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ABC ARBITRAGE



NOTE

OF THE CHAIRMAN

ON YOUR MARKS??!! GET SET??!!

by **DOMINIQUE CEOLIN**
Chief Executive Officer



n your marks, gEt \$Et, goEd... The least that can be said was that 2011 was indeed a sporting year, especially in Europe with the currency roller-coaster and the debt crisis!!

.....

HAVING SAID THAT, WHAT WAS REALLY LACKING FOR THE ARBITRAGE BUSINESS this past year were playing opportunities. With the exception of a few agitated weeks in the second half, the year was very calm in terms of new operations and very sluggish in terms of volume, in particular in stock markets. What probably explains the situation is that even the most sporting investors since the beginning of the crisis in 2007, have abandoned the idea of playing on a "field" smothered in fog, with no economic visibility in sight.

.....

DESPITE THESE IMPEDIMENTS, OUR 2011 PROFITS ARE ON THE PODIUM with the second-best results of our history! This is the reward for all our teams who have learned to be profitable in all conditions and who have trained themselves to be able to overcome any hurdle, a veritable feat in this modern pentathlon. We are also very grateful that our supporters/shareholders rightfully kept their faith in our capacity to win. These results demonstrate without any doubt that we are capable of producing excellent levels of performance in even the most difficult markets for our business. Given that we're on the podium, we plan to distribute medals. Thus, at our next

shareholders' meeting, we will ask the people gathered to vote on a dividend of €0.55 per share for the 2011 fiscal year, which means that once again the ABCarbitrage share is among the best in the dividend "race"!

.....

IMPOSSIBLE TO WRITE ABOUT THE YEAR WITHOUT MENTIONING MARCH 2011, the only active month in the first half, caused by the Fukushima humanitarian disaster, unprecedented in a developed country. However, the markets were less agitated by this event than by their doubts on European debt. So, does this mean that markets are "immoral"? That they are "heartless"? At the risk of repeating myself, financial markets do not exist to be "compassionate" or "moral". They are simply a platform where buyers and sellers exchange, contributing in one way or another to the development of enterprises, economies and countries within a defined framework and with a certain number of ground rules that are designed to impede "immorality" and cheating. What countries and economies do with the wealth thus generated is up to them, as this is the area of democracy and politics. It would be unthinkable to ask an athlete to lose on purpose because his or her adversary has problems! I do not intend to underestimate the importance of bringing help to Japan in these terrible circumstances, nor do I want to deny that it is important to discuss the consequences of these events in the political arena. The only thing that I have always argued for is that current and future debates on financial regulations should simply focus on making markets work as efficiently as

possible, without making inappropriate links, without excessive anger and, above all, without always looking for scapegoats!

.....

IN THIS REGARD, I AM PARTICULARLY CONCERNED WITH THE FTT (Financial Transactions Tax) which would amount to taxing operations before profits at a rate of ten times the margins of certain operators. This would truly be a rule for creating an uneven playing field. If you start the game by handing out penalties, then you can be quite sure no one will want to play! Or, if you ask a tennis player to pay a tournament fee that's ten times the amount that he stands to gain, then you may find yourself playing on an empty court. Let us be clear on this issue: we do not criticize the need to tax, but we simply want to reiterate that taxes are more efficient after profits rather than before. This form of upstream taxation would amount to building a Maginot Line that history has certainly shown is not efficient.

.....

IN ANY CASE, FISCAL STABILITY IS ONE OF THE KEYS for sustainable economic growth. It's time to stop this ping-pong game which is not suited to the entrepreneurial world.

.....

SO, WHAT DO WE HAVE IN STORE FOR 2012?? First, as I have always said, the things that are outside of the scope of ABC arbitrage should be the subject of public debate and are choices that governments, now and in the future, have to deal with. Even if we do have strong feelings about what needs to be done, this is not the place to express these views and, in any case, we have no power over these matters. However, I can clearly declare that the relative calm in our stock markets is somewhat disconnected from the reality of our European situation where we are stuck between the history of the past and the need to build the future. We need to look at things urgently without any taboos and without electoral procrastination.

.....

CONCERNING ABC ARBITRAGE, I can easily say what we plan to do in the future. The process remains unchanged: developing new "fields" for our "players" and even coming up with new "sports". In other words, we will continue to search for new strategies to achieve better results and to attain our goal as set out in the Horizon 2015 program.

JUST LIKE SPORTS TEAMS WHO BUILD NEW STADIUMS FOR THEIR FANS, ABC arbitrage builds new investment funds

to welcome more clients. Three new funds were launched in 2011, enabling us to gather €165 million in new money, surpassing our target by 65%. Above all, the performances of these funds are in line with our objectives, enabling us to increase our earnings threefold in third-party asset management in 2011. This result confirms the complementary potential of this side of our business. To continue the momentum, we plan to manage €400 million from external investors by the end of 2012, by welcoming investors to our existing funds, but also by launching new strategies that are currently being designed.

.....

THE WORLD IS A VAST AND INVENTIVE PLACE. If we use golf as an example, what was once a simple game has become a technically demanding and challenging discipline, practiced by millions of players throughout the world. In the same way, arbitrage is based on simple principles, but its progress is often dependent on the very slightest insight that allows for a new form of complex arbitrage to be created, calling on technical skills that have the potential to be very profitable. This is why I am convinced that our business model is sustainable in its capacity to produce significant yields for our clients and shareholders. We must remain humble when dealing with markets because overconfidence in our business and in any competitive endeavor can be dangerous. Nevertheless, we believe that determination and motivation can allow us to build new industrial projects, without ever losing sight of the human side of things.

.....

IT'S IMPORTANT TO REMEMBER THAT WE ARE IN AN AREA OF ROBUST COMPETITION and that things will not be easy, especially in current market conditions. The doubts concerning regulatory and fiscal policies for our industry in France do not make life easier for us! Despite these concerns, I refuse to give up fighting for the goals which we are in a position to achieve, throwing all our desire, our creativity and our experience into the fight. Every time the markets provide us with a challenge, I see our teams succeeding and winning! In those cases, I am always reassured in our potential and I remain enthusiastic about the idea of competing in new fields of action!



**ON YOUR MARKS,
READY? READ.**

» CONTENT «

DISCLAIMER

This annual report and its constituent parts have been translated from the original French versions. For the purposes of interpretation, the French originals will take precedence over the English translation.

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INTERVIEW



GLOSSARY



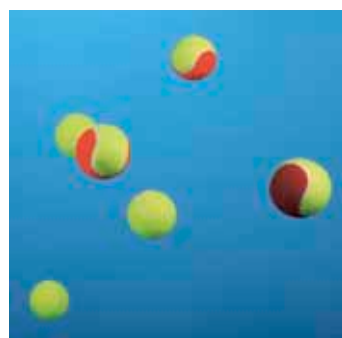
2011 HIGHLIGHTS



STRUCTURE



ORGANIZATION



INNOVATIONS



RISKS



CORPORATE GOVERNANCE



TEAMS



SOCIETAL COMMITMENTS



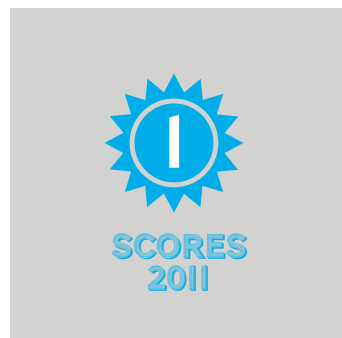
POTENTIALS



SPONSORSHIP



SHAREHOLDERS



FINANCIAL REPORT

ON THE STARTING LINE

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“We’ve demonstrated the relevance of our strategy, which is to achieve high levels of performance in all market conditions...”

AN INTERVIEW WITH DOMINIQUE CEOLIN, CO-FOUNDER AND HEAD OF THE ABC ARBITRAGE GROUP.

In this open discussion, Dominique Ceolin talks about the achievements of the ABC arbitrage, his ambitions for the group and his policies for the benefit of employees, shareholders and investors. He also shares his thoughts on the current economic crisis, as well as the role of the financial industry and its responsibilities.

MICHEL CELEMENSKI:

To begin with, since sport is the leitmotif of the 2011 Annual Report, how do you describe your role in the group? Are you mainly a team leader, a coach, a strategist or a player?

■ **DOMINIQUE CEOLIN** In fact, I see myself as partly playing all those roles. Before heading up the company, I had responsibilities in several operational departments, thus allowing me to learn the trade and move forward. Even today, I don’t see myself making decisions far removed from the reality of the everyday business. As is the case in winning sports teams, success can only be achieved if everyone contributes fully. This is true for technical or support staff and for the players in the field who are the heart of our organization.

Together, we have to define the best strategy to become winners and to take up every challenge. We have to select our people carefully, motivate our “athletes”, attract and convince our investors and build loyalty, participate actively in moving our industry forward and give our shareholders/supporters something to cheer about. The link to sports is above all the desire to create a “team spirit” which is what we are constantly driving for. It’s the essential value that underpins our success.



Dominique CEOLIN, chairman of ABC arbitrage group, convinced and committed

Photo © Gaëtan Bernard

MC

Our last interview goes back to the 2009 Annual Report where we dealt with the exceptional results of 2008, which you haven’t been able to replicate since then.

■ **DC** You’re right: 2008 was an exceptional year. This wasn’t due to indices going down since, as you know, we do not depend on market trends. Our actions are based on volatility and volume, which are the essential parameters in our business. Since 2008, we’ve had to face three less favorable years for arbitrage in stock markets, in particular with the volume of transactions and M&A issues reaching historic lows in 2011. Despite this negative environment, we have managed to get on the podium, so to speak, every year in terms of the group’s performance, maintaining a track record of uninterrupted positive results for the 17th year in a row.

But, let’s come back to the meaning of current indicators. I would say, without any hesitation that we’ve demonstrated the relevance of our strategy, which is to achieve high levels of performance in all market conditions, with practically no exceptions. The key is that we’ve freed ourselves from depending solely on stock markets and this is true whether we look at their upward or downward trends or if we look at volume and volatility. To achieve this, we have continued to implement our innovation policies and we have strengthened our capacities to work with new products, in particular with futures and foreign exchange derivatives. In 2011, 40% of our Net Revenues were generated by recent strategies, i.e. working methods which have been in full production for less than three years. We have widened our territorial coverage, operating today in 70 listed markets. On top of that, the group’s monthly volumes in terms of the number of operations have continued to increase.

In other words, we are now capable of efficiently exploiting a great diversity of opportunities in a wide range of sectors and in several asset classes. And we still have a lot of potential to expand. Therefore, not only did we achieve good results in 2011 in unfavorable market conditions, but we also strengthened ourselves so that we are in a better position to fully and immediately take advantage of markets as soon as they become more favorable for our business.

“In other words, we are now capable of efficiently exploiting a great diversity of opportunities in a wide range of sectors.”

MC

Product diversification and geographical expansion are clearly two very visible areas of the group’s development process. What about less apparent improvements in work methods and technology?

■ **DC** It’s true that in our business the main challenge is to consistently improve the quality of our interventions in all markets. I like to compare this work to the progress and innovations we’ve seen these last few years in smart phones. First, you have hardware improvements, with technology enabling higher levels of performance. This progress is achieved through investments in new equipment, but also in better engineering and organization to access markets throughout the world. Our IT base is constantly evolving and we invest large amounts of money to make sure we’re always moving forward in our capability to process data. This is essential for our business where we need to be increasingly agile and efficient in exploiting narrower margins. This firepower and robustness are also advantages when markets provide us with high-potential strategic opportunities.

Second, as is the case in all technology-driven industries, our progress depends on developing new “apps”, i.e. software improvement. In our case, this means developing our in-house computer programs to improve our decision-making tools, our control capabilities

and, above all, our ability to adapt our intervention models so that we can work in an ever-increasing number of areas. For the moment, we possess about thirty arbitrage strategies based on mathematical systems with varying degrees of complexity. These models are decision-making tools and risk models which we have tested and submitted to stress tests for various products in different scenarios. The more these applications are used, the more efficient and reliable they become, enabling us to launch new initiatives with low incremental costs.

MC

You also moved forward significantly in another area in 2011, developing your third-party asset management (AM) business, with the launch of three new investment funds and increased investor contributions.

■ **DC** Our AM business grew significantly in 2011, performing above forecast. ABC arbitrage Asset Management, the group's AM company, collected €165 million over the year, well above its €100 million goal. As of 1st March 2012, the company had just over €400 million in assets under management, compared to €80 million a year earlier. €259 million were provided by outside parties and revenues generated by clients rose significantly, with €3.6 million of management and performance fees billed to external investors in 2011, a threefold increase on 2010. The profitability target for this activity, the ratio between revenues and third-party assets, was globally respected in 2011. The funds continued to attract new money since the beginning of 2012.

However, AM is not designed to become our only growth area. It's definitely a significant add-on to our income, which I hope will continue to grow. Nevertheless, our core business, which is the management of our own assets, is designed to protect us from outside trends, such as the increase or decrease of fundraising, such as those that certain asset managers unfortunately had to deal with in 2008. The opening of new funds to third-party clients does not fundamentally change our business model, which is not dependent on collecting massive amounts, as is the

case for directional fund managers. In fact, for our arbitrage business, €400 million is already a significant amount, equivalent to several billion

"...finance is a business, an industry like all any other; it is a necessary component of the economy and useful for society at large."

euros in traditional assets management industry. To put it in a nutshell, our development continues to be based mainly on high-level performance, which remains as independent as possible from general market trends.

MC

How do investors and fund managers rate you?

■ **DC** Opening up to a wide range of investors is a good way of testing our efficiency, because they provide an outside viewpoint and carry out due diligence studies of the way we work. In their thorough examination of our company, new clients have all confirmed that our methods are sound and based on high quality standards, that our tools are reliable and that our risk management systems are robust. This interaction is a great way to test our organization and confirm our management methods since we are not only compared to other alternative fund managers, but also to players in the entire financial services industry.

"...new clients have all confirmed that our methods are sound and based on high quality standards, that our tools are reliable and that our risk management systems are robust."

MC

You can certainly be proud of your performance in 2011. However, your results are below your targets for the Horizon 2015 program.

■ **DC** It's true, but let's put things in perspective. First of all, as I've always stated, Horizon 2015 is a very ambitious program which seeks to generate €250 million in net profits in five years (from 2010 to 2014 included).

This is two and a half times more than the results of the previous program, Horizon 2010, which itself multiplied preceding profits by three! At this

point, for 2010 and 2011, we have accumulated €63.3 million in profits and we are indeed a few million euros below target. While it's only logical to recognize that, if the markets remain tight, it will be difficult to achieve the final goal, I still believe that our tools and our skills make it possible to attain our target. Once again, the markets haven't made things easy for almost three years now and yet we continue to generate growing profits with a return on equity (ROE) of nearly 25%. We know we're in a position to really benefit from any rise in trade volume or any increase in M&A issues, and without ever having to worry about stock prices going up or down. If we make a comparison to sailing, we're capable today of moving ahead more quickly with less wind than we were in the past, but if we find ourselves in an environment comparable to 2008, we'll be in a position to go well beyond our performance levels of that record year.

To conclude, and this is essential for Horizon 2015, our goal has been set to motivate our teams and spur people on to perform in all situations.

MC

Let's talk about your compensation and benefits policy, largely based on variable income and asset-linked bonuses and which are ways of paying people that aren't very popular these days in the public eye.

■ **DC** I think you're quite right when you talk about the public eye. The media have made a lot of shortcuts in the recent past and public opinion has been conditioned to be wary of these practices, even if these concerns are legitimate. To begin with, it has to be said that the financial industry has not demonstrated its ability to regulate itself or to reform itself on a voluntary basis. It's also not been capable of presenting itself in a favorable light,

especially at a time when a lot of people are struggling or suffering economically. This situation has influenced public authorities to implement measures that are clearly "politically correct", but that are economically counter-productive or at the very least limited in their efficiency. A series of cases, which have been given massive media coverage, has stirred up a lot of anger and the financial industry has become the scapegoat of the current economic crisis. Politicians have had to make drastic decisions to respond to this anger which, once again, has often been quite legitimate. But, when it comes to justice, the right decisions are made calmly and rationally. In this environment, the press and opinion leaders have naturally looked at salaries and benefits, especially when these appeared excessive. Very few people have examined how financial rewards function as a means to motivate employees and shareholders and how they are in fact an integral part of a democratic society! In this regard, we have tried for twelve years to build a compensation and benefits model on a totally different basis. The first and most fundamental point is that our compensation system for employees and shareholders has always been based on real performance. We are diametrically at odds with a "golden parachute" system or with a bonus scheme that is completely detached from reality or granting stock options exclusively to executive management.

Secondly, we reward sustainable and sustained performance over a period of several years and that is why in our Horizon 2010 and 2015 programs, we focus on asset benefits based on performance, so that people are committed to the company's continued growth and equity value.

Almost all of the added value produced by these programs is earmarked for distribution to ABC arbitrage shareholders, according to our "golden rule": one-third at most to staff and at least two-thirds to shareholders.

Thirdly, and this point is often overlooked, a well-designed variable and equity-based compensation and benefits policy which covers short, medium and long-term motivation patterns, is a very powerful management tool. To begin with, it reduces risk and avoids individual deviations as we've seen in some cases

covered by the media. But this sort of policy also allows the company to adjust its salary mass as a function of its profits, which provides it with greater flexibility since everyone shares in the company's results. The ultimate goal of a performance-based remuneration policy is to create a convergence of interest between the company's employees and shareholders.

"...to share essential values that inspire us: passion for our undertakings, a continuous search to innovate and improve our way of working and pleasure in everything we do."

MC
Let's come back to your views on regulatory measures and the reform of the financial industry.

■ **DC** This debate has taken on unbelievable proportions, but admittedly the financial industry is largely to blame for the way things have gone. However, there is a fundamental point that is often forgotten in the current ambience, which is that finance is a business, an industry like all any other; it is a necessary component of the economy and useful for society at large. The role of finance is to provide funds and liquidity to the economy. Also, the financial sector generates profits, pays taxes and contributes to the funding of social security; it also creates jobs and wealth. But like any other industry, it also produces some "pollution". Generating wealth does not justify everything and isn't an excuse for unacceptable behavior. As is the case for all industries, the positive contribution of this relatively young business should be defined in a series of regulations, but these should be decided on calmly and not in the heat of a crisis. Anger is not the best guideline when one wants to implement something rationally.

It's also very easy to take finance offshore, as is the case for most industries and so there is no point in erecting Maginot lines, i.e. purely national tax schemes that may be politically popular, but economically suicidal.

Concerning fiscal policies, reforms should be made according to a simple principle: post-profit taxes, as opposed to pre-profit taxes. In post-profit contributions, ABC arbitrage pays corporate income tax like all companies, a salary tax that is mainly levied on the financial industry

in France and a license fee (formerly known as the professional tax in France). This latter levy will increase our tax contribution tenfold in the years to come! On the contrary, pre-profit taxes, such as the FTT (Financial Transaction Tax) would reduce volumes, lowering our profits and therefore our tax contributions. In the same way, high-frequency trading taxes would

slow down the flow of securities and would prevent arbitrageurs from playing their role as agents of consistency, liquidity providers and as a gathering force for issuers, which moderates volatility and defends the interests of minority shareholders.

Let me finish on this point by coming back to asset-based products and stock options which have been decried as having a negative societal function and which have been subjected to an endless flow of regulatory and fiscal changes over the last ten years. This has been a fundamental error of judgment! The only way to distribute this kind of benefit is for a company to make profits and therefore pay taxes and social security contributions. Thus, over the course of the Horizon 2010 program, our employees have paid several million euros in taxes and social charges!! If all of these things do not prove that we contribute fully to the society we live in, then we must have very different ideas on the meaning of the words "participate" and "contribute"!!

"Concerning fiscal policies, reforms should be made according to a simple principle: post-profit taxes, as opposed to pre-profit taxes."

MC
Beyond these fiscal considerations, what is your position on the need for more efficient control of financial transactions and on the separation of power in the financial industry?

■ **DC** On this point, ABC arbitrage has always supported the separation of retail and investment banking to facilitate auditing and avoid systemic risks.

As early as 2002, we were advising banks to do this voluntarily. The principle, once again, is very simple: banks should outsource at least part of their investment funds to third-party managers, thus avoiding the risk of putting all of their investments on their balance sheet. This proposal would not necessarily eliminate the possibility of a "Kerviel-type" affair in an outside firm, but it would certainly limit the impact to the amounts that were outsourced. It would also eliminate the confusion of what banks and other financial institutions are chartered to do. In particular, it would simply mean that those who make major mistakes "pay the price" by being sanctioned or by going out of business. This is an essential point if we want the current economic system to continue to work. "Proper capitalism" needs the fundamental principle of a moral hazard. This would mean, for example, that financial institutions should not be allowed to accumulate assets and strategic holdings to a degree that their disappearance becomes unthinkable. It's this "economic immunity" that has probably been the greatest source of people's rejection of the system. Nobody likes to play in a game of heads I win, tails you pay!!

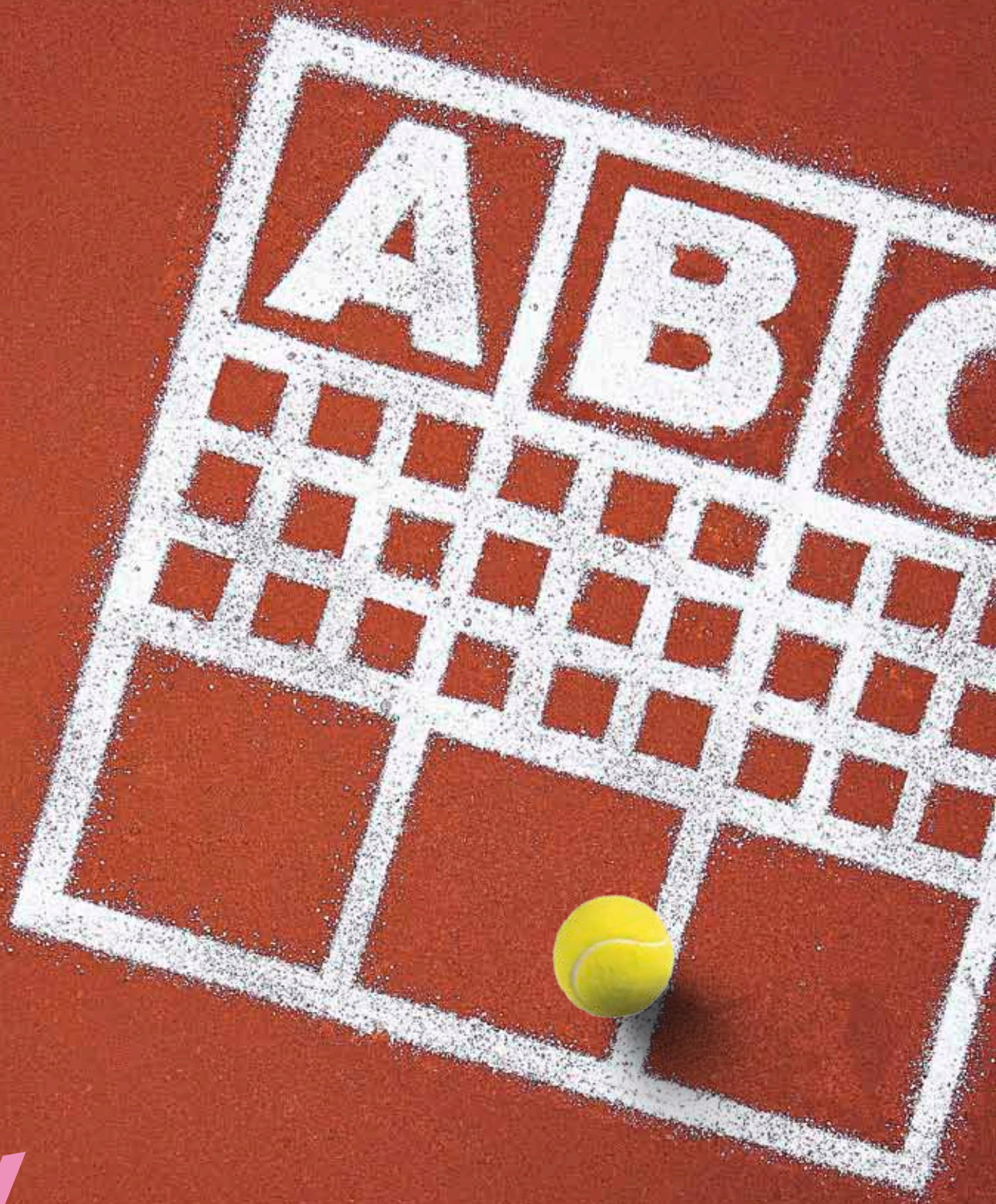
In the case of a financial firm such as ABC arbitrage, the stakes are very different from a retail risk since our function and our level of risk are perfectly understood by our shareholders and clients. We should and can assume our positions because we do not ask others to carry the burden of a systemic risk. On top of that, even though we do not work with OTC products, we have always maintained that these should be subjected to rational assessment criteria as is the case for listed and properly compensated products on regulated markets. This would surely have avoided the subprime crisis taking on such proportions. To conclude, we also think that too much regulation is counter-productive.

Look at the US today where you have a veritable jungle of regulatory bodies which have been set up since the crisis began and which have added complexity to the financial industry without making things more transparent. We are in favor of simple rules where, for example, a sudden drop or surge in stock prices would automatically be met by a suspension of quotations, thus avoiding incidents like the "flash crash" in 2010. These measures would be based on common

sense, something that has been in place in France for some time now and would avoid incidents such as a "flash crash". Measures are now being implemented in the US. These barriers are useful in that they put a stop to potential perverse effects caused by automated market decisions, while maintaining the benefits of consistent decisions to provide liquidity to the market.

MC
To end on a more relaxed note, let's talk about ABC arbitrage's support of the Paprec-Virbac sailing team.

■ **DC** Our relationship with Paprec-Virbac goes back to 2007. We were really thrilled to see the team's achievements in 2011 which were a just reward for the hard work they've put in over the years. Jean-Pierre Dick is both the skipper and the boss of this thriving small company, which he has built up with his manager Luc Talbourdet. Jean-Pierre was elected Sailor of the Year by his peers after his second consecutive win in the Barcelona World Race and a third victory in the Transat Jacques Vabre. Thomas Normand, his young protégé, came second in the Mini Transat 6.5 in his first solo crossing of the Atlantic and he was first in the overall ranking in his class in 2011. These men are truly Olympic-style competitors and are the types of adventurers that have become very rare in sports today. What a fantastic success story in so little time!! It's really a great pleasure to support these teams and to share essential values that inspire us: passion for our undertakings, a continuous search to innovate and improve our way of working and pleasure in everything we do. In competitive sailing and in the arbitrage business, you cannot take anything for granted and you can never be sure that you're ahead of the game. You constantly have to push yourself to the limits, challenge yourself to go further and you have to maintain a winning spirit to take up new challenges to move forward. Both our teams and companies will be going for new heights in 2012. We will be looking to achieve an even more profitable year and they will be going for a win in the Vendée Globe in the case of Jean-Pierre and a solo win in the Figaro for Thomas. We've look forward to seeing them at the finish line!



**ANY
FIELD.**
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TIE-BREAK!

CO

DROP

FLIP

NOT MAKING IT OV

DOING A FULL SPLIT

WIN BY A WHI

Capable of being an all-rounder

YELLOW CARD

LUTZ

DOUBLE AXEL!!!!

• GLOSSARY • GLOSSARY • GLOSSARY • GLOSSARY • GLOSSARY

PLAYING WITH WORDS

ADVANTAGE, TRY, OFFSIDE, FREE KICK, YELLOW CARD, ON THE SIDELINES, ETC.
THERE ARE SO MANY WORDS AND EXPRESSIONS USED BY SPORTS COMMENTATORS
THAT WE USE EVERY DAY.

OFFSIDE

HANDING OFF THE BATON

NVERSION

TACKLE

On the sidelines

**FREE
WHEEL
ING**

ER A HURDLE

SKER

Bearing down

The main thing is to participate

SMASH

**FINAL
SPRINT**

ADVANTAGE

A PROMISING GAME

HALFBACK

AN ACROBATIC JUMP

**KICKING OUT
OF BOUNDS**

PLAYING EXTRA TIME

OPENING FACEOFF

FAIR PLAY

ONE WONDERS HOW MANY PEOPLE ACTUALLY KNOW WHERE THESE TERMS COME FROM AND WHAT THEY MEAN.

EVERY SPORT AND EVERY BUSINESS HAS ITS OWN PRECISE RULES, APPLIES SPECIFIC TECHNIQUES AND HAS ITS OWN VOCABULARY. TO REALLY APPRECIATE A SPORT OR UNDERSTAND HOW THE ARBITRAGE BUSINESS IS CHANGING, IT'S IMPORTANT TO UNDERSTAND THE FUNDAMENTALS AND THE KEY TERMS IN EACH DISCIPLINE.

IN THIS SECTION, WE PROPOSE SOME KEY CONCEPTS AND WORDS WHICH WILL ALLOW YOU TO UNDERSTAND THE FUNDAMENTALS OF THE BUSINESS AND TO APPRECIATE SOME OF THE MAIN CHALLENGES AND PERFORMANCE CRITERIA THAT ACT AS BENCHMARKS FOR THE ABC ARBITRAGE GROUP.

HERE ARE A FEW WINNING WORDS TO UNDERSTAND THE ARBITRAGE GAME.

1/ HOW CAN WE DEFINE THE ARBITRAGE BUSINESS?

Arbitrage is a combination of several operations generating earnings without risk by simply benefiting from imperfections between different financial markets. Arbitrage ensures equal prices at any given moment in time. It ensures fluidity between different markets and contributes by supplying liquidity.

It is a basic operation which guarantees market efficiency.
(Source: Vernimmen)

2/ WHAT IS THE WORKING PRINCIPLE OF ARBITRAGE?

It is a quantitative investment technique designed to take advantage of price discrepancies between financial instruments (such as two comparable financial assets) or markets. Financial markets offer a wealth of opportunity for this. For example, companies with large market capitalizations may be listed in a number of countries and on several different markets. They often issue large quantities of derivative instruments such as warrants and convertible bonds.

Pricing discrepancies between these various market listings and their hedging instruments generate arbitrage opportunities.

3/ WHAT IS THE FUNDAMENTAL TECHNIQUE USED IN ARBITRAGE?

Based on common sense, arbitrage uses only mathematically measurable data taken directly from market activity and leaves no room for speculation.

It is simply a matter of exploiting inefficiencies in the financial markets through the application of scientifically-grounded analytical methods.

4/ IS THERE A SPECIFIC APPROACH THAT DIFFERENTIATES THE ABC ARBITRAGE METHOD?

ABC arbitrage applies a strict definition of arbitrage and is only involved in transactions where the price convergence process follows a specific set of rules. The group never speculates on any potential event, nor does it ever try to predict whether a financial asset will go up or down. These transactions are designed to produce results that are independent of movements in the markets, exchange rates or interest rates.

ABC arbitrage carries out a wide series of operations designed to draw the benefits of unjustified price differences between convergent financial instruments. The group considers these differences to be effectively "unjustified" solely on the basis of objectively measurable mathematical or statistical processes. "Objectively measurable" means that the results are identical over time and are not influenced by the operator involved in the measurement.

5/ COULD THIS TECHNICAL EXPERTISE BE USED TO SPECULATE ON THE MARKETS?

This rational approach leaves no room for rumors or speculation. Unlike speculators, who react to all kinds of short-term information, arbitrageurs trade on a rational basis using a very specific model. They never try to predict which way the market will go and always reason in terms of relative value. They buy one product and sell another simultaneously, spreading their risk over a large number of trades. Through their action, arbitrageurs in fact contribute to reducing market volatility because they do not practice "naked short selling", which means that they do not sell assets in advance and therefore never speculate. Since each sale is backed by the purchase of a correlated product, they supply essential liquidity to the markets.

6/ ARE THERE DIFFERENT ARBITRAGE TYPES OR FAMILIES?

There are essentially two major types of arbitrage strategies, mainly involving equities and equity derivatives: arbitrage without market risks and arbitrage with market risks.

