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The basics.

The basics.

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EDITORIA

Dominique Ceolin Chairman and co-founder of ABC arbitrage Group

Paris, 6th May 2013

Dear shareholders... what a year!

I must acknowledge that 2012 was a year of ties were often lacking!

changed along the way.

Despite often-difficult rules and markets. We will continue our efforts in the months and our drive.

demonstrated to me that we sere able, and conquered. whatever the challenges, to build and to innovate. This is because we have the wherewit-

hal to progress and that we do not give in to the apparent limits of this world.

constant struggles, without any respite or rest. I cannot deny that we have to face serious Nothing was easy, or obvious... and opportuni- challenges in the future. We must prepare ourselves to deal with this competition realistically and pragmatically. The world has indeed Nevertheless, as we have done for 18 straight changed. Whether the current situation is years, we produced results above our bench- temporary or durable, we have observed that mark indices, fully controlling and managing there has been a radical shift in the financial our risks. I am proud of the work accomplished markets for at least a year. For better or for by our teams who, despite the difficulties worse, central banks have decided to inject and the lack of visibility, played the "game" billions of euros and dollars into the economy, to the full, even though the ground rules often not allowing "market forces" to play their normal role. So be it.

we always continued to fight, never feeling to come to move our business forward, sorry for ourselves. My focus has always been to strengthen our teams and our methods, to continue to build our project, your project, to accelerate our development, determined for the ABC arbitrage Group, pragmatically more than ever to deserve your confidence, and passionately. We might have made some by understanding and managing risks, by deveerrors, but we've always maintained our energy loping ourselves responsibly and sustainably and by generating strong profitability.

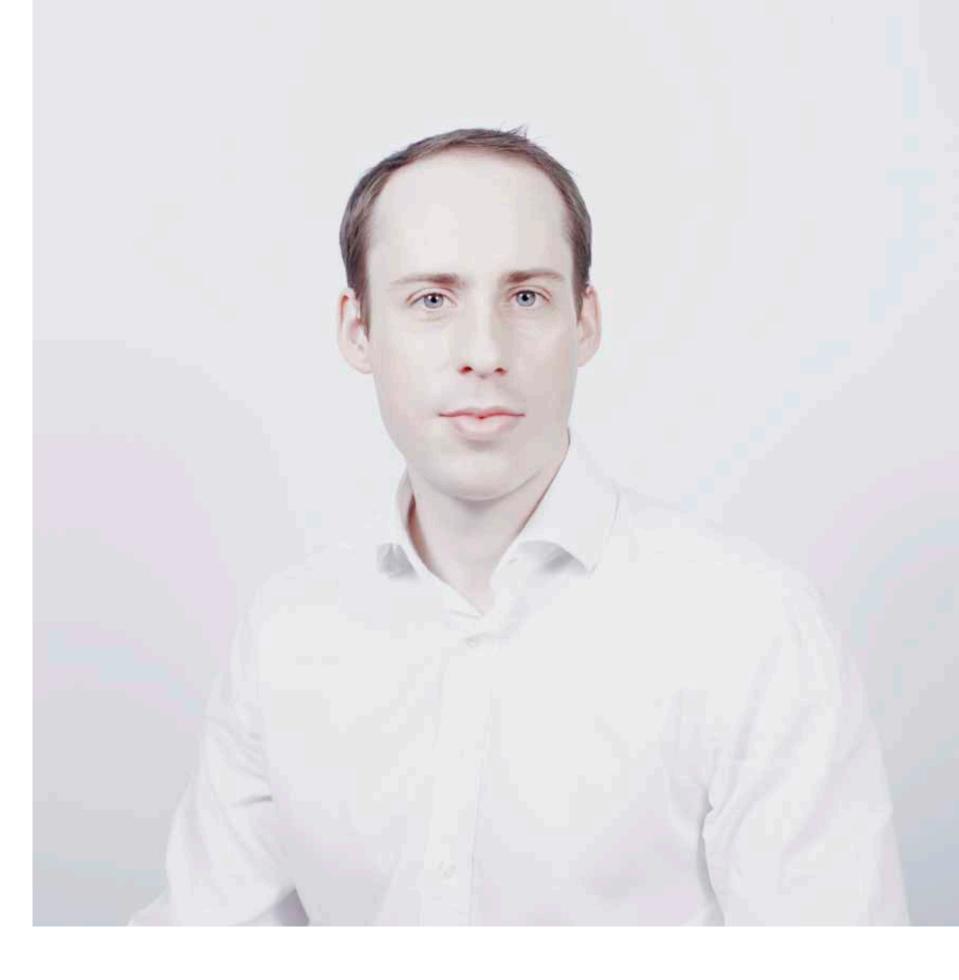
I believe in our business model more than Our best assets remain the same: the people ever. Not in blind faith, but because I am of our teams who build ABC arbitrage, day after convinced that finance is a useful industry that day. Their task is simply to steer our business needs players like ABC arbitrage to pursue in this new world and to take on this great its development. These past few years have challenge as a new territory to be explored

01 MORPHOTYPES



Different, yet similar, we are all of the same species. The same motivations, the same values, the same energies, flow through our minds and bodies. While we have different backgrounds, different experiences and different types of expertise, we are all driven by the same desires and aspirations. For nearly 20 years, we have been building a group of human beings, united by our diversity and focused on a shared project, which garners our energy and our know-how. We present ourselves to you simply, humanly, to allow you to see us as we are: the ABC arbitrage team. ABC arbitrage teams are organized according to a 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. To begin with, each team member is picked for his or her proven competencies and is then encouraged to develop their professional and people 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.

All employees of the ABC arbitrage Group participated in this photo shoot, with the exception of a few people absent at this time: Mathieu Busignies — Grégory Campion — Simon Chevoleau — Marine Lembeye — Sandrine Papin — Jennifer Petel — François Quidel — Tania Tamagno — Yves Yap Newk Pin



Guillaume Patard

MORPHOTYPES 10 - 11





Julien Lavigne du Cadet

01 02 - -Eric Amarante Brousier Dufour





03 — Anna-Maria Nilsson 04 — Sébastien Lépy

> MORPHOTYPES 12 - 13



01	02	03	04	05	06	07	08
—	—	—	—	—	—	—	—
Emmanuel	David	Rodolphe	Guillaume	Dominique	Benoît	Jérôme	Marina
Jouveaux	Hoey	Gouet	Benattar	Ceolin	Brouard	Benet	Ilieva
09	10	ll	12	13	14	15	16
—	—	—	—	—	—	—	—
Nathalie	Xavier	Etienne	Yves-Oleg	Vincent	Nicolas	Jérôme	Olga
Moiseeff	Boutin	Martin	Zajtelbach	Gigot	Kessous	Barthe	Domaruk







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. Determination, trust, team spirit, curiosity, creativity and a sense of responsibility are ABC arbitrage's DNA. 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. The ABC arbitrage team brings together well-trained people who share a common international mindset.

