



GROWING TOGETHER

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CGI GROUP INC. 1999 ANNUAL REPORT

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> FINANCIAL HIGHLIGHTS

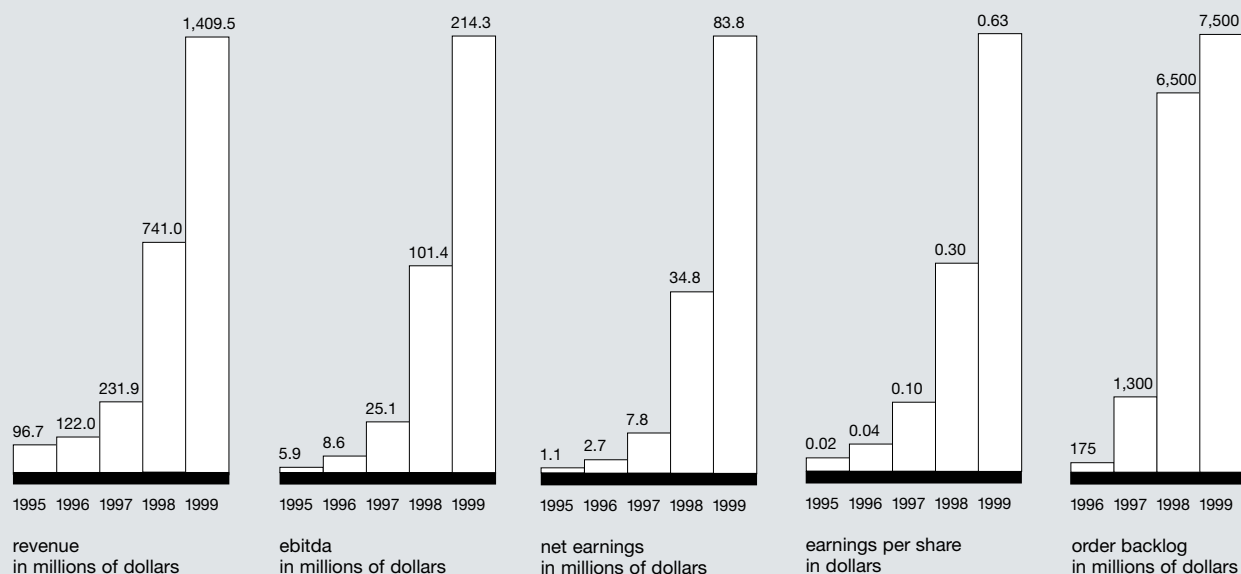
years ended September 30
in thousands of dollars, except per share amounts

	1999	1999	1998	1997	Change 1998-99	Average compound growth 1997-99
	US\$ ⁽¹⁾	CDN\$	CDN\$	CDN\$	%	%
Financial Performance						
Revenue	958,815	1,409,458	740,963	231,916	90.2	146.5
Operating earnings (EBITDA)	145,767	214,277	101,367	25,124	111.4	192.0
Operating earnings margin	15.2%	15.2%	13.7%	10.8%	10.9	
Amortization of goodwill	11,282	16,584	8,434	1,517	96.6	230.6
Net earnings	57,018	83,816	34,828	7,765	140.7	
Per share ⁽²⁾						
Basic	0.43	0.63	0.30	0.10	110.0	151.0
Fully diluted	0.43	0.63	0.30	0.10	110.0	151.0
Net margin	5.9%	5.9%	4.7%	3.3%	25.5	
Operating cash flow	110,229	162,036	74,006	21,771	118.9	172.8
Per share ⁽²⁾	0.82	1.21	0.63	0.28	92.1	107.9
Financial Position						
Total assets	589,448	866,489	744,930	154,143	16.3	137.1
Shareholders' equity	383,031	563,055	474,247	72,271	18.7	179.1
Per share ⁽²⁾	2.85	4.19	3.55	0.86	18.0	120.7
Working capital	66,365	97,556	63,956	16,935	52.5	140.0
Current ratio	1.40:1	1.40:1	1.24:1	1.30:1		
Total bank indebtedness	31,429	46,200	1,073	34,822	4,205.7	15.2
Total bank debt/equity ratio	0.08:1	0.08:1	0.00:1	0.48:1		

1 Canadian dollar amounts for the period ended September 30, 1999 have been translated into U.S. dollars solely for the convenience of the reader at the September 30, 1999 rate of CDN\$1.47= US\$1.00.

2 Adjusted for 2-for-1 splits effective August 12 and December 15, 1997, as well as May 21, 1998.

Note: CGI's policy is to reinvest earnings into its expansion rather than pay dividends.





NORTH AMERICAN PRESENCE	
CANADA	UNITED STATES
1 Montreal	13 Andover
2 Halifax	14 Canton
3 Saint John	15 Albany
4 Fredericton	16 New York
5 Saguenay/ Lac St-Jean	17 Melville N.Y.
6 Quebec City	18 Washington D.C.
7 Ottawa	19 Cleveland
8 Toronto	20 Cincinnati
9 Regina	21 Atlanta
10 Calgary	22 Nashville
11 Edmonton	23 Chicago
12 Vancouver	24 Minneapolis
	25 Kansas City
	26 Dallas
	27 Houston
	28 Los Angeles

our mission

The mission of CGI is to assist private and public sector organizations with professional services of outstanding quality, competence, performance and objectivity, delivering the best solutions to fully satisfy client objectives in information technology, telecommunications and management. In all we do, we foster a culture of partnership, intrapreneurship and integrity, building an end-to-end world-class information technology company.

who we are

CGI is the fifth largest independent information technology (IT) services company in North America based on its revenue run-rate at the end of fiscal 1999, and one of the fastest growing companies in the IT services industry. Headquartered in Montreal, CGI has a separately incorporated entity called Certis based in London, U.K. for operations in markets outside of the Americas. CGI's operations are managed through six strategic business units (SBUs) according to a geographic and market split. These SBUs are structured as follows: Ontario and Atlantic Provinces, Quebec, Western Canada, U.S., International, and Telecommunications. The largest independent end-to-end IT services company in Canada, CGI is replicating its successful Canadian growth strategy in the United States, and internationally. Outsourcing represents approximately 72% of fiscal 1999 revenue, systems integration represents 17%, and consulting 11%. CGI is independent of any hardware or software manufacturer.

our strengths

- CGI is a long-term growth company, with a large and rapidly expanding order backlog, primarily long-term outsourcing contracts. The backlog supports superior earnings growth and provides stability of performance.
- Some 85% of total outsourcing revenue comes from Tier 2 and Tier 3 IT services (see Glossary on the opposite page). These higher value added activities offer higher margins while linking CGI closely to the business strategies of its clients, leading to strong partnerships and continuous growth as clients' needs evolve.
- E-space and other Web-enabling technologies now represent 20% of CGI's revenue, and have become a key growth driver.
- Specialized expertise in five economic sectors enables CGI to provide strategic IT solutions responsive to clients' needs.
- CGI has growing international operations and is focused on developing a major position in the U.S. market.
- The first IT services company in North America to achieve ISO 9001 certification in 1994, CGI has strong values and management processes, and a commitment to quality.
- Integration of acquired companies' and outsourcing clients' IT personnel has become a core competency.

REVENUE MIX

SERVICES (%)	TARGET MARKETS (%)	GEOGRAPHIC AREAS (%)	STRATEGIC BUSINESS UNITS (%)
<ul style="list-style-type: none"> a. Outsourcing 72% b. Systems integration 17% c. Consulting 11% 	<ul style="list-style-type: none"> a. Telecommunications 48% b. Financial services 28% c. Governments 12% d. Manufacturing to retail value chain 10% e. Public utilities and services 2% 	<ul style="list-style-type: none"> a. Canada 81% b. U.S. 10% c. International 9% 	<ul style="list-style-type: none"> a. Telecommunications 36% b. Ontario and Atlantic Provinces 23% c. Quebec 19% d. Western Canada and International 12% e. U.S. 10%

glossary

consulting

IT and management consulting services, including IT strategic planning, business process engineering and systems architecture.

systems integration

The integration of different technologies, resulting in IT systems which respond to clients' strategic needs. Comprehensive integrated solutions consist of a complex set of hardware, software, information systems and telecommunications components. Systems integration contracts are typically for six months to three years.

outsourcing

Clients delegate entire or partial responsibility for IT functions in order to achieve significant savings and access the best information technology, while retaining control over strategic IT functions. Outsourcing contracts, typically for three to 10 years and renewable, include such services as systems development and maintenance, business solutions and technology management services. Some 85% of CGI's outsourcing business is the higher value added Tier 2 and Tier 3 activities.

Tier 1, Tier 2, Tier 3

The segmentation of outsourcing revenues according to functional expertise.

Tier 1_ Facilities management services including data centres, call centres and desktop services.

Tier 2_ Functions associated with application maintenance and support, including Enterprise Resource Planning (ERP) applications and help desk.

Tier 3_ Development and integration of new projects and applications to support clients' strategic objectives including systems architecture, supply-chain management, data warehousing and business process engineering.

e-space

CGI's terminology for the full complement of Web-enabling technology including the Internet, intranets and extranets which CGI leverages in all areas of activities, whether outsourcing, systems integration or consulting. E-space includes six key functions: e-commerce, supply chain management, customer relationship management, knowledge management, business intelligence and collaborative technology.

content

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FACING THE BUSINESS CHALLENGE



IT'S MORE THAN KNOWING HOW AND WHY AND WHERE.
IT'S BEING THERE AND MEETING CLIENT NEEDS 24 HOURS A DAY.



SAVING MORE LIVES



6:48:32

MONTREAL QUEBEC
CANADA

CLIENT URGENCES-SANTÉ

"THE SECONDS THAT WERE SAVED ALLOWED US TO SAVE THE LIFE OF THE CHILD." —
MONTREAL EMERGENCY ROOM DOCTOR

Thanks to sophisticated satellite tracking, Quebec's Urgences-santé has one of the most flexible computer-aided dispatch systems in the world. Built and maintained by CGI, the system is activated the moment Urgences-santé receives a call for medical assistance, allowing them to instantly locate the exact position of the call and all vehicles in their fleet, while relaying critical information to the Urgences-santé team on the scene. But that's not all it does. "The system also fits in perfectly with administrative needs such as scheduling and billing," Urgences-santé Director of Information Technology Louis Trahan pointed out. The result: more lives saved and extra savings in operational costs, too.



IMPROVING TRADE RELATIONS



9:25:14

VANCOUVER
BRITISH COLUMBIA CANADA

CLIENT **GOVERNMENT
OF CANADA**

"EICS WILL MAKE IT A LOT EASIER FOR ME TO GET MY PRODUCTS OUT TO THE U.S. MARKET."
— VANCOUVER FASHION DESIGNER

In 1999, CGI was selected to redesign the Export and Import Controls System (EICS) for Canada's Department of Foreign Affairs and International Trade. "The stakes are incredibly high," noted Export and Import Controls Bureau Director General Wallace Dowswell. "With over \$20 billion in trade involving more than 40,000 companies, the possibility of an export/import system failure simply cannot be tolerated." When the EICS becomes operational in 2002, customs brokers will have access to a Public Key Infrastructure enabled Web/EDI front end to request permits. The project showcases CGI's capabilities in government electronic service delivery, document information management systems, security, business process engineering, project management and strategic use of the Web.



OUTPACING THE COMPETITION



10:38:12

SHERBROOKE_QUEBEC
CANADA

CLIENT **GROUPE
DESJARDINS**

"I GOT MY POLICY ON THE SPOT AND AT A PRICE THAT CAN'T BE BEAT." — DESJARDINS POLICYHOLDER, SHERBROOKE, QUEBEC

The Société de portefeuille du Groupe Desjardins, assurances générales is one of Quebec's leading property and casualty insurers. When anyone calls Desjardins for a home or auto policy, they know they can count on the best in service... and the best quote in the shortest time possible. Because when it comes to insurance today, a quick turnaround is one sure way to stay ahead of the competition. CGI hosts and manages the mainframes that support Desjardins' sales activities. "It's also essential that our mission critical applications be accessible at all times," explained Michèle Gagné, Desjardins Senior Vice-President of Information Technology. "Which is why we need an IT partner we can rely on... and why we do business with CGI."



ANSWERING THE CALL



12:18:44

MONTEVIDEO URUGUAY
SOUTH AMERICA

CLIENT

ANTEL

"SHORTLY AFTER MY CALL, THE ANTEL CREW ARRIVED AND FIXED THE PROBLEM IN MINUTES." — MONTEVIDEO BUSINESS OWNER AND ANTEL CUSTOMER

When Antel decided to improve and update customer care and billing in Uruguay, it chose CGI's Telelink Operating Support System. Telelink is the only application of its kind that fully integrates all the elements of telecommunications and billing, from equipment supply and inventory control to repairs and new services. According to Antel Project Coordinator Carlos Garcia Montaner, "Telelink is one of the first integrated telecommunications management and billing systems in the MERCOSUR region. With the implementation of Telelink, Antel is in an excellent position to supply improved services and billing, and face any competition that comes along." In fact, with CGI and Telelink, Antel now has one of the most advanced customer care and billing systems in the world.

A black and white photograph of a man with grey hair, wearing a black leather jacket, standing in front of a car. He has his hands clasped in front of him and is looking towards the camera with a slight smile. The background shows the interior of a car, including the seats and headrests.