- Arbitrage without market risks involves transactions without any directional or event risk. These operations are fully hedged and subject to a strict convergence protocol within a predefined timeframe. Exposure is limited to operational risk such as hedging errors, calculation errors or custodian default. A classic example is exchange arbitrage, which exploits pricing discrepancies in a financial instrument traded on several different exchanges, although the margins earned on this business are almost non-existent.
- Arbitrage with market risks, unlike arbitrage without market risk, involves certain convergence risks. A typical example is "risk arbitrage", which involves buying the stock of a company subject to a takeover bid or swap offer and selling the stock of the acquiring company. However, a number of conditions for suspending the process could cause the deal to fail, for example the requirement for the acquiring company to obtain a minimum percentage of the target for the offer to go ahead. For these strategies, risks are systematically identified and hedged.

7/ DOES ABC ARBITRAGE PREFER ANY PARTICULAR ARBITRAGE TYPE OR FAMILY?

The balance between the two arbitrage types or between geographic areas depends mainly on opportunities identified in the market, bearing in mind that the priority is to develop, as much as possible, arbitrage strategies without market risks which in principle are not limited in terms of volume.

The group's growth is based on taking advantage of the full range of market opportunities. To do so, it deploys the necessary resources to produce sustainable profitability, through the conception of new arbitrage classes. This determination to be a multi-strategy player, focusing on systematic and global development opportunities, has been a cornerstone of the group's approach from the outset and has allowed ABC arbitrage to benefit from most variations in market conditions.

PART 1 GLOSSARY

AVERAGE NUMBER OF ARBITRAGE TRANSACTIONS



AVERAGE NUMBER OF POSITIONS (VALUE)



GEOGRAPHIC AREAS IN AVERAGE NUMBER OF TRANSACTIONS



GEOGRAPHIC AREAS IN AVERAGE NUMBER OF POSITIONS (VALUE)



ABC arbitrage continued its pooling policy in 2011, with an average of over 1,340 operations on a permanent basis in its portfolio in nearly 70 marketplaces in the world. This diversification allowed the group to work on a great number of opportunities.

The mix of arbitrage families is still dominated by arbitrage activities without market risks which represent 89% of operations. Arbitrages with market risks continued to suffer in 2011 because of a low level of operations and limited equity issues, compensated in part by the launch of new strategies.

8/ WHAT IS ARBITRAGE SENSITIVE TO?

Some types of arbitrage may be sensitive to changes in the stock market environment. This is particularly true for risk arbitrage, which is influenced by the number and size of takeover deals in the market, and applies as well to volatility-driven arbitrage, which depends on the type and volume of instruments issued and the extent of market "turbulence". The group has therefore chosen not to restrict its activity to any product type or specific geographical area.

The group does not try to forecast market trends, but simply develops a range of complementary strategies, applicable to changing conditions.

	ARBITRAGES WITH MARKET RISKS	ARBITRAGES WITHOUT MARKET RISKS	ABC ARBITRAGE
VOLATILITY	++	++	++
INTEREST RATE ↘	++	-	+
INTEREST RATE ↗	-	+	=
CAC ↘	=	=	=
CAC ↗	+	+	+
CAC ↘ ↗	+	-	=
CORPORATE ACTIONS ↗	+	+	+
HIGH VOLUMES	++	++	++
LOW VOLUMES	-	-	-
EURO	=	=	=
CORPORATE CREDITS SPREAD	-	+	=
CREDIT CRUNCH	-	-	-
RATIONAL REGULATION	+	+	+

9/ HOW CAN ARBITRAGE PROGRESS?

The objective of the group is not to try and forecast markets changes, but to work on a range of complementary strategies which can provide operating potential in all market conditions.

Given that the environment is constantly changing and given the group's determination to benefit from any given scenario, ABC arbitrage continues to search methodically for new technical and geographical opportunities to enhance its performance and profitability. The increase in the number of operations and the development of new arbitrage formulas allow the group to compensate for the natural decrease in margins, but allow it to diversify its business to lower risk and increase revenues, as part of an overall industrialization strategy.

Furthermore, benefiting from constant investment in its production tools, ABC arbitrage is an agile and responsive group capable of exploiting increasingly tight margins in all environments and market conditions, with well-controlled direct production costs.

CONTRIBUTION OF NEW PRODUCTS TO CURRENT OPERATING INCOME IN 2011



10/ HOW CAN CHANGES IN STOCK MARKET REGULATIONS AFFECT THE GROUP'S BUSINESS?

ABC arbitrage studies these rules diligently, looking at things such as the convergence mechanisms of derivatives or at the takeover prospectuses of merger and acquisition operations to check and control the principles as they are published and to point out any anomalies objectively.

Technically, ABC arbitrage transforms contracts and regulations into equations. Its market regulations expertise is a key part of the group's know-how and an integral part of all arbitrage operations.

The ABC arbitrage group has also organized task forces and work groups to prepare the company in case of new regulatory measures which might apply the same logic as the banning of short selling, thus limiting the impact on its business (Financial Transactions Tax, regulation of high-frequency trading, etc.).

11/ DOES THE APPROACH OF THE ABC ARBITRAGE GROUP FAVOR ISSUERS OR SHAREHOLDERS?

The activities of the group contribute to the interests of both. By encouraging issuing companies to be clear, precise and respectful of their commitments, we contribute to healthier governance and better management. And then, through its precise interventions, the group ultimately defends the interests of all shareholders and in particular smaller investors, by providing the needed liquidity to the purchasing and sales process.

The arbitrageur's functions:

The arbitrageur, a useful market player!

CONTRIBUTES TO MARKET LIQUIDITY

PARTNERS WITH ISSUERS

ACTS AS A CATALYST FOR INCREASED TRANSPARENCY

DEFENDS MINORITY SHAREHOLDERS

HELPS TO LIMIT MARKET VOLATILITY

12/ WITH SO MANY CHANGES GOING ON CONSTANTLY, HOW CAN COMPANIES LIKE ABC ARBITRAGE REMAIN CONSISTENT IN THEIR APPROACH?

From the outset, the company has had a shared philosophy, which has contributed to its continued success: always remaining open and curious in order to develop new formulas that increase efficiency and develops its expertise. Since 1995, the group's basic values have remained the same: method, precision, simplicity and determination. Management values have been added to these principles, serving as guidelines for everyone's daily activities: independence, solidarity, being demanding, concentration, active listening and ambition.

Supporters are essential to spur on a team and inspire it to meet its greatest challenges. From one season to the next, they share the players' passions and follow their every step as they prepare for their matches, encouraging them to perform and celebrating their achievements and victories.

In 2011, ABC arbitrage fans had a lot to cheer about and supported their favorites in a very demanding year, where the group entered new areas of competition in often unfavorable conditions. In return the ABC arbitrage team offered its supporters their 17th consecutive winning season and the 2nd best performance of its history.

All in yellow and black for ABC arbitrage!



Go ABC go!

PART 2 2011 HIGHLIGHTS



In the starting blocks!

Unfavorable conditions at the beginning of the season

2011 didn't really offer the ABC arbitrage group the best possible conditions to do well in their business. The first half of 2011 was shaped by hesitation on the part of both investors and issuers due to concerns about the European sovereign debt situation. This led to weak trading volumes and low volatility, except in March following the disaster in Japan. The much-heralded recovery in M&A activity struggled to materialize except for a brief burst lasting just a few weeks in the spring. Issuer activity in the capital markets remained at a record low.

The second half of the year was badly affected by the European sovereign debt crisis. The primary markets were sluggish and although volatility rose in the financial markets, trading volumes were very weak, especially towards the year end. The M&A market was also very quiet, both in deal numbers and size.

Focusing on fundamentals

Faced with unfavorable conditions, the group focused on fundamentals and upstream preparation to identify and exploit all opportunities. It thus asserted its approach: of constantly being in a position to benefit from market fluctuations, without being dependent on their dynamics, freed from upward or downward trends or other variations, such as a decrease in volume or volatility. To achieve this, ABC arbitrage pursued its investments to improve its production tool and reinforce its competencies (six engineers were hired over the course of the year in decision-making assistance functions). The group also continued its innovation program and further industrialized its operating processes.

Offensive and defensive efficiency

This preparation enabled ABC arbitrage to be efficient "offensively", taking advantage of high-potential market opportunities when they occurred, as they did in March, May and August 2011, during which the group generated 33% of its Net Revenues. Alternatively, the group was also efficient "defensively" when markets were less favorable, exploiting tighter margins with well-controlled direct production costs.

You have to be ready to play out any scenario, never backing down even when the task is difficult, thus never being at the mercy of a lucky break and never being beaten in advance. —

Thus, overall in 2011, with stock markets generating historically low volumes, the group managed to maintain its targeted production volumes, with a daily average of 1,340 arbitrages.

Widening the field

To further counter unfavorable market conditions, the group increased its diversification of revenue sources. Geographically, ABC arbitrage was active in over seventy listed markets in 2011. The contribution of these new strategies to the group net revenues (less than three years of full production) represented 40% (compared to 29% in 2010), i.e. + 30% over the year. This increase in activity was also achieved through a widening of strategies on futures and, to a lesser extent, on currencies. Thus, the group was able to take on the difficult challenges of 2011, by mobilizing all its resources and strengths.



Adele - 15 years old
Emotional, attentive, full of hope



Odile - Eternally young
Pensive, focused, always positive

Recruiting new players

While doing its utmost to generate returns on its equity, the group continued to expand its activity, by attracting new investors through the launch of three new alternative investment funds: ABCA Continuum Fund, ABCA FX Fund and ABCA Multi Fund. At present, the group manages a diversified catalogue of alternative products, complementing its existing offer. ABC arbitrage Asset Management (the group's management company) attracted €165 million in new money in 2011, beating initial targets of €100 million. The company now manages nearly €400 million (as of 31st March 2012) of third-party assets. Revenue generated by the asset management business rose significantly, with €3.6 million of management and performance fees billed to external investors, a threefold increase on 2010 (€1.2 million). Revenue assumptions were confirmed, i.e. generating €1 million in additional revenue (fees) for €25 million invested (over a full year).

Winning across the board

New money inflows continued to rise, to more than a net €45 million during the first quarter of 2012. Furthermore, sourcing was diversified. In 2011, North American investors entered the field, alongside existing European investors. On 1st March 2012, North American funds represented 45% of third-party assets while Europeans represented 55% of investments (compared to 100% in 2010).

Another indicator of the group's attractiveness was the diversification of investor types. In 2010, clients were mainly Family Offices (75%), while today clients include Endowments & Foundations (35%) and Funds of Funds (28%), with Family Offices currently representing 23% of investments, Banks and Insurance companies accounting for 10% and Pension funds contributing 4%.

New supporters

Opening up to a wider range of investors is clearly a strategic advantage in economic terms, but it is also proof that the group is appreciated for the quality of its management practices, since new investors carefully scrutinize and analyze the way ABC arbitrage does business. In their studies of the group and their due diligence processes, new clients carefully look at in-house processes, risk management and competencies.

the jumping hurdles...

If things had been easy from the start, and if victory was a foregone conclusion, there would have been no challenges and less pleasure in overcoming obstacles. _____

Without exception, they have confirmed the group's maturity and the high levels of performance of its teams. They have also been reassured by the fact that the group continues to give the seed capital in all its new funds and is present as an active partner in all its initiatives.

To further demonstrate the group's quality ratings, ABCA Reversion Fund was nominated at the 2011 Eurohedge Awards in the Best Equity Market Neutral & Quant Strategies category and ABCA Opportunities Fund was shortlisted in the Best Smaller & Emerging Manager Funds category.



Frank - 40 years old
Loyal, passionate, a true believer



Edward - 24 years old

Determined, single-minded, the DNA of a winner

The Three Muses
Enthusiasm, joy, pleasure!



to the finish line.

The best vision of the future is to remember that success is always on the horizon and that, whatever the challenge, it's essential to remain motivated and push one's self beyond the limits. —

Rising to the challenge

The competitive spirit of the ABC arbitrage teams was the key in generating solid profits in 2011, with net group income reaching €34.3 million, an increase of 18% on 2010. This result is the second best annual performance in the group's history and its 17th consecutive profitable year since its foundation. Net revenues rose by 24% to €75.2 million giving a 24.6% return on equity (ROE).

While the main indexes for alternative investment management went into the red in 2011 (-3% for the benchmark DJCS Hedge Fund Index), group investment funds delivered annual return from 3.38% to 21.58%.

To reward its loyal shareholder supporters, and on the basis of a rate of distribution of 83%, dividend is maintained at €0.55 per share, i.e. a 2011 yield of 8.93% based on the ABC arbitrage stock price on December 31, 2011.

Media exposure

For the third year in a row, the ABC arbitrage group was granted a prestigious award for its daring and creative financial communications policy. In line with its desire to innovate and surprise, ABC arbitrage produced a very original "cook book" for its 2010 Annual Report.

"Goûtez-moi", was won the *Grand Prix Stratégies du Design* in 2011 in the corporate communication category, awarded by France's leading communications trade magazine. A totally new Website went live on 30th September 2011, with the goal of providing more accessible and interactive information to the company's partners, shareholders and future recruits. Finally, with its magic slate new year's card, ABC arbitrage won the *Communication & Entreprise* (the leading French communications trade organization) greeting card award for its daring and unusual creation.

Winning sponsors

There were several other shared wins in 2011, with the two skippers backed by the ABC arbitrage group performing brilliantly: Jean-Pierre Dick was elected Sailor of the Year 2011 by his peers, he won the Barcelona World Race (with Loïck Peyron) for the second time in a row and the Transat Jacques Vabre 2011 for the third time (with Jérémie Beyou). Thomas Normand, his protégé, finished second in the Mini Transat 6.5 (the first transatlantic solo race of his career) and was overall leader in the Mini 2011 standings. More than ever, the ABC arbitrage group is proud to share its sporting values with these two great skippers.

Targeting the future

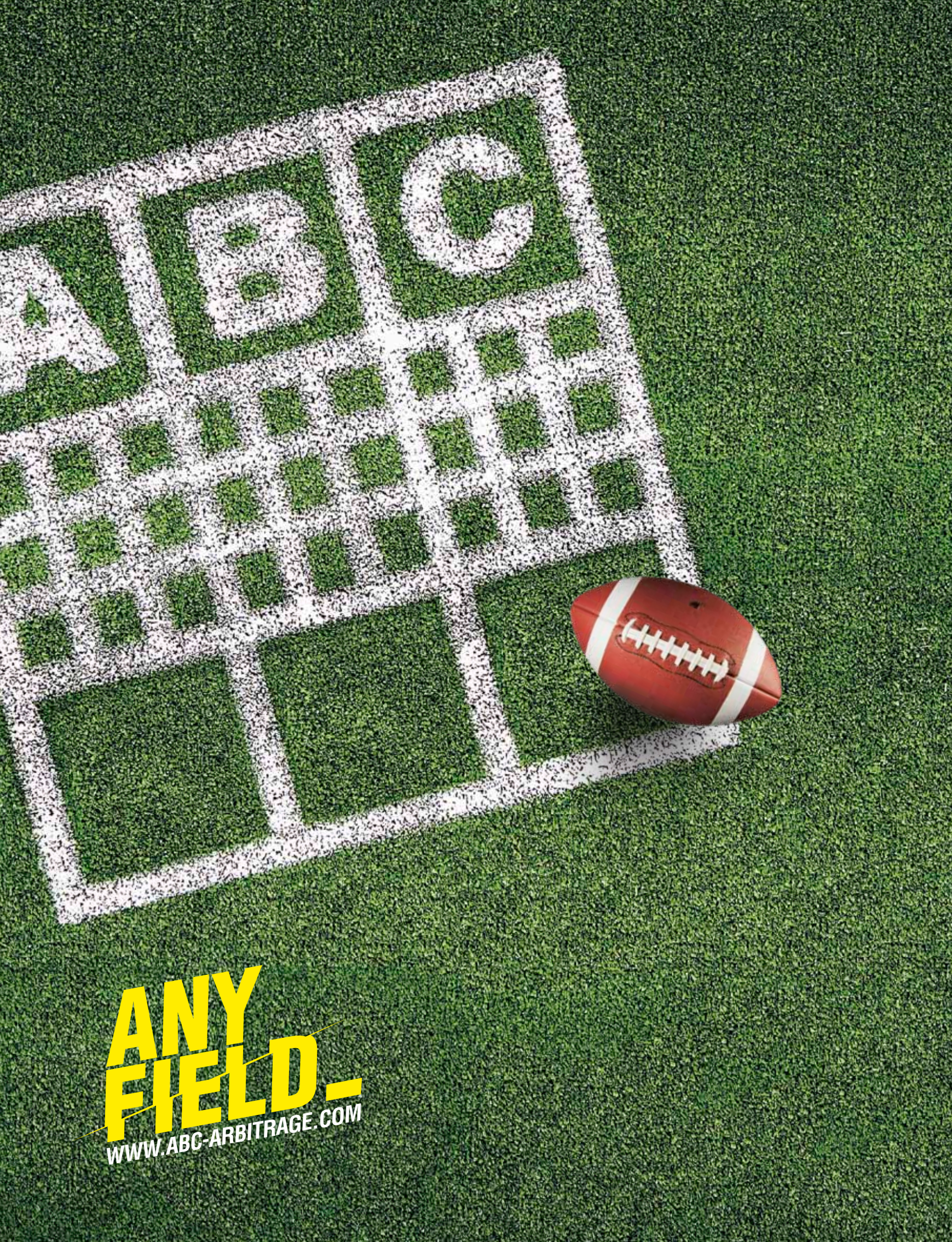
In the wake of the success of the Horizon 2010 plan, the group launched a new profit sharing program, Horizon 2015, which aims to achieve consolidated net profits of €250 million between the fiscal years 2010 and 2014 included. Horizon 2015 targets additional profits (above €100 million) which will be shared, as part of an ongoing policy to achieve a convergence of interests, between shareholders and employees, with at least two-thirds to be distributed to the former and at most one-third to the latter.

To generate these ambitious earnings, the group will continue its development along three lines: continuous improvement of its production tool, as well as geographical expansion and product diversification. In addition, the group plans to create two new alternative investment funds in 2012 and to manage €400 million from external investors by the end of 2012.

With this solid base, its capacity to operate in all market conditions and the support of its "fans", the ABC arbitrage group has all the resources needed to continue to win new challenges.



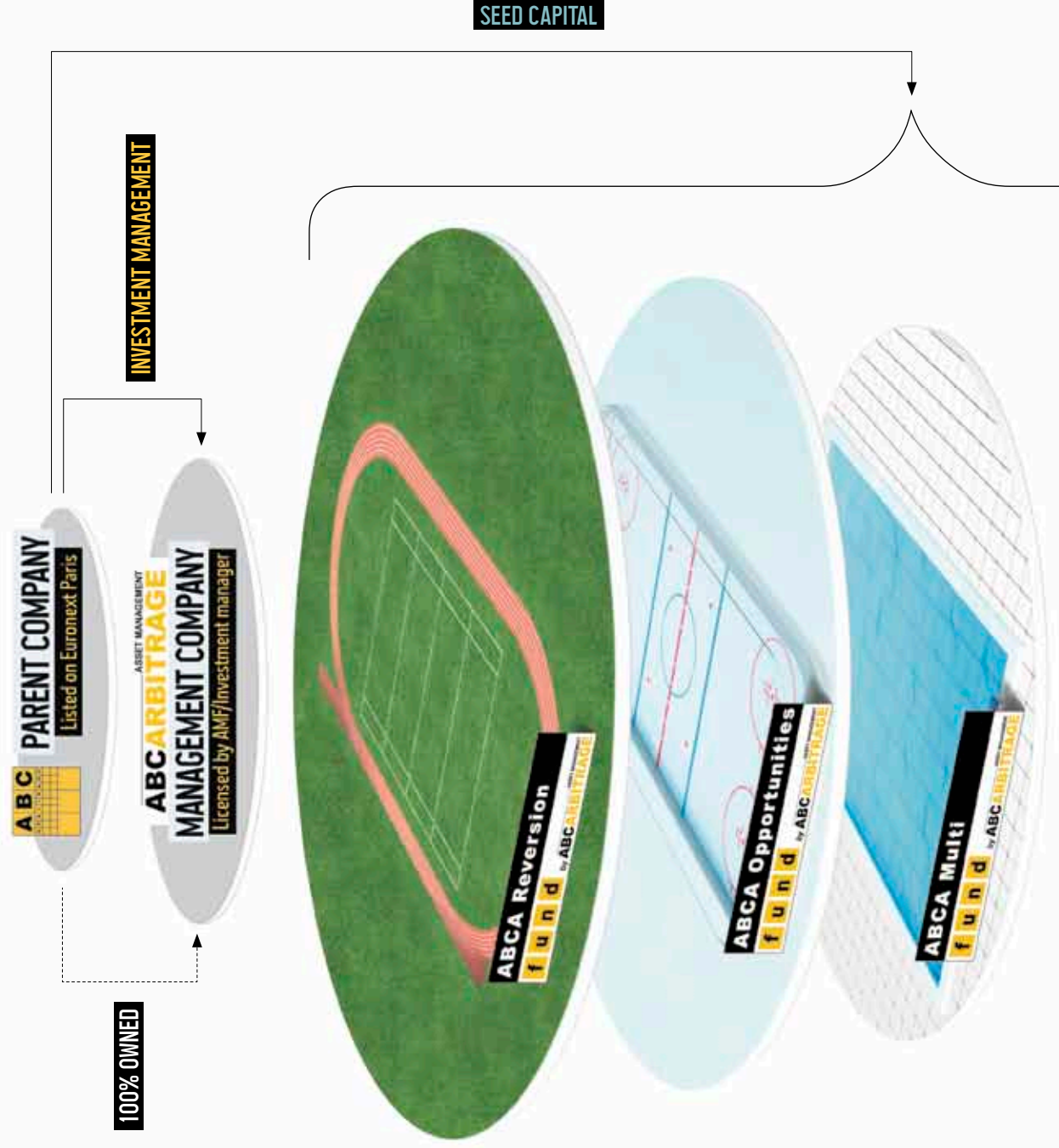
Jeff - 27 years old
Proud, strong, the taste of victory

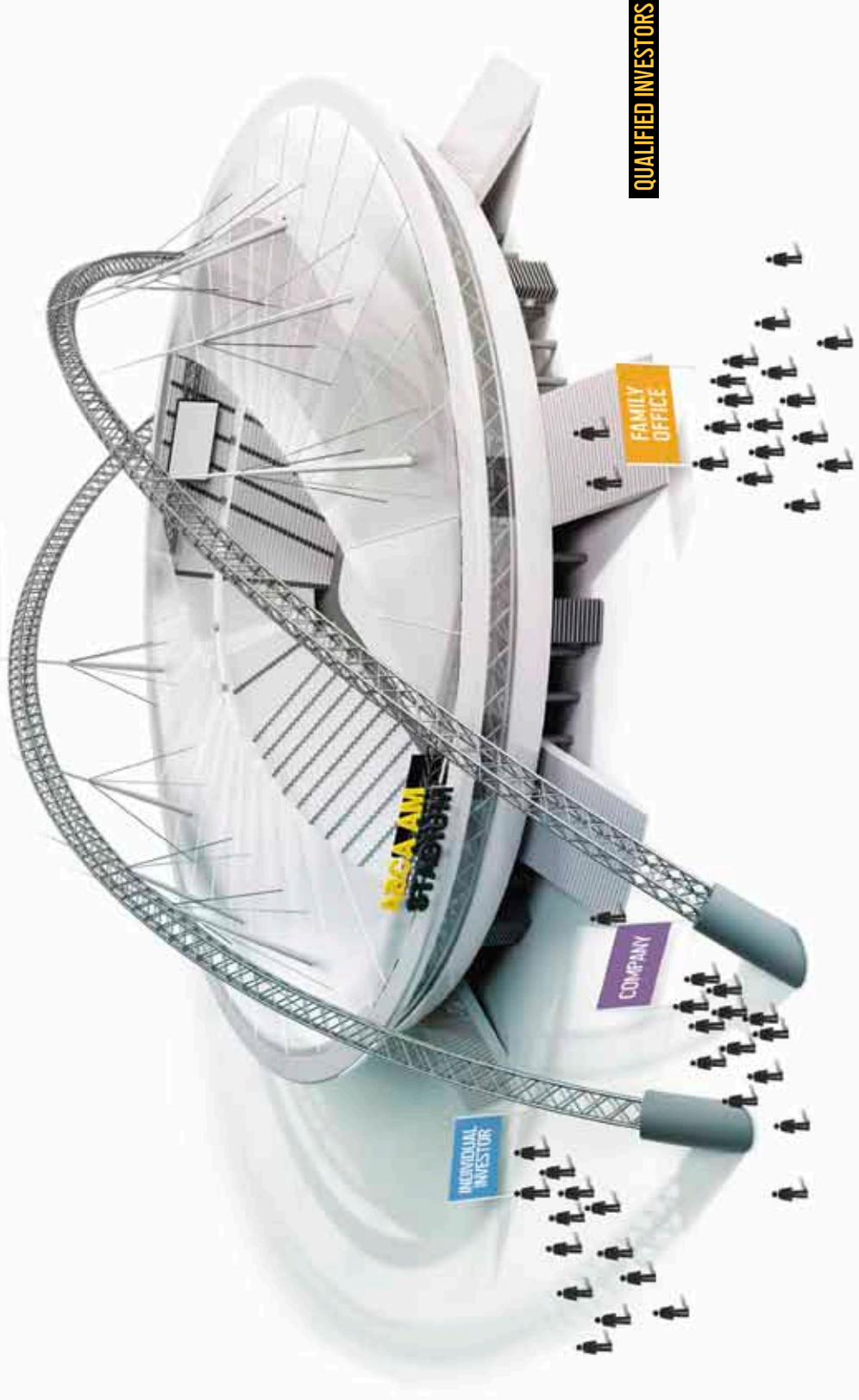


**ANY
FIELD.**
WWW.ABC-ARBITRAGE.COM

[INFRA] *structures*

THE ABCA AM SPORTS CENTER: A VERSATILE STRUCTURE FOR HIGH-PERFORMANCE ARBITRAGE





Welcome to the ABC arbitrage group's sport center, a flexible and solid structure for the exercise of a single business in all its manifestations, dedicated to competitiveness and performance.

[INFRA] structures

Synergy between different skills, knowledge sharing and adaptable tools all contribute to optimizing the ABC arbitrage infrastructure, dedicated through various disciplines to create value for shareholders. Its specificity is to be the home for all the facets of the arbitrage business, from the management of owned equity as well as third-party asset management, via expert and advisory services. ABC arbitrage is an “all terrain” structure which is constantly evolving to adjust to market needs.



ABC ARBITRAGE, THE PARENT COMPANY: A SOLID FOUNDATION TO ENSURE PERFORMANCE

ABC arbitrage, the group's parent company, was founded in 1995. It is an investment consulting company and financial services provider and is listed on Euronext Paris, compartment B. In addition, ABC arbitrage provides its wholly-owned operational business unit, ABC arbitrage Asset Management, with traditional holding company services: communications and human resources management, legal expertise and administrative services.

It also provides its operational business unit with support in developing its third-party asset management services.

ABC ARBITRAGE ASSET MANAGEMENT: THE OPERATING COMPANY DESIGNED TO WIN

The ABC arbitrage Asset Management company, the group's operational business unit for market trading activities, was founded in late 2003. It is

a member of the French Management Association - Association Française de Gestion (AFG) - and has an extended portfolio management company license from the French Market Authorities - Autorité des Marchés Financiers (AMF) - allowing it to market its expertise to outside institutional clients and to manage alternative investment funds in foreign jurisdictions. It employs 90% of the group's total workforce. ABC arbitrage Asset Management is authorized by the AMF to operate as a provider of regulated derivatives, as part of its exclusive portfolio management mandate.

A HUGE FIELD OF OPPORTUNITY

The group focuses on the development of exclusive arbitrage strategies, applying a selective opportunity-driven business model. Its main goal is to produce high levels of profitability every year and to ensure sustainable growth. Since its creation in 1995, ABC arbitrage has benefited from the diversity of new financial markets and an abundance of products. The company firmly believes that this trend will continue to provide the arbitrage business with new fields of endeavor and growth opportunities.

In line with this general trend, its third-party asset management offer is designed to provide an additional source of revenue and increase the group's equity value.

A MULTITUDE OF DISCIPLINES

1 • Third-party asset management
Asset management for third parties is exclusively based on arbitrage operations and negotiable securities which can be traded on the majority of regulated markets. On the basis of its risk-management principles, ABC arbitrage Asset Management trades exclusively in securities with a sufficient degree of liquidity and appropriate market capitalization, in line with the arbitrage strategy being deployed.

In early June 2007, the group set up its first alternative investment fund, ABCA Opportunities Fund Plc. Since then, the offer for third-party asset management services has been regularly expanded through

the creation of new funds, making it possible to propose a catalogue of varied alternative investment products: ABCA Reversion, ABCAFX, ABCAContinuum and ABCAMulti. These funds, grouped together in a single ad hoc structure, ABCA Funds Ireland Plc, are Non UCITS funds operating under Irish jurisdiction.

The goal of these investment funds, which manage some of the arbitrage strategies successfully developed by the group, is to generate returns that are independent of market trends.

These funds, which are not available in France, are offered only to qualifying investors as defined by the Irish Financial Regulator:

- a “professional client” within the meaning of Annex II of Directive 2004/39/EC (Mifid Directive); or
- an investor who receives an appraisal from an EU credit institution, a Mifid firm or a UCITS management company that it has the appropriate expertise, experience and knowledge to adequately understand the investment (a copy of this appraisal is annexed); or
- an investor who certifies that it he or she is an Informed Investor.

More specifically:

* he/she has such knowledge of, and experience in, financial and business matters as would enable him/her to properly evaluate the merits and risks of the prospective investment, or

* his/her business involves, whether for own account or the accounts of others, the management, acquisition or disposal of property of the same kind as the property of the Irish domiciled Qualifying Investors Funds.

The recommended minimum subscription is €5 million, although the fund only offers one type of unit for which the regulatory minimum subscription is €1 million. ABC arbitrage has itself been the first investor in each of its third-party fund issues.

Third-party asset management activities do not generate significant additional costs for the group (either in terms of structure or marketing and commercialization costs), but, on the contrary, generate additional revenues.

Based on performances in previous fiscal years and on possibilities, as defined by the regulatory framework, ABC arbitrage Asset Management could create new funds to deploy other arbitrage strategies, be they Irish funds or French contractual funds.

While recalling that recent regulations in this field have seen a great number of changes, the group is gradually pursuing its development project for third-party asset management in line with its initial policies, i.e. without haste and above all preserving its track record of consistent profitability.

Performance track record

ABCA Opportunities Fund, launched in August 2007, exploits M&A arbitrage opportunities and has a target capacity of €150 million of capital. At December 31, it had €30 million of capital and delivered an annual return of 8.54%.



ABCA Reversion Fund, launched in May 2010, exploits statistical arbitrage opportunities in the futures and ETF markets and has a target capacity of €250 million of capital. At December 31, it had €153 million of capital and delivered an annual return of 21.58%.

ABCA Continuum Fund, launched in July 2011, exploits statistical arbitrage opportunities in the equity markets and has a target capacity of €150 million of capital. At December 31, it had attracted €15 million in capital and delivered a return of 12.16% over six months.

ABCA FX Fund, launched in July 2011, exploits statistical arbitrage opportunities in the foreign exchange markets and also has a target capacity of €150 million of capital. At December 31, it had attracted €21 million in capital and delivered a return of 11.32% over six months.

ABCA Multi Fund, launched in October 2011, is a diversified fund that invests in other funds managed by the group.

At December 31, it had attracted €25 million in capital and delivered a return of 3.38% over three months.

With new money inflows ahead of target, funds under management rose significantly in 2011 to €336 million at December 31, including €194 million from external investors.

Growth accelerated sharply in the second half, driven by the continued excellent returns delivered by the funds in challenging market conditions and the materialization of some major investment decisions that had initially been mooted at the end of 2010.

Recognition of the funds' performance values has also been achieved through repeated nominations in international alternative fund awards such as the Eurohedge Awards 2011 and the HFWM Week Awards.