> MORPHOTYPES 14 - 15



Pierre-Etienne Dromard



01 — Karen Duchamp





02 — Guy-Maurice Lepoutre 03 — Romain Verdier

04 — Thereza Faciolle

MORPHOTYPES 16 - 17





01 --Jean-Jacques Bouzaglou 02 --Farida Radjabaly

03 — Yann Gasner



MORPHOTYPES 18 - 19



Adrien Bourlier



ABC arbitrage's business covers all the professions of the financial activities sector. In a continuously changing environment, the Group is constantly looking for highly-qualified and highly-motivated staff members. 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. 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 the company. 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.





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 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.

The Group's compensation and benefits 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.







01	02
_	_
Marie-Laure	Guillaume
Cillard	Marquet

03 Omar Hadirasso

04 Cédric Lorans

05 Yohan Bainier 06 Régis Dubost 07 Anouck Roger

08 Franck Bonneau



Through their skills, responsibilities and commitment, each and every person plays a critical role in the arbitrage production process and impacts on profitability. Continuous acquisition of knowledge is of critical importance since it enables people to adapt to changes in the 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. Through its 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. 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.

Olivier Coanet



MORPHOTYPES 24 - 25

Group headcount as of Dec. 31, 2012

_ 78 staff members

_ 34 years average age _ 7 years and 4 months

average time with the company

Factors influencing the Group's results

FACTORS OUTSIDE THE GROUP'S CONTROL

_ Volatility & market volumes

_ Number of deals initiated by issuers

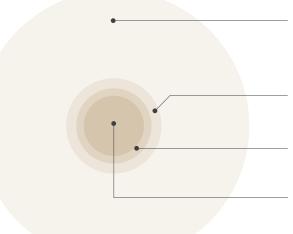
FACTORS CONTROLLED BY THE GROUP

_ Innovation

- _ Risk management _ Cost control
- _ Staff motivation

Incentive programs to motivate \smallsetminus staff

Training backgrounds in 2012 in the ABC arbitrage Group



85%

of staff has four to five years of post-secondary training

54%

Engineering schools, scientific degrees (four to five years of higher education)

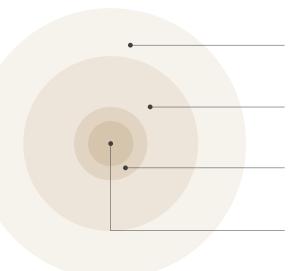
19%

Business schools (four to five years of higher education)

15% Others (up to two or three years of higher education)

12% University training in finance and management (four to five years of higher education)

Job functions in 2012 in the ABC arbitrage Group



2%of staff directly involved in the arbitrage business

48% Decision-support departments

31% Operational departments

13% Executive management and internal control

8% Administrative support



01

Julien

Aumont



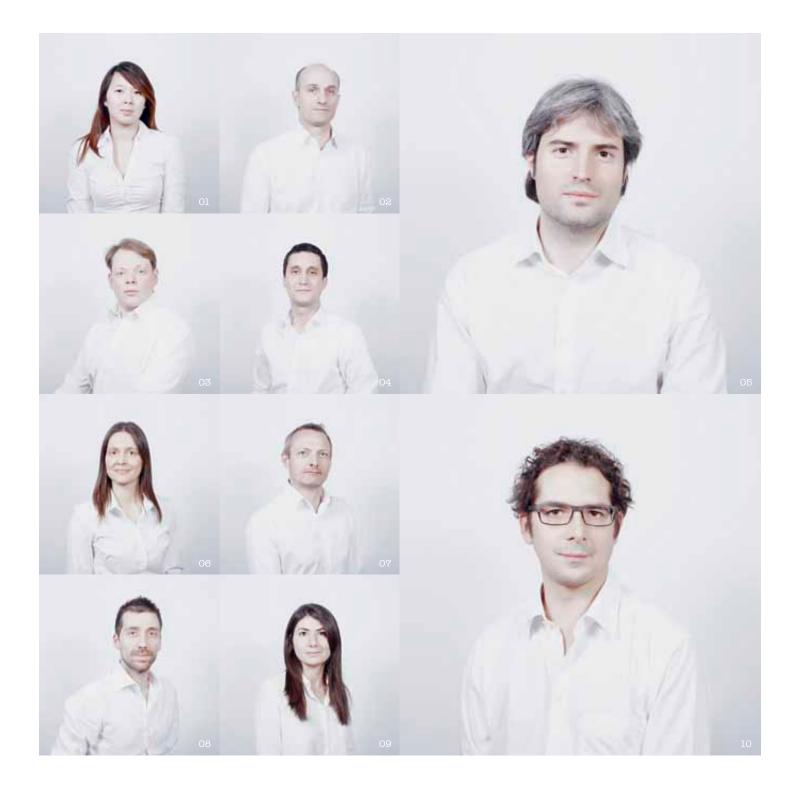
02 Benoit Etienne

03 Jérémy Tordjman 04 François Bernard

05 Bertrand Blackburn

06 — Cécile Célestin

MORPHOTYPES 26 - 27



01	02	03	04	05
—	—	–	—	—
Marilyne	Alexandre	Franck	Florent	Raphaël
Nguyen	Ospital	Durin	Tomadini	Jeudy
06	07	08	09	10
—	—	—	—	—
Marie	Boris	Jérôme	Julia	Nicolas
Bourdelin	Chartrins	Divac	Kernevez	Varlet





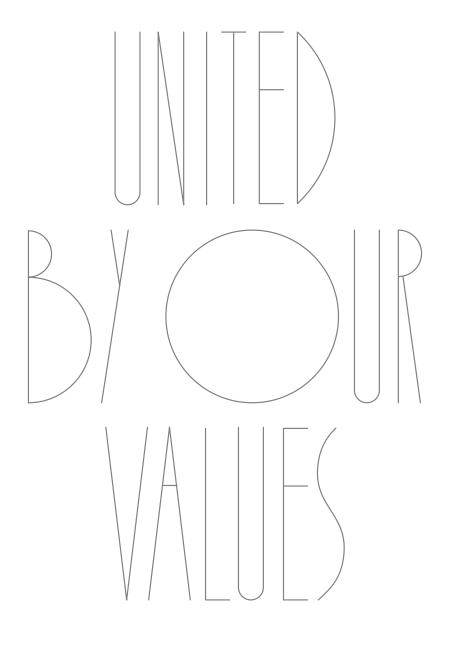
Antoine Moog

Independence

not exclude taking pleasure in our work, an essential principle in our success. And, of course, we totally reject conformist or sheeplike behavior, which is the complete opposite of how we approach our business.

