

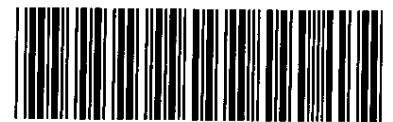
Company Registration No. 01036298

CAMBRIDGE CONSULTANTS LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2021

SATURDAY



AB1LBKIQ

A04

09/04/2022

#141

COMPANIES HOUSE

12/4/22 13 (3/4/22)

CAMBRIDGE CONSULTANTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

CONTENTS	Page
OFFICERS AND PROFESSIONAL ADVISERS	1
STRATEGIC REPORT	2
DIRECTORS' REPORT	5
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS	8
PROFIT AND LOSS ACCOUNT	11
BALANCE SHEET	12
STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE FINANCIAL STATEMENTS	14

CAMBRIDGE CONSULTANTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

M Eapen
E Wilkinson
R N Hall
R T Traherne
T Fowler
M Barlow
C Garcia (appointed 1 January 2021)
E Michel (appointed 1 January 2021)

COMPANY SECRETARY

M Eapen

REGISTERED OFFICE

29 Science Park
Milton Road
Cambridge
CB4 0DW

BANKERS

Barclays Bank PLC
Corporate Banking Centre
1 Capability Green
PO Box 279
Luton
LU1 3US

SOLICITORS

Taylor Vinters
Merlin Place
Milton Road
Cambridge
CB4 0DP

AUDITOR

Mazars LLP
Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

CAMBRIDGE CONSULTANTS LIMITED

STRATEGIC REPORT

REVIEW OF THE BUSINESS

The company's principal activity remains to be contract research and development of innovative products, technology consulting and the development and exploitation of intellectual property through licensing and venturing.

2021 saw significant growth in the business with a 15.3% growth in turnover. During the year the average headcount remained the same. The operating profitability of the business before tax was around 21.8% (2020 17.6%). The principal locations of our clients continued to be in the UK, USA, Asia and North Central Europe.

2021 saw the continuation of the Covid 19 pandemic with resulting intermittent lockdowns and staff having to adapt to working from home unless required to use laboratories. During this very difficult year Cambridge Consultants has shown resilience and agility to both sell new projects and then deliver satisfactorily on all client projects. It was indeed a testament to our staff that we had an outstanding year despite the impact of the pandemic.

The business is organised into three sectors:

- Medical Technology (reduction in revenues by 4%);
- Development of Products and Systems for the Industrial, Energy, Consumer and Security markets (revenues grew by 14.3%); and
- Wireless and Digital Services (revenues grew by 28.1%).

The company continues to invest in research and development to improve our competitiveness within the sectors we target, and this will continue to be necessary for success in the medium to long term future.

The balance sheet on page 13 shows the company's financial position has improved as compared to the prior year. Net current assets have increased in the year by £19M, mainly derived by the increased operating profits in 2021. This increase has flowed through to net assets.

The company expects to continue its business activities in 2022 at the same level as 2021 and to continue to generate cash.

Section 172(1) statement

- The Directors of the Company, effective 1 January 2021, include the Executive Directors and the CEO of Capgemini Invent and Deputy CFO of the ultimate holding company, Capgemini SE.
- All strategic decisions are taken in conjunction with the parent company Board members to ensure that they are in the complete interest of the shareholders, employees and clients of the company.
- The company works with employees, through the employee staff council, to ensure that local business and social environment is enhanced to the extent possible. The company has been the initiator of several spin off companies in the past which are now significant employers in the Cambridge area. This continues to date, and the company hopes to see further successes soon.
- Cambridge Consultants Limited operates with a high degree of integrity in its dealings with clients and suppliers. Our internal Quality Assurance department monitors this on a regular basis and publishes an annual report for review by the Executive Directors.
- The fundamental overriding principle in the governance of Cambridge Consultants Limited is that of ensuring transparent conduct which reflects fairness in all the dealings with the shareholder, employees, clients and suppliers. A testament to this is reflected in the significantly long length of service of most of our senior employees and the several long-standing relationships with clients and suppliers.

KEY PERFORMANCE INDICATORS

Cambridge Consultants Limited is a growing professional services business. The management challenge is to grow the staff resource at a rate commensurate with the growth in the innovative product development assignments contracted by our clients. Cambridge Consultants Limited is a high value service provider and so the growth in staff needs to be managed to retain the quality of staff that we have enjoyed and to maintain their motivation and engagement in the business.

CAMBRIDGE CONSULTANTS LIMITED

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (continued)

The key performance indicators are:

- Revenue growth
- Profitability
- Rate of growth of staff
- Trend in new contracts signed (CC Global)
- Staff Engagement

Revenue growth and profitability: the objective is to double revenue over five years and maintain profitability. The revenue growth rate was 12% in 2016, 2% in 2017, 5% in 2018, 9% in 2019, 6.3% in 2020 and 15.3% in 2021. Profitability has also improved over this period. The increase is largely attributable to new market areas in the Wireless & Digital Services area.

Rate of growth of staff: the target has been to grow by around 40 to 50 staff per year which has not been achieved in 2021 due to the Covid pandemic. Looking forwards our UK growth will be at an even higher level as a new state of the art R&D facility of around 40,000 square feet has been developed on our site and has been occupied since the beginning of 2019.

An important leading indicator of revenue growth is the rate of new contract acquisition. £76M in 2016, £100M in 2017 (including US West Coast), £116M in 2018 (including the US West Coast), £114M in 2019 (including the US West Coast), £128.5M in 2020 (including the US West Coast) and £151M in 2021 (including the US West Coast). In some key areas of growth, the business has hence been resource limited rather than client demand limited and this continues to be the case.

On Staff Engagement, Cambridge Consultants Limited has a Staff Council which receives constant feedback from staff. The Company takes any required action in collaboration with staff. In addition, we hold quarterly Staff Togetherness meetings where staff are kept abreast of happenings which have an impact on them. All employees are eligible to receive an annual profit share bonus related to the overall profitability of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the nature of the business, the company is involved in contractual arrangements with clients which could give rise to claims and counterclaims. This is an inherent business risk which the company manages actively by close monitoring of projects.

The company has transactions denominated in foreign currencies. In particular, these relate to contracts with US based clients. No financial instruments are used to protect the company against foreign currency risk but for large contracts, there are agreements with the client which normally protect the company from any significant adverse variations in exchange rates.

Cambridge Consultants Limited is managed as an autonomous subsidiary of Capgemini SE. Group risks and performance of the group are disclosed within the Capgemini SE Annual Report, which does not form part of this report.

FUTURE DEVELOPMENTS

Cambridge Consultants Limited has been on a growth trajectory over the last five years and this has led to extensive development of the offices and laboratories in Cambridge. In 2016, we completed development of the second phase of the Auton Building which adds 40,000 square feet to our estate in Cambridge and this was occupied at the end of February 2016. Further development of a 40,000 square feet state of the art R&D facility has been completed and this has been occupied since January 2019.

The growth trajectory of the sector is fuelled by regulatory and technological changes which mean that more companies need outside help to develop the innovative products necessary to be successful in a recognized market. Cambridge Consultants Limited has been investing heavily in staff, facilities, technology and processes to be a preferred supplier in this market.

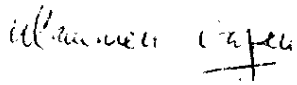
CAMBRIDGE CONSULTANTS LIMITED

STRATEGIC REPORT

FUTURE DEVELOPMENTS (continued)

The vision for the company is to continue to grow and further developments are being planned for our estate in Cambridge to support this growth. This envisioned growth includes significant growth to our international footprint including our US presence and a more substantial presence in Asia. The company also intends to collaborate extensively with Capgemini and is now a part of Capgemini Invent, the strategy and consulting division of Capgemini. This broadens the scope of access to both new clients and new geographies on an extensive scale.

Approved by the Board of Directors
and signed on behalf of the Board



M Eapen

Company Secretary

Date: APRIL 20, 2022

29 Science Park, Milton Road, Cambridge CB4 0DW

CAMBRIDGE CONSULTANTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

DIRECTORS

The Directors who served during the year and subsequent to the year end to the date of this report were as follows:

M Eapen	UK & Australia
E Wilkinson	UK
R T Traherne	UK
R N Hall	UK
M F Barlow	UK
T R Fowler	UK
C Garcia	France
E Michel	France

GOING CONCERN

The financial statements have been prepared on the going concern basis. The directors have considered future cash forecasts and revenue projections in their consideration of going concern.

The company's business activities, together with the factors likely to affect its future development performance and position are set out in the Strategic Report. The principal risks and uncertainties which could adversely impact the long-term performance and going concern status of the company are considered to be the general state of the UK, the potential impact of Covid on both our ability to deliver for clients and the general financial health of our clients, the impact of Brexit, the state of the global economy, the level of confidence of the market and availability of required credit for our current and potential clients. All these matters have been considered by the directors in coming to their conclusions on going concern.

The directors are currently of the opinion that the company has adequate financial resources available to meet its operational needs for the foreseeable future which is not less than 12 months from the date of approval of these financial statements, including £45,219,840 of cash as at 31 December 2021, held in the group cash pooling facility (2020 - £19,421,224) and a robust policy towards treasury risk and cash flow management. The directors believe that the company is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro-economic conditions. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

FUTURE DEVELOPMENTS

This has been covered in the strategic report.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Directors and Company Secretary of the company have Directors' and Officers' indemnity cover under the group policy of its ultimate parent company, Capgemini SE, which was effective from 1 April 2020 and remains in force at the date of this report. This cover extends to Directors and Company Secretary of subsidiary companies.

CAMBRIDGE CONSULTANTS LIMITED

DIRECTORS' REPORT

RESEARCH & DEVELOPMENT

This has been covered in the strategic report.

FINANCIAL RISK MANAGEMENT POLICY

The company policy is to contract at pre-determined prices, deliver projects in accordance with established internal processes and to invoice and collect fees from clients in a timely manner. The directors have given due consideration to credit, liquidity and cash flow risk and do not consider these to be material risks to the company.

DIVIDENDS

During the year, the Directors declared and paid a dividend of £nil (2020: £17,000,000). The Directors do not propose the payment of a further dividend.

BREXIT & CLIMATE CHANGE

The directors are not aware of any impact, in the immediate future, of Brexit on the underlying business. The Directors are also not aware of any impact, in the immediate future, of any potential climate change events on the underlying business.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Cambridge Consultants' activities involve the consumption of energy: electricity and gas used in its offices and labs for light, heat, and power; and from employee business travel by means not owned or controlled by Cambridge Consultants Ltd. The energy consumption and the carbon emissions resulting consequently during the year were 3,109 MWh / 1,151 tCO₂e (2020: 5,552 MWh / 1,244 tCO₂e). Other indirect emissions from energy transmission and distribution are estimated to be 58 tCO₂e (2020: 62 tCO₂e) and in connection with business travel (by air, road and rail) during the year were estimated to total 39 tCO₂e.

Energy consumed in the form of gas and electricity is as advised by our suppliers. Business travel was estimated on the basis of vehicle mileage, rail tickets and flight records. The carbon equivalents are based on typical figures in common usage.

For every £1M of Revenue from activities during the year Cambridge Consultants' emissions were 11 tCO₂e (2020: 14 tCO₂e).

This is the second full reporting year where CCL's electricity is from a sustainable source being part of the REGO scheme. Refrigerant gases continue to be removed from Air Con units as part of an ongoing replacement programme. As we carry out refurbishments and upgrades, we look to replace internal lighting with more efficient light fittings. As and when items of plant and machinery around our site require upgrade or replacement, as far as is practicable we replace with the modern up to date energy saving alternatives.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

CAMBRIDGE CONSULTANTS LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Mazars LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M Eapen

Company Secretary

Date: APRIL 6th, 2022

29 Science Park, Milton Road, Cambridge CB4 0DW

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CONSULTANTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Cambridge Consultants Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CONSULTANTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-bribery laws and data protection.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CONSULTANTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

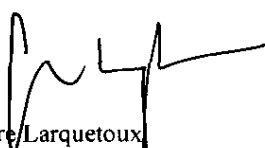
In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion).

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Claire Larquetoux
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date: 7 April 2022

CAMBRIDGE CONSULTANTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2021

	Note	2021	2020 £
TURNOVER	3	106,712,278	92,587,587
Cost of sales		<u>(62,397,287)</u>	<u>(57,236,063)</u>
GROSS PROFIT		44,314,991	35,351,524
Administrative expenses		<u>(21,003,527)</u>	<u>(19,134,280)</u>
OPERATING PROFIT		23,311,464	16,217,244
Interest receivable and similar income	6	35,522	49,660
Interest payable and similar expenses	7	(16,584)	(1,422)
Profit on disposal of investment		-	3,288
PROFIT BEFORE TAXATION	4	23,330,402	16,268,770
Tax on profit	8	<u>(6,935,874)</u>	<u>(4,034,867)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>16,394,528</u>	<u>12,233,903</u>

All activities are derived from continuing operations.

There are no other comprehensive income or expenses for the current financial year and preceding financial year other than as stated above.

CAMBRIDGE CONSULTANTS LIMITED

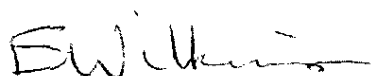
BALANCE SHEET

As at 31 December 2021

	Note	2021	2020 £
FIXED ASSETS			
Tangible assets	9	50,843,188	51,330,000
Investments	10	18,676,535	18,676,535
		<u>69,519,723</u>	<u>70,006,535</u>
CURRENT ASSETS			
Debtors	11	62,950,189	36,589,650
Cash at bank and in hand		2,941,780	1,624,655
		<u>65,891,969</u>	<u>38,214,305</u>
CREDITORS: amounts falling due within one year	12	<u>(30,805,515)</u>	<u>(22,447,302)</u>
NET CURRENT ASSETS		<u>35,086,454</u>	<u>15,767,003</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		104,606,177	85,773,538
PROVISIONS FOR LIABILITIES	13	<u>(10,629,832)</u>	<u>(8,191,721)</u>
NET ASSETS		<u>93,976,345</u>	<u>77,581,817</u>
CAPITAL AND RESERVES			
Called up share capital	14	10,000,000	10,000,000
Share premium account	14	252,334	252,334
Profit and loss account	14	83,724,011	67,329,483
SHAREHOLDERS' FUNDS		<u>93,976,345</u>	<u>77,581,817</u>

The financial statements of Cambridge Consultants Limited, registered number 01036298, were approved by the Board of Directors and authorised for issue on 21st December 2021.

Signed on behalf of the Board of Directors



E Wilkinson
Director

CAMBRIDGE CONSULTANTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2020	10,000,000	252,334	72,095,580	82,347,914
Profit for the year	-	-	12,233,903	12,233,903
Dividends paid			(17,000,000)	(17,000,000)
At 31 December 2020	10,000,000	252,334	67,329,483	77,581,817
Profit for the year	-	-	16,394,528	16,394,528
At 31 December 2021	10,000,000	252,334	83,724,011	93,976,345

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The accounting policies adopted are described below and have been applied consistently in the current and prior year.

General information and basis of accounting

Cambridge Consultants Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional and presentation currency of Cambridge Consultants Limited is pounds sterling because that is the currency of the primary economic environment in which the company operates.

Cambridge Consultants Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Cambridge Consultants Limited is consolidated in the financial statements of its ultimate parent, Capgemini SE, which may be obtained from their website at Capgemini.com. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party transactions.

Going concern

The financial statements have been prepared on the going concern basis. The directors have considered future cash forecasts and revenue projections in their consideration of going concern.

The company's business activities, together with the factors likely to affect its future development performance and position are set out in the Strategic Report. The principal risks and uncertainties which could adversely impact the long-term performance and going concern status of the company are considered to be the general state of the UK, the potential impact of Covid on both our ability to deliver for clients and the general financial health of our clients, the impact of Brexit, the state of the global economy, the level of confidence of the market and availability of required credit for our current and potential clients. All these matters have been considered by the directors in coming to their conclusions on going concern.

The directors are currently of the opinion that the company has adequate financial resources available to meet its operational needs for the foreseeable future which is not less than 12 months from the date of approval of these financial statements, including £45,219,840 of cash as at 31 December 2021, held in the group cash pooling facility (2020 - £19,421,224) and a robust policy towards treasury risk and cash flow management. The directors believe that the company is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro-economic conditions. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group financial statements

The financial statements contain information about Cambridge Consultants Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt from the requirements to prepare group financial statements by virtue of section 401 of the Companies Act 2006, as it is a subsidiary undertaking of an ultimate parent company. Our results are consolidated into Group financial statements.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Profit is recognized on long-term contracts if the outcome can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by multiplying the total contract value by the proportion of costs incurred to date over the total expected costs for that contract.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Turnover (continued)

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Where revenue recognised is more than amounts invoiced to the customer, the amounts are recorded as amounts recoverable on contracts and included as part of debtors due within one year.