PROVIDING WIDER COVERAGE



14:42:39

SAN FRANCISCO CALIFORNIA
UNITED STATES

CLIENT

**GREAT AMERICAN
INSURANCE**

"MY POLICY WAS DELIVERED QUICKLY SO I COULD DRIVE AWAY WITH A GREAT AFTER-HOURS SALE." — GREAT AMERICAN POLICYHOLDER, SAN FRANCISCO

Great American Insurance provides coverage to vehicle owners across the U.S. In 1999, Great American selected CGI to assist them in launching its "State-of-the-Art Project". The solution included the use of Ratabase. "We've been using Ratabase in the Great American Personal Lines Division for eight years," Project Leader Lynn Hervas explained. Ratabase also supports a number of different distribution channels, which makes it easier for Great American Insurance to grow its product line and its business in the years ahead.



PUTTING IT ALL ON-LINE



15:22:35

NASHVILLE, TENNESSEE
UNITED STATES

CLIENT **COKESBURY**

“THANKS TO COKESBURY’S ON-LINE STORE, WE CAN NOW GET THE PUBLICATIONS WE NEED ANY TIME.” — FAMILY, NASHVILLE, TENNESSEE

The 75 Cokesbury bookstores in the United Methodist Publishing House are well known beyond the denomination’s 8,000,000 members. More than 150,000 congregations in 12 other denominations use Cokesbury’s vast array of publications, music, art and liturgical items. CGI is helping Cokesbury achieve its global potential with a fully-automated Web site where the selection will soon total 100,000 items available on-line. CGI also created a collaborative intranet environment where product metadata are assembled and routed quickly for approval before posting to the site. “CGI’s development leadership brought a stunning and contagious enthusiasm that was critical to completing the on-line store,” says Cokesbury’s e-commerce Director Paul Franklyn. “CGI’s forthright communication around processes and challenges was excellent.”



DEFINING YOUR e-SPACE



17:43:35

MONTREAL_QUEBEC
CANADA

LUC PINARD

"OUR PROFESSIONALS ARE EXPERTS IN SYSTEMS INTEGRATION AND MANAGEMENT. THEY HELP OUR CLIENTS TRANSFORM THEIR BUSINESS MODEL TO HARNESS THE POWER OF THE INTERNET." — LUC PINARD, SENIOR VICE-PRESIDENT, KNOWLEDGE MANAGEMENT AND PROJECT PERFORMANCE

Several of our e-space clients are pure ".com" companies. They come to see us with an idea, and we help them turn it into a Web-enabled, revenue-generating business proposal. We help them navigate over uncharted waters by providing them with end-to-end e-space consulting, from the business plan right down to the end product. We support them with the visioning, requirements analysis, technology selection and recommendation and prototyping. Regardless of where they're coming from, we'll get them there, safely.



Luc Pinard
Senior Vice-President,
Knowledge Management and Project Performance

CGI is at the heart of today's new Internet-based paradigm, which is changing entirely the way organizations do business. As one of the largest independent North American IT services firms, we are uniquely positioned to help our clients take advantage of the possibilities of e-business, which we refer to as e-space.

As much as the Internet economy requires us to think differently and represents a break with the past, for CGI it equates with continuity, since it is our business to facilitate change within our clients' organizations. We are experts in managing change, and continue to support our clients and help them use technology to meet their business objectives. Industry observers have identified six primary areas of intervention in e-space, namely: e-commerce, supply chain management, customer relationship management, knowledge management, business intelligence, and collaborative technology. CGI is present and has developed leading edge expertise in each of these fields.

Today, we put our expertise to work for our clients by helping them transform their organization to harness the power of the Internet. They need to plan their e-space infrastructure to support their changing business model, develop new applications or Web interfaces and integrate them with legacy systems and applications. CGI, in its role as developer, builder and operator of IT systems, is their partner of choice for any such undertakings. We endeavour to support all our clients, including virtual community sponsors, with both business-to-business and business-to-consumer e-space solutions.

In fact, we have developed an e-space solutions framework which addresses the needs of any organization's major stakeholder groups, generally defined as its suppliers, customers and employees, as well as the required infrastructure to support architecture definition, security, legacy integration, networks, collaborative technologies and electronic payment, among others.

By clearly identifying the e-space target market upfront, CGI's framework helps define the business strategy while facilitating the selection of enabling software products. The framework's three components are:

- The customer-facing component, which supports the customer relationship management functions that help maximize communication channels with customers. It is comprised of functions such as e-sales, e-service and e-support and also includes business intelligence functions which give strategic value to customer data.
- The supplier-facing component, which addresses all supply chain requirements that help ensure optimal procurement, while also relying on e-commerce.
- The employee-facing component, which addresses all issues related to the employee-employer relationship, such as sharing and access to the organization's knowledge base, time management, as well as policies and procedures, among others.

To provide our clients with the best tools available, CGI has entered into non-exclusive agreements with a core set of software partners, such as IBM, Microsoft, Oracle and Sun Microsystems, that are recognized for their leadership in the software product space. Depending on our clients' requirements, we also forge project-specific teaming agreements with Web content creators.

Going forward, we will enter into additional commercial agreements, in order to ensure that the e-space needs of our clients are fully addressed. As we embark on this fascinating journey, clients know that they can count on CGI.



DELIVERING TOP QUALITY, CONSISTENTLY



18:04:16

MONTREAL_QUEBEC
CANADA

PAULE DORÉ

"WHILE WE'VE BEEN EXPERIENCING A BREATHTAKING PACE OF GROWTH, OUR ISO 9001 CERTIFIED QUALITY PROCESSES HAVE ALLOWED US TO REMAIN ONE STRONG TEAM." — PAULE DORÉ, EXECUTIVE VICE-PRESIDENT, CORPORATE AFFAIRS

Mary Szyszlo joined CGI as a consultant in 1994 and is now Director of Project Performance at the corporate level. Mary is a great believer in CGI's ISO 9001 Project Management Framework. "The framework binds the company together while giving individual business units the freedom they need to grow." Paul Raymond came on board in 1993 as a project manager and is now Vice-President in charge of the Boston office. He thinks that clients value CGI's quality focus. "With ISO 9001, clients have peace of mind, knowing that regardless of which CGI business unit they are dealing with, they will consistently receive the same high quality service." Mary Szyszlo and Paul Raymond are just two of the more than 10,000 members achieving their full potential at CGI today.



Paule Doré
Executive Vice-President
Corporate Affairs

Since inception, CGI has always invested considerable effort in ensuring that all its members consistently deliver top quality services to its clients. At CGI, quality is part of everything we do. It is one of our core values and represents the basis of our approach to business, which we refer to as the CGI Way.

In 1994, we reached an important milestone when CGI became the first IT services company in North America to secure the internationally-recognized ISO 9001 certification for its Project Management Framework. Since then, we have continued to define our quality processes, refine how we manage projects and extend our Quality System across our network and operations. We are in the process of applying our quality framework to our dealings with our three major stakeholder groups: clients, members, as we call our employees, and shareholders.

Over the past several years, CGI has maintained a high growth rate and in the last three years, the Company's headcount has grown almost five-fold, from 2,200 to more than 10,000 members. Yet, amidst such breathtaking growth, we have remained true to ourselves and maintained our strong culture. Our ISO-certified Quality System is a key ingredient in spreading our winning culture, because it helps us successfully integrate our new members. It facilitates the sharing of our values and provides the glue that helps keep us together as a group.

Over the past 18 months, the scope of CGI's operations has grown considerably. Several of our outsourcing clients now operate on a global scale and require that we support them across North America and beyond. In fact, any of our large outsourcing clients may have offices located in different cities dealing simultaneously with several CGI business units on a given contract.

As our clients grow and IT services projects become increasingly complex, we strive to further refine our quality processes while allowing them to branch out across all our operations. Today, the structure of our Quality System is simpler and provides our business units with greater autonomy in a context of decentralized operations. One of our key focus areas remains the successful management of client relationships, especially those that extend over the long term.

We also strive to ensure that clients benefit from a seamless offering of consistently high quality. Regardless of which CGI business unit they deal with, clients know that we will provide the same quality services, while delivering projects on time and on budget by a margin that far exceeds industry standards. Ever since CGI's first business unit received ISO 9001 certification, the Company has consistently improved its bottom line, and we believe that our stringent quality standards are closely linked to this performance.

At CGI, our quality culture is alive and dynamic and it represents a strong incentive when hiring new professionals. Members who join us are proud of being part of a company where quality is front and centre. Our quality processes enable us to act as one across all business units, and in a way that is transparent to our clients. Such is the CGI Way, and it works.

TRANSFERRING \$100 BILLION A DAY



19:09:32

TORONTO ONTARIO
CANADA

CLIENT
**CANADIAN
PAYMENTS
ASSOCIATION**

"WHEN WE TRANSFER \$864 MILLION REAL TIME, WE NEED TO KNOW THE TRANSACTION IS COMPLETED INSTANTLY AND SECURELY." — TORONTO BANK EXECUTIVE

In 1998, the Canadian Payments Association (CPA) awarded CGI a six-year, \$22 million contract to provide systems operating services for its new Large Value Transfer System (LVTS). Used primarily for high-value or time-sensitive payments, the LVTS continues to meet the highest standards for soundness, safety and efficiency. The LVTS is the fastest and most secure choice for making payments between financial institutions, and the only mechanism offering true finality of payment. "With transfers totalling more than \$100 billion a day, it's a vital, mission critical component of the Canadian payments system," observed CPA General Manager Robert Hammond, "capable of meeting the most stringent standards for complex financial systems."

CONTINUING GROWTH MOMENTUM

Growing Together applies to CGI and its primary stakeholders – clients, members and shareholders – in all of our markets around the world.

Trends in our industry are helping to propel CGI's growth. The IT services industry is central to the new business paradigm, which applies computing and Web-enabling technology strategically to strengthen the link between businesses and their customers, reduce costs and significantly increase the efficiency and frequency of transactions throughout the value chain. We are a growth company in a growth industry.

Our industry is witnessing increasing demand for large scale outsourcing of the IT function. Organizations, large and small, recognize the importance of outsourcing as they experience a need for a large number of highly trained professionals and choose to focus on their own core competencies. As an end-to-end IT services company, we enable our clients to take advantage of our pool of IT experts and are therefore well positioned to capitalize on this trend favouring large scale systems integration and outsourcing projects. And with a revenue run-rate of \$1.6 billion, we have the critical mass to bid on the growing number of mega contracts in North America, Europe, and other emerging markets internationally.

CGI is one of the very few IT services companies – and the only one among large players in North America – to be ISO 9001 certified based on its management processes not only for outsourcing and systems integration, but throughout its operations. CGI is particularly well positioned to secure large contracts because of its ability to consistently deliver on time and on budget.

Earlier this year, we commissioned International Data Corporation (IDC) to research the size of the IT domain. We broadened the definition beyond the current market for IT services companies, to include IT departments of large organizations that are not yet outsourced, therefore representing targets for outsourcing. The research revealed tremendous market potential. IDC estimated the market for IT spending in services to be US\$34 billion in Canada, US\$639 billion in the United States, and US\$498 billion in Europe. The Company sees the opportunity to increase substantially its market presence.

financial review

In fiscal 1999, CGI maintained its strong growth momentum in revenue, net earnings, net margin, earnings before interest, taxes, depreciation and amortization (EBITDA) and operating cash flow. CGI's revenue reached \$1,409.5 million, up 90% over last year. EBITDA increased 111% year over year, to \$214.3 million in fiscal 1999. The EBITDA margin therefore stands at 15.2%.

Net earnings increased by 141% over last year, reaching \$83.8 million, or \$0.63 per share. CGI's net margin continued to grow, from 4.7% last year to 5.9%, and we expect to achieve further gradual margin improvement.

CGI generated operating cash flow of \$162,0 million in the latest fiscal year, up 119% over 1998. Our balance sheet remains very strong and with limited debt. Over the past year, we have continued to build a strong backlog of orders, which currently stands at \$7.5 billion, and our revenue run-rate now totals \$1.6 billion.

We believe that with our unique set of operational strengths, our determination to meet our clients' needs with top quality services and our strong market presence, we are well positioned to realize new milestones in financial performance for the current fiscal year.

operational review

In fiscal 1999, CGI continued to build its presence in the global IT market, further broadening and strengthening its end-to-end systems integration and outsourcing offerings across North America. Throughout the year, we continued to consolidate our presence in the United Kingdom and other international markets. The Company now has 40 offices across Canada and the United States, offices in the U.K. and a presence in some 23 countries around the world.

CGI's market presence benefits from its rapidly expanding network of offices and was further strengthened by a series of recent commercial alliances with world leading software and hardware providers. In September 1999, for example, we announced the signing of an agreement with Microsoft Corporation, which will allow both partners to bid jointly on projects and carry out sales and marketing efforts. We believe that this alliance will prove especially fruitful in the U.S., where we will benefit from easier access to Microsoft's well established network of enterprise clients.

leading in Canada

In Canada, where CGI has offices from coast to coast, our strategy is to continue consolidating our position as the country's largest independent IT services provider.

