 | 145 | 1,089 |
| NET | | | | | |
| At December 31, 2018 | 7,431 | 463 | 107 | 127 | 8,128 |
| At January 1, 2019 | 7,431 | 463 | 107 | 120 | 8,121 |
| At December 31, 2019 | 7,662 | 430 | 106 | 109 | 8,307 |



The amounts recorded in "Business combinations" for Goodwill and Customer relationships primarily concern the 2019 acquisitions of the Leidos Cyber group in the United States and Konexus Consulting Group GmbH in Germany (cf. Note 2 - Consolidation principles and Group structure).

INTANGIBLE ASSETS BY GEOGRAPHIC AREA

| <i>in millions of euros</i> | December 31, 2018 | | December 31, 2019 | |
|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
| | Net carrying amount | Acquisitions during the period | Net carrying amount | Acquisitions during the period |
| North America | 367 | 4 | 346 | 4 |
| France | 91 | 32 | 96 | 40 |
| United Kingdom and Ireland | 82 | 12 | 59 | 1 |
| Rest of Europe | 22 | 2 | 19 | 3 |
| Asia-Pacific and Latin America | 135 | 4 | 125 | 2 |
| INTANGIBLE ASSETS | 697 | 54 | 645 | 50 |



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.



| <i>in millions of euros</i> | Land, buildings and fixtures and fittings | Computer equipment | Other PP&E | Total |
|--|--|-----------------------|------------|--------------|
| GROSS | | | | |
| At January 1, 2018 | 959 | 744 | 314 | 2,017 |
| 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) |
| At December 31, 2018 | 939 | 680 | 342 | 1,961 |
| First-time application of IFRS 16 | (21) | (164) | (2) | (187) |
| At January 1, 2019 | 918 | 516 | 340 | 1,774 |
| Translation adjustments | 2 | 2 | - | 4 |
| Acquisitions / Increase | 53 | 71 | 48 | 172 |
| Disposals / Decrease | (29) | (56) | (32) | (117) |
| Business combinations | 3 | 6 | 1 | 10 |
| Other movements | (28) | 33 | 2 | 7 |
| At December 31, 2019 | 919 | 572 | 359 | 1,850 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | |
| At January 1, 2018 | 458 | 581 | 229 | 1,268 |
| 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) |
| At December 31, 2018 | 420 | 520 | 236 | 1,176 |
| First-time application of IFRS 16 | (13) | (103) | (1) | (117) |
| At January 1, 2019 | 407 | 417 | 235 | 1,059 |
| Translation adjustments | 3 | 2 | - | 5 |
| Charges and provisions | 48 | 56 | 32 | 136 |
| Reversals | (28) | (54) | (30) | (112) |
| Business combinations | 2 | 5 | 1 | 8 |
| Other movements | (14) | 33 | (3) | 16 |
| At December 31, 2019 | 418 | 459 | 235 | 1,112 |
| NET | | | | |
| At December 31, 2018 | 519 | 160 | 106 | 785 |
| At January 1, 2019 | 511 | 99 | 105 | 715 |
| At December 31, 2019 | 501 | 113 | 124 | 738 |



PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA

| <i>in millions of euros</i> | December 31, 2018 | | December 31, 2019 | |
|--------------------------------------|---------------------|---|---------------------|--------------------------------|
| | Net carrying amount | Acquisitions during the period ⁽¹⁾ | Net carrying amount | Acquisitions during the period |
| North America | 52 | 25 | 41 | 12 |
| France | 167 | 49 | 167 | 45 |
| United Kingdom and Ireland | 30 | 7 | 15 | 4 |
| Rest of Europe | 88 | 42 | 72 | 36 |
| Asia-Pacific and Latin America | 448 | 103 | 443 | 75 |
| PROPERTY, PLANT AND EQUIPMENT | 785 | 226 | 738 | 172 |

(1) In 2018, 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 LEASE RIGHT-OF-USE ASSETS

The Group assess whether a contract is or contains a lease at inception of the contract.

Leases are recognized in the Consolidated Statement of Financial Position from the lease commencement date.

These contracts are recognized in "Lease liabilities" and "Lease right-of-use assets" in the Consolidated Statement of Financial Position.

The lease liability is initially measured at the present value of future lease payments, discounted over the estimated lease period using the lessee's incremental borrowing rate per currency. This is estimated in each currency using available market data and taking account of the average lease term. Lease payments may include fixed payments and variable payments that depend on an index or a rate known at inception of the contract. The lease liability is generally calculated over the firm lease term unless the Group is reasonably certain to extend or terminate the lease.

The lease liability is subsequently measured at amortized cost using the effective interest rate.

The initial value of the lease right-of-use asset comprises the amount of the initial measurement of the lease liability, initial direct costs and any obligation to restore the asset. For the vehicle fleet, the Group has elected not to separate non-lease components from lease components and to account for the entire contract as a single lease component. The lease right-of-use asset is depreciated over the period adopted for the calculation of the lease liability.

In the Consolidated Income Statement, depreciation is recorded in the operating margin and interest is recorded in net financial expenses.

The linked tax impact is recognized in deferred tax in accordance with applicable tax legislation in the countries where the leases are recognized.

Leases of assets with a low unit value, other than IT equipment and short-term leases are expensed directly in the operating margin.

DESCRIPTION OF LEASE ACTIVITIES

Real estate leases

The Group leases land and buildings for its offices, as well as for its delivery centers. Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are generally entered into for terms of 5 to 15 years and may contain extension options providing operational flexibility.

Vehicle leases

The Group leases vehicles for certain employees in France and internationally. These leases are generally entered into for terms of 3 to 5 years.

IT and other leases

Finally, the Group also leases some of its IT equipment (computers, servers, printers). Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are generally entered into for terms of 3 to 5 years.



LEASE RIGHT-OF-USE ASSETS

| <i>in millions of euros</i> | Land, buildings and fixtures and fittings | Vehicles | Computer equipment and other leases | Total |
|--|--|------------|---|--------------|
| GROSS | | | | |
| At January 1, 2019 | 811 | 104 | 86 | 1,001 |
| Translation adjustments | 9 | - | 1 | 10 |
| Acquisitions / Increase | 207 | 50 | 32 | 289 |
| Disposals / Decrease | (66) | (19) | (13) | (98) |
| At December 31, 2019 | 961 | 135 | 106 | 1,202 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | |
| At January 1, 2019 | 213 | - | 3 | 216 |
| Translation adjustments | 5 | - | - | 5 |
| Charges and provisions | 174 | 58 | 46 | 278 |
| Reversals | (36) | (13) | (10) | (59) |
| At December 31, 2019 | 356 | 45 | 39 | 440 |
| NET | | | | |
| At January 1, 2019 | 598 | 104 | 83 | 785 |
| At December 31, 2019 | 605 | 90 | 67 | 762 |

LEASE RIGHT-OF-USE ASSETS BY GEOGRAPHIC AREA

| | January 1, 2019 | December 31, 2019 |
|----------------------------------|----------------------------|----------------------------|
| <i>in millions of euros</i> | Net carrying amount | Net carrying amount |
| North America | 97 | 80 |
| France | 177 | 234 |
| United Kingdom and Ireland | 65 | 52 |
| Rest of Europe | 329 | 276 |
| Asia-Pacific and Latin America | 117 | 120 |
| LEASE RIGHT-OF-USE ASSETS | 785 | 762 |



LEASE LIABILITIES

The contractual cash flows presented below are the undiscounted value of future contractual repayments, broken down by average remaining maturity of Group leases.