Royalty income is accounted for as and when royalties become due.

Interest income is recognised when it becomes due.

Research and development

Research and development expenditure is expensed to the profit and loss account as incurred.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Investments in subsidiaries and associates are measured using the same method.

Tangible fixed assets

Expenditure on fixed assets is recognized at cost. Depreciation is calculated on a straight-line basis at rates which are estimated to write off the assets over their expected useful lives. Provision is made for any impairment.

The principal annual rates in use are as follows:

Plant and machinery	10% - 25% per annum
---------------------	---------------------

Assets under the course of construction are not depreciated until completed and ready for use.

Short leasehold buildings consist of leasehold improvements and the lease premium which have been recognized as tangible fixed assets and depreciated over the shorter of the term of the lease (less than 50 years) and the useful economic life.

Long leasehold buildings are recognized as tangible fixed assets and depreciated over the term of the lease (being 99 years) and are reviewed annually for indications of an impairment.

Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are recognized as part of the cost of those assets. The commencement of capitalization begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Borrowing cost rates are 0.5% pa above the % rate pa determined by the lender to be its cost of funds.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year. Results of overseas activities are translated at the average rate of exchange for the whole year. Differences on exchange are included in operating results.

Leases

Rentals under operating leases are expensed to the profit and loss account in equal annual amounts over the lease term.

Pension costs

For defined contribution schemes the amount expensed to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and liabilities (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be £nil) less impairment.

Financial assets are derecognised only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Revenue Recognition

Revenue has been recognised in line with the accounting policy stated under 'Turnover'. Turnover is calculated by multiplying the total contract value by the proportion of costs incurred to date over the total expected costs for that contract. Each contract is reviewed in detail, at appropriate intervals, by a steering group which includes Executive members of the Board of Directors that assesses the likelihood of any cost overruns and the outcome of this review is fully factored into the revenue recognized. This periodic detailed review is based on information provided by and dialogue with the senior management of the business sectors the company is organized by.

Key source of estimation uncertainty – valuation of investments

Cambridge Consultants Limited has, over its long history, spun off companies to exploit the commercial potential of intellectual property it has developed. Some of these spin-offs are amongst the largest companies currently existing in the Cambridge technology sector. Where there is no external market for these investments, the Directors base their valuation on the most recent round of funding, which will inevitably include external investors as well. If there are any changes in circumstances which affect the valuation, the Directors exercise their best judgement, after reviewing all information available, in determining the value attributable to the investments held. As at 31 December 2021, the Company held £18.7 million of investments in subsidiaries and associates (2020 - £18.7 million).

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. TURNOVER AND REVENUE

An analysis of the Company's turnover by class of business and geographical location is set out below.

	2021		2020	
	Turnover by destination £	Turnover by location £	Turnover by destination £	Turnover by location £
Contract Turnover				
United Kingdom	32,076,327	100,632,650	41,571,750	92,385,388
Rest of Europe	26,922,373	-	20,789,138	-
Rest of the World	47,633,950	-	30,024,500	-
	<u>106,632,650</u>	<u>106,632,650</u>	<u>92,385,388</u>	<u>92,385,388</u>
	2021		2020	
	Turnover by destination £	Turnover by origin £	Turnover by destination £	Turnover by origin £
Royalty Turnover				
United Kingdom	40,688	76,928	525	202,199
Rest of Europe	10,000	-	50,000	-
Rest of the World	28,940	-	151,674	-
	<u>79,628</u>	<u>79,628</u>	<u>202,199</u>	<u>202,199</u>
TOTAL TURNOVER	<u>106,712,278</u>	<u>106,712,278</u>	<u>92,587,587</u>	<u>92,587,587</u>

An analysis of the Company's revenue is as follows:

	2021 £	2020 £
Rendering of services	106,632,650	92,385,388
Royalties	<u>79,628</u>	<u>202,199</u>
Turnover	<u>106,712,278</u>	<u>92,587,587</u>

All revenue is generated by the company's principal activity.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. PROFIT BEFORE TAXATION

	2021 £	2020 £
Profit before taxation is after charging / (crediting):		
Depreciation of fixed assets owned	3,268,188	3,372,613
Rentals under operating leases:		
Land and buildings	1,146,611	1,120,867
R&D Expenditure Credit	(2,730,876)	(2,004,000)
Loss/(profit) on foreign exchange	146,578	(256,283)
Loss on fixed assets disposal	7,232	6,767
Profit on investments disposed	-	(3,288)
Other material costs	11,264,260	11,490,022
Employment costs	57,942,694	50,862,721
Other external expenses	12,285,189	11,669,766
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the Company's annual financial statements	<u>52,000</u>	<u>59,632</u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £	2020 £
Directors' emoluments	<u>2,427,098</u>	<u>1,759,305</u>
Aggregate of contributions paid for directors' money purchase pension schemes	<u>140,771</u>	<u>138,284</u>

Directors' emoluments exclude amounts in respect of pension contributions, benefits under pension schemes and benefits under long term incentive plans.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2021 No	2020 No
Number of directors who are members of the money purchase scheme	4	4
	£	£
Emoluments of the highest paid director	687,288	349,962

The contributions paid into a money purchase scheme for the highest paid director in 2021 was £nil (2020 - £nil). The highest paid director did not exercise any share options in the year and had no shares receivable under any long-term incentive scheme as Cambridge Consultants Limited does not have a share option scheme or any long-term incentive programme.

	2021 No.	2020 No.
Average monthly number of persons employed including executive directors		
Professional consultants	551	557
Administrative and support staff	70	65
	621	622
	£	£
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	46,312,105	40,105,921
Social security costs	6,286,215	5,722,273
Pension costs (note 19)	5,344,374	5,034,527
	57,942,694	50,862,721

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £	2020 £
Interest on amounts due from group undertakings	35,338	48,257
Other interest	184	1,403
	35,522	49,660

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Interest on bank loans, overdrafts and other loans	16,584	1,422

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. TAX ON PROFIT

The tax charge comprises:	2021 £	2020 £
Current tax on profit		
United Kingdom corporation tax at standard rate of 19% (2020 – 19%) based on the profit for the year	4,495,392	3,378,269
Withholding tax	2,371	-
	<u>4,497,763</u>	<u>3,378,269</u>
Deferred tax		
Origination and reversal of timing differences (See Note 13)	2,438,111	656,598
	<u>2,438,111</u>	<u>656,598</u>
Total tax on profit	<u>6,935,874</u>	<u>4,034,867</u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £	2020 £
Profit before tax	23,330,402	16,268,770
	<u>23,330,402</u>	<u>16,268,770</u>
Tax on profit at standard UK corporation tax rate of 19% (2020 – 19%)	4,432,776	3,091,066
Effects of:		
Rate differences on deferred tax opening balance	2,534,399	886,485
Other	7,849	-
Super deduction capital allowance	(95,540)	-
Net Expenses disallowed	56,390	57,316
	<u>2,502,098</u>	<u>943,801</u>
Total tax charge for the year	<u>6,935,874</u>	<u>4,034,867</u>

The UK Government intend to increase corporation tax rates to 25% from the current 19%, with effect from 1st April 2023. The closing deferred tax assets and liabilities, at 31 December 2021, were calculated at 25%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. TANGIBLE FIXED ASSETS

	Long lease £	Short lease £	Plant and machinery £	Total £
Cost				
At 1 January 2021	50,549,318	184,300	27,983,054	78,716,672
Additions	418,274	-	2,373,655	2,791,929
Disposals	-	-	(80,269)	(80,269)
At 31 December 2021	<u>50,967,592</u>	<u>184,300</u>	<u>30,276,440</u>	<u>81,428,332</u>
Depreciation				
At 1 January 2021	4,813,935	184,300	22,388,437	27,386,672
Expense for the year	827,843	-	2,440,222	3,268,065
Disposals	-	-	(69,593)	(69,593)
At 31 December 2021	<u>5,641,778</u>	<u>184,300</u>	<u>24,759,066</u>	<u>30,585,144</u>
Net book value				
At 31 December 2021	<u>45,325,814</u>	<u>-</u>	<u>5,517,374</u>	<u>50,843,188</u>
At 31 December 2020	<u>45,735,383</u>	<u>-</u>	<u>5,594,617</u>	<u>51,330,000</u>

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INVESTMENTS HELD AS FIXED ASSETS

	£
Cost	
At 1 January 2021	18,676,535
Additions	-
Disposals	-
	<hr/>
	18,676,535
Provisions for impairment	
At 1 January 2021 and 31 December 2021	-
	<hr/>
Net book value	
At 31 December 2021	18,676,535
	<hr/>
At 31 December 2020	18,676,535
	<hr/>

Associate undertaking – Evonetix Ltd

At the year end, the company held 15,000 ordinary shares and 627,817 preference shares (15.17% of the issued share capital on a fully diluted basis), which is held at a value of £3,469,905 (2020 - £3,469,905). The principal activity is the development of DNA synthesis technology.

Registered office: Unit 1 Cambridge House, Cambero Business Park, Oakington Road, Girton, Cambridge, England, CB3 0QH.

Subsidiary undertaking – Cambridge Consultants Inc

The company owns 100% of the issued ordinary share capital of Cambridge Consultants Inc., a company registered in Massachusetts, USA. The principal activity of Cambridge Consultants Inc is technology development. The investment is held at a value of £15,135,536 (2020 - £15,135,536).

Registered office: 745 Atlantic Avenue Floor 6, Boston MA 02111, United States

Subsidiary undertaking – Cambridge Consultants (Singapore) Pte Limited

The above subsidiary was incorporated in Singapore on 13 December 2012 with an investment of £1, owned 100% by the company. The principal activity of Cambridge Consultants (Singapore) Pte Limited is technology development. The investment is held at a value of £1. The principal activity is business development support for the Company. The class of shares held are ordinary shares.

Registered office: 4 Battery Road, #25-01, Bank of China Building, Singapore 049908

Dividends and other distributions

No income with respect to dividends or other distributions has been recognised.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INVESTMENTS HELD AS FIXED ASSETS (continued)

Subsidiary undertaking – Cambridge Consultants Japan Inc.

The above subsidiary was incorporated in November 2017 with an investment of £72,258, owned 100% by the Company. The investment is held at a value of £72,258 (2020 - £72,258). The principal activity is business development support for the Company.

Registered office: 6F Spline Aoyama Tokyo Building, 3-1-3 Minamiaoyama, Minato-ku, Tokyo, 107-0062, Japan

11. DEBTORS

	2021	2020
	£	£
Amounts falling due within one year		
Trade debtors	10,502,483	7,602,935
Amounts recoverable on contracts	3,060,759	4,827,017
Amounts owed by subsidiaries	1,843,451	696,295
Amounts owed by group affiliates	45,234,601	19,424,611
Other debtors including taxation and social security	494,057	228,877
Prepayments and accrued income	1,814,838	1,839,993
Corporation tax recoverable	-	1,969,922
	<u>62,950,189</u>	<u>36,589,650</u>

Amounts owed by group companies included £45,219,840 (2020 - £19,421,224) which are repayable on demand and unsecured. These accrue interest at a rate of 3-month LIBOR rate +0.5%. The remaining balances are due within 1 year and accrue no interest. They are unsecured and have no set repayment terms.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Payments received on account	11,702,182	7,928,988
Amounts owed to subsidiaries	488,450	395,150
Amounts owed to group affiliates	1,107,437	1,496,998
Trade creditors	389,231	842,919
Other creditors including taxation and social security	4,092,418	3,571,862
Accruals and deferred income	13,025,797	8,211,385
	<u>30,805,515</u>	<u>22,447,302</u>

Amounts owed to group companies are repayable on demand.

No interest accrues on the group balances and balances are not secured over assets of the company.

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. PROVISION FOR LIABILITIES

Deferred taxation

The movements on deferred taxation are as follows:

	2021	2020
	£	£
Liability at 1 January 2021	8,191,721	8,191,721
Debit to the profit and loss account	2,438,111	2,438,111
Liability at 31 December 2021	<u>10,629,832</u>	<u>10,629,832</u>
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	10,737,898	8,270,540
Short term timing differences	(108,066)	(78,819)
	<u>10,629,832</u>	<u>8,191,721</u>

14. CALLED UP SHARE CAPITAL

	2021	2020
	£	£
Called up, allotted and fully paid		
100,000,000 'A' ordinary shares of 10p each	<u>10,000,000</u>	<u>10,000,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

15. CAPITAL COMMITMENTS

	2021	2020
	£	£
Contracted for but not provided – tangible fixed assets	<u>705,684</u>	<u>33,425</u>

16. CONTINGENT LIABILITIES AND GUARANTEES

At 31 December 2021 the company had bank guarantees outstanding amounting to £ 85,000 (2020 - £85,000).

CAMBRIDGE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases for property are as follows:

	2021	2020
	£	£
Within one year	1,159,105	1,062,081
Between one and five years	2,672,315	2,779,618
After five years	30,992,999	27,641,325
	<u>34,824,419</u>	<u>31,483,024</u>

18. ULTIMATE PARENT COMPANY

At the year end the immediate parent company was Altran UK Holding Limited, a company registered in England and Wales, and the ultimate parent company was Capgemini SE, a company incorporated in France. Copies of the group financial statements of Capgemini SE may be obtained from their website Capgemini.com.

Capgemini SE is the smallest and the largest group for which group financial statements are prepared and which includes Cambridge Consultants Limited in its consolidated financial statements.

19. PENSION ARRANGEMENTS

UK Pensions

Since November 2002 the company has had a Money Purchase Scheme with Standard Life. Since April 2019 the employer contributes at least 6% of salary and the employee may contribute further sums under a salary sacrifice arrangement.

The pension cost expense for the year amounted to £5,344,374 (2020 - £5,034,527). At 31 December 2021, £432,262 was unpaid (2020 - £414,839)



December 31, 2021

ANNUAL REPORT
CONSOLIDATED FINANCIAL
STATEMENTS



AUT
COMPANIES HOUSE

Contents

Contents	2
Financial highlights	3
Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Cash Flows	13
Consolidated Statement of Changes in Equity	14
Notes to consolidated financial statements for the year ended December 31, 2021	16
Note 1 Accounting basis	16
Note 2 Consolidation principles and Group structure	17
Note 3 Alternative performance measures	18
Note 4 Operating segments	18
Note 5 Consolidated income statement	20
Note 6 Revenues	20
Note 7 Operating expenses by nature	23
Note 8 Other operating income and expense	23
Note 9 Net financial expense	24
Note 10 Income tax expense	25
Note 11 Earnings per share	27
Note 12 Equity	29
Note 13 Goodwill and intangible assets	40
Note 14 Property, plant and equipment (PP&E)	42
Note 15 Lease right-of-use assets	44
Note 16 Cash-generating units and asset impairment tests	47
Note 17 Deferred taxes	50
Note 18 Financial instruments	52
Note 19 Other non-current assets	54
Note 20 Trade receivables, contract assets and contract costs	54
Note 21 Other current assets	55
Note 22 Net debt/net cash and cash equivalents	56
Note 23 Cash flows	62
Note 24 Currency, interest rate and counterparty risk management	64
Note 25 Provisions for pensions and other post-employment benefits	66
Note 26 Non-current and current provisions	71
Note 27 Other non-current and current liabilities	72
Note 28 Accounts and notes payable	72
Note 29 Number of employees	72
Note 30 Off-balance sheet commitments	73
Note 31 Related-party transactions	75
Note 32 Subsequent events	75
Note 33 List of the main consolidated companies by country	76
Note 34 Audit fees	78

Financial highlights

CONSOLIDATED FINANCIAL STATEMENTS

(in millions of euros)	2017 restated ⁽¹⁾	2018	2019 ⁽²⁾	2020 ⁽³⁾	2021
Revenues	12,525	13,197	14,125	15,848	18,160
Operating expenses	(11,032)	(11,600)	(12,384)	(13,969)	(15,820)
Operating margin*	1,493	1,597	1,741	1,879	2,340
% of revenues	11.9%	12.1%	12.3%	11.9%	12.9%
Operating profit	1,183	1,251	1,433	1,502	1,839
% of revenues	9.4%	9.5%	10.1%	9.5%	10.1%
Profit for the period attributable to owners of the Company	820	730	856	957	1,157
% of revenues	6.6%	5.5%	6.0%	6.1%	6.4%
Earnings per share					
Average number of shares outstanding during the period	168,057,561	167,088,363	166,171,198	167,620,101	168,574,058
Basic earnings per share	4.88	4.37	5.15	5.71	6.87
Normalized earnings per share*	6.22	⁽⁴⁾ 6.06	⁽⁴⁾ 6.76	⁽⁴⁾ 7.23	⁽⁴⁾ 9.19
Dividend per share for the year	1.70	1.70	1.35	1.95	⁽⁵⁾ 2.40
Goodwill at December 31	6,830	7,431	7,662	9,795	10,633
Equity attributable to owners of the Company at December 31	6,956	7,480	8,424	6,103	8,467
(Net debt)/net cash and cash equivalents* at December 31	(1,209)	(1,184)	(600)	(4,904)	(3,224)
Organic free cash flow* at December 31	1,080	1,160	1,288	1,119	1,873
Average number of employees	196,755	204,904	216,104	251,525	292,690
Number of employees at December 31	199,698	211,313	219,314	269,769	324,684

(1) 2017 figures have been restated for the retrospective application of IFRS 15, Revenue from contracts with customers, effective starting January 1, 2018.