CGI remains the leader in a fast-paced Canadian IT market. The country's three largest IT services companies currently hold an 8% market share, of which CGI represents 3%. The Canadian market, therefore, offers much opportunity to grow and CGI is determined to play a major role as consolidator of the Canadian IT domain. Over the foreseeable future, we expect to maintain our strong growth by securing additional large systems integration and outsourcing contracts, as well as through the acquisition of niche IT services companies.

In January 1999, we completed the acquisition of Technologie Desjardins Laurentienne, which increased our presence in the financial services sector. In October 1999, CGI acquired MCM Technology Inc., an IT firm based in Atlantic Canada specializing in the management of large systems integration contracts for the telecom and other industries.

In the domestic market, we continue to build on our strong foundation as a preferred IT partner in our five target markets. In July 1998, in the telecom sector, we secured a \$4.5 billion, 10-year, full IT outsourcing contract with Bell Canada. This agreement propelled us among the leading IT specialists in this field in North America and around the world. One year later, this important project has helped CGI secure several additional contracts with telecom operators in different parts of the world.

Serge Godin
Chairman
and Chief Executive Officer

Jean Brassard
President
and Chief Operating Officer



CGI currently ranks as the largest independent provider of financial transaction switching services in Canada, after the six Canadian chartered banks. We currently handle a volume of 250 million transactions per year. In December 1998, we signed a six-year contract worth \$22 million with the Canadian Payments Association, to provide systems operating services for its Large Value Transfer System (LVTS). The LVTS is a national electronic system designed primarily for the sending and receiving of large-value payments in Canada, evaluated at more than \$100 billion per day.

The telecom industry worldwide is undergoing massive change, with globalization and mergers following widespread deregulation. As a result, telecom companies are seeking ways to enhance operational efficiency and improve customer service and rely increasingly on IT partners to help them realize this goal. This helps explain why telecom, with financial services, is one of the sectors in which companies invest the highest proportion of their revenue in IT.

In North America, we provide end-to-end IT solutions to our clients in our five target industry markets: telecommunications, financial services, governments, manufacturing to retail value chain, and public utilities and services. In Europe, where we serve from our U.K. offices under the Certis name, we target telecommunications and financial services, primarily the property and casualty (P&C) industry. We serve approximately 40 insurance clients in Europe, including some of the world leaders such as German-based Allianz and U.K.-based Highway Motor Policies at Lloyd's, to name but a few.

We continue to support our clients as they expand around the world in all areas of activity. Leveraging our business relationship with Bell Canada International, we continue to cooperate closely with them in the international telecom industry. For example, in fiscal 1999, we signed systems integration contracts with telecom operators in Colombia and Brazil, in addition to our ongoing project work in Uruguay.

focused on the U.S.

In the U.S., CGI now has the critical mass to bid on any large IT systems integration and outsourcing contract. We have a network of offices across the country and a pool of industry experts to meet our clients' most challenging projects.

We continue to build on our strong P&C insurance presence gained from the acquisition of Teleglobe's Insurance Information Systems group in 1997. Last year's acquisition of Bell Sygma Telecom Solutions and Bell Sygma International enabled us to further enhance our U.S. telecom industry offering with solutions such as billing applications and software maintenance.

On July 1, 1999, we acquired systems integration specialist DRT Systems International from Deloitte Consulting. While Canadian-based, DRT has maintained over the years a strong focus on the U.S. market, where it generates approximately 85% of its annual revenue.

The former DRT provided us with a U.S. team of approximately 975 highly talented professionals and access to hundreds of major U.S. clients, several in the manufacturing and government sectors. With this acquisition, we significantly increased our presence in the strategic U.S. market, tripling our number of offices to 15 and doubling our revenue run-rate to 18% of total revenue. DRT's integration into CGI should be completed shortly and was facilitated by the fact that its professionals already share several of our fundamental values, such as an entrepreneurial spirit and focus on delivering quality services.

With our combined teams, we now have more than 1,500 professionals serving the needs of our U.S. clients in four high growth regions: the Northeast, with offices from Boston to Washington, through New York City and Albany; the Southeast, in Nashville and Atlanta; the Southwest, with offices in Houston, Dallas and Los Angeles; and the Central U.S., in Kansas City, Chicago, Minneapolis and Cleveland.

Our strategy is to grow our U.S. operations and provide a full IT services offering, comprised of end-to-end solutions with consulting, systems integration and outsourcing. We are already seeing the benefits of the former DRT's broadened business scope as we meet with their clients to discuss our combined service capability. With this approach for the U.S. market, we are in essence replicating a strategy that was successfully applied to the Canadian marketplace five years ago, where we faced similar challenges.

a strong partner in e-space

Because of its in-depth expertise in all areas of today's emerging Web-based and e-commerce economy, CGI is a partner of choice for today's organizations which need to harness the power of the Internet. Our IT experts are actively at work in large systems integration and outsourcing contracts, helping our clients Web-enable their organization and developing original e-space solutions that meet their requirements, from needs assessment analysis to building architectures and delivering secure transactional environments. In the case of clients who have already outsourced their IT function to CGI, the business relationship is especially strong, and this further enhances CGI's ability to support their e-space needs.

CGI's projects are at the heart of our clients' e-business strategies and require a thorough understanding of the systems and processes that are central to today's Web-based economy. Today, these e-space projects represent 20% of CGI's total revenue.

For example, when Canada's Department of Foreign Affairs and International Trade needed an IT partner to help develop a critical Export and Import Controls System based on e-commerce, CGI was selected as the preferred partner. As part of this project, CGI's Ottawa office helped the client define a business case, carry out business process engineering and resolve organizational and process issues. CGI is also setting up a virtual e-commerce trading community involving all of the Department's stakeholders including exporters, importers, brokers and the Federal Trade Bureau.

When completed in approximately 18 months, this new system will serve as the Trade Department's mission critical system to manage the export and import of all controlled materials and monitor international trade agreements.

Over the past 12 months, CGI has been supporting clients in a number of e-business, Internet and customer relationship management projects. Recent CGI e-business work includes:

- helping AltusMortgage.com, an Internet-based lender, create a Web-distribution financial services enterprise architecture specially designed to automate the mortgage loan process;
- helping Cokesbury On-Line, a United Methodist Publishing House (based in Nashville, Tennessee) offer an extensive line of electronically published materials and books to a worldwide audience over its Web site;
- working with TotalFunding.com, the leading e-commerce intermediary specializing in business-to-business leasing. CGI provided end-to-end e-business consulting services for the design and build-out of functionality for this ".com" company's Web site.

our new strategic plan

In order to take advantage of opportunities that exist in our markets and ensure that our Company remains at the forefront of its industry, CGI's team of senior managers has been meeting throughout the year to define a new strategic plan for the years 1999-2002. This plan is based on the input of our clients, members and other stakeholders. It provides the blueprint for CGI to continue growing, both internally through the evolution of existing contracts and new, larger contracts, as well as externally through acquisitions and partnerships.

In the U.S., acquisitions will help us build our network of offices, providing us with greater critical mass in some high-growth geographic markets, and strengthen our end-to-end IT services capability. As a result, we will be positioned to bid on the largest systems integration and outsourcing contracts in our five selected industry sectors.

In Canada, acquisitions will target specific geographic markets and niche sectors. We will continue in our role as a consolidator of the IT domain in Canada, and the U.S. and internationally, over time.

With the Year 2000 factor soon behind us, we expect to meet with pent-up demand for a wide variety of IT applications and business solutions, especially in the vital area of Web-enabling technologies and e-commerce. At CGI, we have already been witnessing this trend for several months with our clients.

Our 10,000 professionals are hard at work, ensuring that our clients' needs are met and exceeded with innovative solutions that create added value. And we would like to stress the importance of our members' work, since without their dedication and unswerving professionalism CGI would not have become what it is today, namely a North American leader with global operations in the IT services industry. We thank them sincerely for this. We would also like to extend our gratitude to our clients and shareholders, for their continuing support and confidence in the Company.

In closing, we would like to thank members of our Board of Directors, who have stepped down over the past 12 months, for their wise counsel and invaluable contribution to CGI's development. Mr. Louis A. Tanguay has stepped down from our Board and has been replaced by William D. Anderson, CFO of BCE Inc. Mr. Keith Gray and Mr. John A. MacDonald have stepped down from the Board. Mr. Thomas E. Kierans, Director of the Clarkson Centre for Business Ethics, and Mr. Yvan Allaire, Executive Vice-President, Bombardier Inc. and Chairman of the Board of Bombardier Capital have recently joined our Board of Directors. We would like to extend our warmest welcome to our newly appointed directors.

"Serge Godin"
(signed)

Serge Godin
Chairman and Chief Executive Officer
November 9, 1999

"Jean Brassard"
(signed)

Jean Brassard
President and Chief Operating Officer

1998

1999

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| <p>OCTOBER 7</p> <p>OCTOBER 20</p> <p>NOVEMBER 2</p> <p>NOVEMBER 9</p> <p>DECEMBER 16</p> <p>DECEMBER 29</p> | <p>Class A subordinate shares listed on the New York Stock Exchange under the trading symbol "GIB".</p> <p>Public Works and Government Services Canada awarded CGI a \$1.7 million contract for its integrated document management system. The contract has a potential value of \$109 million over its five-year term.</p> <p>Signed an enterprise resource planning (ERP) solutions outsourcing agreement with PeopleSoft, a leading provider of enterprise applications software. The agreement will enable both partners to provide their clients with cost-effective solutions for the outsourcing of management software.</p> <p>Signed a five-year, \$18 million agreement with Air Canada to support, maintain and assist in the evolution of the airline's PeopleSoft ERP.</p> <p>Signed a 10-year, \$24 million contract to provide full IS/IT services to the Bell Canada's subsidiary Nexacor Realty Management Inc, including all applications built on J.D. Edwards ERP solutions.</p> <p>Canadian Payments Association awarded CGI a six-year, \$22 million outsourcing contract to provide systems operating services for the Large Value Transfer System (LVTS), a national electronic system designed primarily for sending and receiving Canadian large-value payments. Payments processed by LVTS are expected to total more than \$100 billion per day.</p> | <p>JANUARY 14</p> <p>JANUARY 26</p> <p>FEBRUARY 11</p> <p>MARCH 10</p> <p>MARCH 18</p> <p>MARCH 19</p> <p>APRIL 21</p> | <p>CGI and IBM Canada announced a major enterprise software agreement, enabling CGI to provide its clients with effective solutions and access to a broad range of IBM's strategic software products. It will also allow CGI to streamline costs related to outsourcing services.</p> <p>Mouvement Desjardins and CGI announced the closing of the acquisition of Technologie Desjardins Laurentienne.</p> <p>Announced a three-year contract renewal with AIG's American Home Assurance Company in the U.S. market for applications support and maintenance for certain policy processing operations.</p> <p>Colombian-based wireless telecommunications operator Comcel Comunicacion Cellular S.A. awarded CGI a \$13.6 million (US\$9.1 million) telecommunications contract in Colombia. CGI, with support from its partner LHS Group Inc., will provide Comcel with a fully integrated billing and customer care system.</p> <p>Announced a three-year, \$12.6 million (US\$8.4 million) contract renewal with The Premier Insurance Company of Massachusetts, a member of Citigroup, for applications support, maintenance and full policy processing services for their Massachusetts Automobile operations.</p> <p>Class A subordinate voting shares are included in TSE 100 index.</p> <p>Télébec awarded CGI a 10-year, \$115 million IT outsourcing contract, expected to generate annual revenue of \$8 million, as well as an additional \$3.5 million per year for information technology development projects to be carried out by CGI.</p> |
|--|--|--|--|

All amounts are in Canadian dollars unless otherwise indicated.

APRIL 26	Signed a five-year, \$3.6 million renewable full IT outsourcing contract with Bell Canada International (BCI). As part of this agreement, CGI will provide BCI with application support and management services and will assist in the evolution of its IT function.	AUGUST 5	Signed a \$9.2 million systems development contract with the Régie des rentes du Québec. Over the next two years, CGI will develop information systems required to manage the new <i>Family Benefits Act</i> .
MAY 19	BCE Mobile Communications Inc. (Bell Mobility) and CGI signed a full IT services renewable agreement under which CGI will provide Bell Mobility with information technology services. The contract is expected to generate revenue in the order of \$100 million in the first 12 months, with revenue totalling approximately \$750 million over the 10-year term.	SEPTEMBER 10	CGI announced a three-year enterprise alliance with Microsoft Corporation, enabling CGI to develop and deploy leading solutions for the telecommunications, government and financial services markets across the United States and Canada. Based on the market potential of the agreement, CGI is targeting additional revenue of US\$500 million over the three-year period.
JULY 2	Announced the acquisition of DRT Systems International from Deloitte Consulting. With this acquisition, CGI increases its presence in the U.S., gaining the critical mass and strong team required to win large systems integration and outsourcing contracts in the U.S. market.	OCTOBER 12	Announced a non-exclusive Direct Commercial Systems Integrator Agreement with Sun Microsystems of Canada Inc. to conduct joint marketing and technical implementation activities to respond to the growing demand for e-commerce expertise, solutions and service throughout North America.
JULY 15	Brazilian-based local and long-distance telephone services provider Mirror S.A. and CGI entered into an IT systems integration agreement worth \$57 million (US\$39.9 million) over a 12-month period.	OCTOBER 13	Signed a three-year, \$15 million contract with IPSCO to supply the steel producer's mainframe systems while supporting its local area networks and desktops.
AUGUST 4	Chicago-based CNA, a leading insurer, renewed a five-year processing contract with CGI worth \$19.5 million (US\$13 million). CGI will provide applications support, maintenance and full policy processing services for CNA's Massachusetts personal and commercial automobile insurance operations.	OCTOBER 26	Announced the acquisition of MCM Technology Inc., a leading provider of IT services in Atlantic Canada, which will allow CGI to broaden its service offering to markets such as health care and telecommunications.
		OCTOBER 29	Portugal Telecom S.A. signed a contract with CGI, IBM Global Services and Portuguese-based IS company Case, to provide Portugal Telecom with full IS/IT services, and to work with the client to address the needs of the Portugal market at large.