2• Proprietary asset management
ABC arbitrage, the group's parent company, is ABC Arbitrage Asset Management's main client. In 2011, ABC arbitrage invested part of its assets in ABCA Funds with the remainder managed under mandate.

3• Advisory services
With its established expertise in financial markets, the group is also in a position to propose financial engineering consulting services for third-party institutional clients or qualified investors. However, ABC arbitrage has no immediate plans to develop sales of its arbitrage know-how on an advisory basis or to widen its client base.

These initiatives are done on an ad hoc basis and are not a major area of growth for the group.

PERFORMANCE BENCHMARKING: HOW ABC ARBITRAGE MEASURES UP

	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
ABCA GROSS RETURN ON EQUITY	91%	87%	109%	65%	50%	51%
ABCA RETURN ON EQUITY (ROE)	39%	37%	52%	32%	25%	25%
CAC 40 INDEX	18%	1%	(43%)	22%	(3%)	(3%)
DJTS HEDGE FUND INDEX	14%	13%	(19%)	19%	11%	(17%)

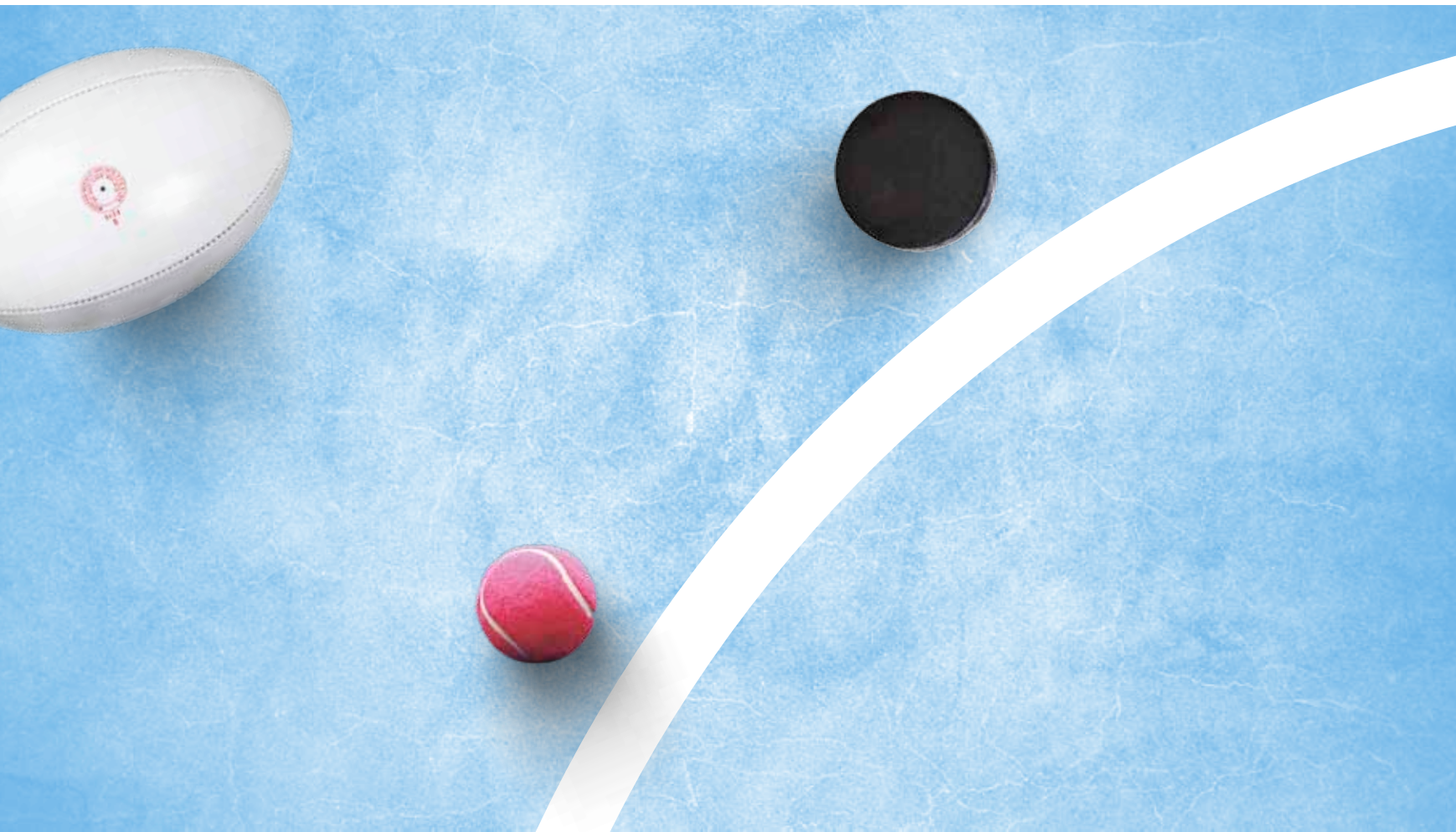


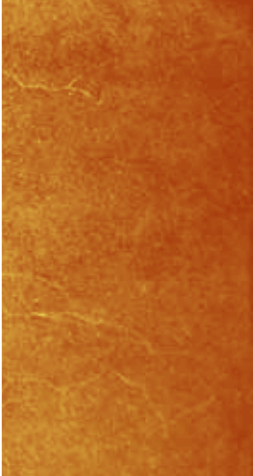
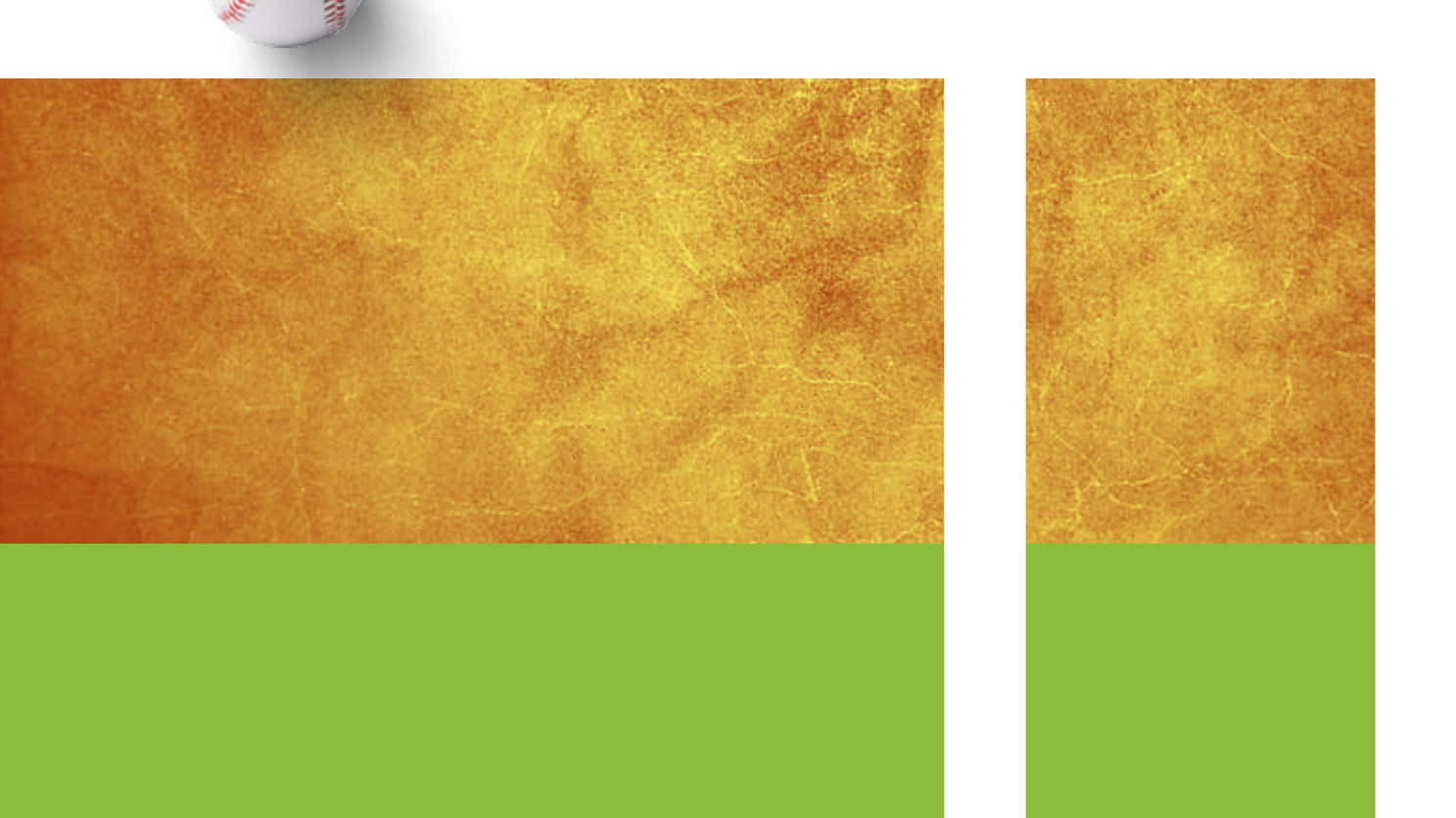
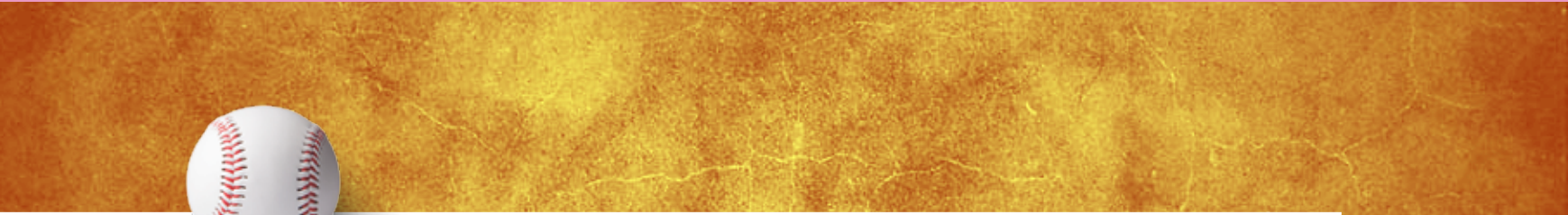


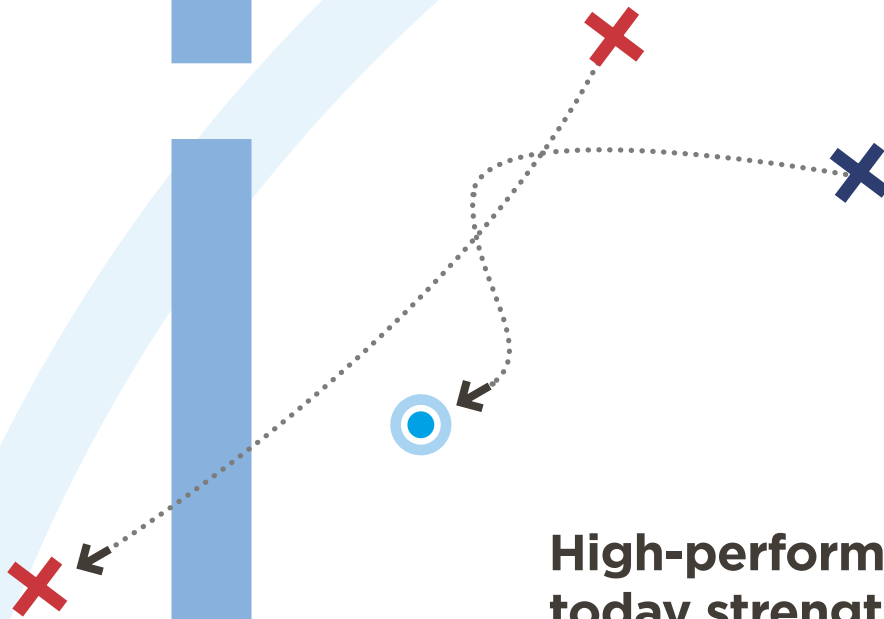
PART 4
ORGANIZATION

ABCA united

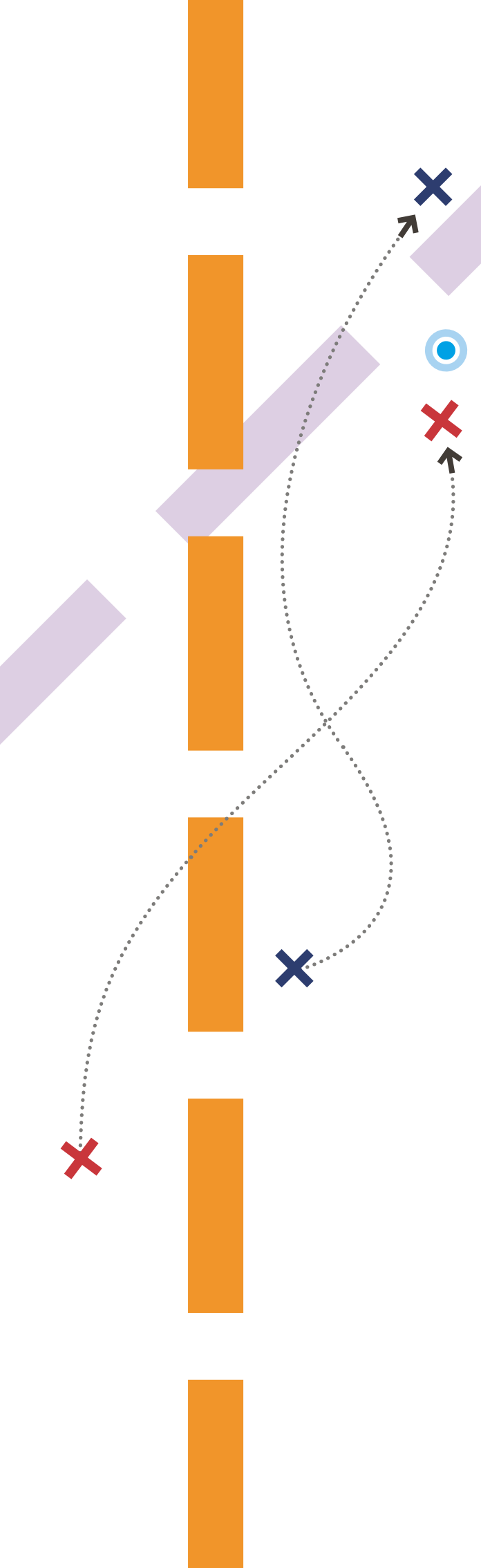
The ABC arbitrage organization, like any winning sports team, is made up of individual talents all working together toward the same goal. Management, technical support staff and players in the field are all united to achieve the best possible results.







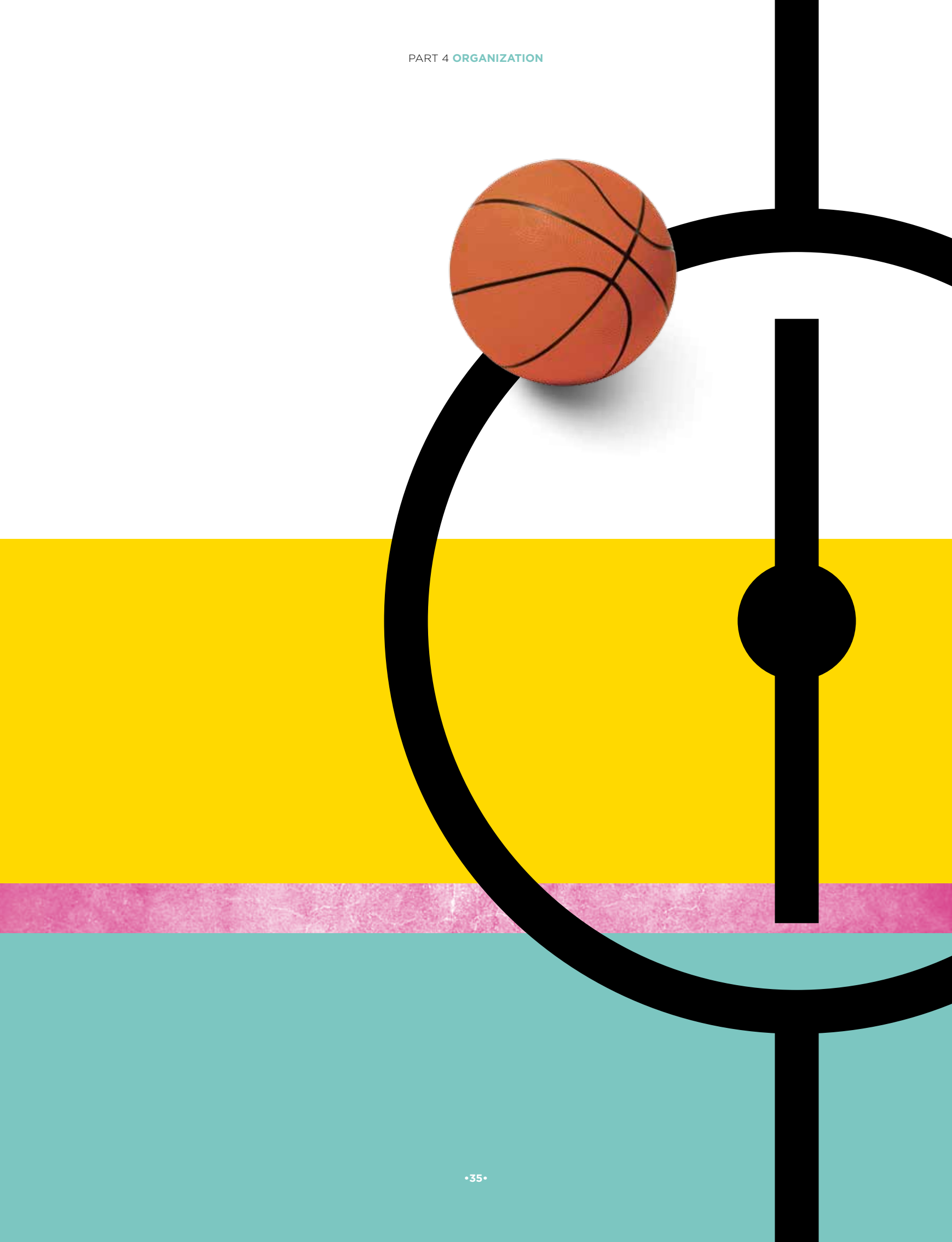
High-performance teams are today strengthened by a wide range of technical specialists: coaches, physical trainers, nutritionists, psychologists and physiotherapists, as well as ergonomists who use the latest video techniques and virtual reality systems to analyze each movement and each gesture to track every millisecond or micron of possible improvement. The goal of this work is to prepare upstream so that each player, in the heat of action, can contribute fully to the team's success, whatever the challenges and whatever the stakes.

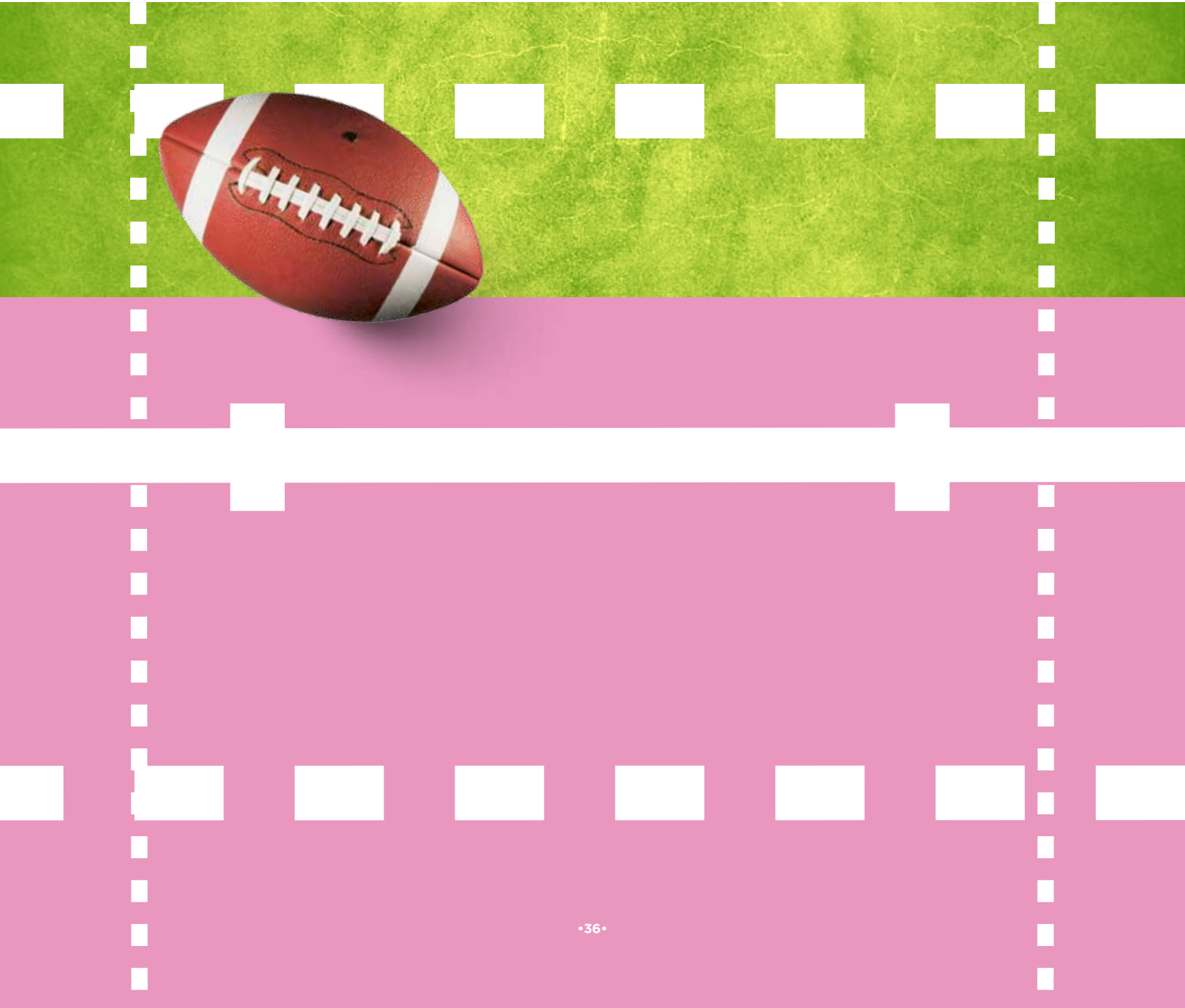
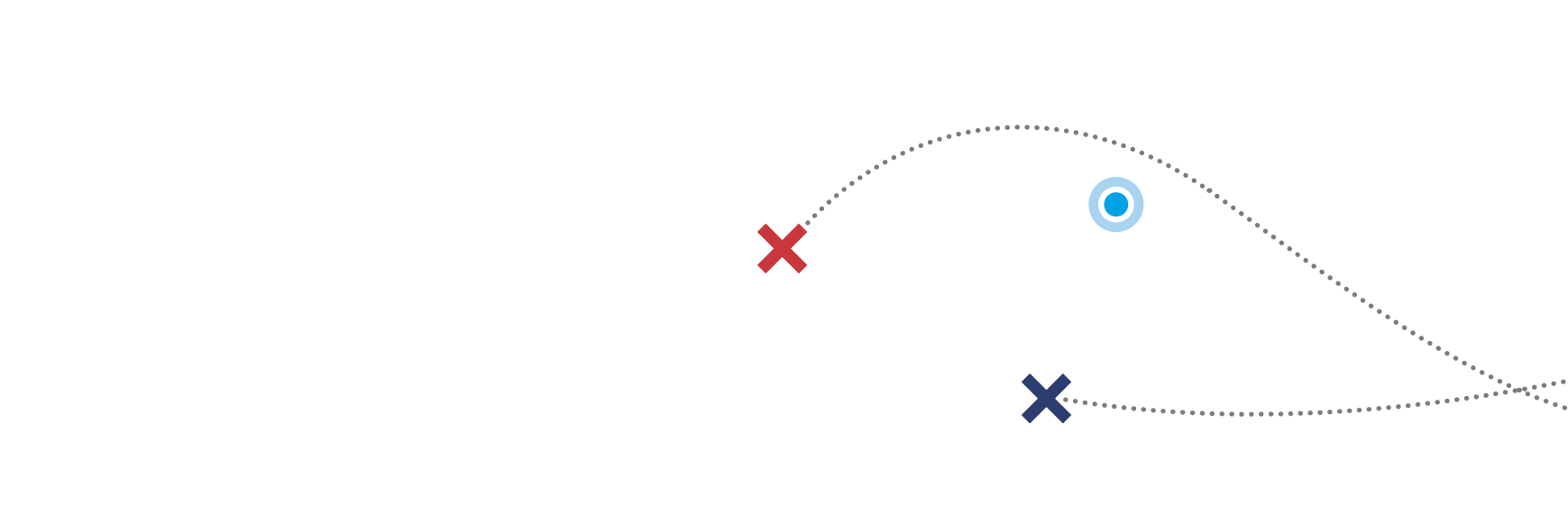


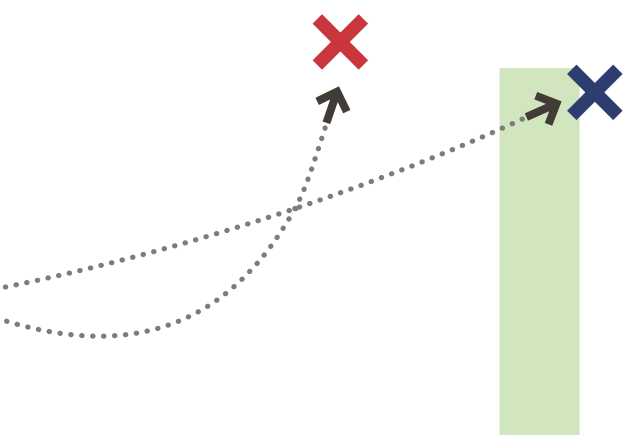
Success also means having a well-defined command structure, which determines strategy ahead of time and decides on the necessary measures to be taken, while complying with the rules and ethics applicable to all actions.

A company's decision-makers, like the managers and coaches of a sport team, must scout out the best talents, train them properly and select the best people to inspire and drive players so that they are at their best in the heat of competition. They must ensure that each person is in the right place to contribute their total potential when needed. A good player in the wrong position is of no good to anyone. Playmakers, scorers, defenders, goalkeepers, team leaders all need to know what they have to do at critical moments and they have to be able to carry out their duties without hesitation. When people develop the right reflexes, they become efficient, professional, agile and cohesive, thereby achieving the best results.

Like any winning team, ABC arbitrage Asset Management is organized along simple lines, with several major departments all contributing to its single business. The group fine-tunes its organization according to need in order to adapt to changes in the market, to maintain its competitiveness and strengthen its efficiency. An overriding principle is applied throughout the organization: the separation of functions. Thus, in terms of efficiency, this principle allows each person to be empowered to contribute their skills within an area of expertise and, in terms of governance, it ensures that cross-corporate control is embedded into the organization, thus ensuring permanent internal audits of processes.







The two main functions, “Research” and “Execution”, are supervised by a “Board of Directors”, an “Executive Management Committee” and a “Corporate Secretary” which ensure consistency throughout the organization and provide the necessary resources. Overall operations are scrutinized by a “Control Unit” which constantly monitors excellence in achievement and the respect of risk constraints.

Action, adjustment, control: keep your eye on the ball

Management is structured on the basis of a balance between decision-making and implementation, with respectively a “Board of Directors” and an “Executive Management Committee”. The “Control Unit” reports directly to the Board of Directors and comprises two independent departments: “Finance/Internal control” (directed by the Compliance and Internal Control Officer) and “Market risks”.

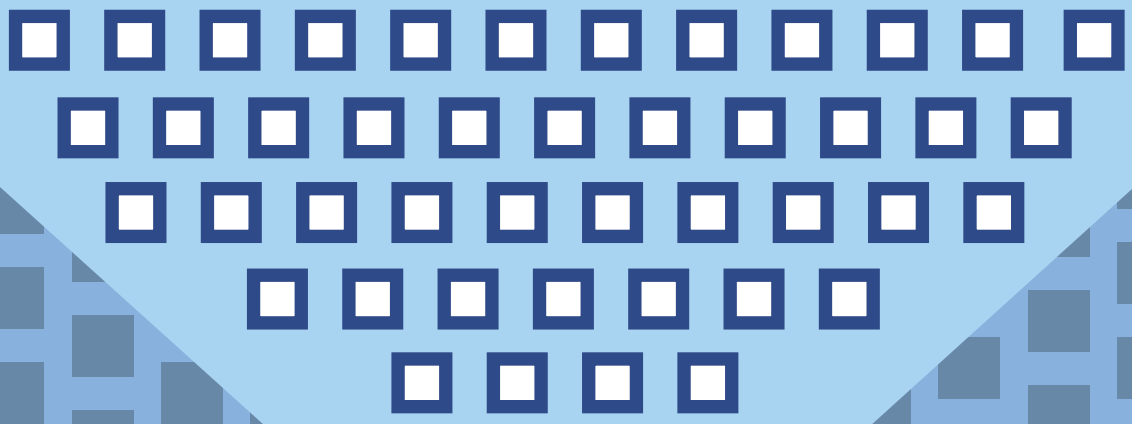
The “Corporate Secretary” is responsible for representing the company in its dealings with the market authorities and related bodies and provides support in enforcing strategic and management decisions.

The “Operations” Department, which identifies, implements and manages day-to-day business, employs three quarters of the company’s workforce.

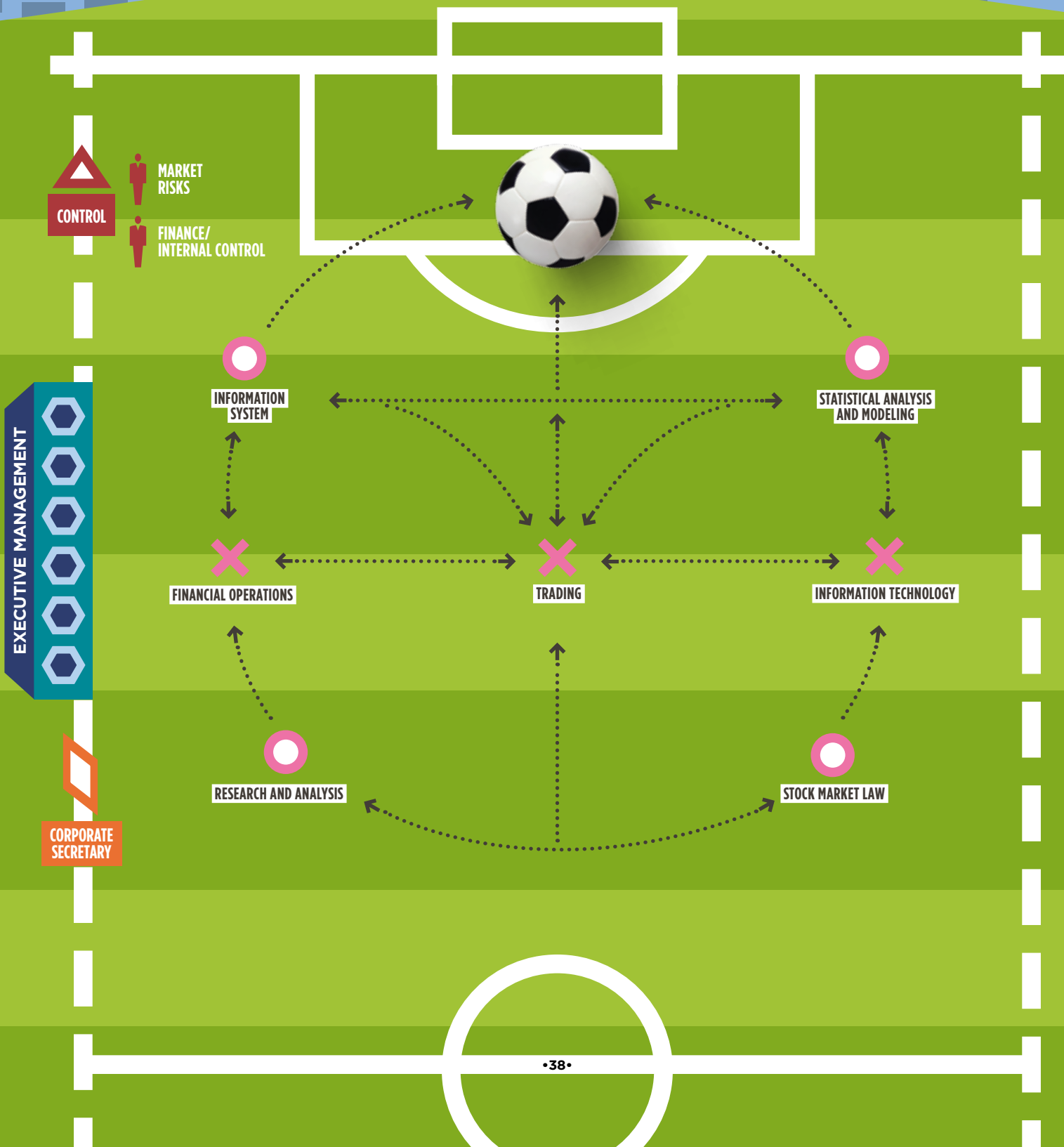
Energies, synergies, coordination: ready, set, go!