(2) 2019 data reflects the application of IFRS 16, Leases, using the modified retrospective method.

(3) 2020 data reflects the consolidation of Altran from April 1, 2020.

(4) Excluding an income tax expense of €36 million, €60 million and €53 million, respectively, in 2021, 2019 and 2018 and income tax income of €8 million in 2020, due to the transitional impact of the US tax reform in 2017.

(5) Subject to approval by the Shareholders' Meeting of May 19, 2022.

* 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.

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

For the year ended December 31, 2021

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 ("the Group") for the year ended December 31, 2021.

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 December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk 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 requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory auditors, for the period from January 1st, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory auditors.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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	Our audit approach
<p>Capgemini is present in the consulting, digital transformation, Technology and Engineering Services market and notably provides long-term services.</p>	<p>We have updated our understanding of the process related to recognizing various revenue flows.</p>
<p>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:</p>	<p>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.</p>
<ul style="list-style-type: none">▪ Revenue from deliverable-based contracts is recognized over time by using the “cost-to-cost” method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract;▪ Revenue from resources-based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date;▪ Revenue on services-based contracts is recognized as rights to bill arise, except in specific cases where invoicing terms do not reflect the value to the customer of services rendered to date relative to the value of the remaining services (for example, in case of significant front-loaded or back-loaded fees or discounts);▪ Revenue on multi-deliverable contracts should be recognized applying the appropriate method as specified above, depending on the performance obligations identified.	<p>Our work notably involved:</p> <ul style="list-style-type: none">▪ assessing internal control procedures, identifying the most manual or automatic 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:<ul style="list-style-type: none">○ 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 obligation;○ 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 until the end of the contract;▪ assessing the appropriateness of the information provided in the notes to the consolidated financial statements.
<p>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.</p>	
<p>A provision for onerous contract is recorded if all the costs necessary to fulfill the contract exceed the related benefits.</p>	
<p>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:</p>	
<ul style="list-style-type: none">▪ identify all the performance obligations in the long-term multi-service contracts and determine their related accounting treatment;▪ measure the costs incurred for deliverable-based contracts or the total services rendered for resources-based and services-based contracts;▪ estimate the costs to be incurred until the end of the contract.	
<p>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.</p>	

Acquisition and measurement of Goodwill

Risks identified	Our audit approach
<p>As part of its business development, the Group makes targeted acquisitions in order to expand its service offering. In the context of the purchase price allocation, the Group estimates the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed for entities newly acquired, and recognizes goodwill as an asset in the consolidated financial statements.</p> <p>Goodwill corresponds to the difference between the purchase price and the net amount of identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill is allocated to the various cash generating units (CGU).</p> <p>As of December 31, 2021, goodwill amounts to €10,633m (net value) and represents about 44% of the total assets.</p> <p>At least once a year, Management ensures that the net carrying amount of goodwill recognized as an asset 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 and reasonableness of the assumptions used to determine the recoverable amounts and the reasonableness and consistency of the calculation method.</p> <p>The impairment testing methods and details of the assumptions used are described in Note 16 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 CGU.</p> <p>We believe that acquisitions and 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.</p>	<p>Our work entailed:</p> <ul style="list-style-type: none">▪ assessing the compliance of the accounting method adopted with IFRS 3R – Business Combination, for significant acquisitions;▪ assessing the reasonableness of the approach undertaken to identify the acquired assets and assumed liabilities, for significant acquisitions;▪ assessing the reasonableness of the assumptions used to fair value the acquired assets, assumed liabilities and contingent liabilities, including tax risks, for significant acquisitions;▪ assessing the appropriateness of the method used to identify 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;▪ analyzing the consistency of cash flow forecasts with Management's latest estimates presented to the Board of Directors as part of the budget process;▪ comparing 2021 earnings forecasts used for prior year impairment testing with actual results;▪ comparing the cash flow forecasts for financial years 2022 to 2025 with the business plans used for prior year impairment testing;▪ interviewing the financial and operational staff responsible for the geographic areas representing CGU to analyze the main assumptions used in the 3-year strategic plan and cross-check the assumptions with the explanations obtained;▪ assessing the methods used to calculate the discount rate applied to the estimated cash flows expected, as well as the long-term growth rate used to project the latest prior year expected cash flows to infinity; comparing these rates with market data and external sources and recalculating the rates based on our own data sources;▪ assessing sensitivity testing of value in use to a change in the main assumptions used by Management;▪ assessing the appropriateness of the financial information provided in Note 16 to the consolidated financial statements. <p>Our firms' valuation specialists were involved in this work.</p>

Tax Audit

Risks identified	Our audit approach
<p>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.</p> <p>As stated in Notes 26 and 27 to the consolidated financial statements, provisions for risks take into account certain tax risks other than income taxes in India and other non-current liabilities include notably the recognition of non-current tax liabilities on certain tax reassessments and tax litigations in India and France.</p> <p>As stated in Note 30 to the consolidated financial statements for the year ended 31 December 2021, tax audits may lead to reassessments and disputes with the tax authorities, notably in France and 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.</p> <p>The estimate of the risk relating to each tax position is reviewed regularly by each subsidiary and by the Group's Tax Department, with the help of external advisers for the most significant or complex points</p> <p>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</p>	<p>Through discussions with Management, we have updated our understanding of the procedures implemented by the Group to monitor tax matters.</p> <p>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 related to tax matters.</p> <p>We focused in particular on the effect of changes in local tax regulations and ongoing disputes with local tax authorities.</p> <p>To assess whether tax audits have been correctly addressed in the consolidated financial statements, with the assistance of our tax experts we:</p> <ul style="list-style-type: none">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 position papers and of the opinions of external advisors.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

We also verified, in accordance with professional standards for statutory audit procedures to be carried out on parent company and consolidated financial statements presented in the single electronic reporting format, that the presentation of consolidated financial statements included in the annual financial report referred to in section I of Article L.451-1-2 of the French Monetary and Financial Code, prepared under the responsibility of the Chief Executive Officer, complies with the format specified in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018. With regard to consolidated financial statements, our work includes verifying that the tagging in the statements complies with the format specified in the aforementioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material aspects, with the single electronic reporting format.

It is not our responsibility to verify that the consolidated financial statements that will be effectively included by your company in the annual financial report filed with the AMF correspond to those on which we have performed our work.

Appointment of the Statutory auditors

We were appointed as Statutory auditors of Capgemini SE by the Annual General Meeting held on May 24, 1996 for PricewaterhouseCoopers audit and on May 20, 2020 for Mazars.

As at December 31, 2021, PricewaterhouseCoopers audit and Mazars were in the 26th year and second year of total uninterrupted engagement respectively.

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 (IFRS) 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 and Risk 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 and Risk Committee

We submit a report to the Audit and Risk 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 and Risk 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 and Risk 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 and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, February 23, 2022

Courbevoie, February 23, 2022

The Statutory auditors

PricewaterhouseCoopers Audit

Mazars

Richard Béjot
Partner

Itto El Hariri
Partner

Dominique Muller
Partner

Anne-Laure Rousselou
Partner

Consolidated Income Statement

<i>(in millions of euros)</i>		2020		2021	
	Notes	Amount	%	Amount	%
Revenues	4 and 6	15,848	100.0	18,160	100.0
Cost of services rendered		(11,712)	(73.9)	(13,368)	(73.6)
Selling expenses		(1,113)	(7.0)	(1,196)	(6.6)
General and administrative expenses		(1,144)	(7.2)	(1,256)	(6.9)
Operating expenses	7	(13,969)	(88.1)	(15,820)	(87.1)
Operating margin (*)		1,879	11.9	2,340	12.9
Other operating income and expense	8	(377)	(2.4)	(501)	(2.8)
Operating profit		1,502	9.5	1,839	10.1
Net finance costs	9	(82)	(0.5)	(117)	(0.6)
Other financial income and expense	9	(65)	(0.4)	(42)	(0.2)
Net financial expense		(147)	(0.9)	(159)	(0.8)
Income tax expense	10	(400)	(2.5)	(526)	(2.9)
Share of profit of associates		-	-	5	-
PROFIT FOR THE YEAR		955	6.1	1,159	6.4
Attributable to:					
<i>Owners of the Company</i>		957	6.1	1,157	6.4
<i>Non-controlling interests</i>		(2)	-	2	-
EARNINGS PER SHARE					
Average number of shares outstanding during the period		167,620,101		168,574,058	
Basic earnings per share (cents)	11	5.71		6.87	
Diluted average number of shares outstanding		172,555,946		173,899,033	
Diluted earnings per share (cents)	11	5.55		6.66	

(*) 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>	Notes	2020	2021
Actuarial gains and losses on defined benefit pension plans, net of tax ⁽¹⁾	25	(19)	342
Remeasurement of cash flow and net investment hedging instruments, net of tax ⁽²⁾	24	(168)	160
Other, net of tax ⁽¹⁾		(1)	1
Translation adjustments ⁽²⁾	12	(563)	524
OTHER ITEMS OF COMPREHENSIVE INCOME		(751)	1.027
Profit for the period (remainder)		955	1,159
Total comprehensive income for the period		204	2,186
Attributable to:			
<i>Owners of the Company</i>		205	2,184
<i>Non-controlling interests</i>		(1)	2

(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, 2020	December 31, 2021
Goodwill	13 and 16	9,795	10,633
Intangible assets	13	1,100	1,003
Property, plant and equipment	14	805	880
Lease right-of-use assets	15	887	823
Deferred tax assets	17	983	881
Other non-current assets	19	545	814
Total non-current assets		14,115	15,034
Contract costs	20	102	117
Contract assets	20	1,148	1,380
Trade receivables	20	2,688	3,109
Current tax receivables		129	141
Other current assets	21	598	738
Cash management assets	22	338	385
Cash and cash equivalents	22	2,836	3,129
Total current assets		7,839	8,999
TOTAL ASSETS		21,954	24,033

<i>(in millions of euros)</i>	Notes	December 31, 2020	December 31, 2021
Share capital		1,350	1,379
Additional paid-in capital		3,050	3,609
Retained earnings and other reserves		746	2,322
Profit for the year		957	1,157
Equity (attributable to owners of the Company)		6,103	8,467
Non-controlling interests		12	12
Total equity		6,115	8,479
Long-term borrowings	22	7,127	6,654
Deferred taxes liabilities	17	230	294
Provisions for pensions and other post-employment benefits	25	1,072	655
Non-current provisions	26	337	341
Non-current lease liabilities	15	681	627
Other non-current liabilities	27	417	466
Total non-current liabilities		9,864	9,037
Short-term borrowings and bank overdrafts	22	951	87
Accounts and notes payable	28	3,358	4,361
Contract liabilities	20	1,044	1,405
Current provisions	26	122	140
Current tax liabilities		89	75
Current lease liabilities	15	287	274
Other current liabilities	27	124	175
Total current liabilities		5,975	6,517
TOTAL EQUITY AND LIABILITIES		21,954	24,033

Consolidated Statement of Cash Flows

<i>(in millions of euros)</i>	Notes	2020	2021
Profit for the year		955	1,159
Depreciation, amortization and impairment of fixed assets and lease right-of-use assets		649	672
Change in provisions		(66)	(146)
Losses/(Gains) on disposals of assets and other		(76)	33
Expenses relating to share grants		93	125
Net finance costs	9	82	117
Income tax expense/(income)	10	400	526
Unrealized (gains) losses on changes in fair value and other financial items		19	6
Cash flows from operations before net finance costs and income tax (A)		2,056	2,492
Income tax paid (B)		(351)	(440)
Change in trade receivables, contract assets net of liabilities and contract costs		72	(197)
Change in accounts and notes payable		(123)	351
Change in other receivables/payables		7	375
Change in operating working capital (C)		(44)	529
NET CASH FROM (USED IN) OPERATING ACTIVITIES (D=A+B+C)		1,661	2,581
Acquisitions of property, plant and equipment and intangible assets	13 and 14	(206)	(266)
Proceeds from disposals of property, plant and equipment and intangible assets		2	4
Acquisitions of property, plant and equipment and intangible assets, net of disposals		(204)	(262)
Cash (outflows) inflows on business combinations net of cash and cash equivalents acquired		(1,557)	(369)
Cash outflows in respect of cash management assets		(150)	(25)
Cash outflows in respect of the acquisition of Altran Technologies shares		(15)	-
Other cash inflows (outflows), net		212	(22)
Cash outflows from investing activities		(1,510)	(416)
NET CASH FROM (USED IN) INVESTING ACTIVITIES (E)		(1,714)	(678)
Proceeds from issues of share capital		277	587
Dividends paid		(226)	(329)
Net payments relating to transactions in Capgemini SE shares		(514)	(197)
Proceeds from borrowings		9,308	137
Repayments of borrowings		(6,273)	(1,498)
Subsequent acquisition of Altran Technologies securities		(1,672)	-
Repayments of lease liabilities	15	(291)	(320)
Interest paid		(96)	(153)
Interest received		49	27
NET CASH FROM (USED IN) FINANCING ACTIVITIES (F)		562	(1,746)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (G=D+E+F)		509	157
Effect of exchange rate movements on cash and cash equivalents (H)		(131)	134
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (I)	22	2,450	2,828
CASH AND CASH EQUIVALENTS AT END OF PERIOD (G+H+I)	22	2,828	3,119

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	Other			
At December 31, 2020	168,784,837	1,350	3,050	(39)	3,444	(644)	(1,058)	6,103	12	6,115
Dividends paid out for 2020	-	-	-	-	(329)	-	-	(329)	-	(329)
Incentive instruments and employee share ownership	3,606,687	29	559	158	(1)	-	-	745	-	745
Elimination of treasury shares	-	-	-	(198)	1	-	-	(197)	-	(197)
Finalization of the Altran Technologies purchase price allocation	-	-	-	-	(46)	-	-	(46)	(2)	(48)
Transactions with non-controlling interests and others	-	-	-	-	7	-	-	7	-	7
Transactions with shareholders and others	3,606,687	29	559	(40)	(368)	-	-	180	(2)	178
Income and expense recognized in equity	-	-	-	-	-	524	503	1,027	-	1,027
Profit for the year	-	-	-	-	1,157	-	-	1,157	2	1,159
At December 31, 2021	172,391,524	1,379	3,609	(79)	4,233	(120)	(555)	8,467	12	8,479

	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, 2019	169,345,499	1,355	3,150	(30)	4,899	(80)	(870)	8,424	(5)	8,419
Dividends paid out for 2019	-	-	-	-	(226)	-	-	(226)	-	(226)
Incentive instruments and employee share ownership	3,104,200	24	253	125	(15)	-	-	337	-	387
Elimination of treasury shares (1)	-	-	-	(516)	(2)	-	-	(518)	-	(518)
Share capital reduction by cancellation of treasury shares	(3,664,862)	(29)	(353)	382	-	-	-	-	-	-
Takeover of Altran Technologies	-	-	-	-	-	-	-	-	(458)	(458)
Subsequent acquisition of Altran Technologies securities	-	-	-	-	(2,135)	-	-	(2,135)	463	(1,672)
Transactions with non-controlling interests and others	-	-	-	-	(34)	-	-	(34)	13	(21)
Transactions with shareholders and others	(560,662)	(5)	(100)	(9)	(2,412)	-	-	(2,526)	18	(2,508)
Income and expense recognized in equity	-	-	-	-	-	(564)	(188)	(752)	1	(751)
Profit for the year	-	-	-	-	957	-	-	957	(2)	955
At December 31, 2020	168,784,837	1,350	3,050	(39)	3,444	(644)	(1,058)	6,103	12	6,115

(1) Including €320 million in respect of the share buyback agreement implemented prior to the share capital increase performed under the ESOP 2020 international employee share ownership plan (see Note 12 – Equity).



Notes to consolidated financial statements for the year ended December 31, 2021

Note 1 Accounting basis

The consolidated financial statements for the year ended December 31, 2021 of Capgemini SE, a European company headquartered at 11 rue de Tilsitt, 75017, Paris, and the notes thereto were adopted by the Board of Directors on February 14, 2022. The consolidated financial statements will be presented for approval to the Shareholders' Meeting scheduled for May 19, 2022.