in millions of euros

| <i>in millions of euros</i> | Carrying amount | Contractual cash flows | | | | |
|-----------------------------|-----------------|------------------------|---------------------|--------------|--------------|----------------|
| | | | Less than 1 year | 1 to 2 years | 2 to 5 years | Beyond 5 years |
| At December 31, 2019 | | | | | | |
| Lease liabilities | 813 | 873 | 236 | 195 | 305 | 137 |



NOTE 16 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, property, plant and equipment with a definite useful life and lease right-of-use assets are tested for impairment when there is an indication at the reporting date 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, 2018 | | | December 31, 2019 | | |
|-----------------------------|-------------------|-------------|---------------------|-------------------|-------------|---------------------|
| | Gross value | Impairment | Net carrying amount | Gross value | Impairment | Net carrying amount |
| North America | 2,581 | (8) | 2,573 | 2,731 | (8) | 2,723 |
| France | 1,479 | (1) | 1,478 | 1,489 | (1) | 1,488 |
| United Kingdom and Ireland | 968 | - | 968 | 1,004 | - | 1,004 |
| Benelux | 977 | (12) | 965 | 983 | (12) | 971 |
| Southern Europe | 144 | - | 144 | 146 | - | 146 |
| Nordic countries | 301 | - | 301 | 303 | - | 303 |
| Germany and Central Europe | 402 | (31) | 371 | 417 | (31) | 386 |
| Asia-Pacific | 535 | - | 535 | 546 | - | 546 |
| Latin America | 135 | (39) | 96 | 133 | (38) | 95 |
| GOODWILL | 7,522 | (91) | 7,431 | 7,752 | (90) | 7,662 |

The increase in the gross value of goodwill comes mainly from acquisitions completed in 2019 (see Note 2 - Consolidation principles and Group structure).

Goodwill was tested for impairment at December 31, 2019 in line with the Group valuation procedure for such assets.



The main assumptions used were as follows:

| | December 31, 2019 | |
|----------------------------|-----------------------|---------------|
| | Long-term growth rate | Discount rate |
| North America | 2.9% | 8.0% |
| Latin America | 5.5% | 12.1% |
| United Kingdom and Ireland | 2.8% | 7.1% |
| Continental Europe | 2.4% | 7.2% |
| Asia-Pacific | 4.2% | 12.6% |

No impairment losses were recognized at December 31, 2019 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 17 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 |
|--|------|-------------------------|---|--|--|---------------------------|
| At January 1, 2018 | | 763 | 118 | 246 | 156 | 1,283 |
| 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) |
| At December 31, 2018 | | 612 | 85 | 221 | 210 | 1,128 |
| First-time application of IFRS 16 | | - | - | - | 4 | 4 |
| At January 1, 2019 | | 612 | 85 | 221 | 214 | 1,132 |
| Translation adjustments | | 10 | - | 7 | 2 | 19 |
| Deferred tax recognized in the Income Statement | 10 | (154) | (22) | (5) | 9 | (172) |
| Deferred tax recorded in income and expense recognized in equity | | 4 | - | 19 | (1) | 22 |
| Other movements, including offset with deferred tax liabilities | | 11 | - | (4) | (9) | (2) |
| At December 31, 2019 | | 483 | 63 | 238 | 215 | 999 |

Recognized tax loss carry-forwards total €483 million at December 31, 2019 (€612 million at December 31, 2018) and primarily concern the United States in the amount of €410 million and France in the amount of €52 million.



UNRECOGNIZED DEFERRED TAX ASSETS

| At December 31 (in millions of euros) | 2018 | 2019 |
|---|------------|------------|
| Deferred tax on tax loss carry-forwards | 196 | 200 |
| Deferred tax on other temporary differences | 10 | 18 |
| Unrecognized deferred tax assets | 206 | 218 |

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

| At December 31 (in millions of euros) | 2018 | | 2019 | |
|---|--------------|------------|--------------|------------|
| | Amount | % | Amount | % |
| Between 1 and 5 years | 39 | 1 | 38 | 1 |
| Between 6 and 10 years | 1,031 | 35 | 1,121 | 44 |
| Between 11 and 15 years | 794 | 27 | 520 | 20 |
| Beyond 15 years (definite expiry date) | 44 | 1 | - | - |
| Carried forward indefinitely | 1,082 | 36 | 893 | 35 |
| TAX LOSS CARRY-FORWARDS (taxable base) | 2,990 | 100 | 2,572 | 100 |
| <i>o/w recognized tax losses</i> | 2,325 | 78 | 1,893 | 74 |

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 |
|--|------|--------------------------------------|------------------------|-------------------------------------|--------------------------------|
| At January 1, 2018 | | 50 | 46 | 76 | 172 |
| 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) |
| At December 31, 2018 | | 52 | 43 | 85 | 180 |
| Translation adjustments | | 1 | - | - | 1 |
| Deferred tax recognized in the Income Statement | 10 | 3 | (6) | 11 | 8 |
| Deferred tax recorded in income and expense recognized in equity | | - | - | (1) | (1) |
| Other movements including offset with deferred tax assets | | - | - | (3) | (3) |
| At December 31, 2019 | | 56 | 37 | 92 | 185 |



NOTE 18 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, lease liabilities, accounts payable and other current and non-current liabilities,
- ▶ derivative instruments.

a) Recognition of financial instruments

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

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 assets and liabilities and the fair value of financial instruments amount represents a reasonable approximation of fair value).

| December 31, 2019 (in millions of euros) | Net carrying amount | | | | | Fair value | | |
|--|---------------------|---------------------|--|---------------------------------|-------------------|------------|---------|---------|
| | Notes | Hedge accounting | Fair value through profit or loss | Fair value through equity | Amortized cost | Level 1 | Level 2 | Level 3 |
| | | | | | | | | |
| Financial assets | | | | | | | | |
| Shares in non-consolidated companies | 19 | | 1 | 413 | | 413 | | 1 |
| Long-term deposits, receivables and other investments | 19 | | | | 128 | | | |
| Other non-current assets | 19 | | | | 117 | | | |
| Current and non-current asset derivative instruments | 19-21 | 106 | | | | | 106 | |
| Trade receivables and related accounts | 20 | | | | 3,380 | | | |
| Other current assets | 21 | | | | 391 | | | |
| Cash management assets | 22 | | 213 | | | 213 | | |
| Cash and cash equivalents | 22 | | 2,461 | | | 2,461 | | |
| Financial liabilities | | | | | | | | |
| Bonds | 22 | | | | 3,267 | | | |
| Lease liabilities | 15 | | | | 813 | | | |
| Draw-downs on bank and similar facilities and other borrowings | 22 | | | | 3 | | | |
| Liabilities related to acquisitions of consolidated companies | 27 | | 82 | 13 | 11 | | | 95 |
| Other current and non-current liabilities | 27 | | | | 145 | | | |
| Current and non-current liability derivative instruments | 27 | 24 | | | | | 24 | |
| Accounts and notes payable | 28 | | | | 3,011 | | | |
| Bank overdrafts | 22 | | | | 11 | | | |



NOTE 19 OTHER NON-CURRENT ASSETS

| At December 31 (in millions of euros) | Notes | 2018 | 2019 |
|---|-----------|------------|------------|
| Long-term deposits, receivables and other investments | | 120 | 128 |
| Shares in associates | | 45 | 74 |
| Derivative instruments | 24 | 20 | 33 |
| Non-current tax receivables | | 79 | 89 |
| Altran Technologies non-consolidated securities | 2 | - | 413 |
| Other | | 39 | 29 |
| OTHER NON-CURRENT ASSETS | 23 | 303 | 766 |

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 mainly consist of the Group's investment in Azqore, acquired in 2018, and Capgemini Ventures S.A.S.'s investment in the Professional Investment Fund, ISAI Cap Venture, on July 1, 2019.