The group’s main drivers are research, innovation and a systematic approach to its business. To maintain momentum, teams are continuously seeking to develop original arbitrage strategies and are always on the lookout for new ideas. These strategies are developed by the “Operations” function and put to “Executive Management” for approval.

The “Operations” function unites all departments in charge of “Research” and “Execution”. These units work in close synergy. All “Operations” Department employees are empowered to propose new strategies, which are then subjected to a full review process, including preliminary research, feasibility studies, pre-production and full production. ABC arbitrage currently has about thirty operational arbitrage strategies structured in profit centers (Business Units).



BOARD OF DIRECTORS





RESEARCH FUNCTION: PRE-GAME PREPARATION!

STATISTICAL ANALYSIS AND MODELING
INFORMATION SYSTEM
RESEARCH AND ANALYSIS
STOCK MARKET LAW
INFORMATION TECHNOLOGY

- The “Information system” and “Statistical analysis and modeling” Departments design and develop internal statistical analysis, valuation models and information tools required to execute arbitrage strategies on an industrial scale.
- The “Research and analysis” Department conducts all preliminary work upstream of strategy implementation, including research, interpretation, classification and sourcing of all information required for the business to operate properly.
- The “Stock market law” teams provide operational support through their legislative expertise, including monitoring the legal aspects of transactions and compliance with regulations in market transactions.



EXECUTION FUNCTION: SCORING POINTS!

TRADING
FINANCIAL OPERATIONS
INFORMATION TECHNOLOGY

- Market operators play a critical global role. Initiating their own ideas or acting on the initiatives of partners, they identify opportunities, and then implement, execute, trade and monitor the ensuing arbitrage transactions.
- Financial operators ensure all pre and post-market processes and manage the technical relationship with counterparties, allowing the group to optimize its cash flow to carry out operations optimally.
- The IT department makes sure that systems are safe, secure and robust to access world financial markets, but also to maintain connections between the group and its suppliers and service providers (counterparties, information flow providers, data centers, etc.).

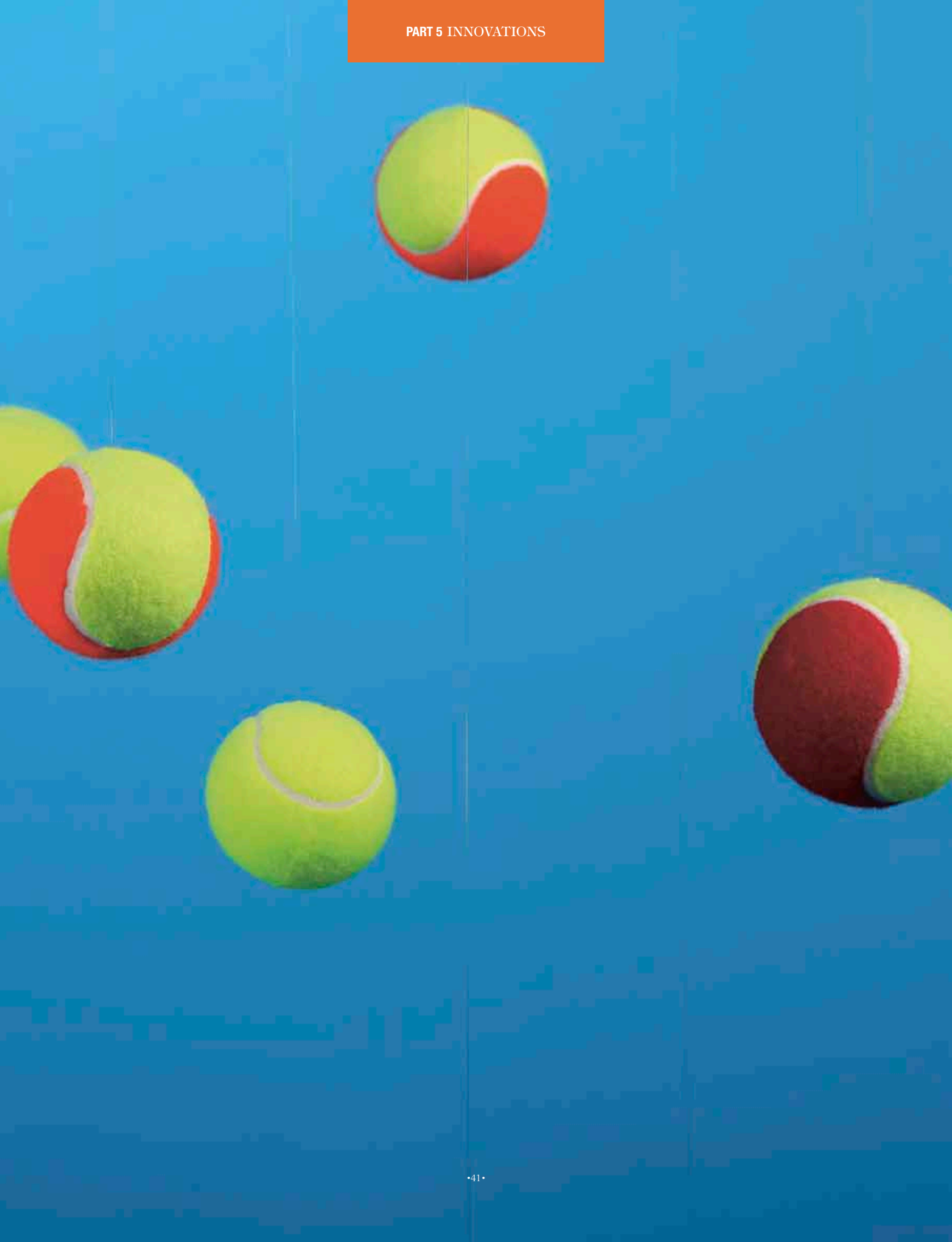


New balls!

TECHNOLOGY IS AN INCREASINGLY IMPORTANT FACTOR IN PRACTICALLY ALL SPORTS. THIS CAN MOSTLY BE SEEN IN SPORTS EQUIPMENT. IN TENNIS, FOR EXAMPLE, THE CHANGE IN RACQUETS, BALLS AND PLAYING SURFACES HAVE MADE THE GAME FASTER, MORE ATHLETIC AND MORE DEMANDING, EVEN IF THE BASIC RULES HAVE NOT CHANGED.



PART 5 INNOVATIONS





OVER THE YEARS, HIGH-LEVEL COMPETITORS HAVE ACQUIRED THE KNOWLEDGE AND EXPERIENCE OF THE GAME, ENABLING THEM TO WORK CLOSELY WITH EQUIPMENT SUPPLIERS TO CHOOSE AND ADAPT THEIR KIT TO THEIR PHYSICAL NEEDS AND WAY OF PLAYING.

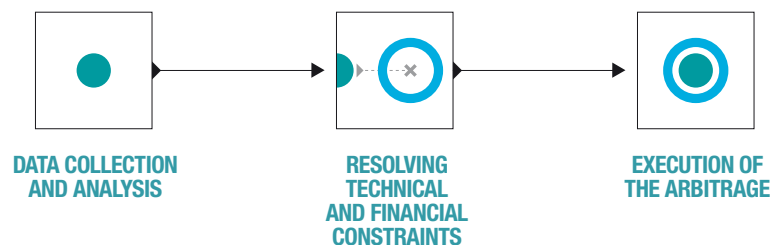


THEY ARE CLOSELY INVOLVED IN THE INNOVATION PROCESS AND HAVE BECOME KEY CONTRIBUTORS IN MOVING THE GAME FORWARD. WORKING IN THE SAME WAY AS SKIPPERS ON THE SEA OR RACERS ON THE TRACK, THEY ARE CONSTANTLY ON THE OUTLOOK FOR THE SLIGHTEST DETAIL WHICH CAN GIVE THEM A COMPETITIVE EDGE AND ALLOW THEM TO GAIN IN SPEED OR STRENGTH.

IN THIS WAY, ATHLETES HAVE ACCESS TO A WIDE RANGE OF CHANGING TECHNICAL TOOLS, BUT OF COURSE THEIR RIVALS ARE OFTEN AS WELL EQUIPPED AS THEY ARE. IT THEREFORE COMES DOWN TO THEM BEING MORE AGILE, ATHLETIC AND EFFICIENT TO REMAIN ON TOP OF THE GAME. THEY ARE THEREFORE REQUIRED TO MASTER EVERY ASPECT OF THEIR GAME.



THE ARBITRAGE ADDED-VALUE CHAIN



FINANCIAL ARBITRAGE IS INVOLVED IN THE SAME QUEST, IN THAT IT REQUIRES A SUBTLE MIX OF TECHNICAL SKILLS, INNOVATION AND CREATIVITY TO EXPLOIT EVERY POSSIBLE OPPORTUNITY THROUGH OPTIMIZED PERFORMANCE AND CONSTANT RESPONSIVENESS.



A COMPETITIVE EDGE!

As is the case in high-level sports, arbitrage works on a consistent chain of scientific research, rigorous experimentation and precise execution. It's a business that requires an unrelenting quest to understand the fundamental workings of markets, its main area of activity. This research is also focused on reducing operating errors linked to very precise financial processes.

ABC arbitrage has implemented a global and systematic approach to arbitrage. Internally, the group masters every stage of the arbitrage production process, controlled through a series of refined procedures, from conception to production, with quality assurance from start to finish. This approach ensures that added value is maintained consistently. Like, competitive athletes, the group's players have access to the very best facilities, which are essential for an arbitrage company to maintain competitive advantage. Their lead is built on the competitive edge acquired through R&D, innovation and the ability to understand every change impacting the environment and the business.

Arbitrage is constantly focused on finding new techniques which are anything but obvious, to enable the opening up new fields of performance. Arbitrage uses its scientific grounding to spur on its creative innovation, without ever neglecting the talent and motivation of people and their capacity to combine very diverse skills. Success in the financial arena, like on the playing field, depends on a subtle mix of innovation and inspiration.

TEST MATCH

The primary area of ABC arbitrage's research is what we refer to as cloning, which means systematically replicating and extending our proven practices to new areas of applications. For example, this might mean expanding geographically to new stock markets or applying proven techniques to new asset classes. The second area of research and development focuses on sourcing and creating new arbitrage models to increase the range of strategies. This involves elaborate testing, reality checks and validation processes, specific to ABC arbitrage's way of operating. The possibilities in this area are considerable.

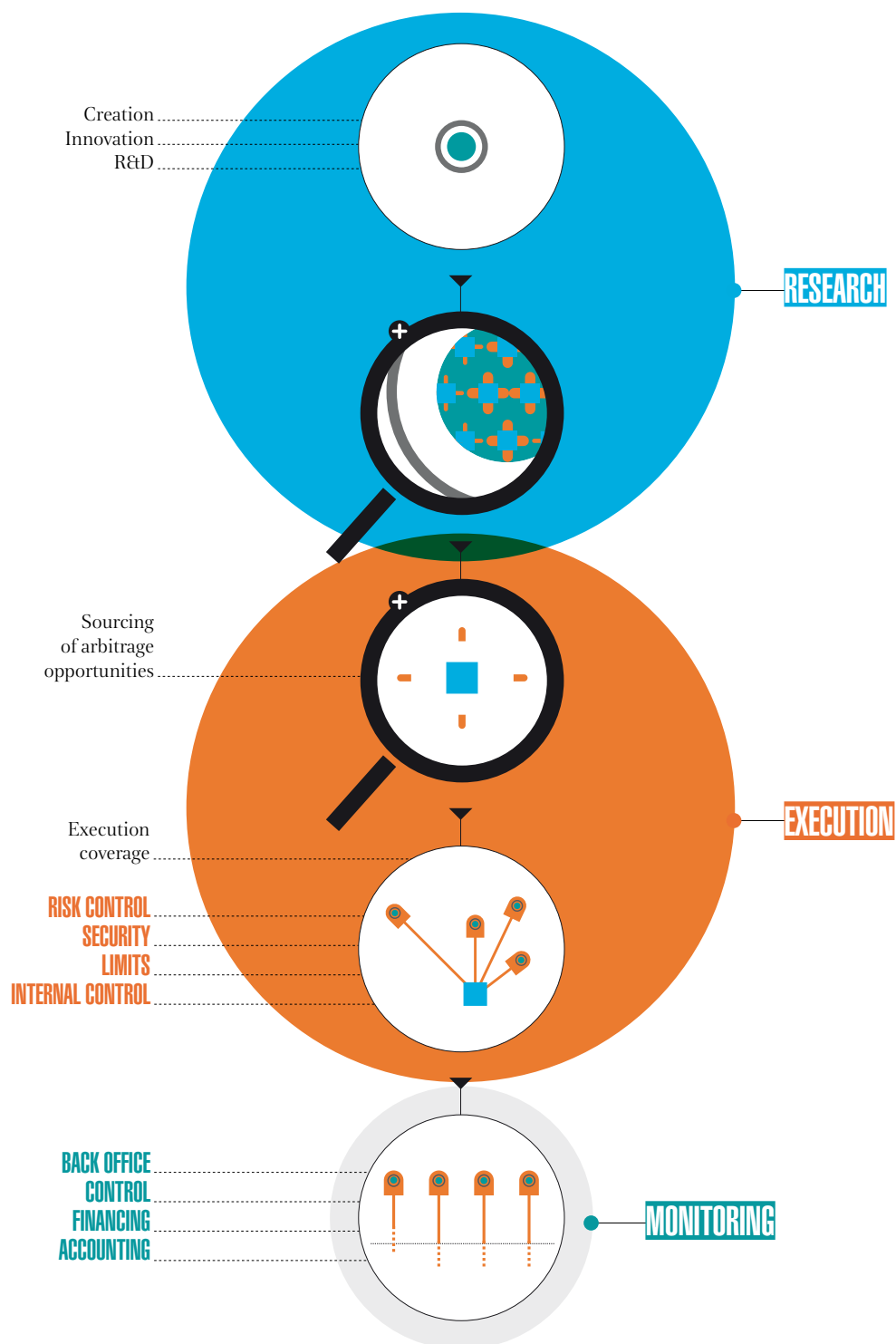


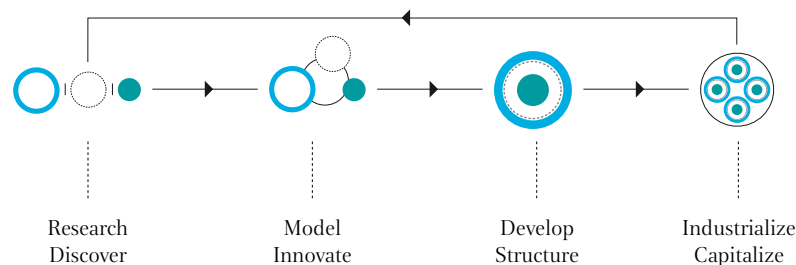


The arbitrage "game" combines scientific knowledge, state-of-the-art technology, precise execution and a constant desire to innovate.



Its systemic approach is closely linked to creative inspiration and the use of quality tools and up-to-date knowledge, which “players” are constantly required to renew.





SYSTEMIC MANAGEMENT: STAYING ON TRACK

Sourcing new opportunities, designing the tools to test their potential, developing and applying new processes to renew essential core skills in a virtuous improvement cycle.

Arbitrage research begins by identifying measurable phenomena that can be replicated. These are then developed as prototypes and innovative products. The next stage, execution, involves transferring these products into the real world, with the application of a full series of precautionary measures and control mechanisms. Finally, these are monitored and scrutinized to verify the financing and accounting of these operations and to ensure that real performance levels are in line with forecasts.



STAYING ON TOP OF THE GAME

The arbitrageur is like a researcher in a lab, constantly coming up with novel ideas which will give provide a competitive advantage, regularly testing new processes upstream, working discretely and preparing for action in the field.

This determination to protect arbitrage know-how is also a key for maintaining efficiency and high levels of performance. Revealing new development strategies as they are being tested would amount to publicly announcing potential market opportunities and would therefore mean sharing the benefits.

The fact is that arbitrageurs can generate higher returns when they work on exclusive “anomalies” before competitive pressure reduces margins. There are also strategic reasons for maintaining a high degree of discretion, since sending out signals to the market could erode the profitability of current processes. Confidentiality is therefore essential. Furthermore, it often takes several months to refine and test the methodology of a new and innovative arbitrage strategy.

In any case, discretion and confidentiality are the hallmarks of all competitive businesses in cutting edge industries. The pharmaceutical industry is very quiet about its research pipeline, the IT industry hides its trade secrets in inaccessible codes to avoid getting “ripped off” and the automobile industry competes on both its technical and creative capacities. Arbitrage is no exception to this rule. After all, an athlete who had developed a technical lead would not divulge his advantage to the world. In the same spirit, arbitrage also has the right to protect the discreet elements of its expertise and creativity.



However, as is the case in sports, technical considerations are necessary, but not sufficient. The human factor predominates in the final analysis. When two athletes or two teams face each other in a competition with equivalent technical means, the difference between them comes down to their talent, their determination and their intelligence.



Technology allows you to move faster, but then it's important to know where you want to get to and how you want to get there.
Every day, ABC arbitrage works to improve its technical resources and improve the performance of its people.





Bend Stretch Relax

High-level competitive athletes and Sunday joggers share at least one concern: avoiding risk. In sports, as in any activity, risks can be calculated and managed.



/ Prevention generally means applying a few principles of common sense.



THE FINANCIAL SECTOR IS SIMILAR TO SPORTS SUCH AS CYCLING, WHERE ENDURANCE IS A KEY FACTOR. GOING FOR A QUICK WIN, TRYING FOR A SOLITARY ESCAPE OR WINNING AT ANY PRICE THROUGH THE USE OF ARTIFICIAL PERFORMANCE ENHANCERS ARE NOT SUSTAINABLE STRATEGIES. THE CHEATER OR THE LIAR ENDS UP PAYING THE PRICE IN ONE WAY OR ANOTHER.

TO AVOID THESE TRAPS, IT'S ESSENTIAL TO HAVE A PROFESSIONAL CODE OF HONOR, TO BE ETHICAL AND TO MAKE SURE THERE ARE SUFFICIENT CHECKS AND BALANCES TO WIN IN THE LONG RUN. FOR ALL THESE REASONS, ABC ARBITRAGE HAS DEFINED MAJOR CATEGORIES OF RISK WHICH ARE POTENTIAL THREATS FOR THE ORGANIZATION AND ITS CLIENTS. TO AVOID RISK BECOMING A FATAL DANGER, THE GROUP HAS STRUCTURED ITS ORGANIZATION, HAS ESTABLISHED STRICT INTERNAL RULES AND AUDITS THAT REDUCE RISK TO ITS ABSOLUTE MINIMUM, AVOIDING ANY IRREGULARITIES AND ENSURING FAIR PLAY.

/ Staying on track

In the past, faced with unprecedented market pressure, the group was able to test its models in extreme situations. The level of operating incidents at ABC arbitrage has remained very low and at constant levels, despite disrupted markets and a significant increase in the volume of transactions. In 2011, faced with low levels of volatility and reduced volumes, the models demonstrated their capacity to resist, with operational incidents held to a minimum. In this context, the group maintained and reinforced its commitment to assess and manage risks, confirming the efficiency of the group's risk control.

With these lessons in mind, ABC arbitrage continued to implement efficient processes and effective internal control mechanisms, bolstered by its policy of separating functions and applying permanent scrutiny to identify irregularities.

Technically, the group maintained its close surveillance of to ensure continued consistency between its mathematical models and changing market conditions. In this environment, the group cautiously decided to disconnect certain positions when a gap appeared between reality and its in-house models. This safety principle is an essential policy to maintain the group's long-term viability.

In this regard, ABC arbitrage has always made sure it has sufficient available cash reserves to deal with all possible scenarios. The group therefore did not have any financing or credit difficulties in fiscal 2011.

NATURE OF RISKS IN ARBITRAGE BUSINESS


/ Market risk: reconnaissance is the key

Market risk is a broad area covering all risks involved in holding positions, including the risk of fluctuations in share prices, exchange rates or interest rates, the risk of using leveraging instruments and, for arbitrage operations with market risk, the fact that certain anticipated events fail to occur.

ABC arbitrage does not take directional positions in the financial markets. Its risk is therefore not directly linked to potential downward movements in the markets, but hinges on whether or not an adverse event will occur that may directly affect the arbitrage. Changes in stock prices may have an influence on the net value of its portfolio. Intrinsically, the arbitrage related risks of this type are not interdependent. The company calculates the overall risk in its portfolio. This risk is minimized, either through direct hedging or pooling, which means spreading risk across the greatest possible number of transactions worldwide. Furthermore, the group reiterates that it has never had any exposure to the subprime mortgage market or to any directly correlated derivatives.

/ Counterparty risk: choosing the right players

This is essentially the risk that counterparties, when their financial conditions deteriorate, may be unable to meet a contractual commitment to pay a given amount of money or deliver a specified quantity of securities to the company.



For these operations, ABC arbitrage has diversified its banking relationships and works exclusively as a client of the world's leading international credit institutions. These companies are all subjected to specific solvency regulations and are controlled by the financial authorities in their home country.

/ Liquidity risk: don't run dry

This is essentially the risk that the company may not be able to activate its financial resources quickly enough to meet repayments when they fall due.

ABC arbitrage's assets are exclusively based on listed securities on regulated markets, with the appropriate level of liquidity for each type of arbitrage. Liabilities mainly comprise debt owed to banks or investment companies and are secured by the group's assets.

ASSET MANAGEMENT RISKS

/ Operational risk: endurance in the long run

This is essentially the risk of internal failures within ABC arbitrage Asset Management. These failures are unintentional and are due to a material or human problem. The decisions to take certain positions are controlled by strict written procedures and tight internal controls. ABC arbitrage Asset Management has established several levels of independent control to avoid operational errors, including information system refusals, authentication of counterparties and financial intermediaries and verification of position valuations.

/ Conflict of interest risk: respect the rules

ABC arbitrage Asset Management does not issue structured financial products and does not provide M&A advisory services to corporate departments of listed companies. It does not, therefore, come into possession of potentially inside information. Furthermore, the use of a distinct structure for investment funds ensures that all company clients are treated equitably.

SECURITY FOR SECURITIES

ABC arbitrage Asset Management has established a risk management policy based on formal processes to ensure that it complies with the objectives inherent in third party asset management.

/ Accountability and empowerment

ABC arbitrage has established clear organizational responsibilities by function and reporting lines, known to all people in the company and which guarantee the independence of every staff member.

/ A customized information system

ABC arbitrage's information system is the cornerstone of the organization. Designed and maintained in-house, it is tailored to the specifics of the company's business. It carries out automatic controls and produces reports on a daily basis. All arbitrage production and trading processes are recorded and archived in the system to ensure full traceability of all transactions.

/ A well-defined organizational structure

To avoid collusion or unintentional errors, key operational functions are clearly separated, including approval, processing, recording and accounting. For even greater security, the company has developed a series of clear procedures for managing the company's asset management business, identifying operational functions and enabling knowledge sharing.

/ Working toward a common goal

Investment rules are defined jointly by the asset manager and the client at the start of any contractual relationship to ensure that all parties follow the same management guidelines, in terms of investment limits, leveraging, etc. Regular controls are carried out to ensure the relevance of defined limits.

/ Dedicated control resources

The company has two dedicated control departments. On one hand, the fully-independent "Market Risk" department monitors positions and ensures that investment rules are strictly applied. On the other hand, the "Finance/Internal Control" department, managed by the Compliance and Internal Control Officer, works according to AMF regulations to draft and update documentation which defines the resources needed to ensure proper operating practices and the consistency and effectiveness of internal controls. These departments organize and participate in both ongoing and periodic controls to ensure compliance and application of proper business practices and behavior.



06/ RISKS



/ To begin with, it's important to learn the basic technical skills and the fundamentals. The next step is to practice regularly, to warm up properly before any event and to wear the right protective gear.



/ It's also important to respect the basic rules of behavior and safety, to eat properly and to drink before, during and after any strenuous effort. It's also indispensable to take the time to rest, to never overestimate one's capacities, to keep a clear vision of potential dangers and to respond calmly and efficiently whenever things go wrong.





/ The best way not to get hurt is to always strive for the highest level of quality through well-disciplined upstream preparation.

/ And, in the final analysis, to strike the right balance between performance goals and risk taking.



/ These principles also apply to arbitrageurs who must find the right combination between risk management, efficient action and high-performance.



CORPORATE GOVERNANCE

PART 07

BEHIND THE SCENES

IT'S OFTEN SAID THAT GAMES ARE
WON OR LOST IN THE LOCKER ROOM.
THIS IS WHERE STRATEGIC PLANS
ARE MADE, WHERE THE RIGHT MEN
AND WOMEN ARE CHOSEN TO MEET
THE GREATEST CHALLENGES AND
WHERE THE DETERMINATION TO WIN
AS A TEAM IS FORGED. IT IS BEHIND
THE SCENES, FAR FROM THE NOISE
OF THE CROWD, THAT THE RELATIONS
BETWEEN TEAM LEADERS AND
THEIR PLAYERS ARE DEFINED.
THIS IS WHERE ONE FINDS INSPIRATION,
MOTIVATION AND WHERE COLLECTIVE
MOMENTUM IS BUILT.



WHERE VICTORIES ARE FORGED

A winning strategy is patiently structured by all shareholders, between managers, coaches and players in a private and confidential place which allows team members can express themselves honestly, clearly and even critically, when necessary. Behind the scenes is of course a place to prepare for competition, but it is also the space where victories are celebrated and where success is given full recognition. It's a place where values and value come together.

In this spirit, the governance of the ABC arbitrage group is based on speaking one's mind, on being open-minded and frank, but also on the mutual respect and trust that very different people fighting for the same goal can achieve. The aim is to find a way for everyone's interests to be satisfied through convergence. Real added value is created when people from very different horizons and with very different talents share their know-how to conceive and succeed in ambitious yet realistic projects.

ABC arbitrage works on the principle of an open team, where each individuals provide the best of themselves, while appreciating the best of their partners.

The group's approach is based on diversity, on doing things seriously but in an informal way. The ABC arbitrage Board of Directors and the Partners' Forum apply these principles loyally and fully. Everyone contributes their talent, their insights and their convictions. There is only one rule in these meetings: to be one's self and to seek that subtle alchemy which allows for personal achievement through shared success.

THE STRUCTURE OF ABC ARBITRAGE: A CONFIDENCE BUILDING TEAM

Governance includes several complementary facets, from the structure of the company to its social and societal responsibilities, via professional practices and corporate values.

At ABC arbitrage, governance is above all based on a balance between strategy, operations and control and between individual contributions and collective determination, as well as between formal processes and informal relations.

THE BOARD OF DIRECTORS

ABC arbitrage and ABC arbitrage Asset Management are both French “sociétés anonymes” managed by a Board of Directors. The Board of Directors is a collective decision-making body, determining the business strategy and general policy of the company and the group. It controls and oversees the group’s management policies. It approves the deployment of resources required to achieve the strategic objectives it sets. It oversees implementation of the group’s management and control program and reports to the shareholders.

The Board of Directors is a forum for debates to compare the different viewpoints of operational managers involved in the day-to-day operations of the company, major shareholders who provide strategic input and outside members who bring a diversity of experiences to the table, as well as their detached and independent appreciation of the company. This great diversity among members ensures that the work of the Board is done according to the highest standards, in the interest of the company as a whole and its shareholders.

THE PARTNERS’ FORUM

This forum, without any legal status, is the source of many of the key strategic decisions of a group that implements very formal and strict control processes in its governance policy. The forum is based on the principle that one can only be a ‘founder’ when a company is first created, and that certain committed individuals, who have joined the company over time, are capable of thinking and acting in this spirit. By definition, one can only be a founder when a company is first created, but then certain committed individuals are capable of thinking and acting in this spirit.

Thus, the “Associate Partners” project, bringing together the people who manage the company actively every day, emerged quite naturally to allow for contact between different types of expertise, to encourage open exchange in a sharing process designed to forge a game plan to build a winning team in the arbitrage arena.

Several working sessions are organized each year to openly discuss ongoing projects, but also to define the future of the group.

In 2006, aiming for earnings of €100 million over an initial five-year period, ABC arbitrage launched an ambitious equity-sharing program involving nearly one third of employees. On the basis of performance requirements, the Horizon 2010 program enabled a long-term convergence of interests between staff and shareholders. Following on the success of this incentive program, which created wealth for all shareholders, a new program, named Horizon 2015, was proposed by the Board of Directors and approved by shareholders. This program provides the group with the resources to motivate and involve teams on a long-term basis, thus generating the driving force for the group’s business. According to these principles, Horizon 2015 aims to generate accumulated earnings of €250 million over a five year period (2010 to 2014 included).

This plan is not only financial, in that it is designed to achieve a wide range of personal and group ambitions, including the integration of a “young” generation of people in the future of the group, with some of them being called to become future Partners.

*Dominique
Ceolin*

CAREER PATH

After qualifying as an actuary and obtaining a graduate degree (DEA) in mathematics and information technology, Dominique Ceolin joined in 1994 ABN AMRO Securities France where he participated in developing its "Domestic Arbitrage" department. He joined ABC arbitrage at the time of the company's formation in 1995 as head of the "Information System", "Statistical Analysis and Modeling" and "Market Risk" departments. Dominique Ceolin is a member of the "IAF" (association of French actuaries).

CO-FOUNDER OF ABC ARBITRAGE IN 1995

FIRST ELECTED: October 10, 1997

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2014

ABC ARBITRAGE: Chairman of the Board and Chief Executive Officer (elected at the Shareholders' Meeting of May 28, 2010), Partner

ABC ARBITRAGE ASSET MANAGEMENT:

Chairman of the Board and Chief Executive Officer

*David
Hoey*

CAREER PATH

After obtaining a degree in business (BBS in Ireland), with majors in finance and information technology, David Hoey worked for the Caisse Nationale du Crédit Agricole (CNCA Group-Paris) from 1992 to 1996, where he was originally an account manager and later had responsibility for a number of different areas of CNCA Group-Paris custody operations. In 1996, David Hoey joined the founders of ABC arbitrage to organize the "Financial Operations" department.

JOINED ABC ARBITRAGE IN 1996

FIRST ELECTED: December 11, 1998

ABC ARBITRAGE: Partner

ABC ARBITRAGE ASSET MANAGEMENT:

Vice-Chairman, Chief Operating Officer

OTHER DIRECTORSHIPS AND OFFICES:

Director of the Board of ABCA Funds Ireland Plc

*Xavier
Chauderlot*

CAREER PATH

Xavier Chauderlot is a qualified actuary and engineering graduate (Ingénieur Civil des Mines). He held different positions in several financial entities (CPR, Société Générale, MFK) before founding ABC arbitrage in 1995 in partnership with Grégoire Bouguereau. Now independent and no longer an employee of the group, his mission is to provide ABC arbitrage with the benefit of his technical expertise and experience.