A) IFRS standards base

Pursuant to European Commission Regulation no. 1606/2002 of July 19, 2002, the 2021 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, a responsible and multicultural global leader partnering with companies to transform and manage their business by harnessing the power of technology, also takes account of the positions adopted by Numeum (merger of Syntec Numérique and TECH IN France), 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 2021

a) **New standards, amendments and interpretations of mandatory effect at January 1, 2021**

The accounting policies applied by the Capgemini group are unchanged on those applied for the preparation of the December 31, 2020 consolidated financial statements. The standards, amendments, and interpretations which entered into mandatory effect on January 1, 2021 did not have a material impact on the Group financial statements.

The IFRS Interpretation Committee (IFRIC) issued a decision in May 2021 relating to IAS 19, Employee Benefits, leading to a change in the method of calculating defined-benefit pension obligations where entitlement is capped above a certain number of years seniority. This change, which is mandatory from fiscal year 2021, does not have a material impact for the Group.

The Group is currently reviewing the IFRS Interpretation Committee (IFRIC) decision published in April 2021, Configuration or Customisation Costs in a Cloud Computing Arrangement, relating to IAS 38, Intangible Assets, on the recognition of configuration or customization costs for software made available in the Cloud in a Software as a Service (SaaS) arrangement. This decision is not yet applied at December 31, 2021 and will be applied in the first half of 2022.

b) **Other new standards not yet in effect at January 1, 2021 and not adopted early**

The Group did not adopt early any new standards not yet in effect at January 1, 2021.

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. They have notably been made in an economic and health context that remains uncertain, due to the global Covid19 pandemic. These estimates are subject to a degree of uncertainty and mainly concern revenue recognition on a percentage-of-completion basis, provisions, measurement of the 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.



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.

Companies in which the parent company directly or indirectly exercises significant influence over their management, 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, 2021 in accordance with the accounting policies adopted by the Group.

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

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.

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. The qualification as net investment on monetary items is reviewed at each closing by the Group.

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	
	2020	2021	2020	2021
Australian dollar	0.60456	0.63513	0.62909	0.64041
Brazilian real	0.17203	0.15687	0.15690	0.15848
Canadian dollar	0.65425	0.67442	0.63967	0.69478
Chinese renminbi yuan	0.12711	0.13109	0.12465	0.13899
Indian rupee	0.01184	0.01143	0.01115	0.01187
Norwegian krone	0.09337	0.09842	0.09551	0.10011
Polish zloty	0.22516	0.21912	0.21931	0.21754
Pound sterling	1.12528	1.16302	1.11231	1.19008
Swedish krona	0.09539	0.09858	0.09966	0.09756
US dollar	0.87748	0.84538	0.81493	0.88292

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.

In fiscal year 2021, the Group notably purchased the companies RXP Services, Multibook, Acclimation and Empired. In the third quarter of 2021, the Group sold the US subsidiary, CHCS Services Inc (see Note 8 – Other operating income and expense). The contribution of these transactions, located primarily in the United States, Australia and Asia, to Group financial indicators in 2021 is not material.



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, acquisition costs, costs of 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 (iv) the impact of hedging instruments when these relate to borrowings and own shares. Following the adoption of IFRS 16 on January 1, 2019, lease liabilities (including finance lease liabilities) are treated as operating items in net financial debt and organic free cash flow and are therefore not included in net debt;
- **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.

As in 2020, the impact of the health crisis on the 2021 consolidated financial statements is not isolated. The definition of the above alternative performance measures is therefore unchanged and, in accordance with past practice, the 2021 consolidated financial statements include in other operating income and expense a non-material amount of incremental and non-recurring costs related to this crisis (see Note 8 – Other operating income and expense).

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 geographic areas where it is located. The Group segments are defined as geographic areas (e.g. France) or groups of geographic areas (Rest of Europe). Geographic areas are grouped together based on an analysis of the nature of contracts, the typology of customer portfolios and the uniformity of operating margins*.

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 and Poland) 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 the following geographic areas: North America, France, United Kingdom and Ireland, the Rest of Europe, Asia-Pacific and Latin America.

2021 (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America ⁽¹⁾	HQ expenses	Eliminations	Total
Revenues								
- external	5,251	3,799	2,127	5,563	1,420	-	-	18,160
- inter-geographic area	181	366	256	480	1,986	-	(3,269)	-
TOTAL REVENUES	5,432	4,165	2,383	6,043	3,406	-	(3,269)	18,160
OPERATING MARGIN ⁽²⁾	835	389	383	684	164	(115)	-	2,340
<i>% of revenues</i>	<i>15.9</i>	<i>10.2</i>	<i>18.0</i>	<i>12.3</i>	<i>11.5</i>	-	-	<i>12.9</i>
OPERATING PROFIT	701	247	341	578	87	(115)	-	1,839

(1) The Asia-Pacific and Latin America area includes the following countries in particular: India, other Asian countries, Australia, Brazil and Mexico.

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

2020 (in millions of euros)	North America	France	United Kingdom and Ireland	Rest of Europe	Asia-Pacific and Latin America ⁽¹⁾	HQ expenses	Eliminations	Total
Revenues								
- external	4,839	3,443	1,741	4,700	1,125	-	-	15,848
- inter-geographic area	161	306	215	363	1,721	-	(2,766)	-
TOTAL REVENUES	5,000	3,749	1,956	5,063	2,846	-	(2,766)	15,848
OPERATING MARGIN ⁽²⁾	718	300	269	537	146	(91)	-	1,879
<i>% of revenues</i>	<i>14.8</i>	<i>8.7</i>	<i>15.5</i>	<i>11.4</i>	<i>13.0</i>	-	-	<i>11.9</i>
OPERATING PROFIT	589	297	238	419	85	(126)	-	1,502

(1) The Asia-Pacific and Latin America area includes the following countries in particular: India, other Asian countries, Australia, Brazil and Mexico.

(2) 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. Certain types of operating expense may be reclassified in previous periods in accordance with the presentation adopted in the reported fiscal year; these reclassifications are without impact on operating margin, net profit nor cash flows.

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, acquisition costs, costs of 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 levels 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 backloaded 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 the 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.

Royalties

Under product engineering partnership agreements granting the Group licenses over software, the Group receives royalties for the use of these licenses calculated using contractually-defined rates.

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 commissions 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 costs necessary to fulfil the contract exceed the related benefits.

Presentation in the Consolidated Statement of Financial Position

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 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 client 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 2021, revenues grew 14.6% year-on-year at current Group scope and exchange rates. Revenues grew 15.1% at constant exchange rates ⁽¹⁾, while organic growth ⁽¹⁾ was 10.2%.

<i>(in millions of euros)</i>	2020	Change		2021
		reported	at constant exchange rates ⁽¹⁾	
North America	4,839	8.5%	12.0%	5,251
France	3,443	10.3%	10.3%	3,799
United Kingdom and Ireland	1,741	22.2%	18.3%	2,127
Rest of Europe	4,700	18.4%	17.6%	5,563
Asia-Pacific and Latin America	1,125	26.2%	27.3%	1,420
TOTAL	15,848	14.6%	15.1%	18,160

(1) Organic growth and growth at constant exchange rates, alternative performance measures monitored by the Group, are defined in Note 3 – Alternative performance measures.

Firm bookings taken in 2021 total €19,462 million.



Note 7 Operating expenses by nature

<i>(in millions of euros)</i>	2020		2021	
	Amount	% of revenues	Amount	% of revenues
Personnel expenses	10,478	66.1%	12,192	67.1%
Travel expenses	221	1.4%	123	0.7%
Purchases and sub-contracting expenses	2,437	15.4%	2,718	15.0%
Rent and local taxes	185	1.1%	154	0.8%
Charges to depreciation, amortization, impairment and provisions and proceeds from asset disposals	648	4.1%	633	3.5%
OPERATING EXPENSES	13.969	88.1%	15.820	87.1%

Breakdown of personnel expenses

<i>(in millions of euros)</i>	Note	2020	2021
Wages and salaries		8,473	9,884
Payroll taxes		1,914	2,225
Pension costs related to defined benefit pension plans and other post-employment benefit expenses	25	91	83
PERSONNEL EXPENSES		10.478	12.192

Note 8 Other operating income and expense

<i>(in millions of euros)</i>	2020	2021
Amortization of intangible assets recognized in business combinations	(113)	(122)
Expenses relating to share grants	(105)	(163)
Restructuring costs	(147)	(101)
Integration costs for companies acquired	(71)	(105)
Acquisition costs	(38)	(15)
Other operating expenses	(45)	(31)
Total operating expenses	(519)	(537)
Other operating income	142	36
Total operating income	142	36
OTHER OPERATING INCOME AND EXPENSE	(377)	(501)

Amortization of intangible assets recognized in business combinations

The increase in amortization of intangible assets recognized in business combinations in fiscal year 2021 is mainly due to the full-year impact of the amortization of intangible assets recognized in the context of the Altran acquisition.

Expenses relating to share grants

The expense relating to share grants is €163 million, compared with €105 million in 2020, mainly due to changes in the share price during the period impacting the IFRS expense for new plans and the closing share price at the year end.

Restructuring costs

Fiscal year 2021 restructuring costs primarily concern workforce reduction measures and real estate restructurings.



Integration costs for companies acquired

Integration costs for companies acquired total €105 million, including €84 million in respect of the integration of Altran in 2021.

Other operating expenses

In the evolving context of the global coronavirus pandemic, Capgemini's priority is the health and safety of its employees while ensuring the continuity of services to its clients. These protection, health and safety, business continuity and corporate sponsorship measures generated non-recurring incremental costs of €9 million in 2021, compared with €28 million in 2020.

In addition, the Group sold some non-strategic businesses in the United States in the second-half of the year, recognizing a capital loss net of disposal costs of €17 million (see Note 2 – Consolidation principles and Group structure).

Other operating income

In 2021, the Group recorded a gain of €17 million in respect of the reduction in the pension and post-employment benefit obligation, following the transfer of employees working exclusively on a Canadian client contract.

For information, the other operating income included the capital gain net of disposal costs on the sale of Odigo (€120 million) in 2020.

Note 9 Net financial expense

<i>(in millions of euros)</i>	Note	2020	2021
Income from cash, cash equivalents and cash management assets		48	24
Net interest on borrowings		(118)	(126)
Net finance costs at the nominal interest rate		(70)	(102)
Impact of amortized cost on borrowings		(12)	(15)
Net finance costs at the effective interest rate		(82)	(117)
Net interest cost on defined benefit pension plans	25	(23)	(18)
Interest on lease liabilities		(25)	(19)
Exchange (losses) gains on financial transactions		(6)	(5)
Gains (losses) on derivative instruments		3	3
Other		(14)	(3)
Other financial income and expense		(65)	(42)
NET FINANCIAL EXPENSE		(147)	(159)

Net interest on borrowings (€126 million) and the impact of amortized cost on borrowings (€15 million) total €141 million and mainly comprise:

- coupons on the 2015 bond issue of €25 million, plus an amortized cost accounting impact of €1 million,
- coupons on the 2016 bond issue of €1 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 €6 million,
- coupons on the 2020 bond issues of €84 million, plus an amortized cost accounting impact of €7 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.



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 reporting date.

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.

Current and deferred income taxes

The income tax expense for fiscal year 2021 breaks down as follows:

<i>(in millions of euros)</i>	2020	2021
Current income taxes	(316)	(426)
Deferred taxes	(84)	(100)
INCOME TAX (EXPENSE) INCOME	(400)	(526)

Effective tax rate

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

<i>(in millions of euros)</i>	2020		2021	
	Amount	%	Amount	%
Profit before tax	1.355		1.680	
Standard tax rate in France (%)	32.02		28.41	
Tax expense at the standard rate	(434)	32.02	(477)	28.41
Difference in tax rates between countries	39	(2.9)	17	(1.0)
<i>Impact of:</i>				
Deferred tax assets not recognized on temporary differences and tax loss carry-forwards arising in the period	(81)	6.0	(17)	1.0
Net recognition of deferred tax assets on temporary differences and tax loss carry-forwards arising prior to January 1	(7)	0.5	(15)	1.0
Utilization of previously unrecognized tax loss carry-forwards	2	(0.1)	7	(0.4)
Prior year adjustments	7	(0.5)	7	(0.4)
Taxes not based on taxable profit	(39)	2.9	(27)	1.6
Permanent differences and other items	105	(7.8)	15	(1.0)
Income tax expense and effective tax rate before the tax expense/profit due to the transitional impact of the 2017 US tax reform	(408)	30.1	(490)	29.2
Tax expense/profit due to the transitional impact of the 2017 US tax reform	8	(0.6)	(36)	2.1
Income tax expense and effective tax rate after the tax expense/profit due to the transitional impact of the 2017 US tax reform	(400)	29.5	(526)	31.3

The 2021 income tax charge is €526 million linked to a profit before tax of €1,680 million, the effective tax rate (ETR) is 31.3% compared to 29.5% in 2020. This increase is mainly due to:



- the transitional impact of the 2017 US tax reform which represented a profit of €8 million in 2020 and an expense of €36 million in 2021;
- the impact of changes in permanent differences - notably the untaxed capital gain net of disposal costs on the sale of Odigo in 2020; compensated by
- the decrease of the income tax rate and the Corporate Value-Added Contribution (*Cotisation sur la Valeur Ajoutée des Entreprises, CVAE*) in France and
- a net recognition of deferred tax assets on tax losses carried forward and temporary differences more important in 2021 than in 2020.

"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 €36 million in 2021 due to the transitional impact of the 2017 US tax reform, comprises:

- the Base Erosion and Anti-abuse Tax (BEAT): this alternative tax is applicable from 2018. The tax rate is 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 around 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 publication of administrative comments in 2020 enabled the Group to eliminate most of the GILTI tax expense relating to the years 2018, 2019 and 2020, resulting in a positive effect in 2020 and a negligible impact in 2021.

The effective income tax rate used to calculate normalized earnings per share (see Note 11 – Earning per share) at December 31, 2021 is 29.2%, compared with 30.1% at December 31, 2020.



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 and Note 10 – income tax expense), net of tax calculated using the effective tax rate.

Basic earnings per share

	2020	2021
Profit for the year attributable to owners of the Company <i>(in millions of euros)</i>	957	1,157
Weighted average number of ordinary shares outstanding	167,620,101	168,574,058
BASIC EARNINGS PER SHARE <i>(in euros)</i>	5.71	6.87

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 2021, instruments considered dilutive for the purpose of calculating diluted earnings per share include:

- shares delivered in October 2021 to non-French employees under the performance share plan approved by the Board of Directors on October 05, 2017 representing a weighted average of 523,112 shares;
- shares delivered in October 2021 to French employees and shares to be delivered in October 2022 to non-French employees, under the performance share plan approved by the Board of Directors on October 3, 2018, representing a weighted average of 1,108,002 shares;
- shares available for grant under the performance share plan approved by the Board of Directors on October 2, 2019, representing a weighted average of 1,411,412 shares and whose related performance conditions will be definitely assessed in October 2022;
- shares available for grant under the performance share plan approved by the Board of Directors on October 7, 2020, representing a weighted average of 1,832,072 shares and whose related performance conditions will be definitely assessed in October 2023;
- shares available for grant under the performance share plan approved by the Board of Directors on October 6, 2021, representing a weighted average of 449,183 shares and whose related performance conditions will be definitely assessed in October 2024;
- shares available for grant under the performance share plan approved by the Board of Directors on October 6, 2021, representing a weighted average of 1,194 shares and whose related presence conditions will be definitely assessed in October 2024.



<i>(in millions of euros)</i>	2020	2021
Profit for the year attributable to owners of the Company	957	1,157
Diluted profit for the year attributable to owners of the Company	957	1,157
Weighted average number of ordinary shares outstanding	167,620,101	168,574,058
<i>Adjusted for:</i>		
Performance shares and free shares available for exercise	4,935,845	5,324,975
Weighted average number of ordinary shares outstanding (diluted)	172,555,946	173,899,033
DILUTED EARNINGS PER SHARE (in euros)	5.55	6.66

Normalized earnings per share

<i>(in millions of euros)</i>	2020	2021
Profit for the year attributable to owners of the Company	957	1,157
Other operating income and expenses, net of tax calculated at the effective tax rate ⁽¹⁾	263	355
Normalized profit for the year attributable to owners of the Company	1,220	1,512
Weighted average number of ordinary shares outstanding	167,620,101	168,574,058
NORMALIZED EARNINGS PER SHARE (in euros)	7.28	8.97

(1) See Note 10 – Income tax expense.