Listening

to put an end to a debate without excluding. if conditions change, the idea of opening the discussion again.



Beyond our common DNA, we cultivate strong values within the ABC arbitrage Group: independence, concentration, demanding, listening, solidarity and ambition.

Concentration

Since the outset, ABC arbitrage has pro- This concept may not appear at first sight Being demanding at ABC is closely linked to sense of responsibility. However, this does blind to the world around you.

Demanding

duced profitable results in large part without as a value. However, focusing on one's work being supportive, even if this is not obvious clients, with the exception of its alternative is a delicate balancing act. You can miss out at first sight. Being demanding in a compafunds which are open to outside investors. on certain things in a company if you lack ny means making personal progress, while The third-party asset management business focus, but you can also be out of synch if the helping others do the same. This principle is a significant and complementary source of only thing you do is center your attention can only work if it is seasoned with respect revenues, which is designed to grow. Never- on your personal tasks. Excellence requires and, above all, not dependent on hierarchitheless, the goal of the group is to continue to people to manage their time and energy and cal divisions, either top down or bottom up. develop its business and to produce results concentrate their core skills, but not to miss In other words, when one feels strongly with or without clients. This de facto inde- out on the human realities in their environ- about something, one should not modify pendence obliges us to have an even higher ment. Concentration does not mean being one's position as a function of any power considerations. On the contrary, ideas should be openly expressed.

Solidarity

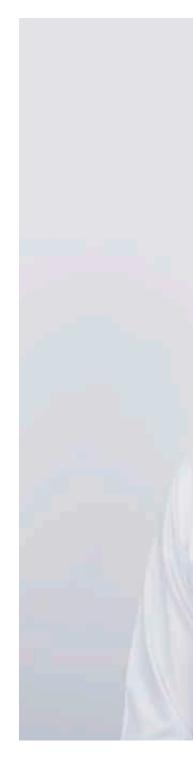
to make decisions and have the courage through other people's eyes.

Ambition

Active listening is a source of enrichment This value is always associated to acting People are often wary of this value and because it allows you to nourish yourself "together" to build, learn and progress col- it is often seen as incompatible with more with other people's convictions and, lectively. We like to cultivate an ambiance "human" values. It becomes suspicious quite when trying to understand their point of and develop an environment in which diver- often in financial activities because it is seen view, it allows you to be more discerning sity and individuality are complementary as greedy. We see our business above all and to question your own certainties. factors, enabling us to achieve common goals. as an industrial undertaking, finding solu-But, listening has its limits because, at This solidarity or mutual support is based tions for multiple equations and to look for some point in an organization, it is essential on empathy, the capacity to look at the world new winning formulas. Thus, our ambition teaches us not to let conventional wisdom get to our heads, pushing us to go beyond ourselves every day.



01	02	03	04	05	06	07	08	09
_	_	_	_	_	_	_	_	_
Nicolas Fauvet	Aurélie Bernhardt	Laetitia Hucheloup	Gaëtan Fournier	Alexandre Bernacki	Philippe Aubin	Sarah Boistot	Nicolas Canouï	Kévin Lovato





Pierre Boizot



Wenjun Archimbaud



Stéphane Soulier

MORPHOTYPES 34 - 35



Our senses, instruments of perception, enable us to understand the outside world and to appreciate life. Each of us cultivates a certain sensitivity which gives precedence to one of our sensory abilities over all others. The governance of the ABC arbitrage Group uses all the senses and specific skills of its members. Its way of working is based on a subtle alchemy combining diverse experiences, different points of view and different yet complementary feelings. They share a common desire to initiate, coordinate and supervise projects which "make sense" in that they are both ambitious and realistic.

The Board of Directors

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 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 in terms of background and interests 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 stakeholders.

A sense of balance

Governance includes several complementary facets, from the structure of the company's decision-making process to its social and societal responsibilities, via professional practices and corporate values. Within 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.

ABC arbitrage and ABC arbitrage Asset Management are both French "sociétés anonymes" managed by a

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.

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 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.

MORPHOTYPES 36 - 37

– Listen and decide David Hoey

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

-A sense for details Xavier Chauderlot

Xavier Chauderlot is a qualified actuary (Institut des Actuaires Français) 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.

- Other directorships and offices:
- of Directors of Aubépar SE
- of Directors of Financière de Bailli SA

- A clear vision of reality Dominique Ceolin

After qualifying as an actuary (Institut des Actuaires Français) 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 general shareholders' meeting of May 28, 2010) - Partner • ABC arbitrage asset management:
- Chairman of the Board
- and Chief Executive Officer
- Other directorships and offices: Chairman of the Board of Financière
- WDD

Co-founder of ABC arbitrage in 1995

• First elected: October 10, 1997

• End of mandate: General shareholders' meeting reviewing the accounts for 2015 • ABC arbitrage: Permanent representative of Aubépar Industries SE (elected at the general shareholders' meeting of June 1, 2012)

/ Chairman and Managing Director of Aubépar Industries SE / Representative of Aubépar Industries SE on the Board

/ Representative of Aubépar Industries SE on the Board

MORPHOTYPES 38 - 39

- Lively senses

Didier Ribadeau Dumas

Didier Ribadeau Dumas is a graduate of the École 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: 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:

/ Member of the Supervisory Board of La Banque Postale / Member of the Board / of La Mondiale / Director of SGAM Ag2r La Mondiale



– See and analyze Jean-François Drouets

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 general shareholders' meeting of May 28, 2010)
- Other directorships and offices: Chairman of Catella Valuation Advisors

- The sixth sense: intuition Sabine Roux de Bézieux

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 then 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.

Listening to others

Jean-Christophe Estève

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 SARL ABC participation et gestion (elected by the general shareholders' meeting on May 28, 2010)

Other directorships and offices:

- / Executive Director of SARL ABC participation et gestion / Managing Director of SARL Biotope and SARL Aerotope
- / Chairman of SAS Galerie du Lion (Biotope's subsidiary)
- / Director of Unitas Ltd (Biotope's subsidiary)
- / Director of Papalagage Ltd (Biotope's subsidiary)
- / Director of BT PWATG Ltd (Biotope's subsidiary)
- / Director of Biotope Botswana (Biotope's subsidiary)

• First elected: March 10, 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 ANF Immobilier / Member of the Supervisory Board of SAS Microfinance Solidaire / Chair of the Board of Directors of the Entrepreneurs du Monde association

MORPHOTYPES 40 - 41

- Listen and understand Marie-Ange Verdickt

Marie-Ange Verdickt is a graduate of the École Supérieure de Commerce in Bordeaux (1984) and a member of the SFAF. After having gained expérience as an auditor at Deloitte and as an analyst at Euronext, in 1998 she joined Financière de l'Échiquier, a portfolio management company where she was a mutual fund manager for 15 years. She has also developed Socially Responsible Investment practices during that time.