> FINANCIAL HIGHLIGHTS

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years ended September 30
in thousands of Canadian dollars except per share amounts

	1999	1998	1997	1996	1995	1994	Compound annual growth 1994-99
	\$	\$	\$	\$	\$	\$	%
Financial Performance							
Revenue	1,409,458	740,963	231,916	122,015	96,690	91,294	72.9
Operating earnings (EBITDA)	214,277	101,367	25,124	8,601	5,859	5,023	111.8
Operating earnings margin	15.2%	13.7%	10.8%	7.0%	6.1%	5.5%	
Net earnings	83,816	34,828	7,765	2,718	1,059	1,250	131.9
Per share ⁽¹⁾	0.63	0.30	0.10	0.04	0.02	0.02	99.4
Operating cash flow	162,036	74,006	21,771	7,851	4,006	3,036	121.5
Per share ⁽¹⁾	1.21	0.63	0.28	0.11	0.08	0.06	82.4
Financial Position							
Total assets	866,489	744,930	154,143	72,159	42,785	41,961	83.2
Shareholders' equity	563,055	474,247	72,271	40,789	16,481	15,313	105.6
Per share ⁽¹⁾	4.19	3.55	0.86	0.55	0.32	0.30	69.4
Working capital	97,556	63,956	16,935	18,823	8,515	9,038	60.9
Current ratio	1.40 :1	1.24 :1	1.30 :1	1.66 :1	1.36 :1	1.38 :1	
Total bank indebtedness	46,200	1,073	34,822	10,023	17,409	17,278	21.7
Total bank debt/equity ratio	0.08 :1	0.00 :1	0.48 :1	0.25 :1	1.06 :1	1.13 :1	

	fiscal 1999				fiscal 1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	334,348	338,790	342,315	394,005	115,796	142,881	157,757	324,529
Net earnings	18,237	21,253	21,746	22,580	4,950	6,093	7,657	16,128
Per share ⁽¹⁾	0.14	0.16	0.16	0.17	0.04	0.06	0.07	0.13
Operating cash flow	25,347	38,344	40,952	57,393	14,096	14,552	15,827	29,531
Per share ⁽¹⁾	0.19	0.29	0.30	0.43	0.13	0.13	0.14	0.23

1 Adjusted for 2-for-1 stock splits effective August 12 and December 15, 1997, as well as May 21, 1998.

Note: CGI's policy is to reinvest earnings into its expansion rather than pay dividends.

STEPPING INTO THE MILLENNIUM

The following discussion and analysis should be read in conjunction with the Company's fiscal 1999, 1998 and 1997 Consolidated Financial Statements and the notes thereto beginning on page 30 of this Annual Report. All dollar amounts are in Canadian dollars unless otherwise indicated.

corporate overview

CGI is the fifth largest independent information technology (IT) services company in North America and the largest in Canada, based on its revenue run-rate at the end of fiscal 1999. Headquartered in Montreal, CGI has strategic business units organized along geographic lines except for the Telecommunications strategic business unit which is industry based. Business units in Canada and the United States provide end-to-end IT services in five economic sectors (telecommunications, financial services, manufacturing to retail value chain, governments, public utilities and services), while business units outside of North America focus on two economic sectors, financial services and telecommunications. Based on 1999 revenue, some 72% of the Company's business is IT outsourcing, 17% is systems integration and 11% is consulting. The outsourcing business generates 85% of its revenue from higher value added Tier 2 and Tier 3 activities and 15% from Tier 1 activities (see Glossary on the inside front cover for Tier 1, 2 and 3 definitions).

The Company has 40 offices across Canada and the United States, offices in the United Kingdom and a presence in some 23 countries around the world. CGI has 10,000 employees, and some 2,500 clients worldwide. The Company has four state-of-the-art data centres in Canada, providing IT facilities management to clients coast-to-coast, and one data centre in the United States.

acquisitions

During fiscal 1999, CGI made two business acquisitions, which have contributed IT expertise and additional market presence in Canada and the United States.

On January 1, 1999, CGI acquired the assets and all contracts of Technologie Desjardins Laurentienne ("TDL"), which provides Desjardins Laurentian Financial Corporation and other clients such as Laurentian Bank with IT, telecommunications, document printing and insertion services. TDL's contracts at the time of closing totalled \$155 million over five years. Approximately 100 TDL employees joined CGI as part of the agreement. CGI acquired the assets and contracts of TDL for \$23.2 million, of which \$18.5 million was goodwill.

On July 1, 1999, CGI acquired DRT Systems International L.P. and DRT Systems International (jointly "DRT"), an independently operated business unit of Deloitte Consulting that provides systems development and systems integration services throughout North America. DRT significantly strengthens CGI's position in the United States, where DRT generates about 85% of its revenue. At closing, DRT had US\$100 million of annual revenue, 975 employees, and 12 offices including 10 across the United States in major business centres. DRT brings deep Web-application expertise and expands CGI's client base for offering IT outsourcing services. CGI acquired DRT for \$95.9 million, of which \$68.8 million was goodwill.

Subsequent to year end, on October 26, 1999, CGI acquired New Brunswick-based MCM Technology Inc., which has leading edge component-based development expertise. With this transaction, CGI now has four offices and 200 professionals in Eastern Canada.

performance overview

Fiscal 1999 marked the twenty-third consecutive year of revenue growth for CGI. Revenue increased by 90% to \$1,409.5 million in fiscal 1999, and by 219% to \$741.0 million in fiscal 1998. The Company achieves continuous incremental growth from IT services contracts of increasing average size and strategic acquisitions, and significant growth through large contracts and major acquisitions. These last two components represented 70% of the increase in revenue for fiscal 1999.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 111% to \$214.3 million in fiscal 1999, and by 303% to \$101.4 million in fiscal 1998, reflecting strong revenue growth and increasing operating margins. The EBITDA margin increased to 15.2% in 1999, from 13.7% in 1998 and 10.8% in 1997. Net earnings increased 141% to \$83.8 million in fiscal 1999, and by 349% to \$34.8 million in fiscal 1998 from \$7.8 million in fiscal 1997. Earnings per share increased 110% to \$0.63 (basic and fully diluted) in fiscal 1999, and by 200% to \$0.30 in fiscal 1998, based on a 14% increase in the weighted average number of shares in fiscal 1999, and a 51% increase in fiscal 1998. The net margin increased to 5.9% in fiscal 1999, from 4.7% in 1998 and 3.3% in fiscal 1997.

Revenue increased 21% to \$394.0 million in the fourth quarter of fiscal 1999, and by 348% to \$324.5 million in the fourth quarter of fiscal 1998. The increase in 1999 primarily reflects the acquisition of the assets and all contracts of TDL on January 1, 1999, the contribution from an approximately \$750 million, 10-year outsourcing contract with BCE Mobile Communications Inc. ("Bell Mobility") effective May 1, 1999, and the acquisition on July 1, 1999 of DRT. The increase in 1998 reflects a large contract with Bell Canada signed July 1, 1998, noted below.

EBITDA increased 32% to \$56.5 million in the fourth quarter of fiscal 1999, and by 395% to \$42.8 million in the same quarter of fiscal 1998. Net earnings increased by 40% to \$22.6 million (\$0.17 per share) in the last quarter of fiscal 1999, and by 463% to \$16.1 million (\$0.13 per share) in the fourth quarter of fiscal 1998.

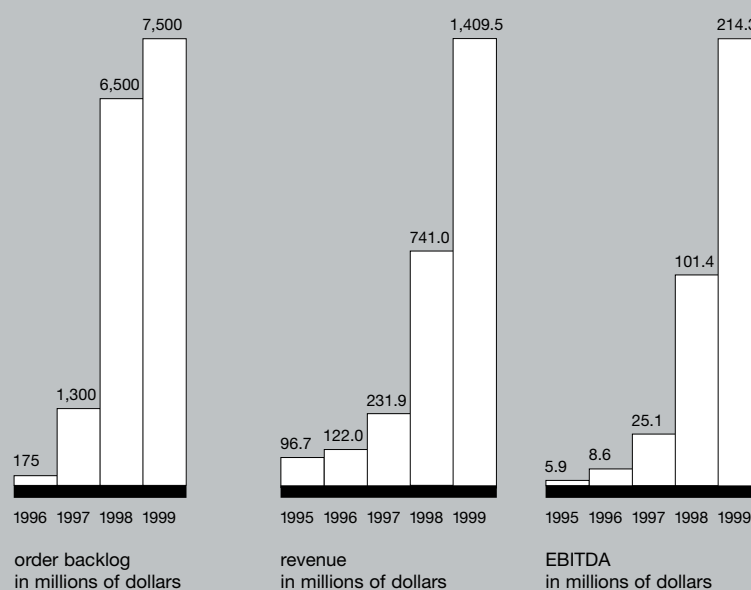
seasonality

CGI's quarterly results reflect some seasonality, which has been offset to some extent by the Company's continuing expansion and increasing emphasis on outsourcing contracts. The fourth quarter results reflect the impact of summer vacations.

comparison of operating results for the years ended September 30, 1999, 1998 and 1997

revenue

Revenue increased by 90% in fiscal 1999 to \$1,409.5 million and by 219% in fiscal 1998 to \$741.0 million. The increase in fiscal 1999 reflects the \$4.5 billion, 10-year Bell Canada IT outsourcing contract (through the acquisition of Bell Sygma Telecom Solutions – "Bell Sygma") and the acquisition of Bell Sygma International ("BSI") for the full year versus only three months in fiscal 1998. The increase also reflects the acquisition of TDL effective January 1, 1999, the \$750 million, 10-year Bell Mobility contract effective May 1, 1999, and the acquisition of DRT on July 1, 1999. (See Note 9 to the Consolidated Financial Statements for further information on business acquisitions.) Bell Sygma, BSI, and TDL are now fully integrated into CGI, and DRT



will be integrated by 1999 calendar year end. Revenue growth in fiscal 1998 primarily resulted from the Bell Canada outsourcing contract, and the acquisition in April and November 1997 of two companies focused on IT services in retail banking and the property and casualty insurance businesses, respectively.

Prior to significant business acquisitions made in fiscal 1998, CGI was organized essentially on a geographic basis with office locations throughout Canada and was considered to be active in one single segment. As outlined in Note 10 to the Consolidated Financial Statements, during the fourth quarter of 1998, CGI reorganized its activities into six strategic business units, two of which, International and Western Canada, have been combined into "Other" due to their relative size. Each business unit offers end-to-end IT services. In fiscal 1999, the contribution to revenue by business unit was: Telecommunications, 36%; Ontario and Atlantic Provinces, 23%; Quebec, 19%; International and Western Provinces (Other), 12%; and the United States, 10%. As mentioned in Note 10 to the Consolidated Financial Statements, comparative figures are not available for prior years.

The geographic mix of revenue for fiscal 1999 was 81% from Canada, 10% from the United States and 9% outside of North America, primarily in the United Kingdom and Europe. In fiscal 1998, the mix for the year was 83% from Canada, 13% from the United States, and 4% from Other. In fiscal 1997, the mix was 96%, 3% and 1%, respectively.

The mix by services line in fiscal 1999 was 72% from outsourcing, 17% from systems integration, and 11% from consulting. This compares with 70%, 18% and 12%, respectively in fiscal 1998, and 42%, 35% and 23%, respectively, in fiscal 1997.

operating expenses

Costs of services, selling and administrative expenses represented 84.1% of revenue in fiscal 1999, compared with 85.5% in 1998 and 87.8% in 1997. The improvement reflects efficiencies resulting from applying ISO 9001 certified business processes, synergies resulting from integration of acquisitions, and increasing economies of scale.