In fiscal year 2021, the Group recognized an income tax expense of €36 million in respect of the transitional impact of the 2017 US tax reform, reducing normalized earnings per share by €0.22.

Excluding these amounts, 2021 normalized earnings per share would have been €9.19:

<i>(in millions of euros)</i>	2020	2021
NORMALIZED EARNINGS PER SHARE (in euros)	7.28	8.97
Tax expense due to the transitional impact of the 2017 US tax reform	(8)	36
Weighted average number of ordinary shares outstanding	167,620,101	168,574,058
Impact of the tax expense due to the transitional impact of the 2017 US tax reform	(0.05)	0.22
NORMALIZED EARNINGS PER SHARE – excl. the tax expense/profit due to the transitional impact of the 2017 US tax reform	7.23	9.19



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 cost is calculated based on the following assumptions:
 - the subscription price is set by the 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 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 consolidated 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 Shareholders' Meetings of May 10, 2017, May 23, 2018, May 23, 2019, May 20, 2020 and then May 20, 2021 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 October 5, 2017, October 3, 2018, October 2, 2019, October 7, 2020 and October 6, 2021, the Board of Directors approved the terms and conditions and the list of beneficiaries of these plans.

The main features of these plans in 2021 are set out in the table below:

**October 2017 Plan**

Maximum number of shares that may be granted	1,691,496 shares
% of share capital at the date of the Board of Directors' decision	1%
Total number of shares granted	1,522,500 ⁽²⁾
Date of Board of Directors' decision	October 05, 2017
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>	25.65%
<i>Risk-free interest rate</i>	-0.17%/ +0.90%
<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</i> (per share and in euros)	86.98 - 93.25
<i>Performance shares</i> (per share and in euros)	62.02 - 93.25
<i>Of which corporate officers</i>	66.38
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	715,430
<i>Of which corporate officers</i>	
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	-
<i>Of which corporate officers</i>	-
Number of shares forfeited or canceled during the year	53,840
Number of shares vested during the year	661,590 ⁽³⁾
Number of shares at December 31, 2021	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	-
Weighted average number of shares	523,112
Share price at the grant date (in euros)	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 ⁽⁴⁾
Date of Board of Directors' decision	October 03, 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
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,257,895
<i>Of which corporate officers</i>	44,500 ⁽¹⁾
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	-
<i>Of which corporate officers</i>	-
Number of shares forfeited or canceled during the year	133,709
Number of shares vested during the year	332,154 ⁽⁵⁾
Number of shares at December 31, 2021	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	792,032 ⁽⁶⁾
Weighted average number of shares	1,108,002
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 ⁽⁷⁾
Date of Board of Directors' decision	October 02, 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	
<i>Volatility</i>	23.14%
<i>Risk-free interest rate</i>	-0.478% / -0.458%
<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</i> (per share and in euros)	99.57
<i>Performance shares</i> (per share and in euros)	52.81 - 99.57
<i>Of which corporate officers</i>	74.12
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,457,162
<i>Of which corporate officers</i>	47,000 ⁽¹⁾
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	
<i>Of which corporate officers</i>	
Number of shares forfeited or canceled during the year	91,500
Number of shares vested during the year	-
Number of shares at December 31, 2021	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,365,662 ⁽⁸⁾
Weighted average number of shares	1,411,412
Share price at the grant date (in euros)	107.35



	October 2020 Plan
Maximum number of shares that may be granted	2,033,396 shares
% of share capital at the date of the Board of Directors' decision	1.2%
Total number of shares granted	1,900,000 ⁽⁹⁾
Date of Board of Directors' decision	October 07, 2020
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)	1 year
Main market conditions at the grant date	
<i>Volatility</i>	29.61%
<i>Risk-free interest rate</i>	-0.499% / -0.4615%
<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</i> (per share and in euros)	97.54 - 99.4
<i>Performance shares</i> (per share and in euros)	61.29 - 99.4
<i>Of which corporate officers</i>	79.2
Number of shares at December 31, 2020	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,888,290
<i>Of which corporate officers</i>	25,000 ⁽⁷⁾
Change during the period	
Number of shares subject to performance and/or presence conditions granted during the year	-
<i>Of which corporate officers</i>	-
Number of shares forfeited or canceled during the year	112,435
Number of shares vested during the year	-
Number of shares at December 31, 2021	
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,775,855 ⁽¹⁰⁾
Weighted average number of shares	1,832,072
Share price at the grant date (in euros)	107.55



	October 2021 Plan	December 2021 Plan
Maximum number of shares that may be granted	2,025,418	2,025,418
% of share capital at the date of the Board of Directors' decision	1.2%	1.2%
Total number of shares granted	1,834,500 ⁽¹¹⁾	14,325 ⁽¹³⁾
Date of Board of Directors' decision	October 06, 2021	October 06, 2021
Performance assessment dates	Three years for the two performance conditions	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)	3 years as from the grant date (other countries)
Mandatory lock-in period effective as from the vesting date (France only)	1 year	-
Main market conditions at the grant date		
<i>Volatility</i>	30.967%	30.967%
<i>Risk-free interest rate</i>	-0.4246% / -0.2605%	-0.4246% / -0.2605%
<i>Expected dividend rate</i>	1.60%	1.60%
Other conditions		
<i>Performance conditions</i>	Yes (see below)	No
<i>Employee presence within the Group at the vesting date</i>	Yes	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</i> (per share and in euros)	161.73 - 166.68	200.82
<i>Performance shares</i> (per share and in euros)	99.41 - 166.68	-
<i>Of which corporate officers</i>	129.68	-
Number of shares at December 31, 2020		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)		
<i>Of which corporate officers</i>		
Change during the period		
Number of shares subject to performance and/or presence conditions granted during the year	1,834,500	14,325
<i>Of which corporate officers</i>	18,500 ⁽⁷⁾	-
Number of shares forfeited or canceled during the year	37,770	-
Number of shares vested during the year		
Number of shares at December 31, 2021		
that may vest under the plan in respect of shares previously granted, subject to conditions (performance and/or presence)	1,796,730 ⁽¹²⁾	14,325
Weighted average number of shares	449,183	1,194
Share price at the grant date (in euros)	175.65	207.30

(1) Grant subject to performance conditions only.

(2) Grant subject to performance conditions only, except for 19,150 shares subject to presence conditions only.

(3) In respect of the "non-French" plan only: these amounts include a 40% discount on the external performance condition.

(4) Grant subject to performance conditions only, except for 124,955 shares subject to presence conditions only.

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

(6) In respect of the "non-French" plan only.

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

(8) Of which 422,150 shares in respect of the French plan and 943,512 shares in respect of the non-French plan.

(9) Grant subject to performance conditions only, except for 39,800 shares subject to presence conditions only.

(10) Of which 545,000 shares in respect of the French plan and 1,230,855 shares in respect of the non-French plan.

(11) Grant subject to performance conditions only, except for 3,600 shares subject to presence conditions only.

(12) Of which 472,400 shares in respect of the French plan and 1,324,330 shares in respect of the non-French plan.

(13) Grant subject to performance conditions only.



a) **Shares vested in 2021 under the 2017 and 2018 plans**

The assessment of performance conditions under the October 2017 plan concluded that the internal performance condition was 100% attained and the external performance condition was 60% 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 September 2021 led to the vesting of 661,590 shares in October 2021 to non-French beneficiaries. A total of 984,690 shares have vested under the October 2017 plan, representing 64.7% of shares initially granted.

The assessment of performance conditions under the October 2018 plan concluded that the internal performance condition and the CSR performance conditions were 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 September 2021 led to the vesting of 332,154 shares in October 2021 to French beneficiaries.

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).

For the 2017, 2018, 2019, 2020 and 2021 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 flow¹ (OFCF) over a three period encompassing fiscal years 2017 to 2019 for the 2017 plan, fiscal years 2018 to 2020 for the 2018 plan, fiscal years 2019 to 2021 for the 2019 plan, fiscal years 2020 to 2022 for the 2020 plan and fiscal years 2021 to 2023 for the 2021 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 €2,900 million for the 2017 plan, €3,000 million for the 2018 plan, €3,100 million for the 2019 plan, €3,400 million for the 2020 plan and €3,900 million for the 2021 plan;
- 100% of the initial internal allocation will be granted if organic free cash flow is equal to or exceeds €3,200 million for the 2017 plan, €3,250 million for the 2018 plan, €3,400 million for the 2019 plan, €3,700 million for the 2020 plan and €4,200 million for the 2021 plan for beneficiaries other than corporate officers and €4,500 for corporate officers. The trigger threshold for the application of the outperformance bonus is €3,700 million for the 2019 plan, €3,900 million for the 2020 plan and €4,500 million for the 2021 plan (but the final grant may not exceed 100% of the initial grant for these plans).

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 to French beneficiaries.

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 2021 and in view of the inclusion of an outperformance condition, the following table summarizes the applicable performance conditions, under the 2021 plan, for each of the three conditions:

¹ 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.



Summary of performance conditions applicable to beneficiaries of the 2021 plan

Performance conditions	Weighting applied for managers ⁽¹⁾	Weighting applied for other beneficiaries	Percentage of the grant determined by each performance condition
Market condition: Performance of the Caggemini share over a three-year period	35%	15%	<ul style="list-style-type: none"> 0% if Caggemini share performance < 100% of the average performance of the basket 50% if equal to 100% 100% if equal to 110% 110% if the average performance of the share is at least equal to 120% of the average performance of the basket (for beneficiaries other than Executive Corporate Officers)
Financial condition: Organic free cash flow for the three-year cumulative period from January 1, 2021 to December 31, 2023	50%	70%	<p>For Executive Corporate Officers</p> <ul style="list-style-type: none"> 0% if < €3,900 million 50% if equal to €3,900 million 80% if equal to €4,200 million 100% if at least equal to €4,500 million <p>For beneficiaries other than Executive Corporate Officers</p> <ul style="list-style-type: none"> 0% if < €3,900 million 50% if equal to €3,900 million 100% if equal to €4,200 million 110% if at least equal to €4,500 million
CSR condition comprising two objectives:			
Diversity: increase in the number of women in the Vice-President inflow population over a three-year period (2021-2023)	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 < 28% 30% if equal to 28% 100% if equal to 30% 110% if at least equal to 31.5% (for beneficiaries other than Executive Corporate Officers)
Reduction in the carbon footprint at end-2023 compared with 2019	7.5%	7.5%	<ul style="list-style-type: none"> 0% if the reduction in GHG emissions compared with the reference period is < 60% 30% if equal to 60% 100% if equal to 70% 110% if at least equal to 80% (for beneficiaries other than Executive Corporate Officers)

(1) Executive Corporate Officers (Chairman and Chief Executive Officer), members of the general management team and key executive managers of the Group.

C) 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.



D) 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.

E) 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.

F) International employee share ownership plan – ESOP 2020

The Group set up an employee share ownership plan (ESOP 2020) in the second-half of 2020. On December 17, 2020, the Group issued 3,000,000 new shares reserved for employees with a par value of €8 each, representing a share capital increase of €278 million net of issue costs. The total cost of this employee share ownership plan in 2020 was €1.8 million, attributable to the Stock Appreciation Rights (SAR) mechanism for employees in countries where the set-up of an Employee Savings Mutual Fund (*fonds commun de placement entreprise*, FCPE) was not possible or relevant.

Pursuant to the share purchase agreement signed on October 7, 2020 with an investment services provider, which is also the institution managing the ESOP 2020 employee share ownership plan, Capgemini SE purchased 3,000,000 of its own shares for a consideration of €320 million to neutralize the dilution related to this plan. All of these shares were canceled in December 2020.

G) International employee share ownership plan – ESOP 2021

The Group set up an employee share ownership plan (ESOP 2021) in the second-half of 2021. On December 16, 2021, the Group issued 3,606,687 new shares reserved for employees with a par value of €8 each, representing a share capital increase of €588 million net of issue costs. The total cost of this employee share ownership plan in 2021 was €4.2 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.

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:

	2020			2021	
<i>(in millions of euros)</i>	Note	Expense of the period	Residual amount to be amortized in future periods	Expense of the period	Residual amount to be amortized in future periods
EXPENSE ON INCENTIVE INSTRUMENTS AND EMPLOYEE SHARE OWNERSHIP PLANS	8	105	311	163	438

Treasury shares and management of share capital and market risks

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

At December 31, 2021, treasury shares were deducted from consolidated equity in the amount of €79 million. These consist of (i) 386,045 shares purchased under the share buyback program and (ii) 51,790 shares held under the liquidity agreement (for which the cash and UCITS balances are around €28 million at December 31, 2021) and the contractual holding system for key employees of American and British 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, 2021, the Group had net



debt² of €3,224 million (compared with €4,904 million at December 31, 2020). 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.

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 2021 the Group's consolidated financial statements are particularly impacted by fluctuations in the US dollar and in the Indian rupee, generating a positive impact on foreign exchange translation reserves resulting from the appreciation of these two currencies against the euro at December 31, 2021.

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.

² Net debt, an alternative performance measure monitored by the Group, is defined in Note 22 – Net debt/net cash and cash equivalents.



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. Subsequent 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 the 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 3 to 5 years.

Some licenses acquired through product engineering partnerships were valued by discounting expected future operating cash flow projections and are amortized on a straight-line basis over periods not exceeding 10 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.



(in millions of euros)

	Goodwill	Customer relationships	Licenses and software	Other intangible assets	Total
GROSS					
At January 1, 2020	7,752	872	518	254	9,396
Translation adjustments	(481)	(68)	(27)	(15)	(591)
Acquisitions/Increase	-	-	46	4	50
Internal developments	-	-	-	7	7
Disposals/Decrease	(99)	(113)	(97)	(11)	(320)
Business combinations	2,701	517	124	42	3,384
Other movements	-	-	3	(6)	(3)
At December 31, 2020	9,873	1,208	567	275	11,923
Translation adjustments	424	54	11	9	498
Acquisitions/Increase	-	-	23	5	28
Internal developments	-	-	-	24	24
Disposals/Decrease	-	(5)	(98)	(13)	(116)
Business combinations	415	6	-	5	426
Other movements	-	-	26	22	48
AT DECEMBER 31, 2021	10,712	1,263	529	327	12,831
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At January 1, 2020	90	442	412	145	1,089
Translation adjustments	(12)	(34)	(16)	(4)	(66)
Charges and provisions	-	105	59	15	179
Reversals	-	(112)	(49)	(11)	(172)
Business combinations	-	-	-	1	1
Other movements	-	-	1	(4)	(3)
At December 31, 2020	78	401	407	142	1,028
Translation adjustments	1	28	7	3	39
Charges and provisions	-	113	55	19	187
Reversals	-	(5)	(93)	(11)	(109)
Business combinations	-	-	-	3	3
Other movements	-	-	26	21	47
AT DECEMBER 31, 2021	79	537	402	177	1,195
NET					
At December 31, 2020	9,795	807	160	133	10,895
AT DECEMBER 31, 2021	10,633	726	127	150	11,636

The amounts recorded in "Business combinations" for Goodwill and Customer relationships primarily concern:

- in fiscal year 2021:
 - o acquisitions of the period (see Note 2 – Consolidation principles and Group structure) for which the purchase price allocation is provisional at December 31, 2021 and will be finalized in the 12 months following acquisition of control;
 - o recognition of the definitive Altran goodwill (See Note 16- Cash-generating units and asset impairment test).
- in fiscal year 2020: the Altran acquisition.

The amounts recorded in "Disposals/Decrease" in fiscal year 2020 primarily concern the sale of the Odigo business.