> • First elected: January 24, 2013 • ABC arbitrage: Non-voting Director (appointed by the Board on January 24, 2013) Independent Director as of the general shareholder's meeting of May 31, 2013 • Other directorships and offices: Member of the Supervisøry Board of Solucom

- Sense of reason Franck Durin

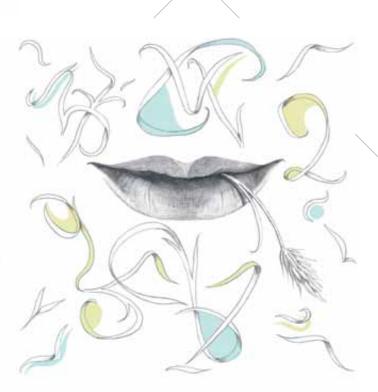
An engineering graduate of École Nationale Supérieure des Arts et Industries Textiles, Franck Durin joined ABC arbitrage in 1998. After serving as Information Systems Manager from 2000 to 2006, he has headed up the "Statistical Analyses & Modeling" and "Market Risk" units since 2002.

• ABC arbitrage: Partner

- A taste for numbers Jacques Chevalier

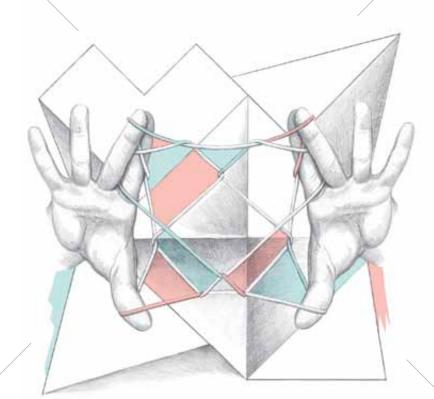
Jacques Chevalier is a graduate of the École Normale Supérieure, with a post-doctoral degree/ in mathematics. He is a professor of mathematics and a qualified actuary. In parallel with his university career, he works as a consultant, advising banks and insurance companies.

> • 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





Joined ABC arbitrage in 1998 • ABC arbitrage Asset Management: Deputy Director – Trading Strategies



- A taste for work well done Laetitia Hucheloup

Laetitia Hucheloup, a graduate of the ESCEM business school, joined ABC arbitrage 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 arbitrage 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

MORPHOTYPES 42 - 43

02 BEHAVIOR

WE EXIST THROUGH WHAT

OUR DAILY LIVES ARE FILLED WITH BIG AND SMALL EVENTS, WITH RESULTS AND PERFORMANCE MILESTONES, WITH COMMITMENTS AND CONVICTIONS AND WITH ENCOUNTERS AND EXCHANGE.

> BEHAVIOR 46 - 47



positive results for the 18th year in a row, with consolidated income for 2012 at €24.3m, net operating revenue at €53.0m and gross return on equity at 32.3%.

> Working in an increasingly negative environment, with unfavarable conditions for the Group's activities and unprecedented regulatory and fiscal pressures, ABC arbitrage maintained its strict operational discipline, based on tightly controlled management, operational efficiency

and continuous innovation.

We distributed

100% of our annual consolidated profits to our shareholders in 2012, i.e. EO.47 per share, wich represents a yield of 11% (on the stock price as listed on April 24, 2013).

INTENSIFIED

our investment fund business through the creation of ABCA Inference Fund, which complements our existing catalogue of five funds. Third-party asset management in 2012 generated a significant growth in fees and commission (€6.2m, i.e. +72% on the year).

However, the profitability performances of the investment funds remained below the Group's expectations. On March 1, 2013, funds under management

stood at €457m.



our strong entrepreneurial values and participate in public debates as part of our commitment to active trade organizations. Our line of thinking in this regard is very clear: while regulation is necessary, it is important not to penalize the entire financial industry and to impose rules that slow down the economy.

> ABC arbitrage is a member of MiddleNext, a respected trade organization that defends the interests of midcap companies, lobbying stock market authorities, public institutions and European bodies. Its policy is to propose workable solutions to create conducive economic and financial conditions, to enable listed companies to overcome regulatory and government obstacles and to prevent special interests from imposing their views on the industry as a whole.

ABC arbitrage is also a member of Croissance Plus, a trade organization of entrepreneurs, which represents heads of high-growth companies and their partners. Its goal is to promote a new model of entrepreneurship, based on freedom and respect.

ABC arbitrage is equally a member of the Institut Français des Administrateurs (IFA), a trade organization of French administrators who aim to contribute to the evolution of professional standards and better governance practices.



for the **3**²⁴ year in a row, the creative work of ABC arbitrage and its partner agency, Aristophane, awarded the Grand Prix Stratégies for Design in 2012 in the corporate publishing category for the Group's 2011 Annual Report.

This distinction once again rewards ABC arbitrage's daring and creative financial communication style, which rejects traditional concepts and which innovates

f proce

WE PROTECT

OUR ENVIRONMENT.

Through its action, ABC arbitrage contributes, in its way, to defend and protect the environment and to encourage sustainable development practices. In its everyday practices, the Group incites its employees to use clean means of transportation and to take actions to recycle consumable products and save energy.

in its original and slightly offbeat way

of presenting its performance and image.

BEHAVIOR 48 - 49



a new member on our Board of Directors: Marie-Ange Verdickt, a graduate of ESC Bordeaux, who is an expert on financial markets and their way of operating (10 years as an analyst at Euronext followed by 15 years at Financière de l'Échiquier, a portfolio management firm, where she was a Mutual Fund Investment Manager).

"Having been a midcap fund manager, I was always impressed by the quality of the ABC arbitrage Group's information tools, as well as its fundamental commitments, in terms of innovation, hard work and its straightforward approach to business, which have been the keys to ABC arbitrage's development. I consider that joining the Board of ABC arbitrage is a great opportunity to participate in a company that seeks the right balance between growth, performance and risk management.

In the current fast-changing regulatory environment, I am happy to participate in thinking about sustainable development, while respecting the interests of shareholders, employees and the other

stakeholders in the group."

Thomas Normand, a young skipper and talented competitor, backed by ABC arbitrage Group, who had an intense season in 2012 on his boat, Figaro Financière de l'Échiquier, with the highlight being his performance in the Solitaire du Figaro, the ultimate race for Classe Figaro boats, where he finished 15th overall and 1st in the Rookie category.

In 2013, building on this experience, the 2012 Rookie sailing champion of France decided to suspend his career as a skipper to build and participate in new personal and professional projects.