Research and development expenses amounted to \$9.6 million in fiscal 1999, compared with \$6.0 million in 1998 and \$3.1 million in 1997. The R&D focus in 1999 was primarily on the development of an IT business solution geared to the property and casualty insurance business in the United Kingdom and Europe.

earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA increased 111% to \$214.3 million in fiscal 1999, and by 303% to \$101.4 million in fiscal 1998, reflecting continuing strong revenue growth and increasing operating margins. The increase in the EBITDA is largely attributable to the contribution of major outsourcing contracts added at the end of fiscal 1998 and during fiscal 1999. The EBITDA margin increased to 15.2% in 1999, from 13.7% in 1998 and 10.8% in 1997.

depreciation and amortization

Total depreciation and amortization increased 68% to \$64.9 million in fiscal 1999, and by 300% to \$38.7 million in fiscal 1998. The increase in depreciation and amortization of fixed assets reflects investment in new assets,

and assets resulting from acquisitions. The increase in the amortization of costs related to outsourcing contracts primarily relates to licensing fees and other expenses incurred in the course of IT management contracts. Goodwill is amortized over 20 years, and the increase in the amortization of goodwill reflects the business acquisitions of the past year.

interest

Interest expense is largely related to the financing of acquisitions, notably DRT effective July 1, 1999. Interest income relates to investment of cash balances in short-term fixed income instruments.

income taxes

The income tax rate was 45.3% in fiscal 1999, compared with 45.8% in fiscal 1998 and 40.9% in 1997. The increase in the tax rate from 1997 reflects the increase of the goodwill related to business acquisitions, which is not deductible for tax purposes, and from significant tax benefits derived through a business acquisition in 1997.

net earnings

Net earnings increased 141% to \$83.8 million in fiscal 1999, and by 349% to \$34.8 million in fiscal 1998. The net margin increased to 5.9% in 1999, from 4.7% in fiscal 1998, and 3.3% in fiscal 1997. Earnings per share increased 110% to \$0.63 (basic and fully diluted) in fiscal 1999, and by 200% to \$0.30 in fiscal 1998. The weighted average number of shares outstanding increased by 14% to 133,984,541 in fiscal 1999, and by 51% to 117,307,162 in 1998, adjusted for two-for-one share splits in August and December 1997 and May 1998. The increase in the weighted average number of shares outstanding results primarily from the exercise of stock options in fiscal 1999, and from the issuance of shares related to business acquisitions, as well as the exercise of options in fiscal 1998.

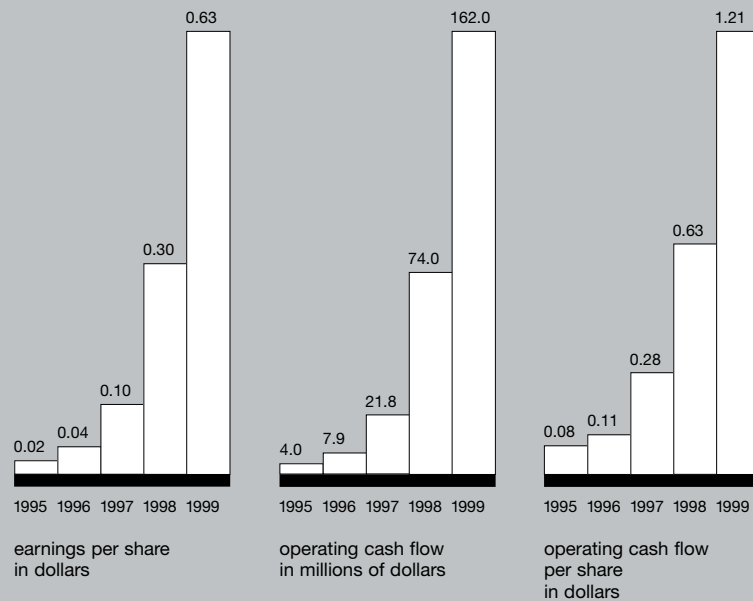
Reconciled in accordance with United States generally accepted accounting principles (GAAP), net earnings were \$86.1 million (\$0.64 per share) in fiscal 1999, \$32.8 million (\$0.28 per share) in fiscal 1998 and \$6.1 million (\$0.08 per share) in fiscal 1997. Differences between Canadian GAAP and United States GAAP arise mainly from the difference in the method used for foreign currency translation, research and development expenses and the method used to account for income taxes.

liquidity and financial resources

CGI concluded the fiscal year with a strong balance sheet and cash position which, together with bank lines, is sufficient to support the Company's growth strategy. Just prior to the end of fiscal 1999, the Company arranged an additional \$250 million revolving credit facility with four Canadian chartered banks. The credit facility is available for acquisitions and for general working capital purposes, and can be locked into a three-year term at the Company's initiative.

Operating cash flow increased 119% to \$162.0 million (\$1.21 per share) in fiscal 1999 and by 240% to \$74.0 million (\$0.63 per share) in fiscal 1998. When adjusted for changes in non-cash operating working capital items, the operating cash flow was \$76.5 million in fiscal 1999, \$150.4 million in 1998 and \$8.4 million in fiscal 1997. The changes in non-cash operating working capital items in fiscal 1999 reflect an increase in accounts receivable and work in progress related to increased business volumes and major systems integration contracts signed during the year.

Through financing activities, the Company issued \$5.0 million of shares through its Share Option Plan in fiscal 1999, \$47.7 million of shares through the Share Option Plan and for cash to Bell Canada to maintain its proportionate equity interest in 1998, and \$2.9 million of shares through the Share Option Plan and for cash in 1997. The net increase in long-term debt of \$48.5 million in 1999 reflects the funding of the DRT acquisition compared to a net decrease of \$18.8 million in the previous year reflecting repayment of a revolving credit facility.



Cash used for investing activities totaled \$208.4 million in fiscal 1999, \$44.3 million in 1998 and \$37.0 million in 1997. Business acquisitions (net of cash acquired) in 1999 include DRT and TDL. Costs related to outsourcing contracts include costs incurred for the re-engineering of business processes and investments to achieve synergies. These costs also include software licensing fees and costs related to development of business solutions.

The Company had a net cash position decrease amounting to \$79.2 million in fiscal 1999, compared with a net cash position increase of \$136.2 million in 1998 and a net cash position decrease of \$6.2 million in 1997.

balance sheet – fiscal year-ends 1999 and 1998

Assets totalled \$866.5 million at September 30, 1999, compared with \$744.9 million at the end of fiscal 1998. The increase reflects a \$70.7 million increase in goodwill, attributed to the acquisitions of TDL and DRT, and increases in accounts receivable and costs related to outsourcing contracts, which reflect the increased revenue base. Working capital amounted to \$97.6 million at the end of fiscal 1999, compared with \$64.0 million at the end of fiscal 1998. At September 30, 1999, CGI had cash and cash equivalents amounting to \$42.2 million, compared with \$121.4 million at the end of fiscal 1998. The reduction in cash and cash equivalents reflects the cash used for business acquisitions. The Company's current portion of long-term debt remained stable.

CGI continued to achieve efficient management of current assets with a turnover rate of 49 days for accounts receivable, compared with 52 days in fiscal 1998. The notable progress in 1999 reflects the increasing proportion of outsourcing business and the corresponding increase in contracts providing for pre-payment each month. The increase in work in progress turnover from three days to 19 days results from major systems integration contracts signed during the year.

The increase in goodwill to \$358.8 million in fiscal 1999 and \$288.1 million in fiscal 1998 is largely attributable to the excess of the purchase price over the fair values of the net assets acquired. These acquisitions comprise TDL and DRT in 1999, and Bell Sygma and BSI, the Insurance Systems group of Teleglobe Inc. and Perigon Solutions Inc. in fiscal 1998.

Long-term debt of \$59.8 million at the end of fiscal 1999 mostly reflects the partial drawdown of a revolving credit facility related to the funding of the DRT acquisition, as well as \$13.4 million of obligations under capital leases. The Company reduced its long-term debt in fiscal 1998 to \$11.3 million, through the repayment of a revolving credit facility.

risks and uncertainties

year 2000 issue

This section is a Year 2000 Readiness Disclosure Statement.

For CGI, the Year 2000 (Y2K) issue encompasses the costs required to make its internal systems and those it uses to provide services to its clients, Y2K compliant, as well as providing a revenue opportunity which the Company has managed to keep within 5% of its annual revenue. CGI has completed all five stages of its Year 2000 compliance methodology (assessment, analysis, remediation, testing and implementation) for most of its business units. Exceptions concern essentially recent acquisitions, which have been audited and

integrated in the overall project, and testing project extensions demanded by clients. No impact is expected on services that CGI provides.

The net cost to CGI of achieving Y2K compliance has not exceeded 1% of annual revenue in any year. The total amount spent to date on Y2K compliance is \$23 million, and the remaining cost is approximately \$5 million.

CGI began Y2K remediation at the business unit level in 1995 and established a senior-level multi-disciplinary steering committee in 1997 to ensure standard methodology throughout the Company for achieving Y2K compliance and to set and manage milestones leading to Y2K compliance. The corporate steering committee includes an external counsel and regularly reviews Y2K readiness, and provides a status report to the Board of Directors on a quarterly basis. Each business unit has a steering committee which reports regularly to the corporate steering committee.

CGI's methodology comprises five phases: Assessment, Analysis, Remediation, Testing, and Implementation. As with all projects, CGI applies its ISO 9001 certified Project Management Framework to Y2K compliance. The five phases are summarized below.

Assessment: An assessment was made of the impact of the Y2K issue across the Company, including: systems operated for outsourcing clients, financial systems, operating systems, electronic interfaces with customers, suppliers and others; telephone and communications systems; automated security and access systems; and other devices that rely on computer or embedded chip technology. The assessment identified CGI-controlled internal and CGI client-used computer hardware with embedded chips and software that contain date dependent code, and prioritized mission critical systems. Other sources of risk such as dependence on suppliers, interconnectivity and the readiness of foreign trading partners were assessed.

Analysis: Detailed analysis included a global conversion strategy, detailed costs and planning, prioritizing of mission critical applications, requests for verification of Y2K compliance from hardware and software vendors, and assessment of the need for contingency plans.

Remediation, Testing and Implementation: These three stages of the methodology followed in sequence over differing intervals depending on the complexity of the IT application and whether it was integrated with external applications.

Remediation involved conversion of information systems, codes and computer language to achieve Y2K compliance and replacement of non-compliant hardware and software. In 1997, CGI established two facilities dedicated to fixing codes and converting computer language for CGI internal systems and clients.

Testing included three levels: parallel testing of the converted application with the existing one up to the date when it stops being compliant (the failure date); date advancing to the 1999-2000 boundary and Year 2000 leap year; and full date advancing testing on compliant infrastructures.

Implementation involved installing the compliant code and equipment in the production environment.

Documentation: An important part of CGI's Project Management Framework is documentation. All strategic business units were required to document their Y2K conversion effort in a full Project Management plan, including background, scope, activities, deliverables, project structure, roles and responsibilities, and management procedures. They were also required to produce a Certification Package documenting due process for Y2K readiness of CGI's major systems and products.

Third party exposures: Suppliers of products used by CGI and representing a potential risk have been contacted and asked for a formal statement of compliance, including conformance to a strict definition of Y2K compliance. If the product was not compliant, version number, price and availability date of the compliant version was required and progress to compliance was monitored. Business partners and clients were also contacted, where appropriate. Some vendor products were also tested by CGI as a precautionary measure. An ongoing process of keeping vendor compliance statements up to date has also been implemented. Exposure to liability: CGI writes its contracts to limit liability. A full examination of contracts active at any time after January 1, 1996 and contracts above \$1 million active after January 1, 1994 was undertaken to identify any potential Y2K issues. Contracts where issues were found were to receive formal, documented resolution.

Year 2000 upgrade and conversion projects are completed. The only exceptions are recently acquired business units, where Year 2000 efforts are being validated and completed if required, and projects where clients have required extensions.

Contingency plans: CGI has developed and tested contingency plans for critical business functions used in providing services to clients, directly or indirectly. Command and Communication Centers are now activated in all business units and at corporate headquarters to ensure optimal response in case Y2K issues are uncovered.

other risks and uncertainties

Risks and uncertainties faced by participants in the IT services industry include: competition for contracts, the availability and cost of qualified IT professionals, potential liability if contracts are not successfully carried out, the ability to continue to develop and expand service offerings to address emerging business demand and technology trends, and material developments regarding major commercial customers resulting from such causes as changes in financial condition, and mergers or acquisitions.

CGI mitigates such risks and uncertainties in a number of ways.

CGI has a highly disciplined approach to management of all aspects of its business, with an increasing proportion of this approach codified under ISO 9001 certified processes, and in corporate manuals. These processes were developed to meet CGI's high standards for consistently delivering to clients' specifications and are based on strong values underlying its customer-focused corporate culture. These processes contribute to CGI's high contract win rate and renewal rate. This disciplined approach has additionally been an important factor in the successful integration of the human and capital resources of acquired companies and the IT operations of outsourcing clients. During 1999, 11 sites obtained the ISO 9001 certification.

The strong growth of the IT industry is placing strong demand on qualified people. CGI has been able to successfully staff for its needs because its corporate culture, strong values and emphasis on career development and performance-driven remuneration have made the Company a preferred employer for qualified professionals. CGI has put in place a comprehensive program to attract and retain qualified and dedicated professionals. CGI also gains qualified professionals through outsourcing contracts, and typically deploys 60% to 75% of them on the new contract and the rest elsewhere within CGI.

CGI remains in the forefront of IT services for its clients in a number of ways. These include its specialization in five targeted economic sectors; non-exclusive strategic alliances with major software and hardware vendors; development of proprietary IT solutions to meet the competitive requirements of clients; regular training and professional interchange of expertise and experience within CGI; and acquisitions to gain new technology and expertise.

CGI has a strong and growing order backlog of primarily outsourcing contracts averaging eight years in duration and emphasizing higher value added Tier 2 and Tier 3 work. This backlog provides a base of guaranteed revenue flow into the future. CGI's increased critical mass and end-to-end services have qualified the Company to make proposals for the largest IT services contracts in North America and this broadened market increases its growth potential.