Intangible assets by geographic area

<i>(in millions of euros)</i>	December 31, 2020		December 31, 2021	
	Net carrying amount	Acquisitions during the period	Net carrying amount	Acquisitions during the period
North America	498	6	459	23
France	221	39	182	13
United Kingdom and Ireland	78	1	72	2
Rest of Europe	192	8	176	11
Asia-Pacific and Latin America	111	3	114	3
INTANGIBLE ASSETS	1.100	57	1.003	52

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 50 years
Fixtures and fittings	10 to 30 years
IT 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	IT equipment	Other PP&E	Total
GROSS				
At January 1, 2020	919	572	359	1,850
Translation adjustments	(57)	(30)	(28)	(115)
Acquisitions/Increase	37	79	32	148
Disposals/Decrease	(22)	(45)	(8)	(75)
Business combinations	95	-	48	143
Other movements	1	1	-	2
At December 31, 2020	973	577	403	1,953
Translation adjustments	38	22	17	77
Acquisitions/Increase	48	117	49	214
Disposals/Decrease	(60)	(50)	(42)	(152)
Business combinations	-	16	-	16
Other movements	37	18	5	60
AT DECEMBER 31, 2021	1,036	700	432	2,168
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At January 1, 2020	418	459	235	1,112
Translation adjustments	(19)	(23)	(18)	(60)
Charges and provisions	59	59	40	158
Reversals	(19)	(41)	(8)	(68)
Business combinations	1	-	1	2
Other movements	2	1	1	4
At December 31, 2020	442	455	251	1,148
Translation adjustments	14	15	11	40
Charges and provisions	58	69	40	167
Reversals	(56)	(49)	(38)	(143)
Business combinations	-	15	-	15
Other movements	15	18	28	61
AT DECEMBER 31, 2021	473	523	292	1,288
NET				
At December 31, 2020	531	122	152	805
AT DECEMBER 31, 2021	563	177	140	880

Property, plant and equipment by geographic area

<i>(in millions of euros)</i>	December 31, 2020		December 31, 2021	
	Net carrying amount	Acquisitions during the period	Net carrying amount	Acquisitions during the period
North America	58	24	56	17
France	165	22	180	46
United Kingdom and Ireland	69	7	76	13
Rest of Europe	122	42	129	39
Asia-Pacific and Latin America	391	53	439	99
PROPERTY, PLANT AND EQUIPMENT	805	148	880	214



Note 15 Lease right-of-use assets

The Group assesses 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 20 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	IT equipment and other leases	Total
GROSS				
At January 1, 2020	961	135	106	1,202
Translation adjustments	(41)	(1)	(3)	(45)
Acquisitions/Increase	223	74	36	333
Disposals/Decrease	(112)	(43)	(22)	(177)
Business combinations	169	25	5	199
Other movements	(12)	(1)	-	(13)
At December 31, 2020	1,188	189	122	1,499
Translation adjustments	32	1	3	36
Acquisitions/Increase	194	59	22	275
Disposals/Decrease	(149)	(49)	(41)	(239)
Business combinations	-	-	-	-
Other movements	52	8	3	63
AT DECEMBER 31, 2021	1,317	208	109	1,634
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At January 1, 2020	356	45	39	440
Translation adjustments	(15)	-	(1)	(16)
Charges and provisions	210	62	40	312
Reversals	(65)	(30)	(20)	(115)
Other movements	(8)	(1)	-	(9)
At December 31, 2020	478	76	58	612
Translation adjustments	15	-	2	17
Charges and provisions	218	64	36	318
Reversals	(117)	(42)	(40)	(199)
Business combinations	-	-	-	-
Other movements	52	8	3	63
AT DECEMBER 31, 2021	646	106	59	811
NET				
At December 31, 2020	710	113	64	887
AT DECEMBER 31, 2021	671	102	50	823

Lease right-of-use assets by geographic area

<i>(in millions of euros)</i>	December 31, 2020	December 31, 2021
	Net carrying amount	Net carrying amount
North America	97	79
France	257	266
United Kingdom and Ireland	77	96
Rest of Europe	327	266
Asia-Pacific and Latin America	129	116
LEASE RIGHT-OF-USE ASSETS	887	823



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)

At December 31, 2021	Carrying amount	Contractual cash flows				Beyond 5 years
		Total	Less than 1 year	1 to 2 years	2 to 5 years	
Lease liabilities	901	987	299	218	323	147



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 two years, including growth and profitability rates considered reasonable, representing a total five-year business plan. 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 net 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, 2020			December 31, 2021		
	Gross value	Impairment	Net carrying amount	Gross value	Impairment	Net carrying amount
North America	3,278	(7)	3,271	3,608	(8)	3,600
France	2,024	(1)	2,023	2,096	(1)	2,095
United Kingdom and Ireland	1,182	-	1,182	1,252	-	1,252
Benelux	1,135	(12)	1,123	1,158	(12)	1,146
Southern Europe	358	-	358	377	-	377
Nordic countries	467	-	467	478	-	478
Germany and Central Europe	639	(31)	608	656	(31)	625
Asia-Pacific	691	-	691	987	-	987
Latin America	99	(27)	72	100	(27)	73
GOODWILL	9,873	(78)	9,795	10,712	(79)	10,633



Goodwill was tested for impairment at December 31, 2021 in line with the Group valuation procedure for such assets.

The main underlying assumptions were as follows:

December 31, 2021

	Long-term growth rate	Discount rate
North America	3.3%	7.2%
Latin America	5.0%	11.3%
United Kingdom and Ireland	2.9%	7.7%
Continental Europe	2.6%	7.0%
Asia-Pacific	4.4%	12.2%

No impairment losses were recognized at December 31, 2021 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 ⁽¹⁾ 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 cash-generating units.

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

Altran Technologies definitive goodwill

Since the close of the consolidated financial statements for the year ended December 31, 2020, new information has been identified regarding the facts and circumstances existing at the Altran Technologies takeover date, leading the Group to finalize the purchase price allocation and increase the goodwill by €59 million.

At December 31, 2021, definitive goodwill recognized in accordance with the partial goodwill method is €2,637 million. The following table presents the definitive purchase price allocation at the takeover date for an acquired stake of 55%:

	Provisional allocation at December 31, 2020	Changes	Definitive allocation at December 31, 2021
<i>(in millions of euros)</i>			
Fair value of previously-held investment	426	-	426
Acquisition of a controlling interest on March 13, 2020	1,593	-	1,593
Cash consideration paid at initial takeover	2,019	-	2,019
Non-controlling interest	(463)	(48)	(511)
TOTAL CONSIDERATION TRANSFERRED (A)	1,556	(48)	1,508



	Provisional allocation at December 31, 2020	<i>Changes</i>	Definitive allocation at December 31, 2021
<i>(in millions of euros)</i>			
Intangible assets	668	-	668
<i>o/w customer relationships</i>	503	-	503
Property, plant and equipment	140	-	140
Other non-current and current assets	354	-	354
Cash and cash equivalents	175	-	175
Short- and long-term borrowings and bank overdrafts	(1,731)	-	(1,731)
Current and non-current provisions	(341)	(42)	(383)
Deferred taxes, net	23	10	33
<i>o/w deferred tax liabilities relating to the allocation of the purchase price</i>	(129)	10	(119)
Other current and non-current liabilities	(202)	(76)	(278)
Other assets and liabilities	(108)	1	(107)
NET ASSETS AT TAKEOVER DATE (B)	(1,022)	(107)	(1,129)
GOODWILL (A)-(B)	2,578	59	2,637



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.

Deferred tax assets and liabilities

<i>(in millions of euros)</i>	At December 31, 2020	At December 31, 2021
Deferred tax assets	983	881
Deferred tax liabilities	230	294
Net deferred taxes	753	587

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, 2020		483	63	238	215	999
Business combinations		12	-	19	137	168
Translation adjustments		(33)	(7)	(11)	(29)	(80)
Deferred tax recognized in the Income Statement	10	(111)	(25)	(3)	49	(90)
Deferred tax recorded in income and expense recognized in equity		59	-	25	(3)	81
Other movements, including offset with deferred tax liabilities		-	-	-	(95)	(95)
At December 31, 2020		410	31	268	274	983
Business combinations		-	-	-	13	13
Translation adjustments		27	-	9	24	60
Deferred tax recognized in the Income Statement	10	(82)	(32)	(22)	50	(86)
Deferred tax recorded in income and expense recognized in equity		(1)	-	(96)	4	(93)
Other movements, including offset with deferred tax liabilities		(4)	3	-	5	4
At December 31, 2021		350	2	159	370	881

Recognized tax loss carry-forwards total €350 million at December 31, 2021 (€410 million at December 31, 2020) and primarily concern the United States in the amount of €333 million.



Deferred tax liabilities by nature

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, 2020		56	37	92	185
Business combinations		-	131	20	151
Translation adjustments		(4)	(3)	(7)	(14)
Deferred tax recognized in the Income Statement	10	4	(10)	-	(6)
Deferred tax recorded in income and expense recognized in equity		-	-	(2)	(2)
Other movements including offset with deferred tax assets		-	(78)	(6)	(84)
At December 31, 2020		56	77	97	230
Business combinations		-	1	6	7
Translation adjustments		3	3	5	11
Deferred tax recognized in the Income Statement	10	5	(10)	19	14
Deferred tax recorded in income and expense recognized in equity		-	-	1	1
Other movements including offset with deferred tax assets		2	1	28	31
At December 31, 2021		66	72	156	294

Expiry dates of tax loss carry-forwards (taxable base)

	2020			2021	
	Amount	%	Amount	%	
At December 31 <i>(in millions of euros)</i>					
Between 1 and 5 years	63	2	93	3	
Between 6 and 10 years	1,125	41	972	39	
Between 11 and 15 years	266	10	242	10	
Beyond 15 years (definite expiry date)	36	1	12	-	
Carried forward indefinitely	1,254	46	1,198	48	
TAX LOSS CARRY-FORWARDS	2,744	100	2,517	100	
<i>o/w recognized tax losses</i>	<i>1,616</i>	<i>59</i>	<i>1,387</i>	<i>55</i>	
<i>o/w unrecognized tax losses</i>	<i>1,128</i>	<i>41</i>	<i>1,130</i>	<i>45</i>	

Tax loss carry-forwards total €2,517 million at December 31, 2021 (€2,744 million at December 31, 2020) and primarily concern the United States in the amount of €1,310 million, France in the amount of €271 million, Brazil in the amount of €314 million and Spain in the amount of €245 million.

Unrecognized deferred tax assets

	2020	2021
At December 31 <i>(in millions of euros)</i>		
Deferred tax on tax loss carry-forwards	292	316
Deferred tax on other temporary differences	56	21
Unrecognized deferred tax assets	348	337



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, current and non-current 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 amount represents a reasonable approximation of fair value).

December 31, 2021 <i>(in millions of euros)</i>	Notes	Hedge accounting	Net carrying amount			Fair value		
			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		29	14				43
Long-term deposits, receivables and other investments	19				161			
Other non-current assets	19				313			
Current and non-current asset derivative instruments	19 and 21	177					177	
Trade receivables, contract assets and contract costs	20				4,606			
Other current assets	21				636			
Cash management assets	22		385			385		
Cash and cash equivalents	22		3,129			3,129		
Financial liabilities								
Bonds	22				6,708			
Lease liabilities	15				901			
Draw-downs on bank and similar facilities and other borrowings	22				23			
Liabilities related to acquisitions of consolidated companies	27				124			
Other current and non-current liabilities	27				432			
Current and non-current liability derivative instruments	27	85					85	
Accounts and notes payable	28				4,361			
Bank overdrafts	22				10			



Note 19 Other non-current assets

At December 31 (in millions of euros)	Notes	2020	2021
Long-term deposits, receivables and other investments		163	161
Shares in associates		110	117
Derivative instruments	24	32	75
Non-current tax receivables		183	259
Other non-consolidated securities		27	43
Defined benefit pension plan surplus	25	-	105
Other		30	54
OTHER NON-CURRENT ASSETS	23	545	814

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

Derivative instruments primarily consist of the fair value of derivative instruments contracted as part of the centralized management of currency risk in the amount of €73 million (current portion of €99 million, see Note 24 – Currency, interest rate and counterparty risk management).

Non-current tax receivables at December 31, 2021 mainly consist of the tax portion required by the Indian tax authorities following tax audits challenged by the Group and certain tax credits to be utilized in more than 12 months notably in France and Spain.

Note 20 Trade receivables, contract assets and contract costs

At December 31 (in millions of euros)	Note	2020	2021
Trade receivables		2,724	3,133
Provisions for doubtful accounts		(36)	(24)
Contract assets		1,148	1,380
Trade receivables and contract assets, excluding contract costs	23	3,836	4,489
Contract costs	23	102	117
TRADE RECEIVABLES CONTRACT ASSETS AND CONTRACT COSTS		3,938	4,606

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	2020	2021
Trade receivables and contract assets, excluding contract costs	23	3,836	4,489
Contract liabilities	23	(1,044)	(1,405)
TRADE RECEIVABLES AND CONTRACT ASSETS NET OF CONTRACT LIABILITIES		2,792	3,084
In number of days' annual revenue		60	61

Changes in contract assets and liabilities in fiscal year 2021 are mainly 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.

Most contract assets will convert to trade receivables in the next six months and most contract liabilities are intended to convert to revenues in the coming months.

At December 31, 2021, receivables totaling €6 million were assigned with transfer of risk as defined by IFRS 9 to financial institutions (€30 million as December 31, 2020). These receivables were therefore derecognized in the Statement of Financial Position respectively at December 31, 2021 and at December 31, 2020.



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-2021, past due balances total €458 million (€394 million at December 31, 2020) and represent 14,8% of trade receivables less provisions for doubtful accounts (14.7% in 2020). The breakdown is as follows:

<i>(in millions of euros)</i>	< 30 days	> 30 days and < 90 days	> 90 days
Net trade receivables	314	120	24
As a % of trade receivables, net of provisions for doubtful accounts	10.1%	3.9%	0.8%

Past due balances concern client 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 2020. The Group's five largest clients contribute around 11% of Group revenues, compared to 10% in fiscal year 2020. The top ten clients collectively account for 17% 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 <i>(in millions of euros)</i>	Notes	2020	2021
Social security and tax-related receivables, other than income tax		197	312
Prepaid expenses		242	257
Derivative instruments	24	68	102
Other		91	67
OTHER CURRENT ASSETS	23	598	738

At December 31, 2021, "Social security and tax-related receivables, other than income tax" include research tax credit receivables of €60 million, deducted from operating expenses in 2021.



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. Following the adoption of IFRS 16 at January 1, 2019, lease liabilities (including finance lease liabilities) are excluded from net debt.

<i>(in millions of euros)</i>	2020	2021
Short-term investments	1,921	1,651
Cash at bank	915	1,478
Bank overdrafts	(8)	(10)
Cash and cash equivalents	2.828	3.119
Cash management assets	338	385
Bonds	(7,121)	(6,637)
Draw-downs on bank and similar facilities and other borrowings	(6)	(17)
Long-term borrowings	(7,127)	(6.654)
Bonds	(577)	(71)
Drawdowns on bank and similar facilities and other borrowings	(366)	(6)
Short-term borrowings	(943)	(77)
Borrowings	(8.070)	(6.731)
Derivative instruments	-	3
NET DEBT	(4.904)	(3.224)

(1) 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, 2021, short-term investments mainly consist of mutual funds and term bank deposits, paying interest at standard market rates.

Cash management assets

At December 31, 2021 cash management assets notably consist of marketable securities held by certain Group companies which do not meet all the monetary UCITS classification criteria defined by ESMA (European Securities and Markets Authority) for money market mutual funds, particularly with regards to the average maturity of the portfolio. These funds may, however, be redeemed at any time without penalty.

Borrowings

A) Bonds

a) July 1, 2015 bond issues

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

- 2015 bond issue (July 2018)

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

This tranche has a nominal amount of €1,250 million, comprising 12,500 bonds with a unit value of €100,000 each. The bonds mature on July 1, 2020 and pay an annual coupon of 1.75% (issue price 99.853%). The Group performed a partial bond swap in April 2018 (see below "April 2018 Bond issues"). The bond issue was redeemed early by the Group on June 2, 2020.

- 2015 bond issue (July 2023)

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



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

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

The terms and conditions of the three bond issues performed on July 1, 2015 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 performed 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.

This 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.

The bond issue was redeemed early by the Group on August 9, 2021.

c) April 2018 bond issues

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

- 2024 bond issue

This tranche has a nominal amount of €600 million, comprising 6,000 bonds with a unit value of €100,000 each. The bonds mature on October 18, 2024 and pay an annual coupon of 1.00% (issue price 99.377%). This tranche was fully subscribed by a bank in a debt swap transaction. In exchange for the new securities issued, the bank presented 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

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

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

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

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

d) April 2020 bond issues

On April 8, 2020, Capgemini SE performed a four tranche bond issue for a total amount of €3,500 million, with a settlement/delivery date of April 15, 2020:

- 2022 Bond issue: this tranche has a nominal amount of €500 million, comprising 5,000 bonds with a unit value of €100,000 each. The bonds had a maturity date of April 15, 2022 and paid an annual coupon of 1.25% (issue price 99.794%). The bond issue was redeemed early by the Group on December 29, 2021;
- 2026 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2026 and pay an annual coupon of 1.625% (issue price 99.412%).
- 2029 Bond issue: this tranche has a nominal amount of €1 billion, comprising 10,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2029 and pay an annual coupon of 2.0% (issue price 99.163%).
- 2032 Bond issue: this tranche has a nominal amount of €1.2 billion, comprising 12,000 bonds with a unit value of €100,000 each. The bonds mature on April 15, 2032 and pay an annual coupon of 2.375% (issue price 99.003%).

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

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

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on April 9, 2020 under reference number no. 20- 138.

e) June 2020 bond issues

On June 16, 2020, Capgemini SE performed a dual tranche bond issue for a total amount of €1,600 million, with a settlement/delivery date of June 23, 2020.