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 €33 million (current portion of €65 million, see Note 21 - Other current assets).

Non-current tax receivables at December 31, 2019, mainly consist of tax portion required by the Indian tax administration following tax audits but challenged by the group.

At December 31, 2019, the "Altran Technologies non-consolidated securities" line reflects the acquisition of 29,378,319 shares for a total disbursement of €413 million (see Note 2 – Consolidation principles and Group structure).



NOTE 20 TRADE RECEIVABLES, CONTRACT ASSETS AND CONTRACT COSTS

| At December 31 (in millions of euros) | Note | 2018 | 2019 |
|--|-----------|--------------|--------------|
| Trade receivables | | 2,082 | 2,140 |
| Provisions for doubtful accounts | | (18) | (19) |
| Contract assets | | 1,123 | 1,176 |
| Trade receivables and contract assets, excluding contract costs | 23 | 3,187 | 3,297 |
| Contract costs | 23 | 92 | 83 |
| TRADE RECEIVABLES, CONTRACT ASSETS AND CONTRACT COSTS | | 3,279 | 3,380 |

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

| At December 31 (in millions of euros) | Note | 2018 | 2019 |
|---|------|--------------|--------------|
| Trade receivables and contract assets, excluding contract costs | 23 | 3,187 | 3,297 |
| Contract liabilities | 23 | (864) | (836) |
| TRADE RECEIVABLE AND CONTRACT ASSETS NET OF CONTRACT LIABILITIES | | 2,323 | 2,461 |
| In number of days' annual revenue | | 63 | 63 |

Changes in contract assets and liabilities in fiscal year 2019 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, 2019, receivables totaling €75 million were assigned with transfer of credit risk as defined by IFRS 9 to financial institutions (€103 million at December 31, 2018) and were therefore derecognized in the Statement of Financial Position at December 31, 2019.

AGED ANALYSIS OF TRADE RECEIVABLES

The low bad debt ratio reflects the fact that most invoices are only issued after the client has validated the services provided. At end-2019, past due balances total €469 million (€402 million at December 31, 2018) and represent 22.1% of trade receivables less provisions for doubtful accounts (19.4% in 2018). The breakdown is as follows:

| in millions of euros | < 30 days | > 30 days and < 90 days | > 90 days |
|--|------------|----------------------------|-----------|
| Net trade receivables | 317 | 95 | 57 |
| As a % of trade receivables, net of provisions for doubtful accounts | 14.9% | 4.5% | 2.7% |

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, unchanged on fiscal year 2018. The Group's five largest clients contribute around 10% of Group revenues, as in 2018. The top ten clients collectively account for 16% of Group revenues. The solvency of these major clients and the sheer diversity of the other smaller clients help limit credit risk. The economic environment could impact the business activities of the Group's clients, as well as the amounts receivable from these clients. However, the Group does not consider that any of its clients, business sectors or geographic areas present a significant credit risk that could materially impact the financial position of the Group as a whole.



NOTE 21 OTHER CURRENT ASSETS

| At December 31 (in millions of euros) | Notes | 2018 | 2019 |
|--|-----------|------------|------------|
| Social security and tax-related receivables, other than income tax | | 246 | 208 |
| Prepaid expenses | | 226 | 143 |
| Derivative instruments | 24 | 74 | 73 |
| Other | | 46 | 40 |
| OTHER CURRENT ASSETS | 23 | 592 | 464 |

At December 31, 2019, Social security and tax-related receivables, other than income tax include €77 million research tax credit receivables of which €24 million, deducted from operating expenses in 2019.



NOTE 22 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-term and long-term borrowings. Account is also taken of the impact of hedging instruments when these relate to borrowings and own shares. Lease liabilities (including finance lease liabilities) are excluded from net debt at January 1, 2019.

| <i>in millions of euros</i> | 2018 | January 1, 2019 ⁽¹⁾ | 2019 |
|--|----------------|--------------------------------|----------------|
| Short-term investments | 1,476 | 1,476 | 1,920 |
| Cash at bank | 530 | 530 | 541 |
| Bank overdrafts | (2) | (2) | (11) |
| Cash and cash equivalents | 2,004 | 2,004 | 2,450 |
| Cash management assets | 183 | 183 | 213 |
| Bonds | (3,233) | (3,233) | (2,564) |
| Obligations under finance leases | (41) | - | - |
| Draw-downs on bank and similar facilities and other borrowings | - | - | - |
| Long-term borrowings | (3,274) | (3,233) | (2,564) |
| Bonds | (26) | (26) | (703) |
| Obligations under finance leases | (39) | - | - |
| Draw-downs on bank and similar facilities and other borrowings | (16) | (16) | (3) |
| Short-term borrowings | (81) | (42) | (706) |
| Borrowings | (3,355) | (3,275) | (3,270) |
| Derivative instruments | (16) | (16) | 7 |
| (NET DEBT) / NET CASH AND CASH EQUIVALENTS ⁽¹⁾ | (1,184) | (1,104) | (600) |

(1) The Consolidated Statement of Financial Position at January 1, 2019 has been restated for the application of IFRS 16, Leases, using the modified retrospective method (see Note 1 - Accounting Basis).

* 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, 2019, 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 canceled 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):

The nominal amount of this tranche is €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 +85 bp, revised quarterly (issue price 100%). The bond issue was redeemed by the Group at maturity on July 2, 2018.

► 2015 Bond issue (July 2020):

The nominal amount of this tranche is €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):

The nominal amount of this tranche is €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 this 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:

The nominal amount of this tranche is €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 2015 bonds (July 2020) 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.

► 2028 Bond issue:

The nominal amount of this tranche is €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 issues 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) | 2019 | | | | |
|--|------------------|-------------|------------------|------------------|--------------|
| | 2015 BOND ISSUES | | 2016 BOND ISSUES | 2018 BOND ISSUES | |
| | (July 2020) | (July 2023) | | (October 2024) | (April 2028) |
| Debt component at amortized cost, including accrued interest | 681 | 1,010 | 499 | 574 | 503 |
| Effective interest rate | 1.9% | 2.6% | 0.6% | 2.0% | 1.8% |
| Interest expense recognized in the Income Statement for the period | 13 | 26 | 3 | 11 | 9 |
| Nominal interest rate | 1.8% | 2.5% | 0.5% | 1.0% | 1.8% |
| Nominal interest expense (coupon) | 12 | 25 | 2 | 6 | 9 |

| At December 31 (in millions of euros) | 2018 | | | | |
|--|------------------|-------------|------------------|------------------|--------------|
| | 2015 BOND ISSUES | | 2016 BOND ISSUES | 2018 BOND ISSUES | |
| | (July 2018) | (July 2020) | (July 2023) | (October 2024) | (April 2028) |
| Debt component at amortized cost, including accrued interest | - | 680 | 1,010 | 498 | 502 |
| Effective interest rate | 0.6% | 1.9% | 2.6% | 0.6% | 1.8% |
| Interest expense recognized in the Income Statement for the period | 1 | 16 | 26 | 3 | 7 |
| Nominal interest rate | 0.5% | 1.8% | 2.5% | 0.5% | 1.8% |
| Nominal interest expense (coupon) | 1 | 15 | 25 | 2 | 7 |