With the exception of BCE Inc., which at the end of fiscal 1999 had a 45% equity interest in CGI, no one Company or group of related companies represents more than 5% of total revenue. The BCE group of companies represented 37% in fiscal 1999, and CGI expects to reduce that percentage below 30% over the long term by increasing non-BCE business.

outlook

CGI's business plan calls for a balance of organic and external growth, with emphasis on organic growth in Canada and acquisitions in the United States.

The Company will continue to support organic growth through software licensing agreements, and through strategic partnerships such as the enterprise alliance signed in September 1999 with Microsoft Corporation. CGI's strategic relationship with BCE Inc. positions the Company as the preferred IT services provider to the

BCE group of companies and a business partner when bidding on certain third-party contracts. This relationship has led to significant new business in North America and South America, and contributes to future growth potential. With the Portugal Telecom agreement signed in October 1999, CGI further strengthens its position in the IT services industry in Europe. Web-based IT assignments represent an increasing percentage of CGI's business, and the Company is continually deepening and broadening its expertise in this area through training, alliances and acquisitions. CGI also continues to develop and refine proprietary business solutions for its target markets.

The Company's markets present significant growth opportunities. With its emphasis on outsourcing, notably higher value added Tier 2 and Tier 3 IT activities, CGI is benefiting from the increasing trend to IT outsourcing by mid and large-sized organizations. Research from International Data Corporation (IDC) commissioned by CGI has identified the potential IT domain, excluding hardware and software sales, as well as part of the IT spending already outsourced by companies, to be US\$34 billion in Canada, US\$639 billion in the United States and US\$498 billion in Europe.

CGI is an acquirer in the IT services industry, which is fragmented and undergoing significant consolidation. The Company has completed 17 acquisitions in the past 13 years. The expertise it has developed for successfully integrating acquisitions, and also outsourcing contracts, is an important strength for managing its rapid growth.

The Company plans to focus primarily on developing business in North America, while selectively pursuing opportunities in Europe and South America.

CGI considers its large order backlog, amounting to \$7.5 billion at the end of fiscal 1999, to be an important strength in all economic environments. It provides guaranteed revenue into the future, and contributes to stability and predictability of performance.

CGI's solid balance sheet with a strong liquidity position enables it to capitalize on acquisition opportunities and is an important strength when bidding on large contracts. CGI maintains a conservative approach to financial management.

"André Imbeau"
(signed)

André Imbeau
Executive Vice-President and Chief Financial Officer

November 9, 1999

forward looking statements

All statements contained in this Annual Report of CGI Group Inc., or in any document filed by the Company with the U.S. Securities and Exchange Commission, or in any other written or oral communication by or on behalf of the Company, that do not directly and exclusively relate to historical facts, constitute "forward looking statements" within the meaning of the U.S. Private Securities Litigation Report Act of 1995. These statements represent the Company's expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

This Annual Report may contain forward looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. There is a number of factors that could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management's Discussion and Analysis of Financial Position and Results of Operations of this report under Risks and Uncertainties, or Form 40F filed with the SEC, which important factors are included here by reference.

management's report

The management of the Company is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in Canada and necessarily include some amounts that are based on management's best estimates and judgment. Management considers that the statements present fairly the financial position of the Company, the results of its operations and its cash flows.

To fulfill its responsibility, management developed and continues to maintain systems of internal accounting controls and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by external auditors during the examination of the financial statements.

The Audit Committee of the Board of Directors meets regularly with the external auditors and with management to approve the scope of audit work and assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

"Serge Godin"
(signed)

Serge Godin
Chairman of the Board
and Chief Executive Officer

November 9, 1999

"André Imbeau"
(signed)

André Imbeau
Executive Vice-President
and Chief Financial Officer

auditors' report

to the shareholders of CGI Group Inc.

We have audited the consolidated balance sheets of CGI Group Inc. as at September 30, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended September 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 1999 in accordance with generally accepted accounting principles.

"Samson Bélair Deloitte & Touche"
(signed)

Chartered Accountants
Montreal, Quebec

November 9, 1999

> CONSOLIDATED STATEMENTS OF EARNINGS

years ended September 30
in thousands of Canadian dollars, except per share amounts

	1999	1998	1997
	\$	\$	\$
Revenue	1,409,458	740,963	231,916
Operating expenses			
Costs of services, selling and administrative expenses	1,185,563	633,616	203,677
Research and development	9,618	5,980	3,115
	1,195,181	639,596	206,792
Operating earnings (EBITDA) before:	214,277	101,367	25,124
Depreciation and amortization of fixed assets	27,415	16,851	3,583
Amortization of costs related to outsourcing contracts	19,002	11,321	3,985
Amortization of software and development costs	1,874	2,105	591
Amortization of goodwill	16,584	8,434	1,517
	64,875	38,711	9,676
Earnings before the following items	149,402	62,656	15,448
Interest			
Long-term debt	(1,389)	(816)	(647)
Other	(120)	(107)	(908)
Income	5,310	1,987	—
	3,801	1,064	(1,555)
Earnings before income taxes, entity subject to significant influence and non-controlling interest	153,203	63,720	13,893
Income taxes (Note 8)	69,449	29,189	5,685
Earnings before entity subject to significant influence and non-controlling interest	83,754	34,531	8,208
Entity subject to significant influence	62	44	(310)
Non-controlling interest	—	253	(133)
Net earnings	83,816	34,828	7,765
Weighted average number of outstanding Class A subordinate shares, Class B shares and first preferred shares	133,984,541	117,307,162	77,802,808
Basic and fully diluted earnings per share	0.63	0.30	0.10

> CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

years ended September 30
in thousands of Canadian dollars

	1999	1998	1997
	\$	\$	\$
Retained earnings, beginning of year	55,264	20,436	12,671
Net earnings	83,816	34,828	7,765
Retained earnings, end of year	139,080	55,264	20,436

> CONSOLIDATED BALANCE SHEETS

as at September 30
in thousands of Canadian dollars

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	1999	1998
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	42,229	121,418
Accounts receivable (Note 3)	208,392	184,566
Work in progress	79,899	12,209
Prepaid expenses and other current assets	13,631	10,716
	344,151	328,909
Investment in an entity subject to significant influence	683	621
Fixed assets (Note 4)	63,094	54,231
Costs related to outsourcing contracts (Note 5)	99,774	58,839
Software and development costs	—	1,874
Deferred income taxes	—	12,391
Goodwill	358,787	288,065
	866,489	744,930
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	204,397	213,912
Income taxes	10,177	26,395
Deferred revenue	21,351	11,313
Deferred income taxes	5,531	7,772
Current portion of long-term debt (Note 6)	5,139	5,561
	246,595	264,953
Deferred income taxes	2,214	—
Long-term debt (Note 6)	54,625	5,730
	303,434	270,683
Shareholders' equity		
Capital stock (Note 7)	423,764	418,772
Contributed surplus	211	211
Retained earnings	139,080	55,264
	563,055	474,247
	866,489	744,930

Approved by the Board

"Serge Godin"
(signed)

Director

"André Imbeau"
(signed)

Director

CGI AR_1999

> CONSOLIDATED STATEMENTS OF CASH FLOWS

years ended September 30
in thousands of Canadian dollars

	1999	1998	1997
	\$	\$	\$
Operating activities			
Net earnings	83,816	34,828	7,765
Adjustments for:			
Depreciation and amortization of fixed assets	27,415	16,851	3,583
Gain on disposal of fixed assets	(135)	—	—
Amortization of costs related to outsourcing contracts	19,002	11,321	3,985
Amortization of software and development costs	1,874	2,105	591
Amortization of goodwill	16,584	8,434	1,517
Deferred income taxes	12,364	2,526	3,883
Foreign exchange loss (gain)	988	(1,547)	8
Entity subject to significant influence	(62)	(44)	310
Non-controlling interest	—	(253)	133
Other	190	(215)	(4)
Operating cash flow	162,036	74,006	21,771
Changes in non-cash operating working capital items:			
Accounts receivable	(10,229)	(35,774)	(8,433)
Work in progress	(56,552)	2,957	(2,909)
Prepaid expenses and other current assets	(1,389)	(1,216)	(325)
Accounts payable and accrued liabilities	(10,998)	89,722	(142)
Income taxes	(16,218)	24,052	404
Deferred revenue	9,860	(3,300)	(1,948)
	(85,526)	76,441	(13,353)
Cash provided by operating activities	76,510	150,447	8,418
Financing activities			
Addition of long-term debt	58,143	6,479	22,640
Reduction of long-term debt	(9,670)	(25,321)	(3,107)
Issuance of shares	4,992	47,720	2,915
Cash provided by financing activities	53,465	28,878	22,448
Investing activities			
Business acquisitions (Note 9)	(119,106)	1,720	(21,581)
Investment in an entity subject to significant influence	—	(577)	(44)
Purchase of fixed assets	(32,621)	(25,481)	(5,359)
Proceeds from sale of fixed assets	2,201	1,334	73
Costs related to outsourcing contracts	(58,884)	(21,288)	(10,115)
Cash used for investing activities	(208,410)	(44,292)	(37,026)
Foreign exchange (loss) gain on cash held in foreign currencies	(754)	1,207	(4)
Net (decrease) increase in cash position	(79,189)	136,240	(6,164)
Cash position at beginning of year	121,418	(14,822)	(8,658)
Cash position at end of year	42,229	121,418	(14,822)
Interest paid	1,509	923	1,555
Income taxes paid (recovered)	73,303	(865)	2,021

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

note 1_description of business

CGI Group Inc. (the “Company”), directly or through its subsidiaries, provides a full range of information technology (“IT”) services including outsourcing, systems integration and consulting. The Company’s primary focus is large-scale systems integration and outsourcing contracts for both private and public sector organizations.

note 2_summary of significant accounting policies

preparation of consolidated financial statements

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) which differ in certain material respects with United States GAAP. Significant differences relevant to the Company are presented in Note 14.

use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company’s investment in a company in which it has the ability to exercise significant influence over operating and financial policies is accounted for using the equity method.

revenue recognition and work in progress

The Company provides professional services under level-of-effort, cost-based and fixed-price contracts. Work in progress is valued at estimated net realizable value. Under level-of-effort contracts, revenue is recorded as services are provided. For cost-based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed-price contracts is recorded using the percentage-of-completion method, whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the project. Deferred revenue principally represents billings to customers in excess of work in progress. Losses, if any, on long-term contracts are recognized during the period they are determined.

Revenue from the sale of software licences is recognized when the product is delivered to the customer.

Work in progress includes costs related to the procurement of major integration contracts, amounting up to 3% of the total contract amount.

Work in progress also includes costs related to the procurement of major outsourcing contracts, which may amount to 3% of the contract amount for the first year. These costs are amortized on a straight-line basis over the term of the contract.

cash and cash equivalents

Cash and cash equivalents consist primarily of unrestricted cash and short-term investments having an initial maturity of three months or less.

> **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 2 summary of significant accounting policies (cont'd)

depreciation and amortization

Fixed assets are recorded at cost and are depreciated and amortized over their estimated useful lives, using principally the straight-line method. The annual depreciation and amortization periods by fixed asset category are as follows:

Leasehold improvements	Term of lease plus first renewal option
Furniture and fixtures	3 to 10 years
Computer equipment	3 to 5 years
Software	1 to 5 years

costs related to outsourcing contracts

These costs include expenses incurred in the course of IT management contracts obtained by the Company for periods varying from two to ten years. These expenses are recorded at cost and amortized using the straight-line method over the term of the respective contracts.

software and development costs

Costs incurred for the design and development of software and products are capitalized only after technological feasibility is established. Purchased computer software is recorded at cost.

Capitalized software and development costs are amortized on a straight-line basis from the time the software and products are in use over their estimated useful lives, ranging between three and five years.

goodwill

Goodwill represents the excess of the purchase price over the fair values of the net assets of subsidiaries at the respective dates of acquisition. Goodwill is amortized on a straight-line basis over its expected useful life of 20 years.

impairment of long-lived assets

The Company evaluates the carrying value of its long-lived assets on an ongoing basis. In order to determine whether an impairment exists, management considers the undiscounted cash flows estimated to be generated by those assets, as well as other indicators. Any permanent impairment in the carrying value of assets is charged against earnings in the period an impairment is determined.

research and development

Research and development expenses are charged to earnings in the year they are incurred, net of related investment tax credits.

income taxes

The Company uses the tax allocation method of accounting for income taxes. Deferred income taxes result primarily from timing differences in the recognition of revenues and expenses for financial statement and income tax purposes. Timing differences arise mainly from the methods of valuing work in progress, software and development costs, costs related to outsourcing contracts, depreciation and amortization of fixed assets and losses carried forward from subsidiaries.

translation of foreign currencies

The accounts of foreign subsidiaries, which are financially or operationally dependent on the parent company, are accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates and non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of such subsidiaries are reflected in net earnings.