- 2025 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on June 23, 2025 and pay an annual coupon of 0.625% (issue price 99.887%).
- 2030 Bond issue: this tranche has a nominal amount of €800 million, comprising 8,000 bonds with a unit value of €100,000 each. The bonds mature on June 23, 2030 and pay an annual coupon of 1.125% (issue price 99.521%).

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

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

The terms and conditions of these tranches were set out in the prospectus approved by the AMF on June 18, 2020 under reference number no. 20- 261.



Impact of bonds on the financial statements

At December 31, 2021	2015 BOND ISSUE		2016 BOND ISSUE		2018 BOND ISSUE		2020 BOND ISSUE			
	(July 2023)	(July 2023)	(October 2024)	(April 2028)	(April 2022)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
<i>(in millions of euros)</i>										
Debt component at amortized cost, including accrued interest	1,011	-	585	504	-	803	1,003	1,204	800	798
Effective interest rate	2.6%	0.6%	2.0%	1.8%	1.5%	1.8%	2.2%	2.5%	0.7%	1.2%
Interest expense recognized in the Income Statement for the period	26	2	12	9	10	14	21	30	6	10
Nominal interest rate	2.5%	0.5%	1.0%	1.750%	1.250%	1.625%	2.0%	2.375%	0.625%	1.125%
Nominal interest expense (coupon)	25	1	6	9	8	13	20	29	5	9

At December 31, 2020	2015 BOND ISSUE		2016 BOND ISSUE		2018 BOND ISSUE		2020 BOND ISSUE					
	(July 2020)	(July 2023)	(July 2023)	(July 2023)	(October 2024)	(April 2028)	(April 2022)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
<i>(in millions of euros)</i>												
Debt component at amortized cost, including accrued interest	-	1,011	500	579	503	503	802	1,002	1,202	799	797	
Effective interest rate	1.9%	2.6%	0.6%	2.0%	1.8%	1.5%	1.8%	2.2%	2.5%	0.7%	1.2%	
Interest expense recognized in the Income Statement for the period	5	26	3	11	9	6	10	15	21	4	5	
Nominal interest rate	1.750%	2.5%	0.5%	1.0%	1.750%	1.250%	1.625%	2.0%	2.375%	0.625%	1.125%	
Nominal interest expense (coupon)	5	25	2	6	9	5	9	14	20	3	5	



Fair value of bonds

At December 31, 2021	2015 BOND ISSUE	2018 BOND ISSUE		2020 BOND ISSUE				
	(July 2023)	(October 2024)	(April 2028)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
<i>(in millions of euros)</i>								
Fair value	1,047	617	547	857	1,116	1,397	817	836
Market rate	-0.25%	0.07%	0.43%	0.22%	0.57%	0.87%	0.10%	0.65%

At December 31, 2020	2015 BOND ISSUE	2016 BOND ISSUE	2018 BOND ISSUE		2020 BOND ISSUE					
	(July 2023)		(October 2024)	(April 2028)	(April 2022)	(April 2026)	(April 2029)	(April 2032)	(June 2025)	(June 2030)
<i>(in millions of euros)</i>										
Fair value	1,082	504	625	563	514	875	1,151	1,451	826	856
Market rate	-0.26%	-0.32%	-0.06%	0.19%	-0.26%	0.07%	0.33%	0.60%	-0.04%	0.43%

B) Breakdown of borrowings by currency

<i>(in millions of euros)</i>	At December 31, 2020			At December 31, 2021		
	Euro	Other currencies	Total	Euro	Other currencies	Total
2015 Bond issue – July 2023	1,011	-	1,011	1,011	-	1,011
2016 Bond issue	500	-	500	-	-	-
2018 Bond issue – October 2024	579	-	579	585	-	585
2018 Bond issue – April 2028	503	-	503	504	-	504
April 2020 Bond issue – April 2022	503	-	503	-	-	-
April 2020 Bond issue – April 2026	802	-	802	803	-	803
April 2020 Bond issue – April 2029	1,002	-	1,002	1,003	-	1,003
April 2020 Bond issue – April 2032	1,202	-	1,202	1,204	-	1,204
June 2020 Bond issue – June 2025	799	-	799	800	-	800
June 2020 Bond issue – June 2030	797	-	797	798	-	798
Drawdowns on bank and similar facilities and other borrowings	371	1	372	18	5	23
Bank overdrafts	6	2	8	7	3	10
BORROWINGS	8,075	3	8,078	6,733	8	6,741



C) Syndicated credit facility negotiated by Capgemini SE

On February 9, 2021, the Group signed with a syndicate of 18 banks a €1 billion multi-currency credit facility, maturing on February 9, 2026, 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. On January 2022, Capgemini exercised the first one-year extension option, extending the maturity to February 8, 2027.

This new credit facility refinances the €750 million facility signed on July 30, 2014 and maturing on July 27, 2021, which was therefore canceled.

An upgrade or downgrade in Capgemini SE's credit rating would have no impact on the availability of this new credit facility. This new credit facility has no financial covenants. This credit facility had not been drawn at December 31, 2021.

Net debt/net cash and cash equivalents and liquidity risk

Bond issues and outstanding short-term negotiable debt securities issued by Capgemini SE 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, 2021, short-term investments totaled €1,651 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.



At December 31, 2021	Contractual maturity	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
<i>(in millions of euros)</i>							
Cash and cash equivalents	2021	3,119	3,119	3,119	-	-	-
Cash management assets	2021	385	385	385	-	-	-
2015 Bond issue – July 2023	2023	(1,011)	(1,050)	(25)	(1,025)	-	-
2018 Bond issue – October 2024	2024	(585)	(618)	(6)	(6)	(606)	-
2018 Bond issue – April 2028	2028	(504)	(561)	(9)	(9)	(26)	(517)
April 2020 Bond issue – April 2026	2026	(803)	(865)	(13)	(13)	(839)	-
April 2020 Bond issue – April 2029	2029	(1,003)	(1,160)	(20)	(20)	(60)	(1,060)
April 2020 Bond issue – April 2032	2032	(1,204)	(1,513)	(28)	(28)	(86)	(1,371)
June 2020 Bond issue – June 2025	2025	(800)	(820)	(5)	(5)	(810)	-
June 2020 Bond issue – June 2030	2030	(798)	(881)	(9)	(9)	(27)	(836)
Drawdowns on bank and similar facilities and other borrowings		(23)	(23)	(6)	(2)	(6)	(9)
Borrowings		(6,731)	(7,491)	(121)	(1,117)	(2,460)	(3,793)
Derivative instruments on borrowings		3					
NET DEBT		(3,224)	(3,987)	3,383	(1,117)	(2,460)	(3,793)



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, 2021, cash and cash equivalents totaled €3,119 million (see Note 22 – Net debt/net cash and cash equivalents), up €291 million on December 31, 2020 (€2,828 million). Excluding the impact of exchange rate fluctuations on cash and cash equivalents of positive €134 million, this increase is €157 million. Cash flow impacts are shown in the Consolidated Statement of Cash Flows.

Net cash from operating activities

In 2021, net cash from operating activities totaled €2,581 million (compared with €1,661 million in 2020) and resulted from:

- cash flows from operations before net finance costs and income tax in the amount of €2,492 million;
- payment of current income taxes in the amount of €440 million;
- changes in working capital requirements, generating a positive cash impact of €529 million.

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

<i>(in millions of euros)</i>	Notes	Working capital requirement components (Consolidated Statement of Financial Position)				Neutralization of items with no cash impact			Statement of Cash Flows Items	
		Dec. 31, 2020	Dec. 31, 2021	Net impact	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	3,836	4,489	(653)	(6)	(659)	-	125	26	(508)
Contract costs	20	102	117	(15)	-	(15)	-	5	2	(8)
Contract liabilities	20	(1,044)	(1,405)	361	-	361	-	(29)	(13)	319
Change in trade receivables, contract assets, contract liabilities and contract costs				(307)	(6)	(313)	-	101	15	(197)
Accounts and notes payable (trade payables)	28	(1,209)	(1,628)	419	2	421	-	(53)	(17)	351
Change in accounts and notes payable				419	2	421	-	(53)	(17)	351
Other non-current assets	19	545	814	(269)	206	(63)	1	-	8	(54)
Other current assets	21	598	738	(140)	8	(132)	-	14	14	(104)
Accounts and notes payable (excluding trade payables)	28	(2,149)	(2,733)	584	(2)	582	-	(58)	(13)	511
Other current and non-current liabilities	27	(541)	(641)	100	(71)	29	-	(2)	(5)	22
Change in other receivables/payables				275	141	416	1	(46)	4	375
CHANGE IN OPERATING WORKING CAPITAL						524	1	2	2	529

(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 €678 million (compared with a cash outflow of €1,714 million in 2020) reflect:

- cash outflows of €210 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 €52 million relating to acquisitions of intangible assets, net of disposals, mainly involving software for customer projects or for internal use and internally generated intangible assets (see Note 13 – Goodwill and intangible assets);
- cash outflows on business combinations, net of cash and cash equivalents acquired, of €369 million;

Net cash from financing activities

Net cash outflows as a result of financing activities totaled €1,746 million (compared with net cash inflows of €562 million in 2020) and mainly comprised:

- payment of the 2020 dividend of €329 million;
- cash outflows of €320 million to repay lease liabilities;
- net cash out of €1,361 million mainly to early repay bonds matured on 2021 and 2022 as described below;
- cash outflows of €197 million for the buyback of own shares;

offset by:

- the €587 million share capital increase following the issue of new shares under the international employee share ownership plan (see Note 12 G – Equity).

The decrease in borrowings during the fiscal year breaks down as follows:

<i>(in millions of euros)</i>	Notes	Dec. 31, 2020	Dec. 31, 2021	Net impact	Proceeds from borrowings in SCF	Repayments of borrowings in SCF	Reclassification non-current / current	Changes in Group structure	Other ⁽¹⁾
Bonds	22	(7,121)	(6,637)	484	-	-	496	-	(12)
Draw-downs on bank and similar facilities and other borrowings	22	(6)	(17)	(11)	(12)	1	-	-	-
Long-term borrowings		(7,127)	(6,654)	473	(12)	1	496	-	(12)
Bonds	22	(577)	(71)	506	-	1,000	(496)	-	2
Drawdowns on bank and similar facilities and other borrowings	22	(366)	(6)	360	(125)	497	-	(12)	-
Short-term borrowings		(943)	(77)	866	(125)	1,497	(496)	(12)	2
Borrowings		(8,070)	(6,731)	1,339	(137)	1,498	-	(12)	(10)

(1) mainly the net change in coupons during the fiscal year

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 <i>(in millions of euros)</i>	2020	2021
Cash flows from operations	1,661	2,581
Acquisitions of property, plant and equipment and intangible assets	(206)	(266)
Proceeds from disposals of property, plant and equipment and intangible assets	2	4
Acquisitions of property, plant, equipment and intangible assets (net of disposals)	(204)	(262)
Interest paid	(96)	(153)
Interest received	49	27
Net interest cost	(47)	(126)
Repayments of lease liabilities	(291)	(320)
ORGANIC FREE CASH FLOW	1,119	1,873



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 of operating transactions

The significant use of offshore delivery centers located in India, Poland 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 are 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 of 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) excepted financial flows that are integral part of the net investment in subsidiaries;
- fees paid to the parent company by subsidiaries whose functional currency is not the euro, flows being hedged as well.

c) Sensitivity of revenues and the operating margin⁽¹⁾ to fluctuations in the main currencies

A 10% fluctuation in the US dollar-euro exchange rate would trigger a corresponding 2.7% change in revenues and a 2.5% change in the operating margin⁽¹⁾ amount. Similarly, a 10% fluctuation in the pound sterling-euro exchange rate would trigger a corresponding 1.1% change in revenues and a 1.5% change in the operating margin amount.

(1) 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, 2021 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, 2021, the euro-equivalent nominal value of foreign exchange derivatives (forward purchase and sale foreign exchange contracts and options) breaks down by transaction type and maturity as follows:

<i>(in millions of euros)</i>	< 6 months	> 6 months and < 12 months	> 12 months	Total
Operating transactions	2,130	2,107	2,867	7,104
<i>o/w:</i>				
- fair value hedge	578	-	-	578
- cash flow hedge	1,552	2,107	2,867	6,526
Financial transactions	1,185	405	269	1,859
<i>o/w:</i>				
- fair value hedge	1,185	405	269	1,859
TOTAL	3,315	2,512	3,136	8,963

Hedges contracted in respect of operating transactions mainly comprise forward purchase and sale foreign exchange contracts maturing between 2022 and 2025 with an aggregate euro-equivalent value at closing exchange rates of €7,104 million (€4,709 million at December 31, 2020). The volume increase came notably from the Altran's integration in the Group's currency risk management policy. The hedges, part of the centralized management of currency exposition risk, were chiefly taken out in respect of transactions in Indian rupee (INR 299,509 million), US dollars (USD 2,982 million) and Polish zloty (PLN 2,272 million). The maturities of these hedges range from 1 to 37 months and the main counterparty is Capgemini SE for a euro-equivalent value of €6,973 million.

Hedges contracted in respect of financial transactions concern one inter-company loan in US dollars at December 31, 2021.

The net residual exposure to currency risk on intragroup operating transactions denominated in Indian rupee, with the delivery centers located in India (see A)a)), results from the Group's currency risk management policy. The net exposure at December 31, 2021 and December 31, 2020, is therefore limited.



C) Fair value of hedging derivatives

Hedging derivatives are recorded in the following accounts:

At December 31 <i>(in millions of euros)</i>	Notes	2020	2021
Other non-current assets	19	32	75
Other current assets	21	68	102
Other current and non-current liabilities	27	(65)	(85)
Fair value of hedging derivatives, net		35	92
<i>Relating to:</i>			
	<i>- operating transactions</i>	35	89
	<i>- financial transactions</i>	-	3

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 €73 million, in "Other current assets" in the amount of €99 million, in "Other non-current liabilities" in the amount of €36 million and in "Other current liabilities" in the amount of €48 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>	2021
Hedging derivatives recorded in income and expense recognized in equity at January 1	(189)
Amounts reclassified to net profit at December 31, 2021	(3)
Changes in fair value of derivative instruments and net investment	199
Hedging derivatives recorded in income and expense recognized in equity at December 31	7

No hedging relationships were 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, 2021, the Group had €3,514 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 €6,741 million in gross indebtedness only at fixed rates (see Note 22 – Net debt/net cash and cash equivalents).

B) Exposure to interest rate risk: sensitivity analysis

As Group borrowings were at fixed rates in 2021, 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 and cash management assets, a 100-basis point rise in interest rates would have had a positive impact of around €17 million on the Group's net finance costs in 2021. Conversely, a 100-basis point fall in interest rates would have had an estimated €17 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, 2021, 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, NatWest Group, Santander, Standard Chartered 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.

When the calculation of the obligation produces a plan gain and the Group has an unconditional right to repayment, an asset is recognized and capped in the amount of the sum of the present value of gains available in the form of future repayments or reductions in plan contributions. In this case, the plan surplus is recognized in non-current assets.

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

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

The impact of discounting defined benefit obligations as well as the expected return on plan assets are 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

	Obligation		Plan assets		Net commitment in the Consolidated Statement of Financial Position	
	2020	2021	2020	2021	2020	2021
<i>(in millions of euros)</i>						
United Kingdom	3,681	3,809	(3,412)	(3,914)	269	(105)
Canada	775	747	(522)	(585)	253	162
France	319	315	(38)	(54)	281	261
Germany	176	172	(100)	(103)	76	69
Sweden	31	28	(11)	(12)	20	16
India ⁽¹⁾	706	169	(588)	(59)	118	110
Other	305	297	(250)	(260)	55	37
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31	5,993	5,537	(4,921)	(4,987)	1,072	550

(1) In fiscal year 2021, the Group transferred responsibility for the management of some pension and other post-employment benefit plans to the Government.