Devoted to enabling young talents to blossom and thrive, ABC arbitrage Group is happy to have backed Thomas in his endeavor and wishes him good luck in his new projects.



Jean-Pierre Dick, the talented skipper with an impressive track record, who participated in his third Vendée Globe race in 2012/2013 and who achieved a remarkable performance, taking fourth place in this round-the-world solitary race on his single hull boat, Virbac-Paprec 3, finishing the last phase without a keel, thus demonstrating his determination,

tenacity of character as well as that of his team. by joining the multihull MOD 70 circuit.

"When I see this new boat, I feel a great and his strength deal of pride. I have the same feeling today that I had when I launched my first Virbac-Paprec boat in 2003. I like these times of change, when you embark on a new Jean-Pierre has adventure. Multihull navigation with a crew now undertaken requires very different strengths. It's a a new challenge real challenge and I'm going to have to learn fast.

> The 2013 season will be a time to build, with a talented team with whom I have already established strong ties."

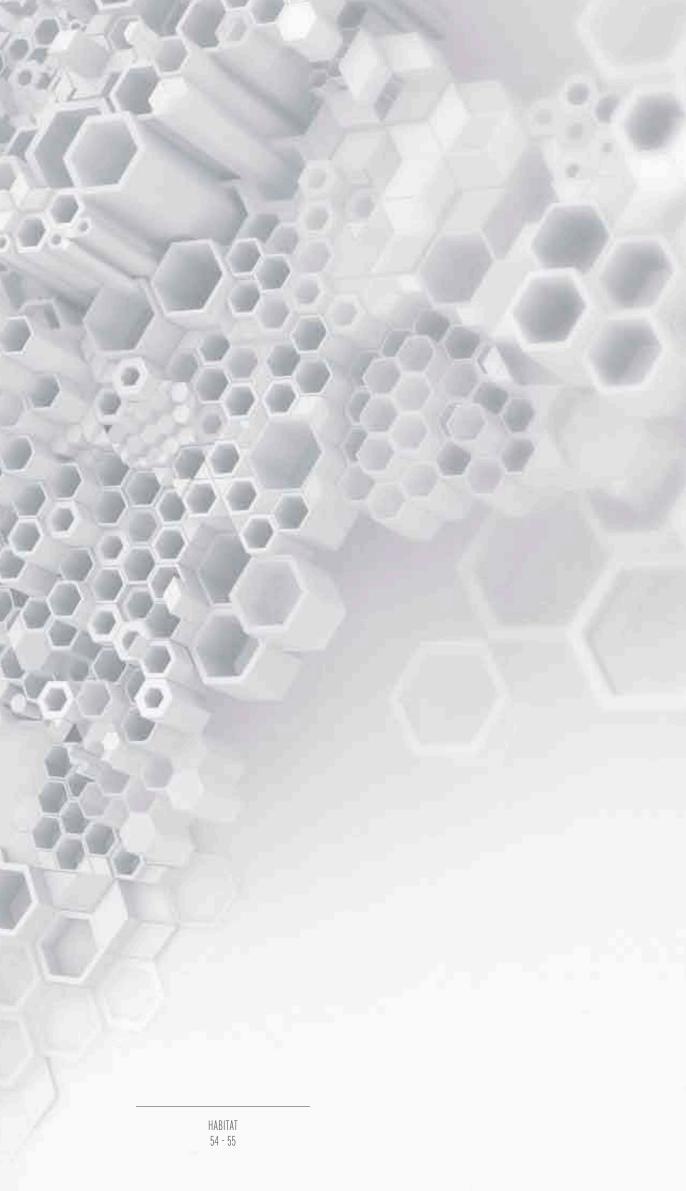
To Follow Jean-Pierre Dick: > www.jpdick.com

> BEHAVIOR 50 - 51

03 HABITAT

We COOPERATE In ORGANIZED WAY

WE ARE A LIVING ORGANIZATION. TO BE USEFUL TO OUR ENVIRONMENT, WE STRIVE TO ADAPT OURSELVES TO DEAL WITH THE CHALLENGES WE MUST FACE, WHILE PROTECTING OURSELVES AGAINST DANGERS. WE OPTIMIZE OUR "ECOSYSTEM" BY FOCUSING ON OUR TASKS AND FOR THE BENEFIT OF OUR STAKEHOLDERS. THUS, WE BUILD STRUCTURES THAT ARE SOLID AND SUPPLE AT THE SAME TIME, WITH CLEAR LINES OF COMMAND THAT FOSTER EFFICIENT COOPERATION. OUR GOAL IS TO ACT INTELLIGENTLY AND HARMONIOUSLY TOGETHER, TO ENSURE OUR EFFICIENCY AND LEVERAGE OUR STRENGTHS.



THE PARENT COMPANY, ABC ARBITRAGE

ABC

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). ABC arbitrage provides its wholly-owned operational business unit, ABC arbitrage Asset Management, with traditional holding company services: communication, legal expertise, labor relations and human resources management, administrative services. It also provides its operational business unit with support in developing its third-party asset management services.

↓ <u>THE OPERATIONAL</u> <u>COMPANY,</u> <u>ABC ARBITRAGE</u> <u>ASSET MANAGEMENT</u>

ASSET MANAGEMENT ABCARBITRAGE

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.



SUSTAINABLE GROWTH

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.



THIRD-PARTY ASSET MANAGEMENT

Asset management for third parties is exclusively based on arbitrage operations and negotiable securities which can be traded on 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. Since it set up its first alternative investment fund, in 2007, its offer in third-party asset management has been supplemented on a regular basis with the creation of new funds, enabling it to propose a portfolio of alternative products:

- ♦ <u>ABCA Opportunities Fund</u> manages arbitrage operations of merger/acquisitions.
- <u>ABCA Reversion Fund</u> manages statistical arbitrage operations on Futures markets and ETF.
- ♦ <u>ABCA Continuum Fund</u> manages statistical arbitrage operations on stock markets.
- ♦ <u>ABCA FX Fund</u> manages statistical arbitrage operations on currency markets.
- ♦ <u>ABCA Inference Fund</u> manages Futures strategies.
- ♦ <u>ABCA Multi Fund</u> is a diversified fund which invests in the other funds managed by the Group.

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 he/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

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.

domiciled Qualifying Investors Funds.

In 2012, assets under management stood on average at €489 million.

Third-party asset management activities do not generate significant additional costs for the Group (either in terms of structure or marketing 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.



PROPRIETARY ASSET MANAGEMENT

ABC arbitrage, the Group's parent company, is ABC arbitrage Asset Management's main client. In 2012, ABC arbitrage invested part of its assets in alternative investment funds managed by ABC arbitrage Asset Management, with the remainder managed under mandate.