Revenues and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet dates. Other unrealized translation gains and losses are reflected in net earnings.

earnings per share

Basic earnings per share are calculated using the weighted average number of common shares and first preferred shares outstanding during the period. Diluted earnings per share reflects the incremental increase in common shares outstanding, assuming the exercise of all outstanding employee and director stock options and conversions.

note 3_accounts receivable

	1999	1998
	\$	\$
Trade	204,405	178,991
Other	3,987	5,575
	208,392	184,566

note 4_fixed assets

	Cost	Accumulated depreciation and amortization	Net book value
Fixed assets 1999	\$	\$	\$
Leasehold improvements	17,914	1,229	16,685
Furniture and fixtures	16,189	3,715	12,474
Computer equipment	45,568	16,856	28,712
Software	11,770	6,547	5,223
	91,441	28,347	63,094
Fixed assets 1998	\$	\$	\$
Leasehold improvements	9,247	1,477	7,770
Furniture and fixtures	15,682	3,473	12,209
Computer equipment	42,986	12,562	30,424
Software	6,864	3,036	3,828
	74,779	20,548	54,231

Fixed assets include assets acquired under capital leases totalling \$12,463,000 (\$6,525,000 in 1998), net of accumulated depreciation and amortization of \$6,911,000 (\$2,704,000 in 1998).

note 5_costs related to outsourcing contracts

	1999	1998
	\$	\$
Software acquired and developed	17,982	23,569
Software licences and other expenses	81,792	35,270
	99,774	58,839

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 6_long-term debt

	1999	1998
	\$	\$
Unsecured revolving credit facility, bearing interest at bankers' acceptance rate plus 0.375% with no principal payments before 2003 ⁽¹⁾	46,200	—
Obligations under capital leases, bearing interest at various interest rates varying from 7.15% to 15.12% and repayable in blended monthly instalments maturing at various dates until 2004	13,398	8,598
Other unsecured loans, without interest, repayable ending in February 2001	166	328
Term loans, repaid during the year	—	2,365
	59,764	11,291
Current portion	5,139	5,561
	54,625	5,730

1 An amount of \$179,000,000 is still available under the terms of this unsecured revolving credit facility. In addition to this revolving credit facility, the Company also has available lines of credit totalling \$46,200,000 under which approximately \$3,200,000 has been used to cover letters of credit issued for contracts with major outsourcing and systems integration customers.

Principal repayments on long-term debt over the next four years are as follows:

	\$
2000	85
2001	81
2002	—
2003	46,200

Minimum capital lease payments are as follows:

	Payment	Interest	Principal
	\$	\$	\$
2000	6,041	987	5,054
2001	4,689	647	4,042
2002	1,839	265	1,574
2003	1,203	182	1,021
2004	1,788	81	1,707
Total minimum capital lease payments	15,560	2,162	13,398

note 7_capital stock

Authorized, an unlimited number without par value

First preferred shares, carrying one vote per share, ranking prior to second preferred shares, Class A subordinate shares and Class B shares with respect to the payment of dividends;

Second preferred shares, non-voting, ranking prior to Class A subordinate shares and Class B shares with respect to the payment of dividends;

Class A subordinate shares, carrying one vote per share, participating equally with Class B shares with respect to the payment of dividends and convertible into Class B shares under certain conditions in the event of certain takeover bids on Class B shares;

Class B shares, carrying ten votes per share, participating equally with Class A subordinate shares with respect to the payment of dividends, convertible at any time at the option of the holder into Class A subordinate shares.

		1999	1998
Issued and paid		\$	\$
116,943,987	Class A subordinate shares (116,048,848 in 1998)	423,616	418,624
17,386,826	Class B shares (17,386,826 in 1998)	148	148
		423,764	418,772

On June 18, 1998, the Company modified its authorized capital stock by creating Series 6 first preferred shares. Series 6 first preferred shares are convertible into Class A subordinate shares on the basis of one Class A subordinate share for each first preferred share, Series 6.

On June 29, 1998, the Company modified its authorized capital stock by converting the first preferred shares, Series 1 into Class A shares on a one-for-one basis and cancelling the unissued first preferred shares, Series 1, 2, 3, 4 and 5 from the Company's authorized share capital.

For 1999, 1998 and 1997 and after giving retroactive effect to the subdivision of the Company's shares that occurred on August 12, 1997, December 15, 1997 and May 21, 1998, the Class A subordinate shares, Class B shares and first preferred shares changed as follows:

	Class A subordinate shares		Class B shares		First preferred shares	
	Number	Amount \$	Number	Amount \$	Number	Amount \$
Balance at						
September 30, 1996	30,036,616	8,988	25,668,808	219	18,759,296	18,700
Issued for cash	1,000,000	2,250	—	—	—	—
Issued as consideration						
for business acquisitions	1,876,672	3,294	—	—	5,960,000	17,508
Options exercised	939,000	665	—	—	—	—
Conversion	10,128,792	17,840	(3,809,496)	(32)	(6,319,296)	(17,808)
Balance at						
September 30, 1997	43,981,080	33,037	21,859,312	187	18,400,000	18,400
Issued for cash	—	—	—	—	8,756,432	43,672
Issued as consideration						
for business acquisitions	1,507,856	1,800	—	—	38,260,800	317,628
Options exercised	670,194	4,048	—	—	—	—
Conversion	69,889,718	379,739	(4,472,486)	(39)	(65,417,232)	(379,700)
Balance at						
September 30, 1998	116,048,848	418,624	17,386,826	148	—	—
Options exercised	895,139	4,992	—	—	—	—
Balance at						
September 30, 1999	116,943,987	423,616	17,386,826	148	—	—

stock option plan

Under a Stock option plan for certain employees and directors of the Company and its subsidiaries, the Board of Directors may grant, at its discretion, options to purchase company stock to certain employees and directors of the Company and of its subsidiaries. The exercise price is established by the Board of Directors but may not be lower than the average closing price for Class A shares over the five business days preceding the date of the grant. Options are exercisable from the date of grant. Each option must be exercised within a ten-year period, except in the event of retirement, termination of employment or death.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 7 capital stock (cont'd)

The following table presents information concerning all stock options granted to certain employees and directors by the Company at September 30, 1999:

	1999	1998	1997
Number of options			
Outstanding, beginning of year	2,748,848	1,917,320	758,000
Granted during the year	707,990	1,513,722	2,098,320
Exercised, forfeited and expired during the year	(958,631)	(682,194)	(939,000)
Outstanding, end of year	2,498,207	2,748,848	1,917,320

At September 30, 1999, the following stock options were outstanding:

	Number of options	Price or price range	Expiration date
		\$	
	27,000	0.25	2000
	411,248	1.95 to 8.88	2002
	1,369,684	6.29 to 29.34	2003
	5,180	18.76 to 28.00	2004
	523	32.48	2008
	684,572	26.55 to 33.25	2009

note 8 income taxes

	1999	1998	1997
	\$	\$	\$
Current	57,085	26,663	1,802
Deferred	12,364	2,526	3,883
	69,449	29,189	5,685

The Company's effective income tax rate differs from the combined Canadian statutory tax rate for the following reasons:

	1999	1998	1997
	%	%	%
Combined federal and provincial statutory tax rates	41.9	41.9	46.5
Non-deductible items	5.1	6.8	4.9
Utilization of non-recognized tax benefits arising from the acquisition of a subsidiary	(1.1)	(2.6)	(7.0)
Other	(0.6)	(0.3)	(3.5)
Effective income tax rate	45.3	45.8	40.9

note 9 business acquisitions

During 1999, the Company made the following acquisitions:

On January 1, 1999, the Company acquired all the outstanding shares of 9061-9313 Quebec Inc., a corporation recently incorporated by Mouvement Desjardins and into which the assets of Technologie Desjardins Laurentienne ("TDL") were transferred. On July 1, 1999, the Company acquired substantially all of the assets related to the businesses of DRT Systems International and DRT Systems International L.P. (jointly, "DRT"). These acquisitions were accounted for using the purchase method, as follows:

	TDL	DRT	Total
	\$	\$	\$
Non-cash working capital items	1,072	23,952	25,024
Fixed assets	2,516	3,207	5,723
Costs related to outsourcing contracts	1,053	—	1,053
Goodwill	18,541	68,765	87,306
	23,182	95,924	119,106
Cash consideration	23,182	95,924	119,106

During 1998, the Company made the following acquisitions:

On October 22, 1997, the Company acquired all the outstanding shares of ISI Systems Inc., 3420035 Canada Inc. and Teleglobe Limited, which represented the Insurance Systems group of Teleglobe Inc. ("Insurance Systems"). On May 26, 1998, the Company increased its 50% interest in Solfitech Inc. ("Solfitech"), a subsidiary, from 50% to 100% following the exercise by Société financière d'Innovation Inc. ("Sofinov"), a shareholder of Solfitech, of its option to exchange its Solfitech shares for shares of the Company. Since May 26, 1998, the results of operation have been fully consolidated. On July 1, 1998, the Company acquired all the outstanding shares of 3439470 Canada Inc. ("Telecom Solutions"), a corporation incorporated by Bell Canada and into which the assets of the Bell Sygma Telecom Solutions and the Bell Sygma International operations of Bell Sygma Inc. (with the exception of certain units) were transferred. Finally, on September 1, 1998, the Company acquired all the outstanding shares of Perigon Solutions Inc. These acquisitions were accounted for using the purchase method, as follows:

	Insurance systems	Telecom solutions	Other	Total
	\$	\$	\$	\$
Non-cash working capital items	10,494	(21,120)	2,004	(8,622)
Fixed assets	12,702	17,570	1,124	31,396
Costs related to outsourcing contracts	5,000	25,000	271	30,271
Deferred income taxes	9,431	—	890	10,321
Goodwill	90,005	163,593	2,225	255,823
Assumption of long-term debt	(636)	—	(1,092)	(1,728)
Non-controlling interest	—	—	247	247
	126,996	185,043	5,669	317,708
Cash position at acquisition	23,334	29,356	(1,255)	51,435
	150,330	214,399	4,414	369,143
Consideration				
Cash	30,330	16,771	2,614	49,715
Issuance of 1,507,856 Class A subordinate shares	—	—	1,800	1,800
Issuance of 21,060,800 first preferred shares, Series 4 and 5	120,000	—	—	120,000
Issuance of 17,200,000 first preferred shares, Series 6	—	197,628	—	197,628
	150,330	214,399	4,414	369,143

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 9 business acquisitions (cont'd)

During 1997, the Company acquired all the outstanding shares of C.G.O. Consulting Group for Organizations Inc. ("CGO") and of CDSL Holdings Limited ("CDSL"). The results of CGO have been included in the Company's results since December 1, 1996 and those of CDSL Holdings Limited since April 1, 1997. Further, on June 9, 1997, the Company acquired control of Softkit Technologies Inc. when the latter proceeded with the partial buyback of its shares, increasing its participation from 37.8% to 54%. The Company subsequently increased its participation to 86.9% by converting advances into capital. These acquisitions were accounted for using the purchase method, as follows:

	CDSL	Other	Total
	\$	\$	\$
Non-cash working capital items	(3,371)	183	(3,188)
Fixed assets	10,162	169	10,331
Costs related to outsourcing contracts	8,451	—	8,451
Software and development costs	—	3,291	3,291
Deferred income taxes	3,463	(20)	3,443
Goodwill	26,999	1,114	28,113
Assumption of long-term debt	(6,314)	(76)	(6,390)
Non-controlling interest	—	(367)	(367)
	39,390	4,294	43,684
Cash position at acquisition	(2,082)	155	(1,927)
	37,308	4,449	41,757
Consideration			
Cash	16,800	2,560	19,360
Issuance of 1,876,792 Class A subordinate shares	3,000	294	3,294
Issuance of 5,960,000 first preferred shares, Series 3	17,508	—	17,508
Balance of purchase price	—	294	294
Value of investment in an entity subject to significant influence upon acquisition of control	—	1,301	1,301
	37,308	4,449	41,757

note 10 segmented information

In 1999, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 1701, Segment Disclosures, which modifies the definition of a reportable segment. Under this new section, segments correspond to the Company's internal organizational structure rather than the industry and geographic areas of operations.

Prior to significant business acquisitions made in fiscal 1998, the Company was organized essentially on a geographic basis with office locations throughout Canada and was considered to be active in one single segment. During the fourth quarter of fiscal 1998, management reorganized its activities into six strategic business units, two of which, International and Western Canada, have been combined as "Other" due to their relative size.

The Chief Operating Officer evaluates each strategic business unit based primarily on its revenue, operating earnings and net contribution, net contribution being defined as earnings before interest, income taxes and entity subject to significant influence.

Each business unit, with the exception of the corporate segment, offers end-to-end IT services including outsourcing, systems integration and consulting services to clients in industry sectors such as telecommunications, financial services and governments. The corporate segment comprises management of cash and cash equivalents and general corporate activities such as strategy and market development, coordination of large projects and capital investment decisions. Costs, which have not been allocated to the other segments, are included in this segment as they represent common costs and general head office expenses; the allocation of these costs to the other segments would not assist in the evaluation of the respective segments' contributions.

Because the Company has undergone significant changes of its internal organization in a manner that causes the composition of its reportable segments to change, those internal organization changes had a major impact on the financial reporting system of the Company and it is impracticable to present comparative figures under the new segmentation basis.