CO-FOUNDER OF ABC ARBITRAGE IN 1995

FIRST ELECTED: October 10, 1997

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2012

ABC ARBITRAGE: Permanent representative of Aubépar SE (elected at the General Shareholders' Meeting of May 30, 2007)

OTHER DIRECTORSHIPS AND OFFICES:

Chairman and Managing Director of Aubépar Industries SE, Representative of Aubépar Industries SE on the Board of Directors of Aubépar SE and of Financière de Bailli SA
Non-Voting Director of Jet Entrepreneurs SA

*Franck
Durin*

CAREER PATH

An engineering graduate of Ecole Nationale Supérieure des Arts et Industries Textiles, Franck Durin joined ABC arbitrage in 1998. After serving as Information Systems Manager from 2000 to 2006, he has headed up the "Statistical Analyses & Modeling" and "Market Risk" units since 2002.

*Didier
Ribadeau Dumas*

CAREER PATH

Didier Ribadeau Dumas is a graduate of the Ecole Nationale d'Administration (ENA). He held various positions within the French Ministry of the Economy and Finance from 1971 to 1984, before joining CIC to head up the bank's international subsidiary. In 1989, he joined an international strategic and management consultancy, where he was Senior Vice-President until 2006, when he created DRD Conseil.

FIRST ELECTED: April 10, 2000

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2015

ABC ARBITRAGE: Non-voting Director (appointed by the Board of Directors on September 19, 2005)
Independent administrator elected at the General Shareholders' Meeting of June 1, 2012

ABC ARBITRAGE ASSET MANAGEMENT:

Representative of ABC arbitrage (since October 4, 2011)

OTHER DIRECTORSHIPS AND OFFICES:

Managing Partner of DRD Conseil, Member of the Supervisory Board of Banque Postale

JEAN-FRANÇOIS
DROUETS

CAREER PATH

Jean-François Drouets is a graduate of HEC business school and has a post-graduate diploma (DESS) in conveyance law and is a Chartered Surveyor. His entire career has been focused on real estate consulting and investment. He is the founding Chairman of Catella Valuation Advisors, the real estate appraisal and consulting subsidiary of Sweden's Catella group.

FIRST ELECTED: April 11, 2006

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2014

ABC ARBITRAGE: Independent Director (elected at the Shareholders' Meeting of May 28, 2010)

OTHER DIRECTORSHIPS AND OFFICES:

Chairman of Catella Valuation Advisors

Jean-Christophe
Estève

CAREER PATH

Jean-Christophe Estève holds postgraduate degrees in law and economics. He joined ABC participation et gestion in 2009 as legal adviser before being appointed Executive Director. From 2005 to 2009, he worked as a wealth management adviser in both banking and private practice.

FIRST ELECTED: September 9, 2010

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2014

ABC ARBITRAGE: Permanent representative of ABC participation et gestion (elected by the General Shareholders' Meeting on May 28, 2010)

OTHER DIRECTORSHIPS AND OFFICES:

Executive Director of ABC participation et gestion

Managing Director of Biotope & Aerotope

Director of Papalagage Ltd

Sabine
Roux de Bézieux

CAREER PATH

Sabine Roux de Bézieux is graduated from ESSEC business school in 1986. She began her career with CCF's investment banking arm from 1986 to 1988. She then spent fourteen years with the Arthur Andersen Group, initially leading audit and consulting assignments in both France and abroad. She set up the marketing, communications and business development department. In 2005, Sabine created Advanceo, her own strategic consulting firm, specialized in corporate strategy and growth issues.

FIRST ELECTED: March 11, 2011

END OF MANDATE: General Shareholders' Meeting reviewing the accounts for 2014

ABC ARBITRAGE: Independent Director (elected at the General Shareholders' Meeting of May 27, 2011)

OTHER DIRECTORSHIPS AND OFFICES:

Member of the Supervisory Board

of SAS Microfinance Solidaire

Chairman of the Board of Directors

of the Entrepreneurs du Monde association

Member of the Supervisory Board of ANF Immobilier

Jacques
Chevalier

CAREER PATH

Jacques Chevalier is a graduate of the Ecole Normale Supérieure, with a post-doctoral degree in mathematics. He is a professor of mathematics and a qualified actuary. In parallel with his university career, he works as a consultant, advising banks and insurance companies.

FIRST ELECTED: October 5, 1998

ABC ARBITRAGE: Non-voting Director (appointed by the Board on December 11, 2007)

OTHER DIRECTORSHIPS AND OFFICES:

Director of SGP Cogitam

Director of Quilvest Copagest Finance

Laetitia Hucheloup

CAREER PATH

Laetitia Hucheloup, a graduate of the ESCM business school, joined ABC arbitration in 1999 after spending five years with the Salustro Reydel audit firm. Recruited to manage the Finance/Internal Control Department, she was named Chief Compliance Officer in 2006. On October 1, 2011 she was promoted to the position of Corporate Secretary of ABC arbitration Asset Management, with responsibility for the "Finance/Internal Control", "Human Resources" and "Legal & Tax" departments. Prior to her promotion, she was already involved in the majority of issues dealt with by these departments.

JOINED ABC ARBITRAGE IN 1999

ABC ARBITRAGE ASSET MANAGEMENT:

Corporate Secretary, Head of Compliance and Internal Control





IN SOME SPORTS, THERE IS INDEED AN ADVANTAGE IN HAVING A CERTAIN TYPE OF PHYSIQUE: JOCKEYS ARE GENERALLY SMALLER AND LIGHTER TO LESSEN THE BURDEN ON THEIR HORSES, WHILE BASKETBALL PLAYERS TEND TO BE BIGGER, MAKING IT EASIER TO SCORE POINTS.



THERE IS NO SUCH THING AS AN IDEAL ATHLETIC PROFILE

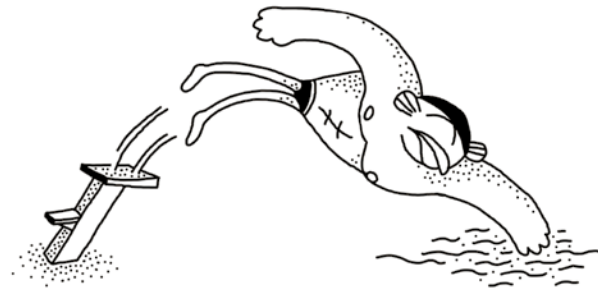


SEVERAL SKILLS AND PHYSICAL ATTRIBUTES ARE
NECESSARY FOR DIFFERENT ATHLETIC ENDEAVORS.

IN FACT, MANY TEAM SPORTS REQUIRE A GREAT
DIVERSITY OF PHYSICAL ATTRIBUTES AND PROFILES.
A RUGBY TEAM, FOR EXAMPLE, LINES UP A WIDE RANGE
OF PLAYERS, FROM HEAVY-SET FORWARDS (OR PROPS)
TO FLEET-FOOTED WINGERS. IN SOCCER, NO PARTICULAR
PHYSIOGNOMY IS REQUIRED; A WINNING TEAM'S LINEUP
INCLUDES A WIDE RANGE OF TALENTS: STRIKERS,
PLAYMAKERS, DEFENDERS, GOALKEEPERS, ETC.



ABC arbitrage teams are organized according to this very principle of diversity, the goal being to find the right mix of profiles and talents to create a winning team of engineers, mathematicians, actuaries, analysts, legal experts and technicians who work in synergy. By working closely and collaboratively every day, ABC arbitrage teams are focused on moving the arbitrage business forward and scoring points for the company. To begin with, each team member is picked for his/her proven competencies and is then encouraged to develop his/her professional and personal skills in conjunction with other team members. Truly talented people are not limited to a set function and winning strategies are based on people moving forward individually in their capacity to work together. ABC arbitrage believes that the whole is always greater than the sum of its parts.



01 TEAM SPIRIT

From the very start, ABC arbitrage has always applied a very simple notion: leveraging diversity to create its distinctive corporate culture. In fact its core values can be summed up in two simple words: professional conscientiousness. ABC arbitrage thrives on the enthusiasm and creative momentum of its people, which means never being complacent and never considering anything as being impossible. There is no such thing as a "typical" ABC arbitrage player since the group needs very different talents to succeed. The main thing required from each employee is to contribute their individual talents to a collective project by being team players in the true sense of the word.

Determination, trust and team spirit are ABC arbitrage's fundamental values. This means empowering each person in the company and providing them with the resources to implement legitimate ideas. This also means that everyone must feel that they have an essential contribution to make in developing the business. Curiosity, creativity, a sense of responsibility must all contribute to convince one and all that collective effectiveness is the sum of complementary individual skills. This notion should motivate each person to seek balanced fulfillment, an essential element in the ABC arbitrage culture. The ABC arbitrage team (average age 34 years) brings together more than eighty well-trained and scientifically-minded people who come from every continent and who share a common international mindset.

ABC arbitrage's business covers all the professions of the financial activities sector. In its quest to provide talented people with a great opportunity, ABC arbitrage is particularly sensitive in its recruitment policies to high quality candidates who are clearly committed and determined.

SCOUTING FOR THE BEST (02)

In a continuously changing environment, the group is constantly looking for highly-qualified and highly-motivated staff members. Its selection process is very demanding and, beyond technical skills, it is in search of people who have the personality to fit into the group's unique culture. ABC arbitrage is especially interested in young graduates (with a minimum of a B.Sc. or equivalent) who are seeking specific training at the start of their career and who want to contribute their way of thinking to an open-minded company.

To attract promising young recruits in this very competitive area and make a name for itself, ABC arbitrage speaks through an alternative communications style, designed to intrigue people through its creativity and motivate them to find out more. In short, curiosity and the desire to learn are essential for those who want to join the group and succeed.

As a committed partner, ABC arbitrage maintains links with the best engineering and actuarial training institutions. ABC arbitrage, from its inception, has always sought to be a "preferred employer", organized to attract and recruit a wide range of talents, through its relationship with schools, its recruitment and integration policies, its career prospects and its compensation and incentive schemes.

-03-

ABC ARBITRAGE UNITED

ABC arbitrage's strength as a quality business has been built on team spirit, collaborative management, an innovative mindset and a dedication to achieve the highest levels of performance, on the basis of shared projects.

Its effectiveness is based on the simplicity of its organization. Managers are accessible and, with the participation of the group's founders in the group's development, team members benefit from their financial expertise and management experience.

Constantly focused on quality, the company strives to consolidate its teams to capitalize on their know-how. To this end, ABC arbitrage has implemented an organizational system based on professional expertise which favors entrepreneurial initiative and interactivity. Meeting objectives and clearly assessing competencies, both in terms of individual and collective performance, are at the heart of its management policies. With clear and transparent working rules designed to be understood by all, ABC arbitrage empowers everyone in the company to fully express their talents and to assert their potential in a very pleasant work environment.

Possibilities for career development are numerous and, according to each person's aspirations, there are many opportunities for developing one's expertise, discovering hybrid skills, assuming management responsibilities or taking charge of profit centers. People tend to stay with the company, which means that the company is constantly building its expertise and knowledge base and that all stakeholders benefit from the company's growth.



04

A HEALTHY MIND IN A HEALTHY BODY

ARBITRAGE IS A DEMANDING BUSINESS WITH REAL RESPONSIBILITIES.

Through their skills, responsibilities and commitment, each and every person plays a critical role in the arbitrage production process and impacts on profitability. Every person's contribution influences the work of others, thus creating unique dynamics within the group. Continuous acquisition of knowledge is of critical importance since it enables people to adapt to changes in the working environment, driving progress across the organization. ABC arbitrage strives to support people who want to improve their skills and develop professionally, through well-designed training schemes.

The group's compensation policy, incentive-driven and fair, fosters greater involvement, loyalty and contributes to value creation, through equity-driven instruments: profit-sharing, discretionary incentive schemes, performance-related bonuses, stock options and share grants. The Board of Directors firmly believes that this policy aligns the interests of the group's shareholders and employees.

Through our human capital management policy, ABC arbitrage can capitalize fully on learning opportunities and on continuous productivity gains. The highly industrialized organization structure and arbitrage production process contributes to our efficiency and also facilitates the induction of new operational employees capable of developing new arbitrage ideas.

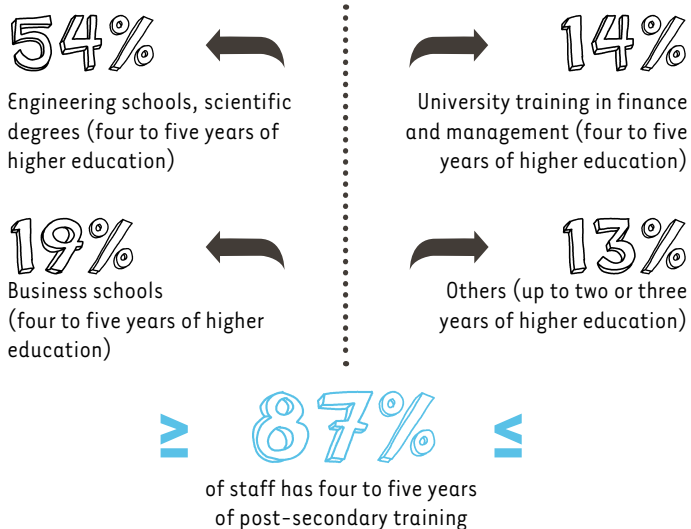
ABC arbitrage considers that its human resources policy must focus on recognizing and developing people's skills and talents. It considers that the development of its staff's skills and talents is an essential added value and a key goal of its human resources policy. This has often been recognized by professional organizations, such as Ethifinance, and the press.

WINNING NUMBERS

> GROUP HEADCOUNT AS OF DEC. 31, 2011

76 staff members
34 years average age
7 years and 3 months average time
with the company

> TRAINING BACKGROUNDS IN 2011 IN THE ABC ARBITRAGE GROUP



> JOB FUNCTIONS IN ABC ARBITRAGE IN 2011

→ 92%
of staff directly involved
in the arbitrage business

33% ≥ OPERATIONAL DEPARTMENTS

Decision-support departments ≤ 47%

12% ≥ EXECUTIVE MANAGEMENT AND INTERNAL CONTROL

Administrative support ≤ 8%

> FACTORS INFLUENCING THE GROUP'S RESULTS

/FACTORS OUTSIDE THE GROUP'S CONTROL

- > Volatility & market volumes
- > Number of deals initiated by issuers



/FACTORS CONTROLLED BY THE GROUP

- > Innovation
- > Risk management
- > Cost control
- > Staff motivation



Incentive
programs
to motivate
staff



THE MINDSET OF CHAMPIONS



WHAT ELEMENTS ARE NEEDED TO CREATING A WINNING MINDSET? GOING BEYOND ONE'S SELF, FAIR PLAY, RESPECT, COMPLYING TO BASIC GROUND RULES, TEAM SPIRIT, A TASTE FOR ACHIEVEMENT, COURAGE, A FIGHTING SPIRIT, COMPETITIVENESS, ENDURANCE, ETC.

BEYOND THESE SPORTING VALUES SHARED BY OUR TEAMS, WE CULTIVATE A SERIES OF SOLID INTERNAL VALUES IN THE ABC ARBITRAGE GROUP: INDEPENDENCE, SOLIDARITY, DEMANDING THE BEST, CONCENTRATION, LISTENING TO OTHERS AND AMBITION.

THESE VALUES BOOST OUR DAILY PERFORMANCE. THEY ARE ESSENTIAL BEARING POINTS WHICH, PROPERLY APPLIED, PROVIDE US WITH INSPIRATION AND ENERGY IN A BUSINESS THAT MAY APPEAR AS BEING RATHER TECHNICAL OR EVEN INCOMPREHENSIBLE. IN FACT, SUCCESSFUL ARBITRAGE IS BASED ON INTELLIGENT COOPERATION BETWEEN PEOPLE WHO ARE OFTEN VERY DIFFERENT.

THESE VALUES MAY SEEM SUITE DISPARATE. IN FACT, THEY ARE A WINNING COMBINATION TO FORGE BALANCED TEAM SPIRIT, DEMONSTRATING FOR EXAMPLE THAT INDEPENDENCE AND SOLIDARITY ARE NOT NECESSARILY CONTRADICTORY AND THAT FOCUSED CONCENTRATION DOES NOT EXCLUDE ACTIVE LISTENING OR THAT BEING DEMANDING AND BEING AMBITIOUS ARE ALWAYS POSITIVE DRIVERS. THE ONLY CONDITION FOR ALL OF THESE VALUES TO WORK TOGETHER IS THAT THEY ARE ALWAYS APPLIED TO ACHIEVE COLLECTIVE GOALS.



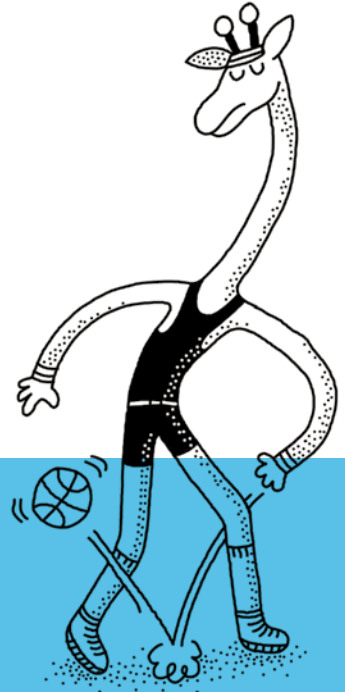
-01-

INDEPENDENCE

Since the outset, ABC arbitrage has produced profitable results in large part without clients, with the exception of its alternative funds which are open to outside investors. This latter part of our business is significant and complementary, but our core business is essentially financial arbitrage carried out with our own funds and so therefore not dependent on clients. This de facto independence obliges us to have an even higher sense of responsibility. However, this does not exclude taking pleasure in our work, an essential principle in our success. And, of course, we totally reject conformist or sheep-like behavior, which is the complete opposite of how we approach our business.

→ (02)
CONCENTRATION

This concept may not appear at first sight as a value. However, focusing on one's work is a delicate balancing act. You can miss out on certain things in a company if you lack focus, but you can also be out of synch if the only thing you do is center your attention on your personal tasks. Excellence requires people to manage their time and energy and concentrate their core skills, but not to miss out on the human realities in their environment. Concentration does not mean being blind to the world around you.



03

DEMANDING

Being demanding at ABC is closely linked to being supportive, even if this is not obvious at first sight. Being demanding in a company means making personal progress while helping others do the same. This principle can only work if it is seasoned with respect and, above all, not dependent on hierarchical divisions, either top down or bottom up. In other words, when one feels strongly about something, one should not modify one's position as a function of any power considerations. On the contrary, ideas should be openly expressed.



04

AMBITION

People are often wary of this value and it is often seen as incompatible with "softer" values. It is more highly regarded in some areas, such as politics or competitive sports. However, it becomes suspicious quite often in financial activities because it is seen as greedy or speculative. We see our business above all as an industrial and mathematical undertaking, finding solutions for multiple equations and we are not ashamed of finding pleasure in making profits, nor to assert that financial success can allow one to accomplish certain dreams. But above all, our ambition teaches us not to let conventional wisdom get to our heads, for fear of losing the taste of a job well done.

05

SOLIDARITY

This value is always associated to acting "together" to build, learn and progress collectively. We like to cultivate an ambiance and develop an environment in which diversity and individuality are complementary factors, enabling us to achieve common goals. This solidarity or mutual support is based on empathy, the capacity to look at the world through other people's eyes.

-06-

LISTENING

Active listening is a source of enrichment because it allows you to nourish yourself with other people's convictions and, when trying to understand their point of view, it allows you to be more discerning and to question your own certainties. But, listening has its limits because, at some point in an organization, it is essential to make decisions and have the courage to put an end to a debate without excluding, if conditions change, the idea of opening the discussion again.

TOGETHER,
**WE
STAND!**



THE SUPPORTERS OF A SPORTS TEAM PROVIDE THAT EXTRA BOOST TO THE MEN AND WOMEN ON THE FIELD SO THAT THEY CAN SURPASS THEMSELVES. UNITY IS A SOURCE OF STRENGTH. THROUGH THEIR RELENTLESS SUPPORT, FANS INSPIRE THE TEAM TO ACHIEVE ITS AMBITIONS.





SUPPORTERS MUST KEEP AN EYE ON THE WAY THE GAME IS PLAYED AND CONTRIBUTE TO ITS PROGRESS. THEY MUST RESPECT THE OPINIONS OF ALL THE PLAYERS, SHARING THEIR CONVICTIONS, WHILE ENCOURAGING FAIR PLAY AND SUSTAINING COLLECTIVE INITIATIVES. THESE PRINCIPLES ARE THE VERY BASIS OF LOYAL SUPPORT. TRUE TO THIS SPIRIT, ABC ARBITRAGE IS AN ACTIVE MEMBER AND SUPPORTER OF THREE MAJOR "CLUBS" WHICH DEFEND THE KEY VALUES OF ENTREPRENEURSHIP AND GOOD CORPORATE GOVERNANCE.

THREE CHEERS FOR RESPECT!

* ABC arbitrage is member of *MiddleNext*, an independent French trade organization, which unites and mobilizes about hundred small and medium listed companies (equity value of less than €2 billion). *MiddleNext* is fully recognized as the leading trade body to defend the interests of MidCap companies in their dealings with market authorities, public institutions and European bodies.

MiddleNext is regularly consulted and integrated into French and European workgroups and proposes practical solutions for the economic, financial and market environment of listed companies. Its role is essentially to do away with inefficient regulatory constraints and obstacles imposed by public authorities or special interest groups.

* ABC arbitrage is member of *Croissance Plus*, a professional trade organization of entrepreneurs which unites the managers of fast-growing companies and their partners. Its members operate throughout France in all sectors of the economy. Through *Croissance Plus*, company managers advocate a new entrepreneurial model, support the creation of new businesses and employment opportunities, while encouraging fair compensation practices to share the value generated by growth. In particular, the ABC arbitrage group's executive management is particularly focused on employee profit-sharing schemes as a driving force for growth and opposes certain constraining measures applied to business. Its position in these matters is clear: although regulation is necessary, it should avoid blanket measures and not impose rules that hinder economic development.

* At the beginning of 2012, ABC arbitrage joined the *l'Institut Français des Administrateurs (IFA – French Administrators Institute)*, a representative trade organization of French administrators, with over 2,900 members assuming various responsibilities in companies of all sizes in all sectors of the economy. Its members represent a great diversity of positions and profiles, enabling them to exchange ideas on a wide range of subjects and improve professional practices. The IFA provides administrators with useful information, training and expertise to carry out their duties properly. Its members work together to establish the highest professional standards and institute good governance.



SCORING POINTS FOR THE ENVIRONMENT

Through its everyday actions, ABC arbitrage contributes to environmental improvement. The group encourages its people to use environmentally-friendly means of transport, to recycle consumables and to save energy.

- incentives to use less polluting means of transport: free bikes supplied by the company, partial payment of bike rentals and public transport, couriers on bikes;
- sorting of waste products, with special recycling containers in the office for wastepaper, batteries, light bulbs, plastics, coffee pods;
- gathering of toners and ink cartridges to be reconditioned or reused;
- recuperation and sorting of IT equipment by reconditioning hardware and donations to organizations that provide a second life to equipment;
- gradual increase in the use of a wide range of recycled office supplies and eco-friendly cleaning products;
- awareness campaigns for reduced water consumption;
- awareness campaigns for reduced energy consumption, through measures such as turning off computers and screens during down time, programmable heating and AC thermostats generating energy savings during off hours;
- preference for service companies that reuse or recycle waste.

PART

10

ALL TERRAIN

POTENTIALS

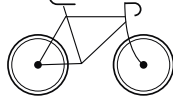
Sports no longer limit themselves to stadiums or playing fields. They can now be played in any landscape, including urban settings. They are redefining themselves as they adapt to the modern world and are inventing creative and hybrid alternatives where the only limits are those of the imagination. ABC arbitrage has adopted the same open approach in its geographical expansion and industrial development.



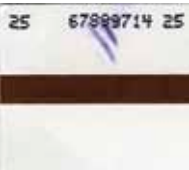


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IN THE SPIRIT OF NON-CONVENTIONAL SPORT
ABC ARBITRAGE MODIFIES ITS GAME TO ADAPT
ITSELF TO DIFFERENT ENVIRONMENTS AND
SITUATIONS, EXPLORING THE POTENTIAL OF NEW
AREAS AND RETHINKING ITS GAME PLAN TO MEET
A GREAT VARIETY OF CHALLENGES, INVENTING
NEW PRACTICES WITHOUT HESITATING, ALWAYS
REINFORCING STRICT OPERATING PRINCIPLES
TO CLEARLY DEFINE ITS GAME IN NEW FIELDS
OF ACTION.





JUST DO IT... OUR WAY!

Since its foundation, ABC arbitrage has consistently demonstrated the relevance and efficiency of its operating model, countering the power of large financial institutions by the simple application of its fundamental principles on a single business. These include carefully tested business practices, a systematic and industrial analysis of processes, constant innovation and creative initiatives, customized and updated production tools, systematic rethinking of operating guidelines, realistic risk assessment and a flexible and dynamic structure

that fosters responsiveness. Taken together, these principles could very well form the basis of a sustainable development program for the financial industry: focus on long-term growth, application of scientific rules, adaptation to changing environmental conditions, ethical and transparent business practices, etc.

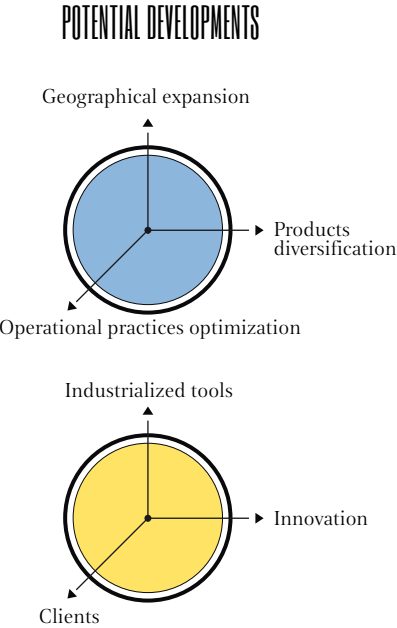
SEIZE THE MOMENT

ABC arbitrage is constantly exploring new areas of improvement and development. In a complex and unpredictable environment, it is essential to prepare the groundwork to avoid being taken

by surprise. The group has demonstrated its capacity and talent to do just that since 1995. ABC arbitrage's philosophy is clear: always have the resources to benefit from unforeseen market behavior and never be subjected to its vagaries by never being subjected to the rise and fall of stock fluctuations. Its upstream preparation process focuses on two complementary factors. First, the group is constantly on the outlook to identify and take advantage of changing market opportunities: geographical expansion, product diversification and optimal operational practices. Second, inside the company, teams develop innovative technique, transform these into applicable industrialized tools and, ultimately, identify high-potential strategic opportunities.

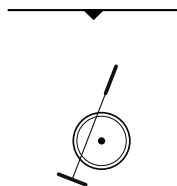


Urban golf, bike polo, street soccer are among the many sports now played almost anywhere, using available facilities to create new forms of competition. ABC arbitrage does the same for its business.





THE GROUP'S DEVELOPMENT STRATEGIES
REFLECT THIS OPENNESS AND THIS DESIRE
TO TAKE ON CHALLENGES IN A GREAT DIVERSITY
OF ENVIRONMENTS: GEOGRAPHICAL EXPANSION,
DEVELOPMENT OF NEW STRATEGIES IN NEW
PRODUCTS AND ASSET CLASSES, PROCESS
INNOVATION, RESOURCE OPTIMIZATION,
CREATION OF NEW INVESTMENT VEHICLES
FOR CLIENTS, ETC.

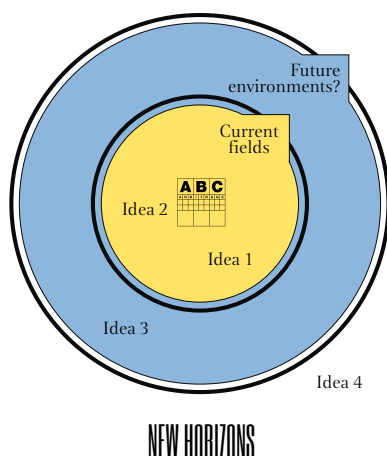




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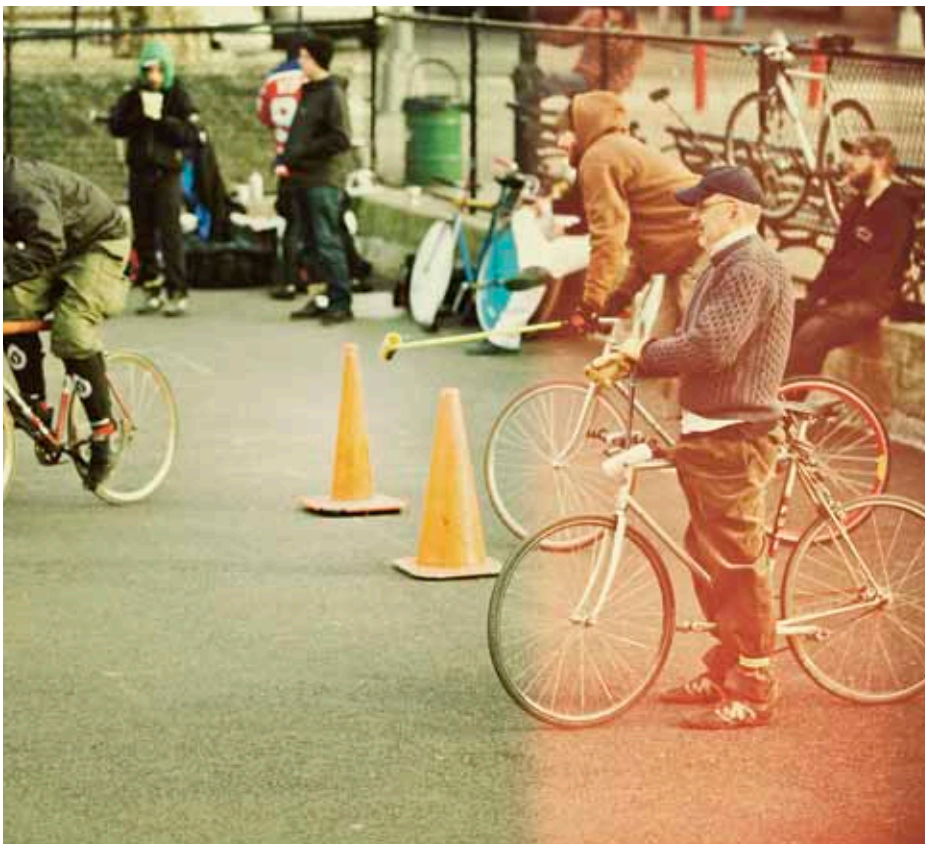
HEADS UP PLAY

Over the last fifteen years, the financial environment has been subjected to unprecedented changes and extreme pressures. Financial markets are constantly producing unexpected events, sometimes euphoric, sometimes listless and sometimes depressive. Whatever the conditions, the ABC arbitrage group has always managed to produce positive results, thus confirming the relevance of its model and the company founders' belief in a "pragmatic and scientific" approach to financial dealings.



ABC arbitrage has demonstrated that it is possible for an independent investor, exclusively focused on arbitrage, to be a serious market player and to produce regular profits largely above benchmark levels.

While some market operators dread turbulent times, ABC arbitrage has shown it has the talent and the skills to benefit from unsettled market conditions. Its main strength is its fine-tuned financial engineering system and its balanced diversification in various arbitrage types and geographical areas. This is combined with its highly-industrialized processes, its creative and innovative mindset, its ability to adapt to all market conditions, its strict risk management policies and its customized IT tools.



NO FREESTYLE

Beyond its refined and time-tested risk management policies, ABC arbitrage is organized to adapt to changing conditions to ensure its long-term development, without ever abandoning its fundamental values.

A human organization focused on its core business:

- ABC arbitrage is a people-sized organization, with less than 80 employees;
- The extent of position-taking is known, controlled and consistent with potential commitments;
- ABC arbitrage is involved exclusively in the arbitrage business, in which it has developed exceptional expertise.

Controlled and secured operating policies:

- ABC arbitrage only trades in listed products;
- Market access security techniques do not allow any one individual to go beyond certain limits;

- The "four eyes" control policy means that traders are all part of a team and are never alone in making decisions.