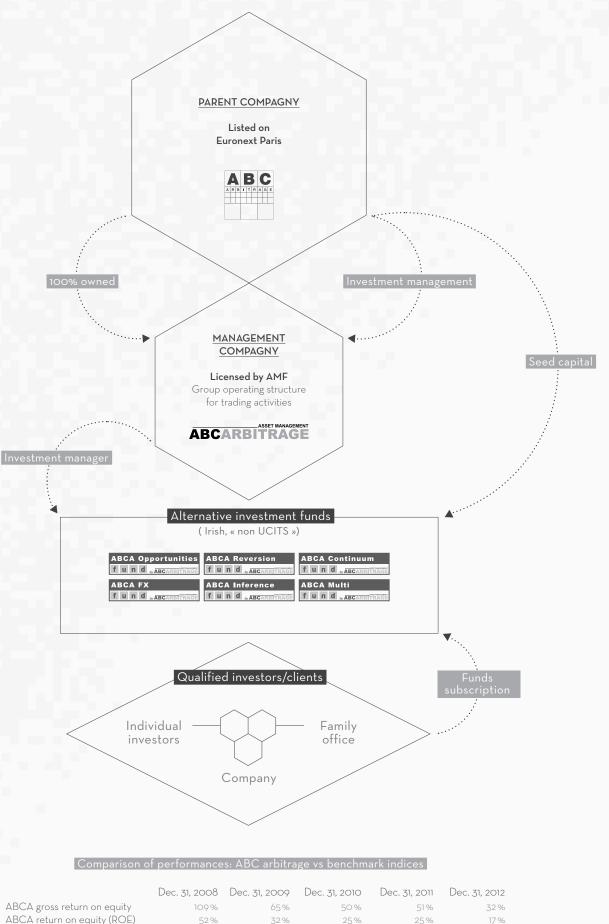
ABC arbitrage has itself always been the first investor in each of its third-party fund issues in order to contribute actively to their development, while guaranteeing the resources to grow this activity. This commitment is an essential advantage in the development of third-party asset management activities for outside investors, in that it is instrumental in establishing a track record, to maintain the activity in times of temporary outflows and to guarantee the convergence of interests between all investors.

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

> ABCA gross return on equity ABCA return on equity (ROE) CAC 40 DJCS Hedge Fund Index





(3)%

11 %

(3)%

(17)%

15 %

8%

HABITAT 58 - 59

22%

19 %

(43)%

(19)%

THE HIVE SEEN FROM THE INSIDE: A CONSISTENT ORGANIZATION

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 TO 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 two EMPOWERED TO CONTRIBUTE THEIR SKILLS WITHIN main func-AN AREA OF EXPERTISE AND. IN TERMS OF tions, research and execution, are GOVERNANCE, IT ENSURES THAT CROSSsupervised by a Board of CORPORATE CONTROL IS EMBEDDED Directors, an "Operations" INTO THE ORGANIZATION, THUS function and a "Corporate Secretary" ENSURING PERMANENT which ensure consistency throughout INTERNAL AUDITS OF the organization and provide the necessary PROCESSES. resources. Overall operations are scrutinized by a business control department which constantly monitors excellence in achievement and the respect of risk constraints.

1

ACTION, ADJUSTMENT, CONTROL

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" function reports directly to the Board of Directors and comprises two independent units: "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" function, which identifies implements and manages day-to-day business, employs three quarters of the company's workforce.

2 ENERGIES, SYNERGIES, COORDINATION

The Group's main drivers are research, innovation and a systematic approach to its business. ncbusiness are continuously seeking to develop original arbitrage strategies and are always on the lookout for new ideas. of 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" function 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).



EXECUTION FUNCTION

♦ 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.).

RESEARCH FUNCTION

♦ 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.

04 VISION[S]

INTERVIEW WITH DOMINIQUE CEOLIN CO-FOUNDER AN ('HAIRMAN OF THE ABC ARBITRAGE GROUP.



Michel Celemenski: Following on 2011, which was your second-best fiscal year historically, 2012 was clearly more difficult.

Dominique Ceolin: Let's put things in perspective. Firstly, 2012 is our 18th consecutive year of profitability. We generated net revenues of €53m and net income before taxes of €35.9m. These are solid results. But, I have to acknowledge that this is a significant decrease in profits, even if we did keep our shareholders informed of the situation, I can understand that they are disappointed. We were hindered by conditions that were even less favorable than in 2011 for our business Having said that, gross return on equity before social charges and taxes stood at 32% (N.B. this financial performance of the group is to be compared to performance levels in indices such as the CAC 40, at +16% in 2012), which is still guite significant, given the conditions we had to deal with in the financial markets. Nevertheless, we are below our growth program, Horizon 2015, which deliberately set a very high target. For me personally and for our staff and shareholders, this is a disappointment, but let me repeat what I've said since 2009: if market conditions are too unfavorable it will be impossible to achieve the kinds of results we saw in the past. However, I do not think that we should be embarrassed with what we've managed to achieve. Quite the contrary.

MC: Let's come back to these famous market conditions.

DC: In keeping with what we've communicated to our shareholders for many years, the arbitrage business is affected by a certain number of parameters and, in particular the volatility of stock prices, the volume of transactions and new operations launched by listed companies. These are the raw materials of our development. These three parameters were very weak, often at their lowest historical levels in 2012. Shares, for example. suffered from a 25% decrease in volume, while activity in futures was down by 50% certain months. Recently. we even saw volatility levels of less than 5% on currencies, which is something ver, results have not been proportional regulations being implemented that has almost never happened. All asset to the increase in operations. In 2011 classes were affected, which meant that market conditions, with the same parawe couldn't invest all our assets. the year which should have generated we would have generated an increase

« MY IMPRESSION IS THAT WE ARE IN THE "SOFT UNDERBELLY" OF THE MARKETS, »

market shifts, but these were quickly absorbed. One possible explanation MC: Let's talk about innovation. is that massive amounts of liquidities In your results, what you call recent were injected into the markets, in par- strategies, i.e. "innovative" products, ticular by the Central European Bank (CEB) since the end of 2011. With this kind of monetary easing, we cannot fully play our role as arbitrageurs, which im- DC: Absolutely. Let's remember that pacts negatively on the development of recent ABC arbitrage strategies were our strategies. My impression is that calibrated to exploit intermediate or high we are in the "soft underbelly" of the levels of volatility and generate capacities markets, i.e. we are dealing with a for third party asset management, macroeconomic situation that cannot to develop funds for outside investors. deal with massive fluctuations in stock These strategies were significantly prices and which impede economic affected by the parameters we've players in undertaking a significant mentioned and political actions that number of new operations. So, while changed market behavior. Our investpublic authorities intervene to "take ment funds have performed at average the edge off" the effects of bad news, industry levels, but below our usual promore attractive levels that would enable the expected performance fees. investors to come back in force.