FAIR VALUE OF BONDS

| At December 31 (in millions of euros) | 2019 | | | | |
|---------------------------------------|------------------|-------------|------------------|------------------|--------------|
| | 2015 BOND ISSUES | | 2016 BOND ISSUES | 2018 BOND ISSUES | |
| | (July 2020) | (July 2023) | | (October 2024) | (April 2028) |
| Fair value | 685 | 1,090 | 505 | 622 | 556 |
| Market rate | (0.3)% | 0.3% | 0.0% | 0.3% | 0.5% |

| At December 31 (in millions of euros) | 2018 | | | | |
|---------------------------------------|------------------|-------------|------------------|------------------|--------------|
| | 2015 BOND ISSUES | | 2016 BOND ISSUES | 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% |



B) Breakdown of borrowings by currency

| <i>in millions of euros</i> | At December 31, 2018 | | | At December 31, 2019 | | |
|--|----------------------|------------------|--------------|----------------------|------------------|--------------|
| | Euro | Other currencies | Total | Euro | Other currencies | Total |
| 2015 Bond issue - July 2020 | 680 | - | 680 | 681 | - | 681 |
| 2015 Bond issue - July 2023 | 1,010 | - | 1,010 | 1,010 | - | 1,010 |
| 2016 Bond issue | 498 | - | 498 | 499 | - | 499 |
| 2018 Bond issue - October 2024 | 569 | - | 569 | 574 | - | 574 |
| 2018 Bond issue - April 2028 | 502 | - | 502 | 503 | - | 503 |
| Draw-downs on bank and similar facilities and other borrowings | 1 | 15 | 16 | - | 3 | 3 |
| Obligations under finance leases | 43 | 37 | 80 | - | - | - |
| Bank overdrafts | - | 2 | 2 | 8 | 3 | 11 |
| BORROWINGS | 3,303 | 54 | 3,357 | 3,275 | 6 | 3,281 |

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 0.35% and the fee on undrawn amounts is 0.1225%.

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 30 - Off-balance sheet commitments.

This credit facility had not been drawn at December 31, 2019.

D) Bridge loan secured by Capgemini SE

On June 24, 2019 the Group secured a €5,400 million bridge loan as part of the proposed acquisition of the Altran Technologies group (see Note 2 - Consolidation principles and Group scope). The loan has an initial term of twelve months and two six-month extension options exercisable at Capgemini's initiative, which were not exercised at December 31, 2019.

The applicable margin increases every three months and may be adjusted upwards according to Capgemini SE's credit rating. Amounts not drawn are also subject to a fee on undrawn amounts.

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 30 - Off-balance sheet commitments.

At December 31, 2019, this line was not drawn and the bridge loan was available in the amount of €4,400 million, following the repayment and cancellation of €400 million drawn on the acquisition of the 11.43% stake in Altran (see Note 2 - Consolidation principles and Group structure) and the cancellation of €600 million of the amount available.



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,
- ▶ the maintenance of an adequate level of liquidity 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, 2019, short-term investments totaled €1,920 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.

| <i>in millions of euros</i> | Contractual maturity | Carrying amount | Contractual cash flows | Less than 1 year | 1 to 2 years | 2 to 5 years | Beyond 5 years |
|---|-------------------------|--------------------|---------------------------|------------------------|-----------------|-----------------|-------------------|
| At December 31, 2019 | | | | | | | |
| Cash and cash equivalents | 2020 | 2,450 | 2,450 | 2,450 | - | - | - |
| Cash management assets | 2020 | 213 | 213 | 213 | - | - | - |
| 2015 Bond issue - July 2020 | 2020 | (681) | (687) | (687) | - | - | - |
| 2015 Bond issue - July 2023 | 2023 | (1,010) | (1,100) | (25) | (25) | (1,050) | - |
| 2016 Bond issue | 2021 | (499) | (504) | (2) | (502) | - | - |
| 2018 Bond issue - October 2024 | 2024 | (574) | (630) | (6) | (6) | (618) | - |
| 2018 Bond issue - April 2028 | 2028 | (503) | (580) | (9) | (9) | (27) | (535) |
| Draw-downs on bank and similar facilities and other borrowings | 2020 | (3) | (3) | (3) | - | - | - |
| Borrowings | | (3,270) | (3,504) | (732) | (542) | (1,695) | (535) |
| Derivative instruments on borrowings | | 7 | | | | | |
| NET DEBT | | (600) | (841) | 1,931 | (542) | (1,695) | (535) |



NOTE 23 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, 2019, cash and cash equivalents totaled €2,450 million (see Note 22 - Net debt/Net cash and cash equivalents), up €446 million on December 31, 2018 (€2,004 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of negative €12 million, this increase is €458 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

NET CASH FROM OPERATING ACTIVITIES

In 2019, net cash from operating activities totaled €1,794 million (compared with €1,396 million in 2018) and resulted from:

- ▶ cash flows from operations before net finance costs and income tax in the amount of €1,981 million,
- ▶ payment of current income taxes in the amount of €217 million,
- ▶ a decrease in working capital requirements, generating a positive cash impact of €30 million.

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

| Working capital requirement components (Consolidated Statement of Financial Position) | | | | | | | | | | | Neutralization of items with no cash impact | | | Statement of Cash Flows items |
|--|-------|-------------------|-------------------|--------------|---|--|---------------------|-------------------|-------------------------|---|---|--|--|-------------------------------|
| <i>in millions of euros</i> | Notes | December 31, 2018 | December 31, 2019 | Net impact | Impact of first-time application of IFRS 16 | Non working capital items ⁽¹⁾ | Impact of WCR items | Net profit impact | Foreign exchange impact | Reclassifications ⁽²⁾ and changes in Group structure | Amount | | | |
| Trade receivables and contract assets, excl. contract costs | 20 | 3,187 | 3,297 | (110) | - | - | (110) | - | 38 | 9 | (63) | | | |
| Contract costs | 20 | 92 | 83 | 9 | - | - | 9 | - | 1 | 1 | 11 | | | |
| Contract liabilities | 20 | (864) | (836) | (28) | - | - | (28) | - | (10) | (8) | (46) | | | |
| Change in trade receivables, contract assets, contract liabilities and contract costs | | | | (129) | - | - | (129) | - | 29 | 2 | (98) | | | |
| Accounts and notes payable (trade payables) | 28 | (1,172) | (1,149) | (23) | 18 | (9) | (14) | - | (14) | 2 | (26) | | | |
| Change in accounts and notes payable | | | | (23) | 18 | (9) | (14) | - | (14) | 2 | (26) | | | |
| Other non-current assets | 19 | 303 | 766 | (463) | - | 473 | 10 | - | 1 | (7) | 4 | | | |
| Other current assets | 21 | 592 | 464 | 128 | (11) | (63) | 54 | (1) | 5 | 10 | 68 | | | |
| Accounts and notes payable (excluding trade payables) | 28 | (1,772) | (1,862) | 90 | 10 | 10 | 110 | - | (13) | (10) | 87 | | | |
| Other current and non-current liabilities | 27 | (412) | (275) | (137) | 3 | 133 | (1) | - | (1) | (3) | (5) | | | |
| Change in other receivables/payables | | | | (382) | 2 | 553 | 173 | (1) | (8) | (10) | 154 | | | |
| CHANGE IN OPERATING WORKING CAPITAL | | | | | | | 30 | (1) | 7 | (6) | 30 | | | |

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

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



NET CASH USED IN INVESTING ACTIVITIES

The main components of net cash used in investing activities of €868 million (compared with €728 million in 2018) reflect:

- ▶ cash outflows of €169 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 €50 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 14 - Goodwill and intangible assets),
- ▶ cash inflows and outflows on business combinations net of cash and cash equivalents acquired of €165 million,
- ▶ cash outflow of €413 million, relating to the acquisition of an 11.43% stake in Altran Technologies. (See Note 2 Consolidation principles and Group structure).