Transparent governance and strict internal controls:

- Separation of duties: it's impossible for a one person to follow all stages of a single transaction. All departments are involved, including the decision-making support departments;
- Numerous cross-functional reports are produced, immediately revealing any inconsistency;
- Reconciliations are carried out daily with financial partners;
- Ratios are monitored and analyzed on a daily basis and several times a day during hectic periods.

An incentive-driven compensation scheme, encouraging medium-term objectives:

- Controllers' bonuses and profit sharing schemes are not determined by the Business Units, but by executive management;
- Bonuses are staggered and full bonuses are not delivered until accounts have been audited and profits have been verified;



- People in operations and decision-making support benefit from equity-based medium and long term bonus schemes, rather than annual cash bonuses (cf. Horizon 2015 program).

Through its action and its success, ABC arbitrage has contributed to the recognition and enhanced image of the arbitrage business in France.

To pursue this development, ABC arbitrage teams are more ready than ever to take on new challenges and to generate profits as they have always done in the past. They also believe that they can achieve sustainable growth by remaining realistic, determined and humble, which will enable them to establish the group as an exemplary leader in the field of alternative investment.



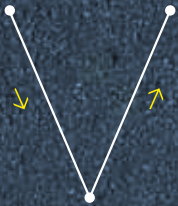
ABC arbitrage shares another fundamental value with these new sporting practices: the quest for pleasure, without which nothing stimulating or creative can be achieved.



More informations
about Gildas Raffenel on his Flickr:
www.gildasraffenel/flickr.com

PLAYING CONDITIONS

ABC arbitrage has thus identified four typical scenarios for market conditions. These are expressed by four basic configurations, symbolically represented by four letters which graphically express market conditions.

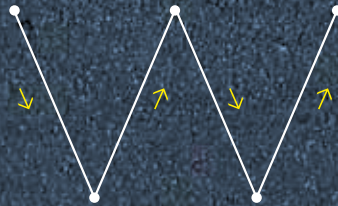


V-TYPE MARKETS

characteristically have the following traits:

- Strong and recurrent volatility
- High volumes
- A large number of operations

This scenario is the most favorable for the arbitrage business (with or without market risks) because it generates numerous opportunities in volatile conditions.

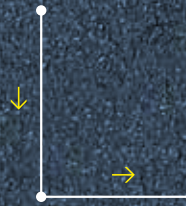


W-TYPE MARKETS

characteristically have the following traits:

- Very strong volatility
- Significant volume
- Stable number of operations

This scenario is extremely favorable for arbitrage without market risks, but less favorable for M&A transactions because the high degree of unpredictability and extreme volatility make it more difficult to make issuance offers.

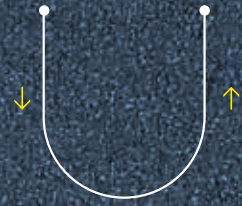


L-TYPE MARKETS

characteristically have the following traits:

- Sharp drop in volatility followed by a sluggish period
- Decreased asset management gathering
- Temporary decline in operations

This scenario is fairly favorable at first because the sharp drop in stock prices presents some opportunities, but is less favorable during the flat period (the bottom of the L). Nevertheless, this second phase generally does not last very long. It's a period for consolidating innovations, allowing time to test and deploy the group's resources to new geographical areas and to try out new products.



U-TYPE MARKETS

characteristically have the following traits:

- Strong volatility
- Significant volume
- Temporary decline in operations

This scenario is relatively favorable for the business because it includes lulls in issuing operations, but in a partly volatile environment. There is usually some sort of upswing six months later, thus generating new opportunities. As in scenario L, the group compensates by expanding to new territories and testing new products.

DAILY PERFORMANCE – ASSET CLASSES AND DERIVATIVES

V = volatility	V<15%				15%<V<30%				V>30%			
	Equities	Currencies	Treasuries	Commodities	Equities	Currencies	Treasuries	Commodities	Equities	Currencies	Treasuries	Commodities
Volumes \pm	ABC				ABC				ABC ABC			
Volumes $\pm +$	ABC				ABC ABC	ABC ABC			ABC ABC ABC	ABC		ABC
Volumes $+$	ABC				ABC ABC ABC	ABC ABC			ABC ABC ABC	ABC ABC	ABC	ABC



Readiness and capacity to play the field of the ABC arbitrage group. The number of logos indicates the group's capacity for efficient action on a scale of 1 to 3.

Arbitrage strategies being adapted to these types of market conditions. The number of squares indicates the degree of adaptability. When there are no squares, this means the group is not yet ready to work in these markets or conditions.

**ANY
FIELD-**
WWW.ABC-ARBITRAGE.COM



-WindWin-


A SPONSORSHIP MODEL

.....

Since 2007, the ABC arbitrage group has partnered with skipper Jean-Pierre Dick and his sailing team. At first glance, competitive yachting and financial arbitrage seem to have little in common, but if one takes a closer look, they're more similar than they appear, sharing a set of essential principles and working on similar models of competitiveness.

.....



A miniature scene featuring two tiny figures standing on a mossy rock that juts out into a body of water. The figure on the left is wearing a bright yellow jacket and dark pants, holding binoculars to their eyes. The figure on the right is wearing a light-colored jumpsuit and a white cap, also holding binoculars. The rock is covered in vibrant green moss and some small plants. The water is calm, reflecting the scene. The background is a soft-focus view of a shoreline with trees and foliage.

“In fact, our professions are really quite close in terms of the challenges we must deal with”, asserts Jean-Pierre Dick. “At sea or on shore, we try to reconcile the same sorts of contradictory factors: meticulous preparation and anticipation, ambition and humility, performance and reliability, technology and people management.”

Both companies are therefore very close in terms of their management philosophies and their way of dealing with industrial projects, working in a precise manner and always focused on organizational cohesiveness. They share many other values as well: team spirit, self-control and a high level of awareness. Add to these a spirited sense of competition and constant enthusiasm and you obtain the fundamentals of a strong natural partnership, which over time has become a true professional friendship.

Dominique Ceolin summarizes the special relationship between the two companies: “It’s a real pleasure to support these teams and to share essential values that inspire us: passion for our business, a constant search for improvement and innovation and always taking pleasure in what we do.”

For ABC arbitrage, sponsorship is a replica of what they do. It symbolically represents the energies and the attention to detail needed to achieve results and deal with every conceivable challenge, whatever the circumstances.

“Sponsoring Jean-Pierre Dick’s team is really in line with our communications policy and our positioning in the financial world”, asserts Dominique Ceolin. “We’re not looking for showy publicity or an exaggerated image of ourselves for outside consumption. On the contrary, our priority is to affirm our most intimate internal values and to express our firm belief in the convergence of interests between all of the company’s shareholders. And, above all, we believe in a sustained long-term relationship, based on mutual respect and the sharing of good practices. It’s effectively a replica or a scale-model of what we try and do every day.”

JEAN-PIERRE DICK THE GENTLEMAN SKIPPER

Jean-Pierre Dick hails from Nice on the French Riviera. He is a determined man who has demonstrated his ability to change course when necessary. He originally trained as a veterinarian and received a postgraduate degree from HEC, France's most prestigious business school. He decided in 2002 to become a full-time competitive sailor on a 200% basis, as he puts it, throwing all his energy into his passion with the meticulousness of a perfectionist. In a very short time span, he has established himself as a leading yachtsman. He has worked hand in hand since 2004 with his team manager Luc Talbourdet and the two men have become inseparable (at least on land).

2011 will go down as an exceptional year in terms of awards and a demonstration of the perfect harmony between a man and his craft. Thus, Jean-Pierre Dick and co-skipper Loïck Peyron won their second consecutive victory in the second edition of the Barcelona World on 4th April 2011, a two-man race around the world. On 18th November 2011, Jean-Pierre Dick and Jérémie Beyou crossed the finish line as winners of the Transat Jacques Vabre, beating the event's record with a new theoretical best time for the Le Havre - Puerto Limon crossing. This win is Jean-Pierre Dick's third in the Transat Jacques Vabre, following on his successes in 2003 with Nicolas Abiven and in 2005 with Loïck Peyron. With this new title, Jean-Pierre chalks up his fifth major win on the IMOCA circuit in ten years.

To cap off the year, Jean-Pierre Dick was named Sailor of the Year 2011 by a jury of twenty people, chaired by Isabelle Autissier and including eminent representatives from the sailing world, journalists and elected members of the French Sailing Federation.

Aboard his boat Virbac Paprec 3, christened in 2010, Jean-Pierre has gone from one win to another.

Currently, Jean-Pierre is preparing for the Vendée Globe 2012 (a solo race around the world, without stops and without assistance). The Vendée Globe, a legendary race, is the only title missing in Jean-Pierre's trophy chest. The race, which is run every four years, will begin on 10th November 2012, leaving from the French seaside town of Sables d'Olonne. Following on two participations in the race, in 2004 when he finished sixth and in 2008 when he was forced to abandon the race while in the lead, Jean-Pierre will try again to win the holy of holies, more determined than ever.

Jean-Pierre Dick comments on the importance of this race: "The Vendée Globe means a lot for me. It's an important part of my life. I made a life change to run in this race. After two attempts, I'm caught up in the game and now I really want to win. Since 2002, with my team and my partners, we've put a lot of effort in winning what is for me the greatest sailing race. Clearly, the next edition is the most important of all because, in theory, it's my last attempt. I've tried to bring together all the advantages to win, such as participating in the Barcelona World Race, which I think is great way to prepare for the Vendée Globe. Those who weren't in that race will be going to the Southern Seas for the first time!"

ACCOMPLISHMENTS



© Yvan ZEDDA

	Sailor of the year
2011	Winner of the Transat Jacques Vabre (with Jérémie Beyou)
	World Champion in the IMOCA class
	Winner of the Barcelona World Race (with Loïck Peyron)
2010	Route du Rhum, 4 th
2007-2008	Winner of the Barcelona World Race (with Damian Foxall)
2006	Route du Rhum, 3 rd
2005	Winner of the Transat Jacques Vabre (with Loïck Peyron)
2004-2005	Vendée Globe, 6 th
2003	Winner of the Transat Jacques Vabre (with Nicolas Abiven)
2001	Winner of the Tour de France à la Voile

www.jp dick.com

to follow next
Jean-Pierre Dick's races.

THOMAS NORMAND

PURE PASSION

After its initial commitment with Jean-Pierre Dick, ABC arbitrage decided to extend its support to a talented budding member of his team, Thomas Normand.

Competing since 2005, Thomas Normand is a promising 25 years old skipper who has already won a major title (European youth champion in formula 18 in 2007 and winner of Chrono 6.50 in 2009) and who is passionately devoted to sailing and competition.

After two seasons of training on his Mini 6.50 "Financière de l'Echiquier", christened in March 2010 and with Dominique Ceolin as mentor, Thomas Normand was very successful in 2011, achieving remarkable results. First, he accomplished what he had always dreamt of by participating in his first solo race across the Atlantic, stepping on to the podium, placing second in the Charente-Maritime/ Bahia Transat 6.50 2011 (Prototype category). At the finish line, Dominique Ceolin, Chairman of the ABC arbitrage group, sponsor and mentor of the boat, congratulated Thomas on his capacity for making progress much more quickly than most sailors and achieving an exceptional performance while controlling risks.

www.thomasnormand.com

to have a look on Thomas and his season's highlights

Thomas reached another landmark, by finishing first in the overall ranking of the Mini 6.50 category. "It's truly a team victory!" declared Thomas. "This first place rewards three years of hard work and consistent performance in 2011. Beginning with the design of the Financière de l'Echiquier Mini 6.50 and throughout the long training period, nothing was left to chance to achieve these results. I work with a great team that supports me every day and loyal partners who have confided their trust in me. This has allowed me to focus on the competitions and has given me all the confidence I need. It's really fantastic!"

In 2012, Thomas will be taking on new challenges with his new boat, the Figaro Financière de l'Echiquier. The season will enable him to race at another level, culminating in the Figaro solo race, the ultimate race in the Figaro Class, scheduled to start on 24th June 2012.



ACCOMPLISHMENTS

2011 Mini 6.50 Circuit	1 st overall in the Mini 6.50 Class
	2 nd in the Transat 6.50
	2 nd in the Transgascogne 6.50
	2 nd in the Mini Fastnet with Frédéric Duthil
	3 rd in the Pornichet Select 6.50
2010 Mini 6.50 Circuit	5 th in the Demi-Clé 6.50
	2 nd in the second stage from Les Sables d'Olonne to the Azores and return
	2 nd in the Mini Fastnet
	2 nd in the Mini Pavois

FIVE RACES FOR THOMAS IN 2012

- Figaro Massif Marine Solo – from 13th to 17th March. A race between the islands of Ré, Yeu and Belle-Ile.
- Concarneau Solo – from 8th to 13th May. A race between Brest and Les Sables d'Olonne.
- Figaro Solo – from 24th June to 15th July between Paimpol, Gijon (Spain), Saint-Gilles Croix de Vie and Cherbourg.
- Le Havre Solo – from 2nd to 10th August. A week of regattas in the Bay of the Seine and the English Channel.
- Izmir Cup – from 9th to 30th September between Southern France, Syracuse (Sicily), Athens (Greece), Bodrum and Izmir (Turkey).



MEASURING PERFORMANCE





The Olympic spirit



« Citius, Altius, Fortius »,

the Olympic motto signifies “Faster, Higher, Stronger” and is a call to give the best of one’s self and to experience this effort as a victory in its own right. To go to the limits of one’s possibilities and to strive for excellence does not necessarily mean that one comes first, but of course the spirit of this ambition is to be applied with the other great Olympic principle which is that “participation is what’s most essential”.

For the ABC arbitrage shareholder, like for the Olympic athlete, the most important thing is effectively to take part in a collective project, to be involved in something unique, to be a member of a team which shares essential values and which has an ambitious project to always be faster, go higher and become stronger.

Managers, employees and shareholders are all indeed members of the same team, proud to carry the ABC arbitrage flame. In this section, in a few questions and answers, we invite you to discover the highlights and key stats of how the ABC arbitrage team did in the 2011 games.

You can also take note of the various rules of our meetings, technical explanations on the business, the calendar of events for the upcoming year, the detailed financial results, performance indicators, highlights of the previous year, yields, etc.





3 MAJOR AWARDS
FOR THE ANNUAL REPORT

15.000 TO
20.000
SHAREHOLDERS



2
*Analyst
firms*



4x400

COPIES
OF THE ANNUAL
REPORT



30 TO 50

ANNUAL MEETINGS
BETWEEN MANAGERS
AND INVESTORS



1

E-MAIL

ADDRESS DEDICATED
TO SHAREHOLDERS

What is a stock share?

It is a negotiable security which represents a fraction of the capital value or equity of a company.

This security gives the owner access to dividends, the right to vote at the shareholders' meetings in proportion to the fraction of capital owned and a right to be informed on the life and performance of the company.

Shareholders are at the heart of the ABC arbitrage group strategy, with its directors having sought the same goal since the outset: actively creating value for its shareholders' investments through sustainable and regular growth of its profitability and sustainable dividend yields.

How can shareholders of a company inform themselves?

In France, listed companies must comply with a series of rules and obligations. They must publish information on their business and financial situation at different points in time, either on a permanent, regular or occasional basis. The French financial markets authority (Autorité des Marchés Financiers (AMF)) ensures compliance by issuers of their obligations, including the requirement to inform the public.

ABC arbitrage communicates regularly on its activity, its business performance, its strategy and its development initiatives. In order to optimize communication, the group has set up a dedicated department to serve shareholders and inform them through various means:

- A website, www.abc-arbitrage.com is regularly updated and provides privileged access to the group and its activities. Available in French and English, the site provides access, beginning with the home page, to news about the group and in particular its financial situation. The "Finance" section of the site provides information about the French stock market and the share (current stock price, equity

holdings, dividends, documents for the shareholders' meetings, etc). You can also access all the financial publications (regulated information, press releases, annual reports, interim results, company bylaws, etc.) as well as videos commenting the results and the group's development policies.

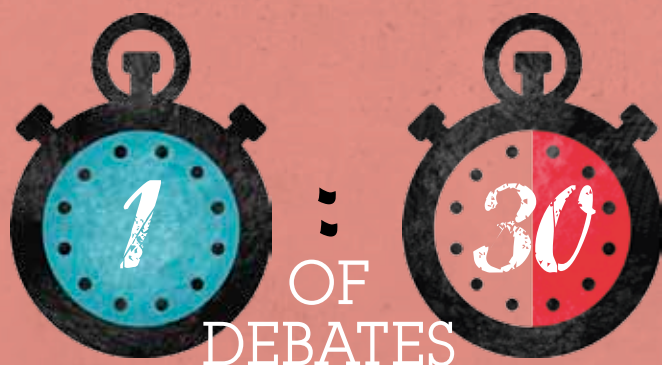
- An e-mail address to enable people to ask questions directly (in French or English): actionnaires@abc-arbitrage.com
- A free alert service to be informed in real time of the group's latest news. A registration form is available on the internet site.
- An annual report, with over 2,000 copies printed, also available as an electronic document,

published in French and English. From the outset, ABC arbitrage has always communicated differently, refusing the traditional codes of financial communication and producing creative documents to enhance understanding of its business. Working in partnership with communication agencies, the group attempts to present itself in an original way every year, in tune with its unique corporate culture.

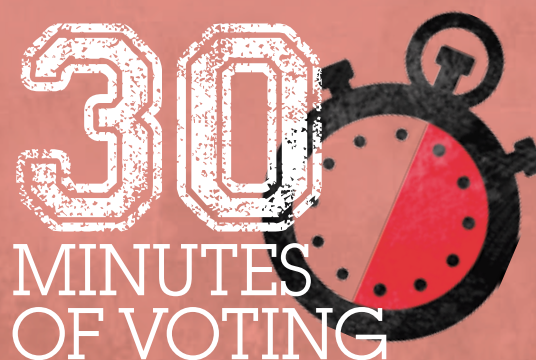
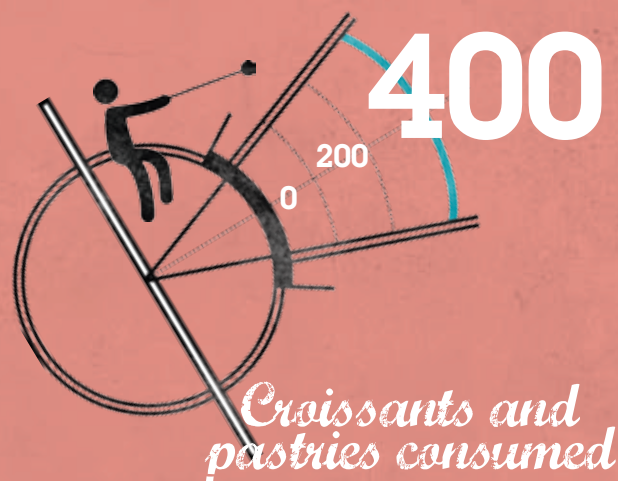
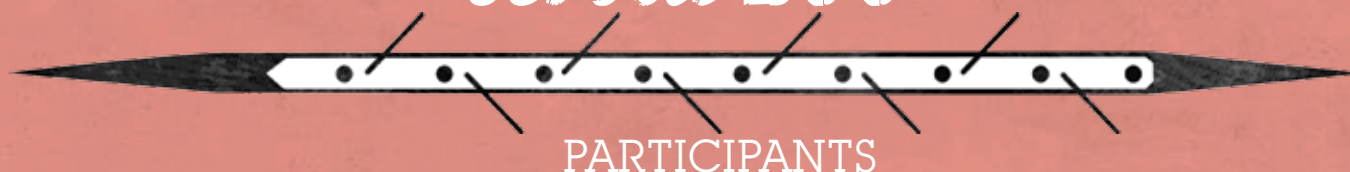
- Regular financial information: press releases, presentations, financial announcements in the press, media interviews, panel discussions, etc. In order to continue ongoing press relations and bolster the regular efforts of the "Communication" department to increase group visibility and brand awareness

to sustain the stock price, ABC uses the services of the F2S com press agency, whose mission is to ensure the group's promotion in all media (generalist and trade papers, radio, TV, electronic media), i.e. identifying relevant journalists, building strong relations with all media, organizing regular encounters, initiating articles and other coverage, relaying information efficiently, etc.

- Regular meetings with analyst firms that monitor the ABC arbitrage stock (CREDIT AGRICOLE CHEVREUX, ARKEON FINANCE), personal or group interviews during networking forums with managers, institutional investors, etc.



About 200



What is the purpose of Shareholders' Meetings?

Shareholders' meetings, which can be ordinary, extraordinary or both, are held at least once a year. They are privileged encounters to inform all shareholders on the group, to discuss matters with members of the Board of Directors and the main decision-makers, to participate in making decisions and to vote on proposed resolutions.

The General Shareholders' Meeting of ABC arbitrage, which examines the accounts of the previous fiscal year, are traditionally held during the last week of May in Paris.

Any shareholder may attend the General Shareholders' Meeting so long as he or she holds at least one share. A meeting notice appears in the French Bulletin for Mandatory Legal Announcements (BALO) at least thirty-five days before the meeting date, followed by the publication of a notice to attend at least fifteen days before the date of the meeting. The notice to attend may be modified following a request to inscribe draft resolutions presented by shareholders in compliance with applicable legal conditions.

Shareholders wishing to attend or be represented at the General Shareholders' Meeting must provide proof of their status by having their shares registered in their name

(or in the name of the custodian entered on their account if they are not French residents) no later than the third working day prior to the General Shareholders' Meeting at midnight (Paris time):

- On the registers of registered shares kept on behalf of the company by its authorized agent (CACEIS Corporate Trust), or,
- On the registers of bearer shares kept by the custodian with which their shares are registered.

To facilitate the shareholder's admission to the meeting, it is recommended that the shareholder obtains, before the General Shareholders' Meeting, an entrance card as follows:

- Holders of registered shares must send their request to CACEIS Corporate Trust - Service assemblées - 14, rue Rouget de Lisle - 92862 Issy les Moulineaux Cedex - France. If you do not have time to apply for your entrance card, or if you

haven't received it on the day of the General Shareholders' Meeting, you will nevertheless be able to enter the meeting as holder of registered shares, simply by presenting proof of identity at the welcome desk.

- Holders of bearer shares must obtain a participation certificate from the custodian of their shares proving their shareholder status at the date of the request. The custodian will then transmit this certificate to CACEIS Corporate Trust which will send the shareholder an entrance card.

If you do not have time to apply for your entrance card, or if you haven't received it on the day of the General Shareholders' Meeting, you may attend the meeting by presenting proof of identity and a participation certificate at the welcome desk.

On the day of the General Shareholders' Meeting, each shareholder must provide proof of his shareholder status and his identity

during the registration process.

In accordance with article L. 225-106 of the French Commercial Code, shareholders who are unable to attend the general meeting in person may:

- Give proxy to any legal entity or natural person of their choice; or
- Sign and return the proxy form to the company without naming the proxy; or
- Vote by post.

Requests for postal voting forms or proxy forms will only be honored if they are received by CACEIS Corporate Trust or the company headquarters no later than six days before the date of the General Shareholders' Meeting.

These forms, duly filled in, along with the participation certificate for bearer shares must be received by CACEIS Corporate Trust or ABC arbitrage headquarters no later than three days before the date of the General Shareholders' Meeting.



4 Indices

52,076,986



ORDINARY
SHARES

€6.92



AVERAGE PRICE
FOR THE YEAR

€7.73



HIGHEST PRICE
FOR THE YEAR



1

STOCK
MARKET LISTING

861.228



*Shares
exchanged
on average
per month*

€373,912,759

CAPITALIZATION
AT MARCH 31, 2012



What is a nominal value of the share?

The nominal value of a share is the initial value of a share as set forth in the statutes of the company. The nominal capital of the company is the result of the nominal value of a share multiplied by the number of shares.

Ordinary share profile at April 30, 2012

Date of admission	February 13, 2003
Market	Euronext Paris - compartment B
Indices*	Cail All-Tradable CAC Mid & Small CAC Small CAC All-Share
Deferred settlement	Only to initiate a long position (buyer)
Quotation	Continuous
ISIN	FR0004040608
REUTERS	BITI.PA
BLOOMBERG	ABCA FP
Type	Registered share or bearer share
Face (nominal) value	EUR 0.016
Number of ordinary shares	52,076,986
Share capital	EUR 833,231.78

* New range of Euronext Paris indices as of March 21, 2011.

What is a stock market index?

A market index is an instrument to measure the performance of shares or bonds; the market index reflects the evolution of a market or a sector and represents the average (simple or weighted) price of the sample securities that are the base for calculating the index.

Inclusion in indices enhances liquidity and stock value growth since it is included in the portfolios of funds indexed on these indicators. The ABC arbitrage stock is part of the following indices.

CAC Small
(Mnemonic code: CACS)
CAC Mid & Small
(Mnemonic code: ACMS)
CAC All-Tradable
(Mnemonic code: CACT)
CAC All-Share
(Mnemonic code: PAX)

The listing of the ABC arbitrage stock on Euronext Paris is a tremendous means to increase the brand recognition of the group and is a long-term advantage for its performance momentum.

What does equity value measure?

The equity value of the company is the result of the number of shares in its equity multiplied by the share price.

ABC arbitrage stock price indicators

ABC arbitrage share	2011	2010	2009
Highest for the year in EUR	7.73	7.38	6.99
Lowest for the year in EUR	5.82	6.38	4.97
Average price in EUR	6.92	6.89	6.17
Closing price (at Dec. 31)	6.16	7.27	6.58
Turnover in EUR (monthly average)	5,928,938	5,774,304	5,859,673
Volume (monthly average)	861,228	834,906	924,901
Number of shares (at Dec. 31)	52,076,986	50,855,305	41,739,110
Capitalization in EUR (at Dec. 31)	320,794,234	369,718,067	274,643,344

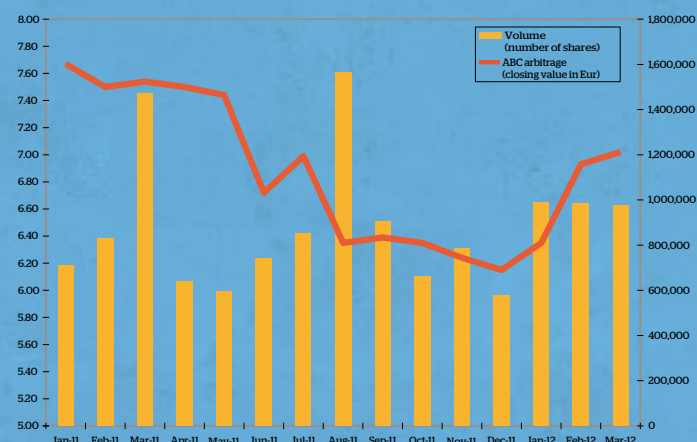
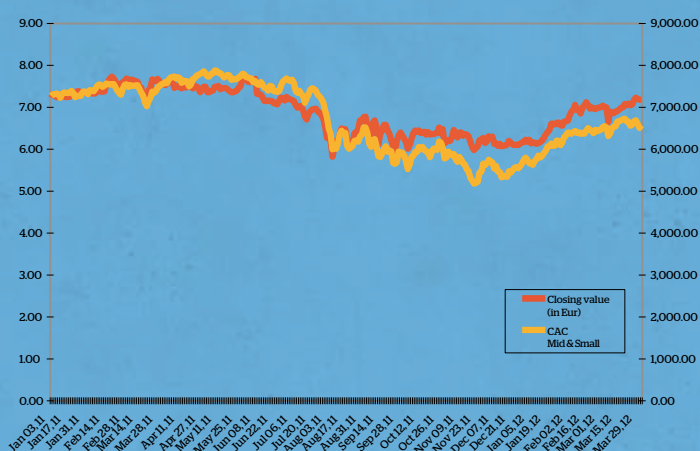
How is a company's stock price determined?

A company's stock price is the result of the interaction between supply and demand of listed titles on a stock market. The ABC arbitrage stock is freely exchanged on Euronext Paris, open Monday to Friday from 9.00 am to 5.35 pm.

The price of the ABC arbitrage stock has followed a trend comparable to its main benchmark indices and in particular the CAC Mid & Small (representing a sample of small and medium listed companies on Euronext Paris).

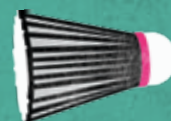
Performance of the stock since January 1, 2011

ABC arbitrage (closing value in euros)
CAC Mid & Small

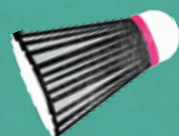


Average annual yield
of ABC arbitrage share

+ 32%
ON AVERAGE PER YEAR.



EUR
1.000
February 13, 2003



EUR
12.408
March 31, 2012



Cumulated
dividends
paid
2000/2011

—
€7.32
PER SHARE

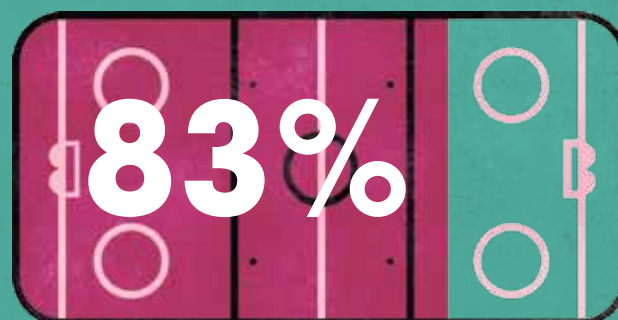


**2011
YIELD**

—
8.93%

BASED ON STOCK
PRICE
AT DEC. 31, 2011

2011
AVERAGE
DISTRIBUTION
RATE



5th



STRONGEST
DIVIDEND YIELD
IN 2011 OF ALL STOCKS IN
THE EURONEXT B MARKET



**2011
earnings**

EUR 0.66
PER SHARE

**2011
dividend**

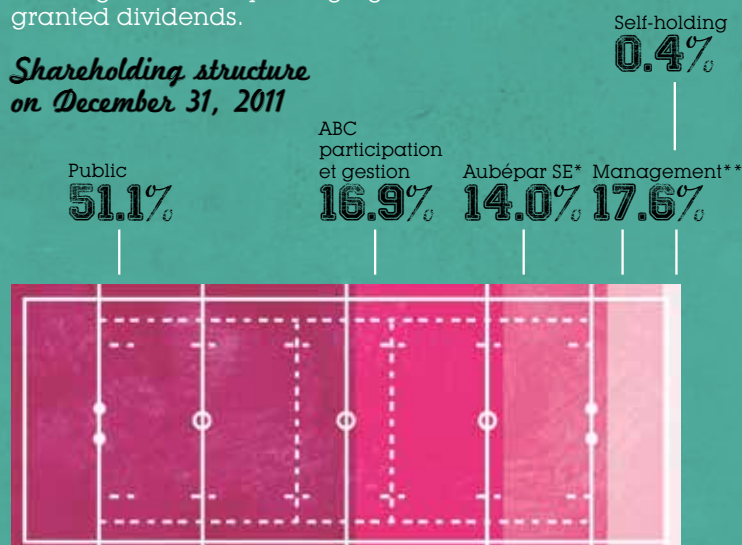
EUR 0.55
PER SHARE



What is self-holding capital?

Self-holding capital is the share of its own equity owned by the company. Self-holding shares do not generate any voting rights and are not granted dividends.

Shareholding structure on December 31, 2011



* Aubépar Industries S.E. and Aubépar S.E. (98.7% owned subsidiary of Aubépar Industries S.E.).
 ** Executive management and independent non-executive directors.

What is a dividend?

The dividend is the share of net earnings distributed to shareholders.

The amount is proposed by the Board of Directors and voted by the shareholders at the General Shareholders' Meeting.

What are the net earnings per share?

Net earnings per share are the group's net earnings in the fiscal year divided by the number of shares.

Analysts use this figure to evaluate the evolution of the company's performance over several years or to compare the performance of companies in a given sector.

It is also used to calculate the PER (Price Earnings Ratio), which is the ratio between the stock price and the net result per share. This indicator is used to compare the intrinsic value of different companies.

	2011	2010	2009
General figures in EUR millions			
Net revenue ⁽¹⁾	75.2	60.6	62.6
Net income	34.3	29.0	30.4
Figures per share in EUR			
Earnings	0.66	0.57	0.73
Dividend ⁽²⁾	0.55	0.55	0.75
Yield ⁽³⁾	8.9%	7.6%	11.4%
Other figures			
Average number of employees	76	74	69
Average age	32	32	32

Consolidated figures, IFRS.