MC: But then, isn't it possible to increase the amounts invested in each intervention and the number of operations?

not work on non-existent operations, below our ambitious targets. We developed nearly 30 new operations in 2012 to attain an average of 1,640 MC: Beyond the technical limits operations undertaken every day, which created by the markets, demonstrates that our teams are working we get the impression that you're hard at maintaining momentum. Howe- suffering from the financial

meters and given the development of our DC: This is true. We estimate our shortfall in revenues of 30%, in line with our targets for the Horizon 2015 program, i.e. at about €45m But we can't be satisfied with "ifs" and so we have to take into account these new market conditions to explore new development possibilities. Since the second half of 2012, we have been gearing our research to these current unfavorable market trends, by adapting our tools, but without chanaina our husiness model

contribute less to your 2012 income than in 2011.

they prevent the markets from moving to fitability criteria and have not generated

MC: What's the trend for the first few months of 2013?

DC: We're at a pace that's similar to the second quarter of 2012, or just slightly below, which confirms the need to gear DC: By definition, arbitrageurs must our research to adjust our strategies remain transparent players in the to these relatively flat markets. I'm markets. We cannot increase the amounts not worried about the medium term invested without taking into account and I think we shouldn't get all worked the volumes in the markets and we can- up because we have had a few months

by some governments.

earnings in 2012. That's quite a lot penalize this kind of compensation, are an important source of investments. 10 years. dividends and employee benefits. It's very frustrating because we're paying for the excesses of the financial industry. even though we've always been a positive player in the markets, without ever having resorted to any type of public aid. Also, the implementation of new requ- DC: That's exactly the problem. France lations worldwide, often in line with has positioned itself for political reasons what we advocated, has used up a lot of adversely when it comes to this type energy But given the excesses of some of compensation while the ideas decisions are understandable, even time are now being adopted by the if their economic impact is somewhat G20 and the ESMA (European Securities dubious. This is how democracy works and Markets Authority). The ESMA and I have to accept that without resi- is getting ready to make it mandatory gning myself to this! We work hard every to use these equity-based products, day to implement ideas which comply considering that they are the best with these new rules, while pursuing our means to create a healthy variable salary development strategies.

MC: The decrease in profits doesn't only affect shareholders, but also impacts on the benefits and compensation of ABC arbitrage employees.

DC: In 2012, our profits were down by 29%, while salary expenditures were reduced by 44%, with about the same number of employees working for the com- DC: Absolutely, Increasing taxes and our operators and managers more and other forms of equity benefits. program, have basically accepted the anti-social today. I understand the moti-

situation. For our recent recruits, it's less comfortable and we need to find equity-based products to sustainably motivate them. What's really unfortunate There were a few local crises during quantitative and qualitative know-how, to be between $\in 2m$ and $\in 3m$ in gross is that France has decided to heavily because those hard-earned 'last' millions which we have used with great success for

MC: Haven't these compensation tools not been very popular with successive governments for quite a while now?

'bad' financial players, these political we have been advocating for a long system. The AMF (Autorité des Marchés Financiers - French Market Authority) will transpose these recommendations to France, and we will have to apply them in 2014, probably with very high levels of taxation.

MC: Yes, but aren't governments responding to a 'democratic' request?

pany. This decrease, which is consistent regulatory constraints are in line with the policy of convergent interests with the negative attitude of public that we have always defended, impacts opinion when it comes to stock options than support staff. All of the people This response is legitimate in the wake who benefited from this leveraging of a limited number of guite shoceffect on the up side, in particular those king scandals. Let's put it bluntly: this who participated in the Horizon 2010 kind of benefit is considered to be

HAVE BEEN GEARING OUR RESEARCH TO THESE UNFAVORABLE MARKET TRENDS BY ADAPTING OUR TOOLS. BUT WITHOUT CHANGING OUF BUSINESS MODEL. »

dox to denigrate these products when tests. I'll be able to elaborate once these do not apply the FTT. the highest authorities in the world tests confirm our convictions. I believe are proposing these measures as a we will enter into a new phase of developresponsible solution for the financial ment. industry. I will continue to advocate and explain why I believe this form MC: Let's talk about the FTT. of remuneration is positive when it is the famous 'Financial used for a great number of beneficiaries **Transaction Tax'.** and on the basis of performance levels for the long run and in creating a conver- surface every few years, also known as on in Sweden went to London. It's a pracgence of interest with shareholders.

MC: Things look difficult for your business. given the unfavorable political ambiance, regulatory pressures and bad market parameters.

DC: If we consider these three criteria, Given the excesses of market parameters are part of the normal the financial sector, workings of the business. History has it's easy to undersshown us that there are financial cycles and the political mowe have learned to adapt to these, whate- tivations behind this ver the trend. On the contrary, regulatory tax, in particular when trends and tax policies are more recent people are realcompetency. We shouldn't be afraid tions. But, the real mistake is that the nity to adapt and to strengthen itself regulations and fair market practices. of difficulties, but we have to reco- FTT is a pre-profit tax, which is im- in this 'new world'. gnize they exist and to ready ourselves posed upstream of the operation to the threat. ABC arbitrage is lucky to For ABC arbitrage, this represented **MC: Do you think that Paris** have talented teams to meet this sort about €1m in shortfall in 2012 since we is in danger of losing its place of challenge and I have no doubt that abandoned a certain number of opera- as a financial center? we have the wherewithal to succeed.

MC: Have you taken measures to adapt to these new conditions?

to understand this new market structure, the government will also lose out on issuers. without waiting for a return of more corporate taxes that these operations Once again, I am not denying that there human and IT anomalies. favorable conditions. Since September would have generated. I am convinced are political realities that have to deal. We have to generalize these "red lights"

vations of politicians and the media 2012, in particular, we have progressed that the FTT is an economic error, even if it with an extremely complex world, but

context, in the wake of the 2008 financial crisis, when public authorities decided to bail out banks.

tions with margins that were too low to

MC: What you're saving is that financial players will invest elsewhere.

DC: That's what happened in Sweden at the end of the Eighties in response to a restrictive tax. In two years, most trading, whereby transactions It contributes to motivating employees DC: It's something that comes to the of the transactions previously carried are managed by IT programs. the Tobin tax. The idea, which is very tical example of the negative effects of DC: I think this is based on ill-infor-

again. It's imporjected to special on salaries that increase social

DC: As I announced at the beginning the amount of taxes generated by the ming less and less competitive to attract of 2012, we have been working hard FTT will be below expectations and that and retain financial players, but also

in countering the abuses committed by in our research, which, I have to acknow- is politically shrewd. This may push is- I do not think that the solution lies a few individuals, but we are generali- ledge, has taken longer than expected. suers to list their products on other stock in systematically destroying finance. zing inappropriate measures which make But, we've concluded a first series markets (N.B. the securities affected We chose to set up our company in no sense economically and which do not of findings to deal with this situation. by the FTT apply to companies with over Paris and to remain here and we have guarantee the sort of ethical behavior We're currently finalizing our discoveries $\in 1bn$ in listed equity) and investors will, never challenged the need to participate we are looking for. It's an amazing parabefore launching our first production for their part, focus on countries that in political choices and therefore to pay our taxes and social charges. Our obligation however is to remain competitive and to attract talent, which is a responsibility we have to our shareholders.