NET CASH USED IN FINANCING ACTIVITIES

Net cash outflows as a result of financing activities totaled €468 million (compared with net cash inflows of €611 million in 2018) and mainly comprised:

- ▶ payment of the 2018 dividend of €282 million,
- ▶ cash outflows of €272 million to repay lease liabilities,
- ▶ cash outflows of €134 million for the buyback of own shares,

offset by:

- ▶ the €253 million share capital increase following the issue of new shares under the international employee share ownership plan (see Note 12 F - Equity).

ORGANIC FREE CASH FLOW

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

| At December 31 (in millions of euros) | 2018 | 2019 |
|--|--------------|--------------|
| Cash flows from operations | 1,396 | 1,794 |
| Acquisitions of property, plant and equipment and intangible assets | (236) | (222) |
| Proceeds from disposals of property, plant and equipment and intangible assets | 7 | 3 |
| Acquisitions of property, plant, equipment and intangible assets (net of disposals) | (229) | (219) |
| Interest paid | (56) | (77) |
| Interest received | 49 | 62 |
| Net interest cost | (7) | (15) |
| Repayments of lease liabilities | - | (272) |
| ORGANIC FREE CASH FLOW | 1,160 | 1,288 |



NOTE 24 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 delivery 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 2.7% change in the operating margin* amount. Similarly, a 10% fluctuation in the pound sterling-euro exchange rate would trigger a corresponding 1.1% change in revenues and a 1.2% change in the operating margin* amount.

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

B) Hedging derivatives

Amounts hedged at December 31, 2019 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, 2019, 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:

| in millions of euros | | > 6 months and | | | TOTAL |
|-------------------------------|--------------------|-------------------|--------------|--------------|--------------|
| | | < 6 months | < 12 months | > 12 months | |
| Operating transactions | | 1,536 | 1,450 | 1,184 | 4,170 |
| o/w | ▶ fair value hedge | 452 | - | - | 452 |
| | ▶ cash flow hedge | 1,084 | 1,450 | 1,184 | 3,718 |
| Financial transactions | | 293 | - | - | 293 |
| o/w | ▶ fair value hedge | 293 | - | - | 293 |
| TOTAL | | 1,829 | 1,450 | 1,184 | 4,463 |

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2020 and 2022 with an aggregate euro-equivalent value at closing exchange rates of €4,170 million (€4,063 million at December 31, 2018). The hedges were chiefly taken out in respect of transactions in Indian rupee (INR 171,293 million), US dollars (USD 1,610 million) and Polish zloty (PLN 1,398 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 €4,157 million.



Hedges contracted in respect of financial transactions concern Capgemini SE in the amount of €293 million at December 31, 2019. They mainly concern inter-company loans for €277 million (€961 million at December 31, 2018), primarily denominated in US dollars.

The net residual exposure to currency risk on operating intragroup transactions denominated in Indian rupee, with the delivery centers located in India (cf. A)a)) results from the Group's hedging policy. The net exposure at December 31, 2019 and December 31, 2018, is limited.

C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

| At December 31 (in millions of euros) | Note | 2018 | 2019 |
|---|------|-----------|-----------|
| Other non-current assets | 19 | 20 | 33 |
| Other current assets | 21 | 74 | 73 |
| Other current and non-current liabilities | 27 | (36) | (24) |
| Fair value of hedging derivatives, net | | 58 | 82 |
| Relating to: ▶ operating transactions | | 74 | 75 |
| ▶ financial transactions | | (16) | 7 |

The main hedging derivatives notably comprise the fair value of derivative instruments contracted as part of the centralized management of currency risk recorded in "Other non-current assets" in the amount of €33 million, in "Other current assets" in the amount of €65 million, in "Other non-current liabilities" in the amount of €5 million and in "Other current liabilities" in the amount of €18 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> | 2019 |
|---|-----------|
| Hedging derivatives recorded in income and expense recognized in equity at January 1 | 37 |
| Amounts reclassified to net profit as at December 31, 2019 | (11) |
| Changes in fair value of derivative instruments | 14 |
| Hedging derivatives recorded in income and expense recognized in equity at December 31 | 40 |

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

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, 2019, the Group had €2,674 million in cash and cash equivalents, with short-term investments mainly at floating rates (or failing this, at fixed rates for periods of less than or equal to three months), and €3,270 million in gross indebtedness principally at fixed rates (99.9%) (see Note 22 - 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 99.9% of Group borrowings were at fixed rates in 2019, 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 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 €12 million on the Group's net finance costs in 2019. Conversely, a 100-basis point fall in interest rates would have had an estimated €12 million negative impact on the Group's net finance costs.

COUNTERPARTY RISK MANAGEMENT

In line with its policies for managing currency and interest rate risks as described above, the Group enters into hedging agreements with leading financial institutions. Accordingly, counterparty risk can be deemed not material. At December 31, 2019, 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 25 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 and Sweden).

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

| <i>in millions of euros</i> | Obligation | | Plan assets | | Net provision in the Consolidated Statement of Financial Position | |
|---|--------------|--------------|----------------|----------------|---|--------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| UK | 3,118 | 3,593 | (2,674) | (3,206) | 444 | 387 |
| Canada | 663 | 753 | (453) | (516) | 210 | 237 |
| France | 267 | 283 | (30) | (36) | 237 | 247 |
| Germany | 99 | 114 | (58) | (69) | 41 | 45 |
| Sweden | 30 | 31 | (10) | (10) | 20 | 21 |
| India | 63 | 549 | (48) | (483) | 15 | 66 |
| Other | 226 | 252 | (182) | (209) | 44 | 43 |
| PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31 | 4,466 | 5,575 | (3,455) | (4,529) | 1,011 | 1,046 |

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



| in millions of euros | Notes | Obligation | | Plan assets | | Net provision in the Consolidated Statement of Financial Position | |
|---|-------|--------------|--------------|----------------|----------------|---|--------------|
| | | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| PRESENT VALUE OF THE OBLIGATION AT JANUARY 1⁽²⁾ | | 4,812 | 4,855 | (3,616) | (3,844) | 1,196 | 1,011 |
| Expense for the period recognized in the Income Statement | | 172 | 234 | (93) | (133) | 79 | 101 |
| Service cost | 7 | 59 | 74 | - | - | 59 | 74 |
| Curtailments, settlements and plan transfers | | (7) | - | - | - | (7) | - |
| Interest cost | 9 | 120 | 160 | (93) | (133) | 27 | 27 |
| Impact on income and expense recognized in equity | | (340) | 419 | 208 | (370) | (132) | 49 |
| Change in actuarial gains and losses | | (340) | 419 | - | - | (340) | 419 |
| Impact of changes in financial assumptions | | (246) | 501 | - | - | (246) | 501 |
| Impact of changes in demographic assumptions | | (132) | (54) | - | - | (132) | (54) |
| Experience adjustments | | 38 | (28) | - | - | 38 | (28) |
| Return on plan assets ⁽¹⁾ | | - | - | 208 | (370) | 208 | (370) |
| Other | | (178) | 67 | 46 | (182) | (132) | (115) |
| Contributions paid by employees | | 6 | 45 | (6) | (45) | - | - |
| Benefits paid to employees | | (183) | (187) | 160 | 169 | (23) | (18) |
| Contributions paid | | - | - | (89) | (122) | (89) | (122) |
| Translation adjustments | | (47) | 215 | 36 | (181) | (11) | 34 |
| Business combinations | | 2 | - | - | - | 2 | - |
| Other movements | | 44 | (6) | (55) | (3) | (11) | (9) |
| PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31 | | 4,466 | 5,575 | (3,455) | (4,529) | 1,011 | 1,046 |

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

(2) Including the presentation at January 1, 2019 of a defined benefit plan in India under the terms of which the employer may be required to make an additional contribution in the event of under-performance of the plan assets managed by the Trust. The present value of the benefit obligation and the value of the related plan assets led to the recognition of a nil net provision in the Consolidated Statement of Financial Position at December 31, 2018. This presentation was amended at January 1, 2019.