(1) Net gain/loss on financial instruments at fair value through profit or loss + cost of risk.

(2) Total 2011 dividend proposed to the General Shareholders' Meeting on June 1, 2012 (including the interim dividend of EUR 0.20 per share paid on November 2011).

(3) Dividend/last closing price at the end of December.

How do you measure the rate of distribution?

The rate of distribution is the percentage of net earnings distributed to shareholders as dividends.

The ABC arbitrage group has instituted a consistent dividend distribution policy.

The Board of Directors does not define any distribution policy upstream, assessing the proper level for each period on the basis of earnings (half-year and annual, certified by its auditors), balancing its needs in operating funds or cash flow and the amount to be distributed. Strong and regular distribution rates since 1999 have always been determined in respect of the group's activity and in ensuring that they do not negatively impact on the group's performance, nor on its short and medium-term development projects.

As part of this process, the group proceeds traditionally in the following way:

- On the basis of a proposal by the Board of Directors, when closing half-year accounts by granting an advance on dividends during the current fiscal year (paid in November or December);
- On the basis of the decision of shareholders meeting at the Annual Shareholders Meeting, after approval of the accounts for the past fiscal year, in the form of the balance of dividends due (paid in July or August).

Regularly, shareholders have the possibility of reinvesting all or part of their dividends in ABC arbitrage shares, according to a legal formula and in terms of a minimum limit set by the Board of Directors.

What is the yield of a share?

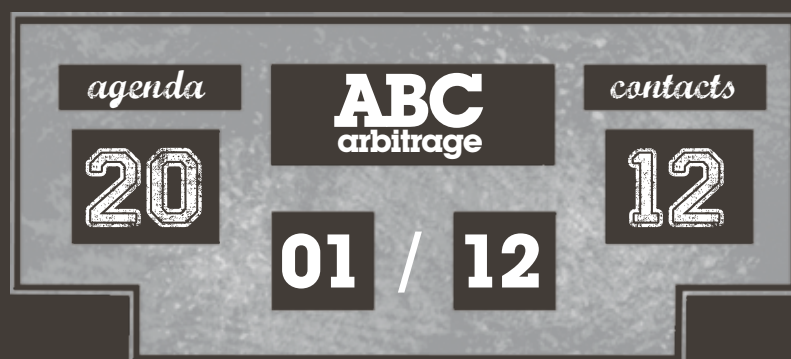
Yield is the annual revenue generated by a share, compared to the stock price (net dividend/stock price). It is expressed as a percentage.

In 2011, the annual yield of an ABC arbitrage share was almost 9%.

An ABC arbitrage shareholder, who invested EUR 1,000 on February 13, 2003, the day the stock was initially listed on the regulated market, would have a capital holding of EUR 12,408 on March 31, 2012, assuming that he or she will have reinvested all dividends in shares. This investment would have generated an average of 32% per year.

× 12.5
IN 9 YEARS

+ 32%
ON AVERAGE
PER YEAR



Diary of events

November 22, 2011

- Interim dividend 2011

March 19, 2012

- 2011 results publication

April 26, 2012

- First quarter 2012 operating revenues

June 1, 2012

- General Shareholders' Meeting

June 2012

- Final dividend 2011

September 17, 2012

- First half 2012 results publication

October 25, 2012

- Third quarter 2012 operating revenues

November 2012

- 2012 interim dividend (if decided by the Board of Directors)

Shareholders contacts

Shareholders relations service

- **ABC arbitrage Shareholders' department**
18, rue du Quatre Septembre
75002 Paris - France
Email: actionnaires@abc-arbitrage.com
Website: <http://www.abc-arbitrage.com>

Press agency

- **F2S COM**
Valérie Sabineu/Jérôme Goaër
7, rue Feydeau
75002 Paris - France
Tél: 33.(0)1.44.82.46.21/24

Registered share service

CACEIS Corporate Trust acts as ABC arbitrage's Share Registration Agent and is responsible for all administrative aspects relating to registered shareholders. CACEIS Corporate Trust can be contacted at the following address:

- **CACEIS CORPORATE TRUST**
Investors' relations
14, rue Rouget de Lisle
92862 Issy-les-Moulineaux
Cedex 09 - France
Tél: 33.(0)1.57.78.34.44
Fax: 33.(0)1.49.08.05.80

Liquidity contract

- **CRÉDIT AGRICOLE CHEVREUX**
Trading desk
Tél: 33.(0)1.41.89.74.72

Financial analysts tracking ABC arbitrage share

- **ARKEON FINANCE**
Jean-Pierre Tabard
Tél: 33.(0)1.53.70.45.34
- **CRÉDIT AGRICOLE CHEVREUX**
Richard Houbon
Tél: 33.(0)1.41.89.76.39

SCORES
2011

ABC ARBITRAGE

FINANCIAL REPORT



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MANAGEMENT REPORT

AT DECEMBER 31, 2011



BUSINESS REVIEW

The ABC arbitrage Group delivered a robust performance in 2011, reporting net income of €34.3 million, an increase of more than 18% over 2010.

Key consolidated figures for 2011 are presented below:

IN EUR MILLION	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS	CHANGE
Advisory revenues	-	0.4	
Third party management revenues ⁽¹⁾	3.6	1.2	209%
Proprietary trading revenues ⁽²⁾	71.6	59.0	21%
Net revenues	75.2	60.6	24%
Payroll costs	(18.5)	(13.3)	39%
Occupancy costs	(1.6)	(1.5)	5%
Other expense	(3.8)	(4.2)	(10%)
Income before tax	51.3	41.6	23%
Net income attributable to equity holders	34.3	29.0	18%

(1) Third party management revenues correspond to management and performance fees billed by ABC arbitrage Asset Management to holders of A and C shares in fully consolidated funds, which are eliminated in consolidation.

(2) Net gains on derivative financial instruments measured at fair value through profit or loss (€73.9 million) + net provision reversals (€1.3 million) - third party management revenues (€3.6 million).

Net revenues rose by 24% to €75 million, giving a 51.32% gross return on equity. This compares extremely favourably to the average 2011 return of -2.5% for the DJCS Hedge Fund Index, a benchmark

in alternative investment. However, some difference is to be expected as the index naturally reflects a much broader range of strategies and larger overall positions.

IN EUR THOUSAND	DEC. 31, 2011 IFRS
Equity at January 1, 2011 under IFRS	126,513
Equity at December 31, 2011	152,478
Average equity	139,496
Return on equity	24.56%
Gross return on equity	51.32%
CAC 40 index	(16.95%)
DJCS Hedge Fund Index	(2.52%)

Return on equity = (net income / average (opening equity + closing equity)) x 100.

Gross Return on equity = (proprietary trading revenues / average (opening equity + closing equity)) x 100.

Equity corresponds to shareholders' equity plus provisions adjusted for deferred taxes. This figure takes account of dividend payments (except for interim dividends) and changes in issued capital, and therefore corresponds to the capital available for investment in the market.

The first half of 2011 was shaped by hesitation on the part of both investors and issuers due to concerns about the European sovereign debt situation. This led to weak trading volumes and low volatility, except in March following the disaster in Japan. The much-heralded recovery in M&A activity struggled to materialise except for a brief burst lasting just a few weeks in the spring. Issuer activity in the capital markets remained at a record low.

The second half of the year was badly affected by the European sovereign debt crisis. The primary markets were sluggish and although volatility rose in the financial markets, trading volumes were very weak, especially towards the year end. For example, in August 2011, volatility was above average but in an environment of trading volumes well below the levels seen in months with similar volatility patterns in 2008 and 2010 for example. The M&A market was also very quiet, both in deal numbers and size.

Despite the serious crisis of confidence in the Euro zone, the Group succeeded in achieving its key goals of maintaining the pace of innovation, delivering robust performance improvements while controlling risks, and stepping up expansion of the asset management business.

The substantial increase in volumes traded by the Group in these challenging market conditions illustrates the success of our drive to diversify both geographically and in terms of strategies and products.

Thanks to ongoing investment in our systems, we are now a highly reactive group able to exploit narrower margins in all types of environments, with contained direct production costs.

The mix of arbitrage types remains weighted towards arbitrages without market risks, especially in terms of position size. Opportunities for arbitrages with market risks were limited by a severe shortage of deal announcements and small deal sizes, although the development of futures- and forex-based strategies went a long way towards offsetting this problem.

We estimate that the ban on short selling has impacted net revenues by less than 5%. We have set up working groups to prepare the organisation for new regulatory measures that could follow the same line of reasoning as the short selling ban.

2.

THIRD PARTY ASSET MANAGEMENT

Revenue generated by the asset management business rose significantly, with €3.6 million of management and performance fees billed to external investors, a threefold increase on 2010 (€1.2 million).

ABC arbitrage opened three new alternative investment funds in the second half of 2011: ABCA Continuum Fund, ABCA FX Fund and ABCA Multi Fund.

ABCA Continuum Fund exploits statistical arbitrage opportunities in the equity markets and has a target capacity of €150 million of capital. At December 31, it had attracted €15 million in capital and delivered a return of 12.16% over six months.

ABCA FX Fund exploits statistical arbitrage opportunities in the foreign exchange markets and also has a target capacity of €150 million of capital. At December 31, it had attracted €21 million in capital and delivered a return of 11.32% over six months.

ABCA Multi Fund is a diversified fund that invests in other funds managed by the group. At December 31, it had attracted €25 million in capital and delivered a return of 3.38% over three months.

These new funds reflect the group's goal of developing the asset management business by providing a broader range of alternative products in addition to its existing funds, ABCA Opportunities Fund and ABCA Reversion Fund.

ABCA Opportunities Fund exploits M&A arbitrage opportunities and has a target capacity of €150 million of capital. At December 31, it had €30 million of capital and delivered an annual return of 8.54%.

ABCA Reversion Fund exploits statistical arbitrage opportunities in the futures and ETF markets and also has a target capacity of €250 million of capital. At December 31, it had €153 million of capital and delivered an annual return of 21.58%.

These funds are managed by ABC arbitrage Asset Management, a portfolio manager, and are housed within ABCA Funds Ireland plc.

With new money inflows ahead of target, funds under management rose significantly in 2011 to €218 million at December 31 (versus €80 million at end-2010), including €174 million from external investors (versus €50 million in 2010).

Growth accelerated sharply in the second half, driven by two factors:

- the continued excellent returns delivered by the funds in challenging market conditions;
- the materialisation of some major investment decisions that had initially been mooted at the end of 2010.

In the first quarter of 2012, the funds attracted almost €45 million of new money.

3.

SUBSIDIARIES AND HOLDINGS

A list of subsidiaries and holdings, together with key figures, can be found in note 3.3. to the parent company financial statements.

ABC arbitrage Asset Management, an authorised investment management company, incurred a loss of €13,667 thousand in 2011. This company is responsible for the Group's operating activities in the financial markets and will continue to develop its non-group business in order to reach breakeven.

ABCA Funds Ireland plc, an Irish non-UCITS, made a profit of €16,423 thousand in 2011 to be allocated between ABC arbitrage and the external investors.

ABCA Global Fund had no business activity during the year other than prudent management of its own cash.

4.

HUMAN RESOURCES

In a commitment to motivating employees over the long term and aligning their interests with those of shareholders, management has developed various share-based incentive schemes to drive growth by retaining core skills, while containing, in a highly competitive environment, payroll and other fixed costs.

HORIZON 2010 PROGRAMME

In 2006, a share-based incentive programme was set up for executive officers and employees as part of the *Horizon 2010* project. The programme set ambitious five-year earnings targets and vesting criteria based on the Group's financial performance over the period.

These Horizon 2010 targets were met a year ahead of schedule, with aggregate net income of nearly €107 million generated in the period 2006-2009.

A total of 483,411 stock options granted in 2008 are still outstanding. They are exercisable at a price of €4.85.

HORIZON 2015 PROGRAMME

Over the four years of the *Horizon 2010* programme, shareholders received aggregate dividends of €2.26 per share and the share price increased threefold. Given the success of this incentive programme, which benefits all shareholders, at the Annual Shareholders' Meeting of May 2010 we recommended setting up a new programme for 2010-2015 to motivate and incentivise our teams, who are the key

drivers of performance. After discussing the matter with operating managers, the decision was made to set progressive targets with the goal of generating over €250 million in consolidated net income over the next five years.

Concerning the *Horizon 2015* share grant and stock option plan, the Group did not make any decisions or enter into any commitments with plan beneficiaries in relation to the purchase by one of the Group's companies of shares or stock options awarded to said beneficiaries under this plan.

HORIZON 2015 STOCK OPTIONS

Three million performance stock options were granted to 59 grantees on September 20, 2010, representing the equivalent of 5.90% of the Company's capital at December 31, 2010. The options are subject to vesting conditions based on the Group's cumulative consolidated net income for the period 2010-2014. None of the options will vest if cumulative income is equal to or less than €100 million and all the options will vest if cumulative income totals €300 million or more. Between these two limits, a steadily increasing proportion of options will vest, without any threshold effect.

The number of options that have vested will be determined at the closing of the first accounts at which cumulative consolidated net income represents €250 million or more, and in any event no later than the closing of 2014 accounts.

The exercise price has been set at €9. It may be adjusted to take account of future dividend payments, to a minimum of €6.48 excluding any adjustments required by law.

HORIZON 2015 PERFORMANCE SHARE GRANTS

- 500,000 performance shares were granted to 64 grantees on September 20, 2010. These shares will vest ratably in September 2012 based on the Group's results. All of the shares will vest if cumulative consolidated net income for the two years 2010-2011 is at least €80 million. Based on actual net income for that period, approximately 345,000 shares should vest.
- 250,000 performance shares were granted to 64 grantees on September 20, 2010. These shares will vest ratably at the end of 2012 based on the Group's results. All of the shares will vest if cumulative consolidated net income for the three years 2010-2012 is at least €120 million but only 150,000 shares will vest, for example, if cumulative consolidated net income is €90 million for the three years.

HORIZON 2015 - SHARE OFFER MADE TO EMPLOYEES

In 2011, ABC arbitrage offered to sell shares to employees. A total of 248,202 shares were purchased on July 8, 2011 by 74 employees (corresponding to 97% of eligible employees).

The shares, which did not have rights to the 2011 interim dividend, were all acquired by the Company under the buyback program. As a result, the offer did not have any dilutive impact.

The shares were sold at a price of €5.77, representing a discount of 20% to the average of the prices quoted over the twenty trading days preceding July 5, 2011, the date when the decision was made to launch the offer. The Company made matching share grants to the employees concerned within the limits set by law.

ISSUE OF WARRANTS TO SUBSCRIBE FOR NEW SHARES OR PURCHASE EXISTING SHARES (2011 BSAA)

A BSAA is a warrant (option) entitling the holder to subscribe for new shares or purchase existing shares of the company in the future at a specified price and on specified terms and conditions. The purchase price per 2011 BSAA was set by the Board of Directors on July 5, 2011 at €0.45, within the price range determined by an independent evaluation, and with no discount or employer's contribution. The exercise price is €9.20, corresponding to 128% of the average closing share prices quoted during the 20 trading sessions preceding July 5, 2011, and will be reduced by the amount of any dividend paid after July 12, 2011 with a minimum of €6.30.

In accordance with the commitments given to shareholders, the exercise ratio of each 2011 BSAA will range from 0.1 to 2 shares depending on cumulative consolidated net income for the period 2010 to 2014 inclusive. For example:

- if cumulative consolidated net income over that period is equal to €150 million, one 2011 BSAA will entitle the holder to 0.5 of an ABC arbitrage share;
- if cumulative consolidated net income over that period is equal to €250 million, one 2011 BSAA will entitle the holder to 1.5 ABC arbitrage shares;
- if cumulative consolidated net income over that period is equal to or more than €300 million, one 2011 BSAA will entitle the holder to 2 ABC arbitrage shares.

In July 2011, ABC arbitrage issued 4,680,000 2011 BSAA's, which were purchased by 39 employees. The proceeds received by the Group at the time of issue amounted to €2.1 million and were accounted for as share premiums.

The 2011 BSAA's will be listed on the stock exchange by September 30, 2016 at the latest and will be exercisable from June 1, 2015 to June 29, 2018 inclusive.

VESTING OF PERFORMANCE SHARES AND EXERCISE OF STOCK OPTIONS

On September 10, 2009, a total of 97,270 performance shares were granted by the Board of Directors. The shares will vest if the Group's net return on consolidated equity is at least 20% a year over the vesting period from 2009 to 2010, and will be issued in 2011.

On September 15, 2011, the Board of Directors duly noted that the net return on equity was 31.63% in 2009 and 24.65% in 2010. As the average was above the vesting threshold, the 97,270 shares granted to 27 employees therefore vested in full.

During 2011, 63,047 stock options were exercised at an average price of €4.85 per share. The corresponding shares were either bought back on the market under the share buyback programme or newly issued.

Since the Company was founded in 1995, a total of 9,687,214 shares (representing 19% of the capital) have been issued to employees under share-based plans.

5.

CORPORATE GOVERNANCE

The Board of Directors comprises five members and two non-voting Directors.

To enhance the quality of the Board's discussions, a new member, Sabine Roux de Bézieux, has been elected to expand the capabilities and synergies represented on the Board.

The Board of Directors also invites third parties to attend Board meetings in a consultative capacity on an occasional or regular basis.

The percentage of issued capital held by employees under group plans is less than 3% and consequently there are no employee-elected Directors. A member of the Works Council attends Board meetings in a consultative capacity.

On September 7, 2011, the Board of Director decided to remove Jean-Michel Bonnichon as Chief Executive Officer of ABC arbitrage and appointed Dominique Ceolin as Chairman and Chief Executive after discussing the principle of combining the two offices and verifying the principles of segregation of functions.

Under article L. 225-102-1 of the *Code de Commerce*, we are required to report on total compensation and benefits paid to directors and executive officers of the listed company during the year.

The following table shows total salary and benefits paid by Group companies to the executive officers in 2011:

NAME	DOMINIQUE CEOLIN	JEAN-MICHEL BONNICHON
Position until Sep. 9, 2011	Chairman of the Board of Directors, ABCA Chief Executive Officer, ABCA AM	Managing Director, ABCA
Position from Sep. 9, 2011	Chief Executive Officer, ABCA Chief Executive Officer, ABCA AM	-
Gross salary	170,400	59,922
Adjustment related to paid leave and statutory bonuses	2,738	10,575
Company car	8,312	-
Incentive plan	17,639	13,487
Employer's contribution to company savings scheme	5,089	5,089
Profit-sharing plan	25,965	25,965
Gross bonuses - 2010	293,000	88,000
Gross bonuses - 2011	520,000	13,000

Figures in euros
ABCA: ABC arbitrage
ABCA AM: ABC arbitrage Asset Management

The Board of Directors adopted the Middelnext Corporate Governance Code for Small Caps and Midcaps on its publication in December 2009. This Code has been approved as a reference code by the *Autorité des Marchés Financiers* (AMF).

The Chairman's report on corporate governance and internal control provides details of compensation paid to executive

officers and sets out the applicable rules or the reasons for any exceptions.

The following table shows Directors' fees paid by Group companies to directors and executive officers in 2011:

NAME	POSITION	DIRECTORS' FEES (€)
Dominique Ceolin	Chairman of the Board, ABCA	2,000
ABC participation et gestion (Jean-Christophe Estève, permanent representative)	Member of the Board, ABCA	2,000
Aubépar (Xavier Chauderlot, permanent representative)	Member of the Board, ABCA	2,000
Jean-François Drouets	Member of the Board, ABCA	7,500
Sabine Roux de Bézieux	Member of the Board, ABCA	7,000
Didier Ribadeau Dumas	Censor, Board of Directors ABCA	10,000
Jacques Chevalier	Censor, Board of Directors ABCA	1,500

ABCA: ABC arbitrage

As required by article L. 225-102-1 of the *Code de Commerce*, the following table shows all directorships and other offices held by the executive officers of the company:

NAME	DIRECTORSHIPS AND OTHER OFFICES
Dominique CEOLIN	Chief Executive Officer, ABCA Chief Executive Officer, ABCA AM
Jean-Michel BONNICHON	Corporate Secretary, ABCA AM until Sep. 9, 2011 Director, Middelnext
Xavier CHAUDERLOT	Chairman and Managing Director, Aubépar Industries SE Representative of Aubépar Industries SE on the Board of Directors of Aubépar SE Representative of Aubépar Industries SE on the Board of Directors of Financière du Bailli SA Non-voting Director, Jet Entrepreneurs SA
Jean-François DROUETS	Chairman, Catella Valuation Advisors
Jean-Christophe ESTEVE	Executive manager, ABC participation et gestion Permanent representative, ABC participation et gestion Manager, Biotope SARL Manager, Aerotope SARL Director of Papalagage Ltd (since August 25, 2011)
Sabine ROUX DE BEZIEUX	Member of the Supervisory Board, Micro Finance Solidaire SAS Chair of Entrepreneurs du Monde (NGO)
Didier RIBADEAU DUMAS	Managing Partner, DRD Conseils Member of the Supervisory Board, La Banque Postale Representative of ABCA on the Board of Directors of ABCA AM (since October 4, 2011)
Jacques CHEVALIER	Director, SGP Cogitam Director, Quilvest Copagest Finance

ABCA: ABC arbitrage

ABCA AM: ABC arbitrage Asset Management

The following table shows a summary of the dealings in ABC arbitrage shares by the Directors and executive officers of the company in 2011:

NAME	PURCHASES (IN EUR)	SALES (IN EUR)	SUBSCRIPTIONS (IN EUR)
Dominique CEOLIN	425,701	242,153	1,018,528
ABC participation et gestion	-	7,997,462	-
Aubépar SE *	37,794,046	38,134,078	2,435,468
Jean-François DROUETS	-	-	3,122
Sabine ROUX DE BEZIEUX	761	-	35
Jean-Michel BONNICHON	274,145	242,153	132,412

* Aubépar Industries SE and Aubépar SE (98.7%-owned subsidiary of Aubépar Industries SE). See note 8

6.

PAYMENT PERIODS

All trade payables outstanding at December 31, 2011 were payable no later than thirty days, end of month.

7.

SHARE PERFORMANCE AND SHARE BUYBACK PROGRAMME

At December 31, 2011, issued capital amounted to €833,231.78 divided into 52,076,986 ordinary shares.

Average daily trading volume came to more than 40,400 shares, representing almost €278 thousand a day in value.

ABC arbitrage shares closed the year at €6.16. The par value of the shares is €0.016.

The Company has been authorised by shareholders to carry out a share buyback programme. Under the terms of the authorisation,

shares may not be bought back at a price of more than €12 per share and the total amount invested in the programme may not exceed €20,000,000. In addition, the Board of Directors' authorisation is required for share buyback transactions representing over €500,000.

At December 31, 2011, the Company held 220,390 shares in treasury (representing 0.42% of the capital), acquired at a total cost of €1,293 thousand, versus 19,422 shares at the previous year-end, acquired at a total cost of €136 thousand.

REASON FOR THE BUYBACKS	NUMBER OF SHARES PURCHASED	AVERAGE PRICE IN EUR	% CAPITAL	NUMBER OF SHARES SOLD	AVERAGE PRICE IN EUR	% CAPITAL
For market making	167,454	6.86	0.32%	142,654	6.94	0.27%
For employee share-based plans	584,687	6.75	1.12%	-	-	-
For cancellation	-	-	-	-	-	-
For allocation on exercise of rights to shares	-	-	-	-	-	-
For external growth transactions	-	-	-	-	-	-
For the payment of stock dividends	-	-	-	-	-	-
Other	-	-	-	-	-	-

Of the shares held at December 31, 2010 for employee share-based plans (8,422 shares) and those acquired in 2011 for the same purpose (584,687 shares), 63,047 shares were allocated during the year on exercise of stock options, 97,270 were allocated under performance share plans and 248,202 were sold to employees under the *Horizon 2015* share offer.

At December 31, 2011, 184,590 shares remained to be allocated.

No shares bought back in prior years have been reallocated to a purpose other than the one for which they were originally acquired.



STATUTORY DISCLOSURES

Under article L. 233-13 of the *Code de Commerce*, the Board of Directors is required to disclose the names of shareholders whose holdings exceed the statutory disclosure thresholds at December 31, 2011:

NAME	% OF CAPITAL	% OF VOTING RIGHTS
ABC participation et gestion	16.9	17.0
Aubépar SE*	14.0	14.1
Dominique Ceolin	5.8	5.9
David Hoey	5.2	5.3

* Aubépar Industries SE and Aubépar SE (98.7% owned subsidiary of Aubépar Industries SE)

At December 31, 2011, ABC arbitrage held 220,390 treasury shares.

Aubépar SE notified the AMF that on December 16, 2011 its interest in ABC arbitrage had fallen below the disclosure thresholds of 10% and 5% of the share capital and voting rights. This was due to an internal transfer of shareholdings within the Aubépar Industries group, when the ABC arbitrage shares hitherto owned by Aubépar SE were transferred to its parent company Aubépar Industries SE.

The free float represented 51.0% of issued capital at the year-end (the balance- excluding treasury shares- is held by management and members of the Board).

A shareholders' pact entered into on May 31, 2010 by the executive officers and some of the employees of ABC arbitrage was published by the AMF on June 7, 2010 (Decisions and disclosures no. 210C0495), superseding the one signed on February 18, 2009. The purpose of this pact is to set out rules relating to ABC arbitrage shares owned or which might be owned by each of the parties under the *Horizon 2010* share-based incentive programme. Under the pact, the parties acknowledge that they are totally free to exercise their rights as shareholders and they expressly represent and warrant that they are not acting in concert with regard to ABC arbitrage.

No corporate mutual fund has been set up to hold shares on behalf of members of an employee share ownership plan.

9.

DIVIDEND POLICY

Dividends for the previous three years were as follows:

IN EUR	2010	2009	2008
Dividend PAID	0.55	0.75	0.75

At its meeting of September 15, 2011, based on the Company's results for the first half of 2011 and retained earnings brought forward from prior years, the Board of Directors decided to pay an interim dividend for 2011 in an amount of €0.20 per share. As for previous dividend payments, shareholders were given the option of receiving their dividends in cash or reinvesting them in shares.

The Board of Directors will recommend a final dividend of €0.35 per share at the Annual Shareholders' Meeting on June 1, 2012, which may be fully or partially reinvested in shares. This final dividend is in addition to the €0.20 interim dividend paid in November 2011. The dividend payment date and procedure will be announced at a later date.

The total 2011 dividend of €0.55 per share will represent a net yield of 8.93% based on ABC arbitrage's share price (€6.16) at December 31, 2011.

10.

OUTLOOK

In a very calm trading environment in the primary and secondary markets, and with annualized volatility falling below 17% in the first quarter of 2012, the Group's diversification and innovation initiatives will be keys to its continued growth.

Weak market dynamics have obviously had an impact on business momentum in the first few months of 2012. Activity trailed the same period in 2011 – although earnings remained substantial – but was ahead of the first quarter of 2010.

Through its membership of the various trade associations, the Group continues to lobby in favour of market regulation geared to the new post-2008 crisis, although this is still a complex issue given the continued uncertain environment facing the European countries.

The Group's business activity is a major source of liquidity for the financial markets and should not be significantly affected by rational regulation.

The asset management business has continued to enjoy sustained expansion in the first months of the year and should, as expected, deliver new sources of growth.

In light of the excellent 2011 results – the second best ever performance on record – and its confidence in the Group's expansion strategy and ability to adapt to changing environments, the Board reaffirms its *Horizon 2015* incentive program targets.

The Board of Directors
March 15, 2012



CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2011

BALANCE SHEET - ASSETS

IN EUR	NOTE	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS
Intangible assets		68,664	41,756
Property and equipment	3.1	2,797,275	3,143,915
Work in progress	3.1	-	-
Current financial assets	3.2	583,436	576,239
Deferred tax assets		2,552,272	1,394,391
Total non-current assets		6,001,646	5,156,300
Financial assets at fair value through profit or loss	3.4	998,192,215	623,997,415
Other accounts receivable	3.6	17,348,992	10,160,325
Current tax assets		0	1,636,963
Cash and cash equivalents		15,785,757	18,067,785
Total current assets		1,031,326,964	653,862,488
Total assets		1,037,328,611	659,018,788

BALANCE SHEET - LIABILITIES

IN EUR	NOTE	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS
Paid-up share capital		833,232	813,685
Additional paid-in capital		111,644,339	101,006,121
Retained earnings		6,093,730	4,995,623
Interim dividend		(10,406,582)	(9,972,097)
Net income		34,258,515	29,013,544
Total equity attributable to equity holders	3.3	142,423,233	125,856,877
Minority interests	2.1	(180)	(180)
Total equity		142,423,053	125,856,697
Provisions	3.7	-	655,845
Non-current financial liabilities		196,672	196,672
Non-current liabilities		196,672	852,517
Financial liabilities at fair value through profit or loss	3.4	868,218,735	525,285,584
Other liabilities	3.6	9,828,186	6,942,649
Taxes payable		16,533,276	-
Short-term debt		128,690	81,342
Current liabilities		894,708,887	532,309,574
Total equity and liabilities		1,037,328,612	659,018,788

STATEMENT OF INCOME

IN EUR	NOTE	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	4.1	73,859,059	59,394,685
Other revenue	4.2	161,063	715,691
Administrative expenses	4.3	(4,609,291)	(5,131,462)
Taxes and duties		(756,184)	(589,236)
Payroll costs	4.4	(17,960,194)	(12,783,972)
Depreciation and amortisation expense		(802,809)	(856,932)
Operating income		49,891,645	40,748,773
Provision expense	4.5	1,327,099	812,565
Income before tax		51,218,744	41,561,338
Current taxes	4.6	(18,118,110)	(12,118,634)
Deferred taxes		1,157,881	(429,160)
Net income		34,258,515	29,013,544
Attributable to equity holders		34,258,515	29,013,544
Attributable to minority interests		-	-
<i>Number of ordinary shares</i>		<i>52,076,986</i>	<i>50,855,305</i>
<i>Earnings per ordinary share</i>		<i>0.66</i>	<i>0.57</i>
<i>Diluted earnings per ordinary share</i>		<i>0.64</i>	<i>0.57</i>

STATEMENT OF COMPREHENSIVE INCOME

IN EUR	NOTE	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS
Net income		34,258,515	29,013,544
Change in foreign exchange		-	-
Remeasurement of available-for-sale assets		-	-
Remeasurement of hedging instruments		-	-
Remeasurement of non-current assets		-	-
Actuarial gains and losses on defined benefit plans		-	-
Share of other comprehensive income on equity-accounted affiliates		-	-
Income tax		-	-
Total other comprehensive income		-	-
Net income and other comprehensive income		34,258,515	29,013,544
Attributable to equity holders		34,258,515	29,013,544
Attributable to minority interests		-	-



STATEMENT OF CHANGES IN EQUITY

AT DECEMBER 31, 2011

IN EUR THOUSAND	PAID-UP SHARE CAPITAL	EQUITY INSTRUMENTS AND RELATED RESERVES	ELIMINATION OF TREASURY SHARES	RETAINED EARNINGS AND NET INCOME	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	MINORITY INTERESTS	TOTAL EQUITY
At December 31, 2009	668	64,835	(5,321)	44,441	104,622	nm	104,622
Issue of shares	92	14,040	-	-	14,131	-	14,131
Elimination of treasury shares	-	-	5,185	(194)	4,992	-	4,992
Share-based payments	-	-	-	(13,030)	(13,030)	-	(13,030)
Appropriation of net income 2009	38	15,433	-	(26,107)	(10,636)	-	(10,636)
2010 interim dividend	16	6,699	-	(9,949)	(3,234)	-	(3,234)
Net income for the year	-	-	-	29,014	29,014	-	29,014
At December 31, 2010	814	101,006	(136)	24,174	125,857	nm	125,857
Issue of shares	-	2,106	-	-	2,106	-	2,106
Elimination of treasury shares	-	-	(1,157)	151	(1,007)	-	(1,007)
Share-based payments	-	-	-	736	736	-	736
Appropriation of net income 2010	19	8,224	-	(17,716)	(9,472)	-	(9,472)
2011 interim dividend	nm	308	-	(10,363)	(10,055)	-	(10,055)
Net income for the year	-	-	-	34,258	34,258	-	34,258
At December 31, 2011	833	111,644	(1,293)	31,238	142,423	nm	142,423

nm: non material



CONSOLIDATED CASH FLOW STATEMENTS

AT DECEMBER 31, 2011

IN EUR THOUSAND	DEC. 31, 2011 IFRS	DEC. 31, 2010 IFRS
Net income	34,259	29,014
Net allocations to provisions	(5,200)	(1,224)
Net allocations to depreciation and amortisation	803	856
Change in deferred taxes	(1,158)	429
Others	1,495	87
Net cash provided by operations before changes in working capital	30,198	29,163
Changes in working capital	(12,849)	(24,691)
Net cash provided by operating activities	17,348	4,472
Net cash used by investing activities	(490)	(1,524)
Net cash provided by capital transactions	2,106	14,131
Dividends paid	(19,527)	(13,870)
Share-base payments	(1,766)	(8,127)
Net cash used by financing activities	(19,187)	(7,865)
Net change in cash and cash equivalents	(2,329)	(4,917)
Cash and cash equivalents, beginning of period	17,987	22,904
Cash and cash equivalents, end of period	15,657	17,987



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2011

AT DECEMBER 31, 2011

I.