	Quebec	Ontario, Atlantic Provinces	Telecom- munications	U.S.	Other	Corporate	Intersegment elimination	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	279,399	346,044	530,952	140,617	169,503	—	(57,057)	1,409,458
Operating expenses	223,910	287,180	443,267	123,077	149,583	25,221	(57,057)	1,195,181
Operating earnings (EBITDA) before:	55,489	58,864	87,685	17,540	19,920	(25,221)	—	214,277
Depreciation and amortization	15,571	16,330	18,076	7,236	7,662	—	—	64,875
Earnings before interest, income taxes and entity subject to significant influence	39,918	42,534	69,609	10,304	12,258	(25,221)	—	149,402
Total assets	104,295	182,273	199,601	178,723	170,812	30,785	—	866,489

Geographic information	1999		1998		1997	
	Revenue	Assets ⁽¹⁾	Revenue	Assets ⁽¹⁾	Revenue	Assets ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Canada	1,143,874	369,399	614,911	315,055	221,529	74,297
U.S.	136,479	115,658	94,535	55,474	7,281	519
Other	129,105	36,598	31,517	30,606	3,106	—
Total	1,409,458	521,655	740,963	401,135	231,916	74,816

1 Includes fixed assets, costs related to outsourcing contracts and goodwill.

Revenue by service line	1999	1998	1997
	\$	\$	\$
Outsourcing	1,009,844	517,078	97,424
Systems integration	239,768	134,331	80,695
Consulting	159,846	89,554	53,797
Total	1,409,458	740,963	231,916

The telecommunications sector is comprised essentially of long-term outsourcing contracts with a shareholder and its affiliated companies. Other than that group, no single customer represents more than 5% of the Company's revenue.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 11_related party transactions

In the normal course of business, the Company is party to outsourcing contracts with certain of its shareholder's subsidiaries, namely BCE Inc. and certain of its affiliated companies, pursuant to which the Company is its preferred supplier for information systems and IT needs. Transactions and resulting balances, which were measured at exchange amounts, are presented below:

	1999	1998
	\$	\$
Revenue	526,696	140,000
Costs of services	110,009	12,213
Accounts receivable	11,961	8,000
Accounts payable	20,960	13,550
Work in progress	7,462	—
Deferred revenue	5,912	11,313
Costs related to outsourcing contracts and other items	31,200	—

Transactions and resulting balances pertaining to 1997 have not been presented as the amounts are not considered significant.

note 12_commitments and contingencies

At September 30, 1999, the Company is committed under terms of operating leases with various expiration dates, primarily for rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately \$223,423,000. Minimum lease payments due in each of the next five years are as follows:

	\$
2000	54,650
2001	45,963
2002	30,106
2003	23,333
2004	18,170

The Company concluded three long-term services agreements representing a total commitment of \$106,079,000. Minimum payments under these agreements due in each of the next five years are as follows:

	\$
2000	33,345
2001	27,365
2002	21,704
2003	18,810
2004	4,855

note 13_financial instruments

fair value

At September 30, 1999 and 1998, the estimated fair values of cash and cash equivalents, accounts receivable, work in progress, bank indebtedness and accounts payable and accrued liabilities approximate their respective carrying values.

The estimated fair values of long-term debt and obligations under capital leases is not significantly different than their respective carrying values at September 30, 1999 and 1998.

The Company does not hold or issue financial instruments for trading purposes.

credit risk

Credit risk concentration with respect to trade receivables is limited due to the Company's large client base.

note 14_reconciliation of results reported in accordance with Canadian GAAP to United States GAAP

The material differences between Canadian and United States GAAP affecting the Company's consolidated financial statements are detailed as follows:

	1999	1998	1997
	\$	\$	\$
Reconciliation of net earnings			
Net earnings – Canadian GAAP	83,816	34,828	7,765
Adjustments			
Income taxes ⁽ⁱ⁾	550	(1,649)	(1,357)
Research and development ⁽ⁱⁱ⁾	2,178	264	196
Purchased in-process R&D ⁽ⁱⁱⁱ⁾	(741)	1,220	(479)
Foreign currency translation ^(iv)	389	(1,869)	–
Other	(142)	–	–
Net earnings – United States GAAP	86,050	32,794	6,125
Variation in cumulative translation adjustment	134	2,908	–
Comprehensive earnings – United States GAAP ^(vi)	86,184	35,702	6,125
Basic EPS – United States GAAP ^(v)	0.64	0.28	0.08
Fully diluted EPS – United States GAAP ^(v)	0.64	0.28	0.08
Reconciliation of shareholders' equity			
Shareholders' equity – Canadian GAAP	563,055	474,247	72,271
Adjustments			
Income taxes ⁽ⁱ⁾	(2,456)	(3,006)	(1,357)
Research and development ⁽ⁱⁱ⁾	–	(2,178)	(2,442)
Purchased in-process R&D ⁽ⁱⁱⁱ⁾	–	741	(479)
Foreign currency translation ^(iv)	1,562	1,039	–
Other	(142)	–	–
Shareholders' equity – United States GAAP	562,019	470,843	67,993

(i) Income taxes

Under Canadian GAAP, accounting for income taxes is similar to the provisions of the United States Accounting Principles Board No.11.

Under United States GAAP, the Company would follow the provisions of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" which requires the use of the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized for the future income tax consequences attributable to deferred income tax assets and liabilities, resulting from temporary differences. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Under the liability method, the effect on deferred income tax assets and liabilities of a change in income tax rates is included in earnings in the period that includes the enactment date.

Under United States GAAP, a deferred income tax asset or liability is recognized for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a purchase business combination. Under Canadian GAAP, the carrying value of the related asset or liability is adjusted for such future tax effects.

The adjustment represents the difference between the deferral and liability methods.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended September 30, 1999, 1998 and 1997 — tabular amounts only are in thousands of Canadian dollars

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note 14_reconciliation of results reported in accordance with Canadian GAAP to United States GAAP (cont'd)

(ii) Research and development ("R&D")

For purposes of reporting under United States GAAP, the software and development costs capitalized by a subsidiary company would have been expensed. The adjustment represents the reversal of the amortization expense, net of income taxes.

(iii) Purchased in-process R&D

As a result of the acquisition of a subsidiary company, an amount was allocated to software and development costs incurred by a subsidiary company prior to its acquisition. For purposes of reporting under United States GAAP, this charge would be considered as purchased in-process R&D. Purchased in-process R&D that represents products in the development stage and not considered to have reached technological feasibility at the time of the acquisition is required to be expensed. The adjustment represents the reversal of the amortization expense, net of income taxes.

(iv) Translation of foreign currencies

Under Canadian GAAP, the financial statements of the Company's foreign subsidiaries, which are all considered integrated operations, have been translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates and non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of such subsidiaries are reflected in net earnings.

Under United States GAAP, Financial Accounting Standards Board ("FASB") Statement No. 52, "Foreign Currency Translation", requires companies to translate functional-currency financial statements into reporting currency using the current exchange rate method whereby the rates in effect on the balance sheet dates for assets and liabilities and the weighted average rate for statement of earnings elements are used. Any translation adjustments, resulting from the process of translating the financial statements of foreign subsidiaries into Canadian dollars, are excluded from the determination of net earnings and are reported as a separate component in shareholders' equity.

(v) Earnings per share

Under United States GAAP, FASB Statement No. 128, "Earnings Per Share", requires companies to replace the presentation of primary earnings per share ("EPS") with a presentation of basic EPS. This is consistent with the calculation for Canadian GAAP. The statement also requires dual presentation of basic and fully diluted EPS (which includes the effect of stock options having a dilutive impact) for all entities with complex capital structures. For 1999, 1998 and 1997, the number of shares used to calculate basic and fully diluted EPS for United States GAAP purposes was not materially different from the number of shares used to calculate basic and fully diluted EPS for Canadian GAAP purposes.

(vi) Cumulative other comprehensive income

Cumulative other comprehensive income is comprised solely of foreign currency translation adjustments which result from the process of translating the financial statements of foreign subsidiaries [see (iv)]. As at September 30 1999 and 1998, cumulative other comprehensive income amounts to \$3,042,000 and \$2,908,000, respectively.

note 15_comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 1999.

note 16_uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to ensure that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

note 17_subsequent event

On October 26, 1999, the Company acquired all of the outstanding shares of MCM Technology Inc. for a total consideration of approximately \$10,300,000 comprised of \$3,900,000 in cash and \$6,400,000 in Class A subordinate shares.

> BOARD OF DIRECTORS

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Executive Vice-President, Bombardier Inc.

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Chief Financial Officer, BCE Inc.

CLAUDE BOIVIN¹

Director of Corporations

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Vice-Chairman of the Board, President and Chief Operating Officer, CGI

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President, Alcan International Ltd.

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President and Chief Executive Officer, BCE Inc.

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Chairman and Chief Executive Officer, Teleglobe Inc.

¹ MEMBER OF THE AUDIT COMMITTEE

² MEMBER OF THE HUMAN RESOURCES COMMITTEE

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and General Manager
Europe

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Vice-President
Deployment and Support

REID KILBURN
Vice-President
and General Manager
Operations

CANADA

Head Office
1130 Sherbrooke St. West
5th Floor
Montreal, Quebec
H3A 2M8
Tel.: (514) 841-3200

EASTERN CANADA

Halifax, Nova Scotia
Tel.: (902) 423-2862

Fredericton,
New Brunswick
Tel.: (506) 458-5020

Saint John,
New Brunswick
Tel.: (506) 635-6268

QUEBEC

Quebec City
System Integration
and Consulting
Tel.: (418) 623-0101

Document Technology
Tel.: (418) 627-2227

Montreal
Systems Integration
and Consulting
Tel.: (514) 841-3210

Telecommunications
Tel.: (514) 281-6885

Technology Management
Tel.: (514) 383-1611

Document Technology
Tel.: (514) 374-7777

Management Services
Tel.: (514) 847-7950

Pay Services Centre
Tel.: (514) 356-5000

Jonquière
Tel.: (418) 548-4634

ONTARIO

Ottawa
Tel.: (613) 234-2155

Greater Toronto
Systems Integration
and Consulting
Tel.: (416) 862-0430

Telecommunications
Tel.: (416) 215-2194

Technology Management
Tel.: (905) 821-2252

Insurance Systems
and Services
Tel.: (905) 882-6300

WESTERN CANADA

Regina, Saskatchewan
Tel.: (306) 761-4000

Edmonton, Alberta
Tel.: (780) 425-1494

Calgary, Alberta
Tel.: (403) 295-5900

Vancouver,
British Columbia
Tel.: (604) 420-0108

UNITED STATES

Main Office
Andover, Massachusetts
Tel.: (978) 682-5500

Albany, New York
Tel.: (518) 434-0294

Atlanta, Georgia
Tel.: (770) 246-3000

Canton, Massachusetts
Tel.: (781) 828-8835

Chicago, Illinois
Tel.: (708) 947-9700

Cincinnati, Ohio
Tel.: (513) 794-9169

Cleveland, Ohio
Tel.: (216) 328-0945

Dallas, Texas
Tel.: (972) 661-5611

Garden Grove, California
(Project Office)
Tel.: (714) 590-3000

Houston, Texas
Tel.: (713) 868-5537

Kansas City, Kansas
Tel.: (913) 661-9669

Los Angeles, California
Tel.: (562) 421-2070

Melville, New York
Tel.: (516) 756-2520

Minneapolis, Minnesota
Tel.: (612) 542-8601

Nashville, Tennessee
Tel.: (615) 232-8200

New York, New York
Tel.: (212) 268-2727

Washington, D.C.
(Project Office)
Tel.: (202) 944-7558

INTERNATIONAL

Main Office
CANADA
Montreal
Tel.: (514) 281-6885

UNITED KINGDOM
London
Tel.: 44-0-20-7630-0271

Bristol
Tel.: 44-0-14-5445-4454

BRAZIL
Rio de Janeiro
(Project Office)
Tel.: (55-21) 588-8037

COLOMBIA
Bogota
(Project Office)
Tel.: (57-1) 636-5042

PORTUGAL
Lisbon
(Project Office)
Tel.: (351-1) 340-4560

URUGUAY
Montevideo
(Project Office)
Tel.: (59-82) 903-0980

> SHAREHOLDER INFORMATION

<p>LISTING</p> <p>The Toronto Stock Exchange, April 1992 New York Stock Exchange, October 1998</p>	<p>GIB.A GIB</p>
<p>Number of shares outstanding as at October 31, 1999</p>	<p>116,975,987 Class A subordinate shares 17,386,826 Class B shares</p>
<p>High/low of share price from October 1, 1998 to October 31, 1999 ME, TSE October 7, 1998 to October 31, 1999 NYSE (US\$)</p>	<p>39.25 / 16.05 25¹/₄ / 10¹³/₁₆</p>
<p>ANNUAL GENERAL MEETING OF SHAREHOLDERS</p> <p>Tuesday, January 25, 2000, at 11:00 a.m., The Queen Elizabeth Hotel, Grand Salon, 900 René-Lévesque Blvd. West, Montreal, Quebec.</p> <p>CGI presents a live Webcast of its Annual Meeting of Shareholders via www.cgi.ca. Complete instructions on viewing the Webcast will be available on CGI's Web site. Viewers will be provided access on a first-come, first-served basis. Voting is restricted to shareholders present at the Annual Meeting or represented by proxy.</p>	
<p>AUDITORS</p> <p>Samson Bélair/Deloitte & Touche</p>	<p>This annual report is also on the Internet at the following address: www.cgi.ca</p>
<p>TRANSFER AGENT AND REGISTRAR</p> <p>Montreal Trust</p>	<p><i>Le rapport annuel 1999 de CGI est aussi publié en français.</i></p>
<p>FINANCIAL COMMUNICATIONS</p> <p>The Barnes Organization Inc., Toronto</p>	

BUILDING LONG-TERM RELATIONSHIPS