Analysis of the change in provisions for pensions and other post-employment benefits by main country

A) UK

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 (132 at December 31, 2018),
- ▶ 7,244 former and current employees not accruing pensionable service (7,115 at December 31, 2018),
- ▶ 3,469 retirees (3,344 at December 31, 2018).

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 20 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.

| | Obligation | | Plan assets | | Net provision in the Consolidated Statement of Financial Position | |
|--|--------------|--------------|----------------|----------------|---|-------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| <i>in millions of euros</i> | | | | | | |
| PRESENT VALUE OF THE OBLIGATION AT JANUARY 1 | 3,490 | 3,118 | (2,886) | (2,674) | 604 | 444 |
| Expense for the period recognized in the Income Statement | 93 | 90 | (69) | (75) | 24 | 15 |
| Service cost | 5 | 2 | - | - | 5 | 2 |
| Curtailments, settlements and plan transfers | 4 | - | - | - | 4 | - |
| Interest cost | 84 | 88 | (69) | (75) | 15 | 13 |
| Impact on income and expense recognized in equity | (299) | 310 | 182 | (347) | (117) | (37) |
| Change in actuarial gains and losses | (299) | 310 | - | - | (299) | 310 |
| <i>Impact of changes in financial assumptions</i> | (207) | 386 | - | - | (207) | 386 |
| <i>Impact of changes in demographic assumptions</i> | (132) | (59) | - | - | (132) | (59) |
| <i>Experience adjustments</i> | 40 | (17) | - | - | 40 | (17) |
| Return on plan assets ⁽¹⁾ | - | - | 182 | (347) | 182 | (347) |
| Other | (166) | 75 | 99 | (110) | (67) | (35) |
| Contributions paid by employees | - | - | - | - | - | - |
| Benefits paid to employees | (133) | (95) | 133 | 95 | - | - |
| Contributions paid | - | - | (56) | (56) | (56) | (56) |
| Translation adjustments | (25) | 170 | 22 | (149) | (3) | 21 |
| Other movements | (8) | - | - | - | (8) | - |
| PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31 | 3,118 | 3,593 | (2,674) | (3,206) | 444 | 387 |

(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, 2018 | At December 31, 2019 |
|-----------------------|----------------------|----------------------|
| Discount rate | 2.8 | 2.0 |
| Salary inflation rate | 2.3-3.1 | 2.2-2.8 |
| Inflation rate | 3.1 | 2.8 |

In 2019, 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> | 2018 | | 2019 | |
|-----------------------------|--------------|-------------|--------------|-------------|
| Shares | 1,508 | 56% | 1,856 | 58% |
| Bonds and hedging assets | 1,061 | 40% | 1,139 | 36% |
| Other | 105 | 4% | 211 | 6% |
| TOTAL | 2,674 | 100% | 3,206 | 100% |

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

c) Sensitivity analysis

| <i>in millions of euros</i> | Impact on the obligation at December 31, 2019 | |
|--|--|---------------|
| | Rate increase | Rate decrease |
| Increase/decrease of 50 basis points in the discount rate | (359) | 320 |
| Increase/decrease of 50 basis points in the inflation rate | 67 | (136) |
| Increase/decrease of 50 basis points in the mortality rate | (92) | 16 |

d) Future contributions

Contributions to defined benefit pension funds in the United Kingdom in respect of 2020 are estimated at €61 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:

- ▶ 826 current employees accruing pensionable service (888 at December 31, 2018),
- ▶ 88 former and current employees not accruing pensionable service (86 at December 31, 2018),
- ▶ 418 retirees (384 at December 31, 2018).



| <i>in millions of euros</i> | Obligation | | Plan assets | | Net provision in the Consolidated Statement of Financial | |
|--|-------------|------------|--------------|--------------|--|-------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| PRESENT VALUE OF THE OBLIGATION AT JANUARY 1 | 716 | 663 | (479) | (453) | 237 | 210 |
| Expense for the period recognized in the Income Statement | 31 | 33 | (16) | (17) | 15 | 16 |
| Service cost | 20 | 8 | - | - | 20 | 8 |
| Curtailments, settlements and plan transfers | (12) | - | - | - | (12) | - |
| Interest cost | 23 | 25 | (16) | (17) | 7 | 8 |
| Impact on income and expense recognized in equity | (40) | 52 | 20 | (31) | (20) | 21 |
| Change in actuarial gains and losses | (40) | 52 | - | - | (40) | 52 |
| <i>Impact of changes in financial assumptions</i> | (40) | 50 | - | - | (40) | 50 |
| <i>Impact of changes in demographic assumptions</i> | 3 | 5 | - | - | 3 | 5 |
| <i>Experience adjustments</i> | (3) | (3) | - | - | (3) | (3) |
| Return on plan assets ⁽¹⁾ | - | - | 20 | (31) | 20 | (31) |
| Other | (44) | 5 | 22 | (15) | (22) | (10) |
| Contributions paid by employees | 4 | 3 | (4) | (3) | - | - |
| Benefits paid to employees | (23) | (23) | 22 | 22 | (1) | (1) |
| Contributions paid | - | - | (12) | (16) | (12) | (16) |
| Translation adjustments | (25) | 47 | 16 | (33) | (9) | 14 |
| Other movements | - | (22) | - | 15 | - | (7) |
| PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31 | 663 | 753 | (453) | (516) | 210 | 237 |

(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, 2018 | At December 31, 2019 |
|-----------------------|----------------------|----------------------|
| Discount rate | 3.7 | 3.0-3.1 |
| Salary inflation rate | 2.3 | 2.3 |
| Inflation rate | 2.0 | 2.0 |

In 2019, 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> | 2018 | | 2019 | |
|-----------------------------|------------|-------------|------------|-------------|
| Shares | 229 | 50% | 257 | 50% |
| Bonds and hedging assets | 221 | 49% | 252 | 49% |
| Other | 3 | 1% | 7 | 1% |
| TOTAL | 453 | 100% | 516 | 100% |

Shares correspond to investments in equities or diversified growth investments, the majority of which in developed markets.



Bonds primarily comprise Canadian government bonds. A portion of these investments seeks to partially hedge interest rate risk on the plan liabilities; this matching portfolio consists of Canadian government bonds, owned directly or borrowed via sale and repurchase agreements.

c) Sensitivity analysis

| <i>in millions of euros</i> | Impact on the obligation at December 31, 2019 | |
|--|--|---------------|
| | Rate increase | Rate decrease |
| Increase/decrease of 50 basis points in the discount rate | (65) | 77 |
| Increase/decrease of 50 basis points in the inflation rate | 51 | (46) |
| Increase/decrease of 50 basis points in the mortality rate | (3) | 3 |

d) Future contributions

Contributions to the Canadian defined benefit pension funds in respect of 2020 are estimated at €15 million, including the funding of pension plan deficits defined as part of the regular actuarial valuations.