ACCOUNTING PRINCIPLES AND POLICIES

The ABC arbitrage Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as of December 31, 2011.

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2011. It has elected not to adopt those whose application is optional in 2011.

The Group's fiscal year runs from January 1 to December 31, 2011. The consolidated financial statements are presented in euros.

The financial statements have been approved by the Board of Directors and audited by the Group's two Statutory Auditors, Ernst & Young et Autres and Deloitte & Associés.

Preparation of the financial statements required ABC arbitrage Group to make estimates and assumptions, which could have an impact on the amounts at which assets, liabilities, income and expenses are stated. The estimates, and the assumptions underlying them, have been made on the basis of past experience and of other factors considered to be reasonable in the circumstances. They thus serve as the basis for the judgement made in determining the carrying amounts of assets and liabilities that could not be determined directly from other sources. The definitive amounts that will be stated in ABC arbitrage Group's future financial statements may be different from the amounts currently estimated. These estimates and assumptions are reviewed on a continuous basis.

In view of the highly specific nature of its business, the ABC arbitrage Group is probably one of the only independent firms engaged solely in arbitrage trading within a non-banking financial statement presentation.

The Group conducts two types of arbitrage strategies:

> Arbitrages without market risks (Self-liquidating arbitrage strategies)

These are transactions that do not generate any directional risk or any event risk. Positions are fully hedged and are governed by legally binding documentation that guarantees convergence on a fixed date. Exposure is limited to operational risks, such as hedging errors, calculation errors or custodian default.

Examples include the purchase of a convertible bond and the simultaneous short sale of a quantity of shares corresponding to the number of shares to be obtained on conversion of the bonds.

> Arbitrages with market risks (Suspensive clause arbitrage strategies)

Unlike the case of self-liquidating arbitrage strategies, the legally binding documentation governing suspensive clause arbitrage strategies does not guarantee convergence. The various risks involved are systematically identified and hedged using appropriate instruments.

A typical example of such a deal is a securities exchange offer. The arbitrage consists in the purchase of the offeree company's shares combined with the simultaneous sale of the offeror's shares. The quantities bought and sold reflect exactly the terms of the exchange offering. A suspensive clause can be that the offeror need not proceed with its offer if less than half the offeree company's shares are presented for exchange.

II FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group does not take any speculative directional positions on financial markets. Arbitrage transactions are designed to take advantage of an unjustified price differential between two financial instruments that may converge at a given parity and within a given timeframe. The Group qualifies as "unjustified" only those differentials that can be objectively measured by a mathematical or statistical process.

One of the instruments is qualified as the underlying, corresponding generally to the short position. The underlying may, for example, be the shares linked to convertible bonds or the shares of a predator. The other instrument is qualified as the derivative, corresponding generally to the long position. The derivative may, for example, be the convertible bonds linked to shares or the shares of a takeover target.

The vast majority of the Group's arbitrage positions concern equities or equity derivatives, such as warrants, put warrants and convertible bonds. The securities are recorded in the balance sheet at cost, net of brokerage fees. The Group also trades in swaps for which the underlyings are assets listed on regulated markets. Financial instruments are held solely for trading purposes, and are recognised in the accounts at fair value through profit or loss.

The fair value of financial assets and liabilities is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The primary basis for determining the fair value of a financial instrument is the quoted price in an active market. If the instrument is not traded on an active market, fair value is determined using valuation techniques.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The market price used is usually the bid price for an asset held or a liability to be issued and the ask price for an asset to be purchased or a liability held.

Cash and securities receivable and deliverable are netted off for each market counterparty, provided that they represent amounts that are connected, fungible, certain, liquid and payable. The netting off of such balance sheet items results in a fairer presentation of the Group's financial position. It has no impact on the income statement.

The financial assets and liabilities held for trading purposes are recognised on the balance sheet at fair value under "*Financial assets or liabilities at fair value through profit or loss*". Changes in fair value are recorded in the statement of income for the period as "*Net gains or losses on financial instruments at fair value through profit or loss*".

"*Net gains or losses on financial instruments at fair value through profit or loss*" correspond to revenues from proprietary trading activities discussed in the Group's management report, except for provisions. It includes all expenses and costs directly related to the trading business, including:

- dividends;
- gains and losses on disposal of financial assets at fair value through profit or loss;
- changes in fair value of instruments held or due;
- securities carrying or lending costs;
- exchange gains and losses.

1.2. SHARE-BASED PAYMENT

ABC arbitrage has granted stock options to employees. On exercise of stock options, ABC arbitrage issues new shares or sells to employees shares previously acquired by the Group. Only the gain or loss arising on the sale of these shares is recognised in the financial statements.

IFRS 2 "*Share-Based Payment*" requires that an expense be recognised equal to the fair value of the services rendered by the employees in return for the equity instruments granted to them.

1.3. PORTFOLIO REVENUE

Equity revenue is accounted when realized. Tax credits linked to equity revenue are included in "*Portfolio revenue*".

1.4. PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, provided that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the risk occurs or the expense is incurred, the provision release does not qualify as income as it does not result in a net increase in equity. It is therefore recognised as a reduction of the expense concerned. If the actual expense is lower than the provision and the balance of the provision is no longer required, the surplus then qualifies as income and is booked under the same line item as the original provision charge.

1.5. CORPORATE INCOME TAX

Corporate income tax includes current taxes and adjustments to deferred taxes. Deferred taxes are calculated on all timing differences between the recognition of income and expenses for financial reporting and tax purposes and on consolidation adjustments. Deferred tax assets and liabilities are calculated using the liability method, at the tax rates that are expected to apply when the timing differences reverse. They are not discounted.

The probability of deferred tax assets being recovered is reviewed regularly and may, where necessary, give rise to the derecognition of previously recognised deferred tax assets.

1.6. EARNINGS PER SHARE

Diluted earnings per share is equal to net income for the year divided by the number of shares outstanding at December 31, 2011 plus the impact of all potentially dilutive instruments.

2

CONSOLIDATION PRINCIPLES

2.1. CHANGE IN SCOPE OF CONSOLIDATION

The ABC arbitrage Group opened three new investment funds in the second half of 2011: ABCA Continuum Fund, ABCA FX Fund and ABCA Multi Fund.

ABCA Continuum Fund exploits statistical arbitrage opportunities in the equity markets and has a target capital of €150 million. At December 31, it had €15 million of funds under management.

ABCA FX Fund exploits statistical arbitrage opportunities in the forex markets and has a target capital of €150 million. At December 31, it had €21 million of funds under management.

ABCA Multi Fund is a diversified fund that invests in other funds managed by the group.

These new funds reflect the Group's goal of developing the asset management business by providing a broader range of alternative products in addition to its existing funds, ABCA Opportunities Fund et ABCA Reversion Fund.

ABCA Opportunities Fund exploits M&A arbitrage opportunities and has a target capital of €150 million. At December 31, it had €30 million of funds under management.

ABCA Reversion Fund exploits statistical arbitrage opportunities in the futures and ETF markets and has a target capital of €250 million. At December 31, it had €153 million of funds under management.

These funds are managed by ABC arbitrage Asset Management, a portfolio manager, and are housed within ABCA Funds Ireland plc.

2.2. LIST OF CONSOLIDATED COMPANIES

All Group companies are fully consolidated.

Before adjustment for the interest held via ABCA Multi Fund, the Group's percentage interests were as follows:

COMPANY	COUNTRY	% INTEREST
ABC arbitrage	France	Parent company
ABC arbitrage Asset Management	France	100.0%
ABCA Global Fund	France	100.0%
ABCA Opportunities Fund	Ireland	41.4%
ABCA Reversion Fund	Ireland	4.9%
ABCA Continuum Fund	Ireland	22.8%
ABCA Fx Fund	Ireland	0.3%
ABCA Multi Fund	Ireland	80.0%

After adjustment for the interest held via ABCA Multi Fund, the Group's percentage interests were as follows:

COMPANY	COUNTRY	% INTEREST
ABC arbitrage	France	Parent company
ABC arbitrage Asset Management	France	100.0%
ABCA Global Fund	France	100.0%
ABCA Opportunities Fund	Ireland	48.2%
ABCA Reversion Fund	Ireland	11.5%
ABCA Continuum Fund	Ireland	52.7%
ABCA Fx Fund	Ireland	20.5%

3.

NOTES TO THE BALANCE SHEET

3.1. PROPERTY AND EQUIPMENT

GROSS VALUE

IN EUR THOUSAND	GROSS VALUE DEC. 31, 2010	ACQUISITIONS	RETIREMENTS / DISPOSALS	GROSS VALUE DEC. 31, 2011
Concessions and similar rights	316	83	-	398
Equipment, fixtures and fittings	1,286	17	-	1,304
Vehicles	192	81	(62)	212
Office and computer equipment, furniture	3,135	337	(22)	3,449
Work in progress	-	-	-	-
Total gross value	4,929	518	(84)	5,364

AMORTISATION AND DEPRECIATION

IN EUR THOUSAND	DEC. 31, 2010	INCREASES	DECREASES	DEC. 31, 2011
Concessions and similar rights	(274)	(56)	-	(330)
Equipment, fixtures and fittings	(183)	(156)	-	(338)
Vehicles	(86)	(39)	26	(98)
Office and computer equipment, furniture	(1,201)	(552)	22	(1,730)
Total amortisation and depreciation	(1,743)	(802)	48	(2,498)

3.2. OTHER NON-CURRENT FINANCIAL ASSETS

At December 31, 2011 and 2010, this item comprised security deposits paid.

3.3. CONSOLIDATED EQUITY

SHARE-BASED PAYMENT - HORIZON 2015 INCENTIVE PROGRAMME

At its meeting on September 20, 2010, the Board of Directors decided to grant:

- 3,000,000 performance stock options to 59 grantees.
The option exercise price was set at €9. It may be adjusted to take account of future dividend payments, to a minimum of €6.48 excluding any adjustments required by law.
Unless otherwise decided by the Shareholders' Meeting, the options will vest ratably in March 2015, based on the Group's results. All of the options will vest if the Group's cumulative consolidated net income for the five years 2010-2014 is at least €300 million.
- 500,000 performance shares to 64 grantees.

These shares will vest ratably in September 2012 based on the Group's results. All of the shares will vest if cumulative consolidated net income for the two years 2010-2011 is at least €80 million. Based on actual net income for that period, approximately 345,000 shares should vest.

- 250,000 performance shares to 64 grantees.
These shares will vest ratably at the end of 2012 based on the Group's results. All of the shares will vest if cumulative consolidated net income for the three years 2010-2012 is at least €120 million but only 150,000 shares will vest, for example, if cumulative consolidated net income is €90 million for the three years.

The expense is deferred over the vesting period and a corresponding amount recorded in equity based on the overall value of the plan as determined on the date of award by the Board of Directors.

The expense recognised in respect of 2011 was €1,495 thousand.

The after-tax loss on share buybacks used during 2011 amounted to €759 thousand and was deducted from consolidated equity.

ISSUE OF WARRANTS TO SUBSCRIBE FOR NEW SHARES OR PURCHASE EXISTING SHARES (2011 BSAA)

In July 2011, ABC arbitrage issued 4,680,000 2011 BSAA's, which were purchased by 39 employees.

A BSAA is a warrant (option) entitling the holder to subscribe for new shares or purchase existing shares of the company in the future at a specified price and on specified terms and conditions. The purchase price per 2011 BSAA was set by the Board of Directors on July 5, 2011 at €0.45, within the price range determined by an independent accountant, and with no discount or employer's contribution. The exercise price is €9.20, corresponding to 128% of the average closing share prices quoted during the 20 trading sessions preceding July 5, 2011, and will be reduced by the amount of any dividend paid after July 12, 2011 with a minimum of €6.30.

In accordance with the commitments made to shareholders, the exercise ratio of each 2011 BSAA will range from 0.1 to 2 shares depending on cumulative consolidated net income for the period 2010 to 2014 inclusive. For example:

- if cumulative consolidated net income over that period is equal to €150 million, one 2011 BSAA will entitle the holder to 0.5 of an ABC arbitrage share;
- if cumulative consolidated net income over that period is equal to €250 million, one 2011 BSAA will entitle the holder to 1.5 ABC arbitrage shares;
- if cumulative consolidated net income over that period is equal to or more than €300 million, one 2011 BSAA will entitle the holder to 2 ABC arbitrage shares.

The 2011 BSAA's will be listed on the stock exchange by September 30, 2016 at the latest and will be exercisable from June 1, 2015 to June 29, 2018 inclusive.

The proceeds received by the Group at the time of issue amounted to €2.1 million and were accounted for as share premiums.

CAPITAL INCREASE RESULTING FROM REINVESTMENT OF DIVIDENDS

The Annual Shareholders' Meeting of May 27, 2011 decided to pay a final dividend for 2010 in a net amount of €0.35 per share. At its meeting of September 15, 2011, the Board of Directors decided to pay an interim dividend in respect of 2011 in a net amount of €0.20 per share.

For each of these payments, shareholders had the option of receiving cash or reinvesting their dividend in shares.

At the end of the two option periods, 1,177,607 and 44,074 new ordinary shares, ranking *pari passu* with the existing shares, were issued at a price of €7.00 per share.

The total issue proceeds included €19 thousand credited to paid-up capital and €8,532 credited to additional paid-in capital. The new ordinary shares are fully paid.

At December 31, 2011, the parent company's share capital was represented by 52,076,986 ordinary shares with a par value of €0.016 each, all fully paid.

TREASURY STOCK

During 2011, ABC arbitrage sold 142,654 of its own shares. At the same time, 167,454 shares were purchased under the market-making agreement with Cheuvreux.

At December 31, 2011, ABC arbitrage held 220,390 of its own shares, acquired at a total cost of €1,293 thousand (at December 31, 2010, the company held 19,422 of its own shares, acquired at a total cost of €136 thousand).

In accordance with IFRS, treasury stock is deducted from equity.

3.4. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At December 31, 2010, all financial assets and liabilities measured at fair value through profit or loss were classified as Level 1 in the fair value hierarchy described in note 11.

At December 31, 2011, these instruments were classified as follows:

IN EUR THOUSAND	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	INPUTS OTHER THAN QUOTED PRICES THAT ARE OBSERVABLE FOR THE ASSET OR LIABILITY, EITHER DIRECTLY OR INDIRECTLY (LEVEL 2)	UNOBSERVABLE INPUTS FOR THE ASSET OR LIABILITY (LEVEL 3)	TOTAL
Financial assets at fair value through profit or loss	993,643	4,549	-	998,192
Financial liabilities at fair value through profit or loss	(868,219)	-	-	(868,219)

The only instruments classified in Level 2 are cash forwards that are used to hedge fund units purchased in US dollars and are not therefore used as part of the Group's arbitrage business.

Fair value of financial assets and liabilities is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The basis for determining the fair value of financial instruments is the quoted price in an active market. If the instrument is not traded on an active market, fair value is determined using valuation techniques.

There were no transfers between the various levels of the hierarchy during 2011.

IN EUR THOUSAND	FINANCIAL ASSETS	FINANCIAL LIABILITIES	TOTAL
Securities to be received	1,243,604	113,492	1,532,604
Securities to be received (off-balance sheet)	175,508	-	
Securities to be delivered	(601,984)	(516,820)	(1,446,509)
Securities to be delivered (off-balance sheet)	(204,437)	(123,268)	
Cash and cash equivalents	385,501	(341,623)	
Total at December 31, 2011	998,192	(868,219)	
<i>Total at December 31, 2010</i>	<i>623,997</i>	<i>(525,286)</i>	

Details of securities to be received and delivered are provided in note 5.1. Risks.
Cash reserves earn interest at variable rates indexed to benchmark market rates.

3.5. GUARANTEES GIVEN

Most financial instruments recorded under "*Financial assets at fair value through profit or loss*" have been given as collateral to the institutions that provide the financing.

3.6. OTHER RECEIVABLES AND PAYABLES

All receivables and payables are due within less than one year.

IN EUR THOUSAND	OTHER RECEIVABLES	OTHER PAYABLES
Trade receivables/payables	154	(530)
Accrued income/expenses	189	(958)
Accrued taxes and payroll costs	17,005	(8,339)
Total at December 31, 2011	17,349	(9,828)
<i>Total at December 31, 2010</i>	<i>10,160</i>	<i>(6,943)</i>

Accrued taxes mainly comprise corporate income tax, withholding tax and dividend tax credits.

A €4,592 thousand tax credit reimbursable by the Italian government was written down in full given its age (1996 through to 2001), the absence of payments during previous years and the Italian government's block on reimbursements for all operators

concerned. After lengthy negotiations with the Italian government, €947 thousand of this tax credit was refunded in 2011.

Accrued taxes correspond mainly to corporate tax, bonuses payable to employees and amounts due to social security organizations.

Trade payables are mostly payable at thirty days, end of month.

3.7. PROVISIONS

IN EUR THOUSAND	
Total provisions at December 31, 2010	(656)
Provisions utilised in 2011	103
Provisions reversal in 2011	553
Charge to provisions in 2011	-
Total provisions at December 31, 2011	0

4.

NOTES TO THE STATEMENT OF INCOME

4.1. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In view of the highly specific nature of its business, the ABC arbitrage Group is probably one of the only independent firms engaged solely in arbitrage trading.

Net gains on financial instruments at fair value through profit or loss amounted to €73,859 thousand versus €59,395 thousand in 2010.

This item includes all expenses and costs directly related to the trading business.

4.2. OTHER REVENUE

Other revenue comprises revenue from sub-letting premises amounted to €161 thousand versus €716 thousand during 2010 (sub-letting premises for €305 thousand and advisory activities for €411 thousand).

4.3. ADMINISTRATIVE EXPENSES

Administrative expenses principally comprise data mining and processing costs, together with administrative and communications costs.

This item totalled €4,609 thousand in 2011 versus €5,131 thousand in 2010.

4.4. PAYROLL COSTS

The average number of employees was 76 in 2011 versus 74 in 2010.

Payroll costs include €12,272 thousand in fixed and performance-related compensation together with statutory and discretionary profit-sharing (€9,765 thousand in 2010), payroll taxes of €4,658 thousand (€3,362 thousand in 2010) and share-based payments of €1,495 thousand (€87 thousand in 2010).

The Group does not provide any post-employment benefits (supplementary pensions or health insurance). Other long-term benefits are provided under defined contribution plans, which do not give rise to a future liability as the Group's only obligation is to make regular contribution payments.

During 2011, the following amounts were paid by Group companies to the executive officers of the parent company:

IN EUR	
Directors' fees	914,000
Salary and other benefits	230,322
Gross bonuses	114,859

4.5. PROVISION EXPENSE

Provision expense at December 31, 2011 represented income of €1,327 thousand versus income of €812 thousand in 2010. Movements mainly concerned impairment of receivables from foreign tax administrations, where the recovery process is long and time consuming, as well as the reversal of the unused provision for the tax refund due from the Italian tax administration.

4.6. CORPORATE INCOME TAX

The difference between the theoretical corporate income tax charge determined by applying the standard French tax rate to pre-tax income and the actual tax charge - corresponding to an effective tax rate of 33.11% - can be explained as follows:

Standard French tax rate	34.43%
Impact of differences in foreign tax rates	(0.10%)
Impact of tax credit	(0.99%)
Impact of the revenue recognition method	(0.23%)
Effective tax rate	33.11%

ABC arbitrage elected for group tax relief with ABC arbitrage Asset Management on January 1, 2004.

The tax group has signed an agreement whereby each member of the group (subsidiary and parent) recognises in its accounts the income tax that would be payable if it was taxed on a stand-alone basis.

The charge is therefore calculated on their own taxable profit after deduction of any prior year losses.

Any tax savings made by the tax group through the utilisation of tax losses are retained by the parent company and treated as an immediate gain in the year. The parent company will therefore incur a tax charge in the year in which the subsidiary becomes profitable.

5.

OTHER INFORMATION

5.1. RISKS

MARKET RISKS

Equities risks

The Group never takes any directional arbitrage positions on the financial markets. The only risks incurred are on suspensive clause arbitrage strategies.

The risk is never related to an unfavourable movement in market prices, for example a stock market crash, but can arise from

an unfavourable event related to one of the above operations. By definition, risks associated with "suspensive clause arbitrage strategies" are never related amongst the different arbitrage positions and can therefore be spread. In order to mutualism risks, the Group enters into as many transactions as possible all over the world.

The following table summarizes the positions taken on markets at December 31, 2011:

TYPE OF ARBITRAGE (IN EUR THOUSAND)	TOTAL LONG POSITIONS	TOTAL SHORT POSITIONS
Borrowed securities not yet sold or symmetrical exposure	302,126	(302,126)
Arbitrage without market risks	1,072,269	(1,062,534)
Arbitrage with market risks	158,210	(81,849)
Total for arbitrage transactions	1,532,604	(1,446,509)

- The first line corresponds to expositions to assets and liabilities that are strictly identical. They are not netted off because they concern different counterparties. The only risk on these positions is a counterparty risk.
- The arbitrage transactions shown on the second line are defined in the "Arbitrage strategies without market risks" note (1).
- The arbitrage transactions shown on the third line are defined in the "Arbitrage strategies with market risks" note (1).

The process of market risk taking on trading activities is governed by:

- decision-making rules;
- exposure limits;
- delegated authorities.

The risk management process is overseen by the "Market Risks Department", which monitors the following on a day-to-day basis:

- existence of effective, controlled position hedges;
- compliance with trading limits;
- appropriateness of trading strategies used by the traders in light of market conditions;
- accuracy of potential loss calculations.

The "Market Risks Department" has the power and the duty to ensure that these rules are strictly applied. If a position has to be

partially or fully unwound as a result, the Management Committee sets out an action plan and timetable.

Interest rate risk

Overall interest rate risk is constantly monitored. For most arbitrage transactions, the amount of the long position is the same as the amount of the short position and the risk is therefore not material. If a specific arbitrage transaction carries a material interest rate risk, this risk is systematically hedged.

Currency risk

The Group may hold assets and financial instruments denominated in currencies other than the portfolio's reference currency. Exchange rate fluctuations against the reference currency may have a positive or negative influence on their value.

Currency risks are systematically hedged by borrowing or investing cash surpluses in the appropriate currency. The only risk is of a secondary nature - the profit realized in a given currency may vary if it is not converted into euros. The Group regularly converts profits into euros and its exposure to currency risk is therefore marginal.

Currency hedging is managed on a day-to-day basis by the traders for exposure generated by trading activities and by the "Financial

Operations Department” for exposure generated by all other securities transactions.

The overall hedging position is verified daily by the “Market Risks Department”.

At December 31, 2011, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have reduced (increased) net assets by €116 thousand.

CREDIT AND COUNTERPARTY RISK

This is the risk of a counterparty being unable to honour its contractual obligation to make a cash payment or to deliver a certain quantity of securities to the Group, due to a deterioration in its financial position.

The ABC arbitrage Group deals solely with credit institutions and investment companies. All of these counterparties are subject to specific controls by the authorities in the countries in which they operate, to ensure that they are able to honour their commitments.

The Group's portfolio mainly comprises listed equities. All transactions are settled against payment. The risk of default by brokers is therefore considered to be minimal, as the securities are not delivered until the broker has made or received payment. The transaction is cancelled if one of the parties does not fulfil its obligations.

The Group uses a prime broker to finance its business. A proportion of the assets deposited with the prime broker are pledged as collateral. The prime broker may use this collateral for its own account but is required by law to return the assets or equivalent assets upon first demand.

The risks related to the use of a prime broker are:

- interruption or discontinuation of financing as the prime broker has the right to amend or discontinue the financing agreement;
- failure by the prime broker to return the assets used due to market events;
- failure by the prime broker to return sums due as a result of bankruptcy;
- incorrect valuation of liabilities and/or assets pledged as collateral.

The Group manages this counterparty risk through the use of standard master agreements (clearing and collateral agreements), close monitoring of counterparty credit ratings and diversification of its banking relationships to spread risk while weighing up the pricing benefits of larger-scale volumes.

LIQUIDITY RISK

This is the risk that the Group will be unable to convert its assets into cash sufficiently quickly to meet demands for repayment received from creditors. The assets of the ABC arbitrage Group consist almost exclusively of highly liquid securities quoted on organized markets and its liabilities mainly comprise debts towards banks or investment companies that are secured by the securities held as assets. Authorized financing volumes are contractually based on the assets lodged as collateral.

The Group's actual liquidity position, taking into account existing financing agreements and guarantees given to partner banks, is constantly monitored to ensure that the Group benefits from considerable flexibility in conducting its business as well as substantial cash reserves.

At December 31, 2011, the liquidity position was as follows:

IN EUR THOUSAND	LESS THAN ONE MONTH	ONE TO THREE MONTHS	THREE TO TWELVE MONTHS	MORE THAN TWELVE MONTHS	TOTAL
Financial assets at fair value through profit or loss	998,192	-	-	-	998,192
Other receivables	344	761	16,244	-	17,349
Cash and cash equivalents	15,786	-	-	-	15,786
Total current assets	1,014,322	761	16,244	-	1,031,327
Financial liabilities at fair value through profit or loss	(693,907)	(174,312)	-	-	(868,219)
Other liabilities	(564)	(7,431)	(1,374)	(459)	(9,828)
Current tax liabilities	-	-	(16,533)	-	(16,533)
Short-term borrowings	(129)	-	-	-	(129)
Total liabilities	(694,600)	(181,743)	(17,907)	(459)	(894,709)
Net balance	319,722	(180,982)	(1,663)	(459)	136,618

OPERATIONAL RISK

In 2011, losses due to operational incidents represented less than 2% of net gains on financial assets and liabilities at fair value through profit or loss.

Arbitrage activities are governed by written procedures backed up by rigorous internal controls. However, these procedures and controls cannot provide absolute assurance that operational losses will not occur and due care is taken at all times as this is a structural risk in the arbitrage business.

5.3. SEGMENT INFORMATION

REVENUES BY BUSINESS SEGMENT

Note: In the following tables, positions correspond to long positions valued at the convergence price, adjusted for the value of any payments to be made or received to close out the transaction.

BREAKDOWN OF ARBITRAGE TRANSACTIONS BY TYPE OF RISK

Year	AVERAGE NUMBER OF ARBITRAGE TRANSACTIONS		AVERAGE POSITIONS (VALUE)	
	2011	2010	2011	2010
Arbitrages without market risks	59%	63%	89%	85%
Arbitrages with market risks	41%	37%	11%	15%
Total	100%	100%	100%	100%

BREAKDOWN OF ARBITRAGE TRANSACTIONS BY GEOGRAPHIC AREA

AVERAGE NUMBER OF ARBITRAGE TRANSACTIONS	2011	2010
Euro zone (excluding France)	16%	14%
France	4%	4%
USA	51%	55%
Other markets	29%	27%
Total	100%	100%

BREAKDOWN OF ARBITRAGE TRANSACTIONS BY GEOGRAPHIC AREA AND TYPE OF RISK

1 ST HALF 2011	ARBITRAGES WITHOUT MARKET RISKS	ARBITRAGES WITH MARKET RISKS	TOTAL
Euro zone (excluding France)	8%	3%	11%
France	2%	1%	3%
USA	49%	7%	56%
Other markets	26%	4%	30%
Total	85%	15%	100%

2 ND HALF 2011	ARBITRAGES WITHOUT MARKET RISKS	ARBITRAGES WITH MARKET RISKS	TOTAL
Euro zone (excluding France)	4%	3%	7%
France	1%	0%	1%
USA	51%	4%	55%
Other markets	33%	4%	37%
Total	89%	11%	100%

5.4. RELATED PARTY TRANSACTIONS

There were no material transactions with ABC participation et gestion and Aubépar in 2011.

5.5. FEES PAID TO THE STATUTORY AUDITORS

	ERNST & YOUNG ET AUTRES				DELOITTE & ASSOCIÉS			
	AMOUNT IN EUR (EXCLUDING VAT)		%		AMOUNT IN EUR (EXCLUDING VAT)		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit fees	42,800	30,400	50%	50%	42,800	30,400	50%	50%
Other services provided to fully consolidated subsidiaries	111,800	69,100	79%	70%	29,300	29,100	21%	30%
TOTAL	154,600	99,500	68%	63%	72,100	59,500	32%	37%



STATUTORY AUDITORS' REPORT

on the consolidated financial statements

YEAR ENDED DECEMBER 31, 2011

To the shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of ABC arbitrage;

- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.



OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or by selection, evidence supporting the amounts and disclosures in the consolidated 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly the assets and liabilities, financial position and results of the companies included in the consolidated group, in accordance with the International Accounting Standards and International Financial Reporting Standards adopted by the European Union.

2.

BASIS OF OPINION

The accounting estimates used to prepare the consolidated financial statements were once again made in a still uncertain environment. Note 5.2 to the consolidated financial statements, "Consequences of financial crisis", describes the group's exposure to the main risks in this type of market environment.

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

- As explained in note 1.1, the Group has determined the market price of financial instruments measured at fair value based on the bid price for assets held and liabilities to be issued and on the ask price for assets to be purchased and liabilities held. We assessed the data and assumptions used to determine these prices, reviewed the Group's calculations and assessed the appropriateness

of the related disclosures made in the notes to the financial statements.

- As indicated in notes 1.2 and 3.3 to the consolidated financial statements, the Group has granted employees stock options and shares without consideration, for which an expense has been recognised equal to the fair value of the services rendered by the employees in return for the equity instruments granted to them. Our work consisted in assessing the data and assumptions used to determine this fair value, reviewing the Group's calculations and verifying the appropriateness of the related disclosures made in the notes to the financial statements.

The assessments were made in connection with our audit procedures on the consolidated financial statements, taken as a whole, and contributed to the formulation of our unqualified audit opinion expressed in the first section of this report.

3.

SPECIFIC PROCEDURES AND INFORMATION

As required by law, we have also performed specific verification of the information concerning the Company given in the management report.

We are satisfied that this information is fairly stated and agrees with the consolidated financial statements.

Paris-La Défense et Neuilly-sur-Seine, April 26, 2012
The Statutory Auditors

ERNST & YOUNG ET AUTRES
Olivier DURAND

DELOITTE & ASSOCIÉS
Jean-Marc MICKELER

LE SPORT Chercher VA LA VAINCRE fatigue
 Chercher → VA LA VAINCRE POUR DOMINER Chercher LA POUR
 LA peur la DOMINER LA POUR
 POUR LA DOMINER triompher peur
 la fatigue LA POUR LA POUR
 EN triompher, peur LA DO
 difficulté POUR → difficulté LA
 LA VAINCRE LA LE LA SPORT
 SPORT Chercher POUR Chercher →
 her → VA LA VAINCRE LA triomph
 peur LA DOMINER POUR LA
 difficulté LA peur EN Cherch
 VAINCRE LA LE LA SPORT
 Chercher → VA LA VAINCRE POUR

SPORT ACTIVELY SEEKS TO OVERCOME FEAR,
TO TRIUMPH OVER FATIGUE AND TO PREVAIL OVER DIFFICULTY.