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

		Obligation		Plan assets		Net commitment in the Consolidated Statement of Financial Position	
<i>(in millions of euros)</i>	Notes	2020	2021	2020	2021	2020	2021
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1		5,575	5,993	(4,529)	(4,921)	1,046	1,072
Expense for the period recognized in the Income Statement		226	165	(112)	(81)	114	84
Service cost	7	91	83	-	-	91	83
Curtailments and settlements of plans	8	-	(17)	-	-	-	(17)
Interest cost	9	135	99	(117)	(81)	23	18
Impact on income and expense recognized in equity		430	(171)	(387)	(267)	43	(438)
Change in actuarial gains and losses		430	(171)	-	-	430	(171)
<i>Impact of changes in financial assumptions</i>		469	(158)	-	-	469	(158)
<i>Impact of changes in demographic assumptions</i>		(37)	27	-	-	(37)	27
<i>Experience adjustments</i>		(2)	(40)	-	-	(2)	(40)
Return on plan assets ⁽¹⁾		-	-	(387)	(267)	(387)	(267)
Other		(238)	(450)	107	282	(131)	(168)
Contributions paid by employees		43	31	(43)	(30)	-	1
Benefits paid to employees		(215)	(250)	181	181	(34)	(69)
Contributions paid		-	-	(156)	(131)	(156)	(131)
Translation adjustments		(324)	355	276	(319)	(48)	36
Business combinations		249	-	(136)	-	113	-
Other movements		9	(586)	(15)	581	(6)	(5)
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31		5,993	5,537	(4,921)	(4,987)	1,072	550
<i>o/w Provisions</i>						1,072	655
<i>o/w Other non-current assets</i>							105

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

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

A) United Kingdom

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

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

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

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

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

- 79 current employees accruing pensionable service (112 at December 31, 2020);
- 5,627 former and current employees not accruing pensionable service (7,005 at December 31, 2020);
- 4,032 retirees (3,561 at December 31, 2020).

The plans are subject to the supervision of the UK Pension Regulator; the funding schedules for these plans are determined by the Board of Directors of each pension plans on the proposal of an independent actuary, after discussion with Capgemini UK Plc, the employer, 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 19 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 commitment in the Consolidated Statement of Financial Position	
<i>(in millions of euros)</i>	2020	2021	2020	2021	2020	2021
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1	3,593	3,681	(3,206)	(3,412)	387	269
Expense for the period recognized in the Income Statement	69	51	(60)	(45)	9	6
Service cost	2	2	-	-	2	2
Interest cost	67	49	(60)	(45)	7	4
Impact on income and expense recognized in equity	299	(87)	(335)	(223)	(36)	(310)
Change in actuarial gains and losses	299	(87)	-	-	299	(87)
<i>Impact of changes in financial assumptions</i>	342	(91)	-	-	342	(91)
<i>Impact of changes in demographic assumptions</i>	(41)	28	-	-	(41)	28
<i>Experience adjustments</i>	(2)	(24)	-	-	(2)	(24)
Return on plan assets ⁽¹⁾	-	-	(335)	(223)	(335)	(223)
Other	(280)	164	189	(234)	(91)	(70)
Benefits paid to employees	(84)	(91)	84	91	-	-
Contributions paid	-	-	(71)	(80)	(71)	(80)
Translation adjustments	(196)	255	176	(245)	(20)	10
PRESENT VALUE OF THE OBLIGATION:(SURPLUS) AT DECEMBER 31	3,681	3,809	(3,412)	(3,914)	269	(105)

(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, 2020	At December 31, 2021
Discount rate	1.3	1.9
Salary inflation rate	2.3-2.9	2.4-3.4
Inflation rate	2.9	3.4

In 2021, 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>	2020		2021	
Shares	1,775	52%	1,663	42%
Bonds and hedging assets	1,356	40%	2,009	51%
Other	281	8%	242	7%
TOTAL	3,412	100%	3,914	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 of the obligation**

<i>(in millions of euros)</i>	Impact on the obligation at December 31, 2021	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(324)	369
Increase/decrease of 50 basis points in the inflation rate	238	(232)
Increase/decrease of 50 basis points in the mortality rate	(66)	64

d) **Future contributions**

Contributions to defined benefit pension funds in the United Kingdom on an annual basis are estimated at €26 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 17 years.

The plans are subject to regular actuarial valuations performed at least every three years. In accordance with local regulations, the non-renewal of certain 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:

- 507 current employees accruing pensionable service (530 at December 31, 2020);
- 74 former and current employees not accruing pensionable service (76 at December 31, 2020);
- 437 retirees (416 at December 31, 2020).

<i>(in millions of euros)</i>	Obligation		Plan assets		Net provision in the Consolidated Statement of Financial Position	
	2020	2021	2020	2021	2020	2021
PRESENT VALUE OF THE OBLIGATION AT JANUARY 1	753	775	(516)	(522)	237	253
Expense for the period recognized in the Income Statement	38	16	(15)	(16)	23	-
Service cost	16	11	-	-	16	11
Curtailments and settlements of plans	-	(17)	-	-	-	(17)
Interest cost	22	22	(15)	(16)	7	6
Impact on income and expense recognized in equity	53	(61)	(36)	(17)	17	(78)
Change in actuarial gains and losses	53	(61)	-	-	53	(61)
<i>Impact of changes in financial assumptions</i>	56	(47)	-	-	56	(47)
<i>Impact of changes in demographic assumptions</i>	4	-	-	-	4	-
<i>Experience adjustments</i>	(7)	(14)	-	-	(7)	(14)
Return on plan assets ⁽¹⁾	-	-	(36)	(17)	(36)	(17)
Other	(69)	17	45	(30)	(24)	(13)
Contributions paid by employees	3	2	(3)	(2)	-	-
Benefits paid to employees	(21)	(49)	18	25	(3)	(24)
Contributions paid	-	-	(5)	(7)	(5)	(7)
Translation adjustments	(51)	64	35	(46)	(16)	18
PRESENT VALUE OF THE OBLIGATION AT DECEMBER 31	775	747	(522)	(585)	253	162

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

In 2021, the Group recorded a gain of €17 million in respect of the reduction in the pension and post-employment benefit obligation, following the transfer of employees working exclusively on a Canadian client contract.



a) Main actuarial assumptions

Discount rate, salary inflation rate and inflation rate

(in %)	At December 31, 2020	At December 31, 2021
Discount rate	2.7	3.1
Salary inflation rate	2.3	2.3
Inflation rate	2	2

In 2021, 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

(in millions of euros)	2020		2021	
Shares	262	50%	207	35%
Bonds and hedging assets	253	48%	371	63%
Other	7	2%	7	2%
TOTAL	522	100%	585	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 of the obligation

(in millions of euros)	Impact on the obligation at December 31, 2021	
	Rate increase	Rate decrease
Increase/decrease of 50 basis points in the discount rate	(57)	63
Increase/decrease of 50 basis points in the inflation rate	50	(49)
Increase/decrease of 50 basis points in the mortality rate	(3)	3

d) Future contributions

Contributions to the Canadian defined benefit plans in respect of 2022 are estimated at €21 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:

(in %)	At December 31, 2020	At December 31, 2021
Discount rate	0.4	0.8
Salary inflation rate	2.0	2.0

The average maturity of pension plans in France is between 9 and 17 years depending on the pension plan.



Note 26 Non-current and current provisions

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

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

<i>(in millions of euros)</i>	2020	2021
At January 1	116	459
Charge	68	61
Reversals (utilization of provisions)	(47)	(58)
Reversals (surplus provisions)	(11)	(33)
Other	333	52
At December 31	459	481

At December 31, 2021, non-current provisions (€341 million) and current provisions (€140 million) mainly concern risks relating to projects and contracts of €134 million (€117 million at December 31, 2020) and risks of €347 million (€342 million at December 31, 2020), mainly relating to labor and legal disputes in France and tax risks (excluding income tax) in India.

At December 31, 2021, the line "Other" includes notably the finalization of the Altran Technologies purchase price allocation based on new information identified regarding the facts and circumstances existing at the takeover date (See Note 16- Cash-generating units and asset impairment test.).



Note 27 Other non-current and current liabilities

At December 31 <i>(in millions of euros)</i>	Notes	2020	2021
Special employee profit-sharing reserve		30	46
Derivative instruments	24	65	85
Liabilities related to acquisitions of consolidated companies		147	124
Non-current tax payables		186	262
Other		113	124
OTHER NON-CURRENT AND CURRENT LIABILITIES	23	541	641

Liabilities related to acquisitions of consolidated companies mainly comprise earn-outs granted at the time of certain acquisitions.

Other current and non-current liabilities mainly include the non-current tax payables on tax audit and litigation proceedings in India and France.

The change in other non-current tax payables in 2021 is mainly explained by the finalization of the Altran Technologies purchase price allocation based on new information identified regarding the facts and circumstances existing at the takeover date (See Note 16- Cash-generating units and asset impairment test.).

Note 28 Accounts and notes payable

At December 31 <i>(in millions of euros)</i>	Note	2020	2021
Trade payables		1,209	1,628
Accrued taxes other than income tax		498	648
Personnel costs		1,645	2,074
Other		6	11
ACCOUNTS AND NOTES PAYABLE	23	3,358	4,361

Note 29 Number of employees

Average number of employees by geographic area

	2020		2021	
	Number of employees	%	Number of employees	%
North America	18,493	7	18,627	6
France	33,358	13	36,332	13
United Kingdom and Ireland	10,032	4	11,242	4
Benelux	9,153	4	9,960	3
Southern Europe	16,816	7	20,620	7
Nordic countries	5,253	2	5,826	2
Germany and Central Europe	19,998	8	22,782	8
Africa and Middle East	3,226	1	4,229	1
Asia-Pacific and Latin America	135,196	54	163,072	56
AVERAGE NUMBER OF EMPLOYEES	251,525	100	292,690	100



Number of employees at December 31 by geographic area

	2020		2021	
	Number of employees	%	Number of employees	%
North America	18,550	7	19,588	6
France	36,219	13	37,283	12
United Kingdom and Ireland	10,489	4	12,172	4
Benelux	9,616	4	10,415	3
Southern Europe	19,932	7	21,655	7
Nordic countries	5,401	2	6,304	2
Germany and Central Europe	21,997	8	24,219	7
Africa and Middle East	3,888	1	4,640	1
Asia-Pacific and Latin America	143,677	54	188,408	58
NUMBER OF EMPLOYEES AT DECEMBER 31	269,769	100	324,684	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 10% of Group revenue in 2021.

In addition, certain clients enjoy:

- limited financial guarantees issued by the Group and totaling €1,681 million at December 31, 2021 (€1,746 million at December 31, 2020);
- bank guarantees borne by the Group and totaling €203 million at December 31, 2021 (€212 million at December 31, 2020).

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 €113 million at December 31, 2021.

C) Other commitments given

Other commitments given total €70 million at December 31, 2021 (€67 million at December 31, 2020) and mainly comprise standard vendor warranties given on asset sales.

In the course of its activities, the Group may be required to contract firm purchase commitments for solutions and services with certain suppliers at market prices.

D) Other commitments received

Other commitments received total €30 million at December 31, 2021 (€16 million at December 31, 2020) and comprise in particular commitments received following some takeover during the fiscal year and the purchase of shares held by certain minority shareholders.

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

The credit facility agreement disclosed in Note 22 - Net debt/net cash 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 is also committed to standard obligations, including an agreement to maintain *pari passu* status.



Contingent liabilities

In the normal course of their activities, certain Group companies underwent tax audits, leading in some cases to revised assessments in 2021 and previous years.

Proposed adjustments were challenged and litigation and pre-litigation proceedings were in progress at December 31, 2021, 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 in France, at Capgemini SE level. The Indian subsidiaries of the Group have received several revised assessments or proposed revised assessments for income tax in recent years, especially on transfer pricing.

Most often, no amounts have been booked for these disputes in the consolidated financial statements in so far as the Group considers it can justify its positions that the likelihood of winning is high.



Note 31 Related-party transactions

Associates

Associates are equity-accounted companies over which the Group exercises significant influence. Transactions with these associates in 2021 were performed at arm's length and were of immaterial volume.

Other related-parties

In 2021, 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 2020 and 2021 compensation of members of management bodies present at each year-end (29 members in 2021 and 29 in 2020) and directors.

<i>(in thousands of euros)</i>	2020	2021
Short-term benefits excluding employer payroll taxes ⁽¹⁾	25,166	28,685
<i>o/w remuneration for director duties ⁽²⁾ paid to salaried directors</i>	228	196
<i>o/w remuneration for director duties ⁽²⁾ paid to non-salaried directors ^{(3) (4)}</i>	936	791
Short-term benefits: employer payroll taxes	7,117	12,309
Post-employment benefits ⁽⁵⁾	1,876	2,405
Share-based payment ⁽⁶⁾	9,760	12,728

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

(2) Previously known as attendance fees.

(3) Note that Paul Hermelin has waived receipt of his remuneration for director duties since 2011 (previously known as attendance fees) and Aiman Ezzat has also waived receipt of this remuneration since his nomination by the Shareholders' Meeting of May 20, 2020.

(4) 17 active directors in 2020 and 17 active directors in 2021.

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

(6) 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 €2.40 per share in respect of 2021. A dividend of €1.95 per share was paid in respect of fiscal year 2020.



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 241 companies. The main consolidated companies at December 31, 2021 are listed below.

Country	List of the main companies consolidated at December 31, 2021	% 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
	Altran Belgium S.A.	100.00%	FC
BRAZIL	Capgemini Brasil S.A.	99.97%	FC
	CPM Braxis Tecnologia, Ltda.	99.97%	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
DENMARK	Capgemini Hong Kong Ltd.	100.00%	FC
	Capgemini Danmark A/S	100.00%	FC
FINLAND	Capgemini Finland Oy	100.00%	FC
	Capgemini Consulting S.A.S.	100.00%	FC
	Capgemini DEMS 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
FRANCE	Capgemini Technology Services S.A.S.	100.00%	FC
	Altran Technologies S.A.S.	100.00%	FC
	Global Management Treasury Services S.N.C.	100.00%	FC
	Altran ACT S.A.S.	100.00%	FC
	Sogeti S.A.S.	100.00%	FC
	Altran Technology & Engineering Center SAS	100.00%	FC
	Capgemini Deutschland GmbH	100.00%	FC
GERMANY	Capgemini Deutschland Holding GmbH	100.00%	FC
	Capgemini Outsourcing Services GmbH	100.00%	FC
	Altran Deutschland S.A.S. & Co. KG	100.00%	FC
	Sogeti Deutschland GmbH	100.00%	FC
GUATEMALA	Capgemini Business Services Guatemala S.A.	100.00%	FC
	Capgemini Technology Services India Ltd.	99.77%	FC
INDIA	Altran Technologies India Pvt. Ltd.	100.00%	FC
	Aricent Technologies (Holdings) Ltd.	98.03%	FC
IRELAND	Capgemini Ireland Ltd.	100.00%	FC



ITALY	Capgemini Italia S.p.A.	100.00%	FC
	Altran Italia S.p.A.	100.00%	FC
JAPAN	Capgemini Japan K.K.	100.00%	FC
LUXEMBOURG	Capgemini Reinsurance International S.A.	100.00%	FC
	Sogeti Luxembourg S.A.	100.00%	FC
MALAYSIA	Capgemini Services Malaysia Sdn. Bhd.	100.00%	FC
MEXICO	Capgemini México S. de R.L. de C.V.	100.00%	FC
MOROCCO	Capgemini Technology Services Maroc S.A.	100.00%	FC
	Capgemini Educational Services B.V.	100.00%	FC
	Capgemini NV	100.00%	FC
NETHERLANDS	Altran Netherlands BV	100.00%	FC
	Capgemini Nederland BV	100.00%	FC
	Sogeti Nederland BV	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
	Altran Portugal 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
	Altran Innovación S.L.U.	100.00%	FC
SWEDEN	Capgemini AB	100.00%	FC
	Capgemini Sverige AB	100.00%	FC
	Altran Sverige AB	100.00%	FC
SWITZERLAND	Sogeti Sverige AB	100.00%	FC
	Altran Switzerland AG	100.00%	FC
	Capgemini Suisse S.A.	100.00%	FC
	Capgemini UK Plc	100.00%	FC
UNITED KINGDOM	CGS Holdings Ltd.	100.00%	FC
	IGATE Computer Systems (UK) Ltd.	100.00%	FC
	Altran UK Ltd.	100.00%	FC
	Cambridge Consultants Limited	100.00%	FC
UNITED STATES	Capgemini America, Inc.	100.00%	FC
	Capgemini Government Solutions LLC	100.00%	FC
	Capgemini North America, Inc.	100.00%	FC

(1)FC = Full consolidation.



Note 34 Audit fees

Statutory audit fees for fiscal year 2021 break down as follows:

<i>in millions of euros (excl. VAT)</i>	Mazars		PwC	
	2021	2020	2021	2020
Statutory audit of the consolidated and separate financial statements	4.4	4.7	4.9	4.7
- Capgemini SE	0.4	0.3	0.6	0.6
- Fully-consolidated subsidiaries	4.0	4.4	4.3	4.1
Non-audit services ⁽¹⁾	0.2	0.1	0.5	0.3
TOTAL	4.6	4.8	5.4	5.0

(1) Most of these fees relate to due diligence, certification or technical consultation assignments.

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 325,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fuelled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2021 global revenues of €18 billion.

Get The Future You Want | www.capgemini.com



**This document contains information that may be privileged or confidential and is the property of the Capgemini Group.
Copyright © 2021 Capgemini. All rights reserved.**