C) France

In France, post-employment benefits primarily consist of retirement termination plans. Payments under these plans are determined by collective bargaining agreements and based on the employee's salary and seniority on retirement. The Group provides for its commitments to employees in accordance with the provisions of the Syntec collective bargaining agreement on departures and retirement. This liability changes, in particular, in line with actuarial assumptions as presented below:

| <i>in %</i> | At December 31, 2018 | At December 31, 2019 |
|-----------------------|----------------------|----------------------|
| Discount rate | 1.5 | 0.7 |
| Salary inflation rate | 2.4 | 2.0 |

The average maturity of pension plans in France is 13 years.



NOTE 26 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> | 2018 | 2019 |
|---------------------------------------|------------|------------|
| At January 1 | 113 | 110 |
| Charge | 45 | 38 |
| Reversals (utilization of provisions) | (38) | (34) |
| Reversals (surplus provisions) | (12) | (12) |
| Other | 2 | 14 |
| At December 31 | 110 | 116 |

At December 31, 2019, current provisions (€99 million) and non-current provisions (€17 million) mainly concern risks relating to projects and contracts of €103 million (€97 million at December 31, 2018) and risks relating to tax and labor disputes of €13 million (€13 million at December 31, 2018).

NOTE 27 OTHER CURRENT AND NON-CURRENT LIABILITIES

| At December 31 (in millions of euros) | Notes | 2018 | 2019 |
|---|--------------|-------------|-------------|
| Special employee profit-sharing reserve | | 40 | 45 |
| Derivative instruments | 24 | 36 | 24 |
| Liabilities related to acquisitions of consolidated companies | | 218 | 106 |
| Non-current tax payables | | 29 | 23 |
| Other | | 89 | 77 |
| OTHER NON-CURRENT AND CURRENT LIABILITIES | 23 | 412 | 275 |

Liabilities related to acquisitions of consolidated companies consist in €13 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), as well as earn-outs granted at the time of certain acquisitions.

The aforementioned put option granted to Caixa Participações was revalued at December 31, 2019, following the agreement with Caixa Participações for the sale of its minority stake to Capgemini in 2020.

NOTE 28 ACCOUNTS AND NOTES PAYABLE

| At December 31 (in millions of euros) | Note | 2018 | 2019 |
|--|-------------|--------------|--------------|
| Trade payables | | 1,172 | 1,149 |
| Accrued taxes other than income tax | | 389 | 422 |
| Personnel costs | | 1,352 | 1,430 |
| Other | | 31 | 10 |
| ACCOUNTS AND NOTES PAYABLE | 23 | 2,944 | 3,011 |



NOTE 29 NUMBER OF EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

| | 2018 | | 2019 | |
|------------------------------------|---------------------|------------|---------------------|------------|
| | Number of employees | % | Number of employees | % |
| North America | 17,702 | 8 | 17,887 | 8 |
| France | 25,630 | 13 | 26,562 | 13 |
| United Kingdom and Ireland | 8,443 | 4 | 8,806 | 4 |
| Benelux | 8,054 | 4 | 8,251 | 4 |
| Southern Europe | 8,967 | 4 | 9,599 | 4 |
| Nordic countries | 4,437 | 2 | 4,742 | 2 |
| Germany and Central Europe | 14,620 | 7 | 15,869 | 7 |
| Asia-Pacific and Latin America | 116,903 | 58 | 124,233 | 58 |
| Not allocated | 148 | - | 155 | - |
| AVERAGE NUMBER OF EMPLOYEES | 204,904 | 100 | 216,104 | 100 |

NUMBER OF EMPLOYEES AT DECEMBER 31 BY GEOGRAPHIC AREA

| | 2018 | | 2019 | |
|---|---------------------|------------|---------------------|------------|
| | Number of employees | % | Number of employees | % |
| North America | 17,684 | 9 | 17,848 | 8 |
| France | 26,318 | 12 | 27,097 | 12 |
| United Kingdom and Ireland | 8,635 | 4 | 8,877 | 4 |
| Benelux | 8,143 | 4 | 8,264 | 4 |
| Southern Europe | 9,284 | 4 | 9,977 | 5 |
| Nordic countries | 4,573 | 2 | 4,884 | 2 |
| Germany and Central Europe | 15,306 | 7 | 16,309 | 7 |
| Asia-Pacific and Latin America | 121,218 | 58 | 125,902 | 58 |
| Not allocated | 152 | - | 156 | - |
| NUMBER OF EMPLOYEES AT DECEMBER 31 | 211,313 | 100 | 219,314 | 100 |



NOTE 30 OFF -BALANCE SHEET COMMITMENTS

OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP OPERATING ACTIVITIES

A) Commitments given on client contracts

The Group has provided performance and/or financial guarantees for a number of major contracts. The clients concerned represented approximately 9% of Group revenue in 2019.

In addition, certain clients enjoy:

- ▶ limited financial guarantees issued by the Group and totaling €1,738 million at December 31, 2019 (€1,686 million at December 31, 2018),
- ▶ bank guarantees borne by the Group and totaling €109 million at December 31, 2019 (€131 million at December 31, 2018).

B) Commitments given on leases

Commitments given on leases consist primarily of the non-lease components of the Group's leases and commitments under leases with a short term or of assets with a low value (except IT equipment). These commitments total € 112 million at December 31, 2019.

C) Other commitments given

Other commitments given total €28 million at December 31, 2019 (€15 million at December 31, 2018). They mainly comprise the commitment linked to the increase in the offer for Altran from €14.0 to €14.5 per share on the 29 378 319 shares acquired on July, 2 2019, (See Note 2 – Consolidation principles and group structure) and the firm purchase commitments relating to goods or services in France.

D) Other commitments received

Other commitments received total €23 million at December 31, 2019 (€44 million at December 31, 2018) and primarily comprise commitments received following the purchase of shares held by certain minority shareholders of Capgemini Brasil S.A. for an amount of €19 million.

OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

A) Bonds

Capgemini SE has committed to standard obligations in respect of the outstanding bond issues detailed in Note 22 - 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 22 - 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, 2019 and 2018, the Group complied with these financial ratios.

The credit facility agreement also includes covenants restricting Capgemini SE's ability to carry out certain transactions. 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 22 - Net debt/net cash and cash equivalents.



C) Bridge loan secured 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 bridge loan secured as part of the proposed acquisition of the Altran Technologies group, disclosed in Note 2 - Consolidation principles and Group structure:

- ▶ the consolidated net debt* to consolidated equity ratio must be less than or equal to 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, 2019, the Group complied with these financial ratios.

This credit facility agreement also includes covenants restricting Capgemini SE's ability to carry out certain transactions. 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 obligations that are standard for this type of acquisition financing, 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 22 - Net debt/net cash and cash equivalents.*

CONTINGENT LIABILITIES

In the normal course of their activities, certain Group companies underwent tax audits, leading in some cases to revised assessments in 2019 and previous years.

Proposed adjustments were challenged and litigation and pre-litigation proceedings were in progress at December 31, 2019, notably in France and India.

In France, the tax authorities consider that Capgemini SE's reinsurance subsidiary located in Luxembourg takes advantage of a preferential tax regime and therefore that its profits should be taxed at Capgemini SE level.

The subsidiary, Capgemini Technology Services India Ltd, has received several revised assessments or proposed revised assessments for income tax in recent years.

In general, no amounts have been booked for these disputes in the consolidated financial statements so far as Capgemini can justify its positions and considers the likelihood of winning to be high.



NOTE 31 RELATED-PARTY TRANSACTIONS

ASSOCIATES

Associates are equity-accounted companies over which the Group exercises significant influence. Transactions with these associates in 2019 were performed at arm's length and were of immaterial volume.

OTHER RELATED-PARTIES

In 2019, 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 group management, or over which he/she has significant influence or holds significant voting rights.

GROUP MANAGEMENT COMPENSATION

The table below provides a breakdown of the 2018 and 2019 compensation of members of management bodies present at each year-end (26 members in 2019 and 25 in 2018) and directors.

| <i>in thousands of euros</i> | 2018 | 2019 |
|--|-------------|-------------|
| Short-term benefits excluding employer payroll taxes ⁽¹⁾ | 23,367 | 25,000 |
| <i>o/w attendance fees paid to salaried directors</i> | 188 | 205 |
| <i>o/w attendance fees paid to non-salaried directors</i> ^{(2) (3)} | 831 | 879 |
| Short-term benefits: employer payroll taxes | 8,501 | 10,559 |
| Post-employment benefits ⁽⁴⁾ | 2,319 | 2,793 |
| Share-based payment ⁽⁵⁾ | 11,829 | 12,589 |

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

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

(3) 17 directors in 2018 and 15 during 2019.

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

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

NOTE 32 SUBSEQUENT EVENTS

At the Shareholders' Meeting, the Board of Directors will recommend a dividend payout to Capgemini SE shareholders of €1.90 per share in respect of 2019. A dividend of €1.70 per share was paid in respect of fiscal year 2018.

The subsequent events related to the proposed acquisition of the Altran Technologies group are presented in note 2 – Consolidation principles and group structure.



NOTE 33 LIST OF THE MAIN CONSOLIDATED COMPANIES BY COUNTRY

Capgemini SE is the parent company of what is generally known as “the Capgemini group” comprising 132 companies. The main consolidated companies at December 31, 2019 are listed below.

| Country | List of the main companies consolidated at December 31, 2019 | % interest | Consolidation Method ⁽¹⁾ |
|------------------|--|------------|-------------------------------------|
| ARGENTINA | Capgemini Argentina S.A. | 100.00% | FC |
| AUSTRALIA | Capgemini Australia Pty Ltd | 100.00% | FC |
| AUSTRIA | Capgemini Consulting Österreich AG | 100.00% | FC |
| BELGIUM | Capgemini Belgium N.V./S.A. | 100.00% | FC |
| BRAZIL | Capgemini Brasil S.A. | 78.61% | FC |
| | CPM Braxis Tecnologia, Ltda. | 78.61% | FC |
| CANADA | Capgemini Canada Inc. | 100.00% | FC |
| | Capgemini Solutions Canada Inc. | 100.00% | FC |
| | Inergi LP | 100.00% | FC |
| | New Horizons Systems Solutions LP | 100.00% | FC |
| CHINA | Capgemini (China) Co., Ltd. | 100.00% | FC |
| | Capgemini Business Services (China) Ltd. | 100.00% | FC |
| | Capgemini Hong Kong Ltd. | 100.00% | FC |
| DENMARK | Capgemini Danmark A/S | 100.00% | FC |
| FINLAND | Capgemini Finland Oy | 100.00% | FC |
| | Idean Enterprises Oy | 100.00% | FC |
| | Sogeti Finland Oy | 100.00% | FC |
| FRANCE | Capgemini Consulting S.A.S. | 100.00% | FC |
| | Capgemini DEIMS France 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 |
| | ITELIOS S.A.S. | 100.00% | FC |
| | ODIGO S.A.S. | 100.00% | FC |
| | Prosodie S.A.S. | 100.00% | FC |
| | Sogeti S.A.S. | 100.00% | FC |
| GERMANY | Capgemini Deutschland GmbH | 100.00% | FC |
| | Capgemini Deutschland Holding GmbH | 100.00% | FC |
| | Capgemini Outsourcing Services GmbH | 100.00% | FC |
| | Konex Consulting Group GmbH | 100.00% | FC |
| | Sogeti Deutschland GmbH | 100.00% | FC |



| Country | List of the main companies consolidated at December 31, 2019 | % interest | Consolidation Method ⁽¹⁾ |
|-----------------------|---|------------|-------------------------------------|
| GUATEMALA | Capgemini Business Services Guatemala S.A. | 100.00% | FC |
| INDIA | Capgemini Technology Services India Ltd. | 99.77% | FC |
| IRELAND | Capgemini Ireland Ltd. | 100.00% | FC |
| ITALY | Capgemini Italia S.p.A. | 100.00% | FC |
| | Interactive Thinking S.r.l. | 100.00% | FC |
| JAPAN | Capgemini Japan K.K. | 100.00% | FC |
| LUXEMBOURG | Capgemini Reinsurance International S.A. | 100.00% | FC |
| | Sogeti Luxembourg S.A. | 100.00% | FC |
| MALAYSIA | Capgemini Services Malaysia Sdn. Bhd. | 100.00% | FC |
| MEXICO | Capgemini Mexico S. de R.L. de C.V. | 100.00% | FC |
| MOROCCO | Capgemini Technology Services Maroc SA | 100.00% | FC |
| NETHERLANDS | 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 |
| NORWAY | Capgemini Norge AS | 100.00% | FC |
| POLAND | Capgemini Polska Sp. z o.o. | 100.00% | FC |
| PORTUGAL | Capgemini Portugal, Serviços de Consultoria e Informática, S.A. | 100.00% | FC |
| SINGAPORE | Capgemini Asia Pacific Pte. Ltd. | 100.00% | FC |
| | Capgemini Singapore Pte. Ltd. | 100.00% | FC |
| SPAIN | Capgemini España S.L. | 100.00% | FC |
| | Prosodie Ibérica S.L. | 100.00% | FC |
| SWEDEN | Capgemini AB | 100.00% | FC |
| | Capgemini Sverige AB | 100.00% | FC |
| | Sogeti Sverige AB | 100.00% | FC |
| SWITZERLAND | Capgemini Suisse S.A. | 100.00% | FC |
| UNITED KINGDOM | Capgemini Financial Services UK Limited | 100.00% | FC |
| | Capgemini UK Plc | 100.00% | FC |
| | CGS Holdings Ltd. | 100.00% | FC |
| | Idean Capgemini Creative Studios UK Limited | 100.00% | FC |
| | IGATE Computer Systems (UK) Ltd. | 100.00% | FC |
| | Sogeti UK Ltd. | 100.00% | FC |
| UNITED STATES | Annik Inc. | 99.77% | FC |
| | Capgemini America, Inc. | 100.00% | FC |
| | Capgemini Government Solutions LLC | 100.00% | FC |
| | Capgemini North America Inc. | 100.00% | FC |
| | CHCS Services Inc. | 100.00% | FC |

⁽¹⁾ FC = Full consolidation.



NOTE 34 AUDIT FEES

Statutory audit fees for fiscal year 2019 break down as follows:

| <i>in millions of euros (excl. VAT)</i> | KPMG | | PwC | |
|--|------------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Statutory audit of the consolidated and separate financial statements | 3.2 | 3.3 | 3.6 | 3.4 |
| • Capgemini SE | 0.4 | 0.4 | 0.6 | 0.4 |
| • Fully-consolidated subsidiaries | 2.8 | 2.9 | 3.0 | 3.0 |
| Non-audit services ⁽¹⁾ | 1.2 | 1.6 | 1.0 | 0.8 |
| TOTAL | 4.4 | 4.9 | 4.6 | 4.2 |

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