> MC: In the same vein there have been quite a lot of negative reactions concerning automated

popular, is to tax financial transactions. this sort of measure, but the authorities med fantasies. I don't see why the It's important to put this political idea into are making the same mistake all over financial industry should not use efficient technological tools to develop tant to say that its business. No one would ever think the financial sec- of outlawing robots on automobile tor is already sub- production lines because they sometimes generate some quality problems.

taxes in France, We're told that because orders are placed in particular a tax by computers that we are becoming a 'diabolical' industry. Our duty is to comply with regulations and to avoid the syscharges by 20%. tem from going wrong so that it causes The financial harm to investors. The proper use of IT is industry, like all simply a way of bringing down trading phenomena and the level of violence being ly suffering from the economic crisis. sectors, should be taxed on profits and costs and providing efficient tools that geleveled against the financial industry The taxes that have been implemented not on a pre-profit basis, thus allowing nerate liquidities and serve the legitimate is unprecedented. This means that our represent about 0.20% on stock us to generate value to pay our taxes, interests of investors. Having said that, potential margins are being worn away purchases, which may appear to be guite as should be the case in all democracies. ABC arbitrage is not a 'high-frequency' structurally and this confirms the need low for the general public. Nevertheless, But, once again, I'm not out to change trader per se, but we do use algorithms to develop new ideas and to bolster this amounts to 20 times the margin the rules, but clearly to make sure to place orders and have done so for our research to achieve a new level of generated by certain financial opera- that the group uses this opportu- a long time, always complying with

> However, I don't believe in absolute 'no fault' algorithms since they have been developed in various ways and in various places. Beyond the in-house security measures that we use, the American markets have implemented a certain numcover the FTT. This shortfall produces no DC: Between the FTT, the 3% tax on diviber of safety valves since 2010 and most corporate taxes and of course no FTT dends for issuers, a non-competitive com- of these had already existed in France and is therefore inefficient from a fiscal pensation and benefits policy and the lack for a long time. These safety valves point of view. In the end, the risk is that of regulatory visibility, Paris is beco-suspend trade for a certain amount of time when there are overly exaggerated movements or a breakdown in the ordering patterns, and this is applied to both

For me, that's the crucial point. We need processes and our risk management to adopt the proper measures so that tools, which investors have validated. there is no doubt that people cheating. This confidence in the quality and with the system are punished and this seriousness of our work has enabled us what we need are 'healthy' markets ducts adapted to changing conditions. into mathematical equations. The mani- our development in this business. pulation of stock prices does not benefit us at all. Quite the contrary. We are in favor **MC: Let's talk a bit about the hectic** of transparent and regulated markets.

MC: Let's change subjects. How do you use your own assets to develop your third-party asset management (TPAM) business?

DC: The type of asset management in terms of investment methods, obliges us to prove the efficiency of our approach capital reserves allow us to demonstrate fund management.

MC: You've become a credible player in this business. How can you go one step further?

DC: We have a total €400m to €500m under management, which may not you have often reiterated appear as being very much in general asset management terms. However, this Will this not impact on investments? is a significant amount under mana-

« WE LEARN FROM OUR EXPERIENCES AND CONTINUE O STRENGTHEN OURSELVES. »

and most of the problems that people gement for arbitrage, which is a levefear would be resolved. We also have raged niche activity. Also, our credibility to identify potential abuse or stock is not based on the amount of maprice manipulations and penalize these. naged assets, but on the quality of our will provide much-needed transparency to increase assets under management to the markets! For the arbitrage business, over time since we have developed prowith clear contracts that we can transform We are finalizing new ideas to continue

performance of ABC arbitrage stock after several years of uninterrupted increases!

DC: Indeed. What's happened can be seen as logical, given our lowered profitability. However, I think that the drop is a bit severe, given the yields we offer and we propose, which is relatively new the regularity of our results, which remain solid. As I've often said, our business is not to focus on the level of our stock price. before we propose products to third but to produce results that will geneparties Investors base their confidence rate dividends which will in turn impact on the fact that we are our own first favorably on our stock price. It's unde-'customers' of these products and that niable that investors are worried, given we are always stakeholders in the deve- the lack of positive signs in our business lopment of our strategies. Our working and in light of more stringent legislation and tax pressures on the financial our know-how and to protect ourselves industry. I have personally invested temporarily against the strategic risk a lot in the stock, as have all the other of investor outflows during periods senior managers, staff members and of panic such as those we witnessed historical shareholders. We do not in 2008. In short, I'd say that investing our have a short-term vision and I am own funds is a necessity to serve our de- convinced of the sound grounding velopment in the business of alternative of our 'business model'. Let me remind you that at the current stock price (€4.70 at the beginning of April 2013), dividend yield, which is the true benchmark of the ABC arbitrage stock, is at 10%. which is an excellent return.

> MC: In the current environment. your high yield policy.

« WE HAVE DEMONSTRATED THE EFFICIENCY

program. If tomorrow we felt that we products to counter this situation. needed to invest more, thus lowering dividends, we would do so and would explain why. We are aware that the was able to complete the Vendée dividend is important for our shareholders and our staff, who have invested hea vily in the company, but we would make this choice if we felt it was necessary. with a single goal in mind, our competi-

Let me remind you that our shareholthat choice, while maintaining a 'floor dilution of the stock at a price we would consider too low.

MC: What would you say to conclude?

DC: I think we have to remind everyone that we have just completed our 18th consecutive profitable fiscal year, with strong results, despite unfavorable market conditions, which proves the sustainability of our business. Despite the disappointing decrease in profits, 2012 remains a solid fiscal year. In the current economic envi- that we were capable of holding on to finish ronment, I believe very genuinely that many the race in good stead. Like Jean-Pierre companies would be happy to achieve the Dick, we learn from our experiences and same results as us. We have maintained continue to strengthen ourselves. our commitments, we have demonstrated the efficiency of our operating model and the consistency of our compensation and benefits policy.

Having said that, we will not accept things as they are and we will focus our research on less volatile scenarios even though we are convinced that the current situation cannot continue forever, given macroeconomic factors and the impending limits of public intervention. When the market Interview carried out on April, 17 2013

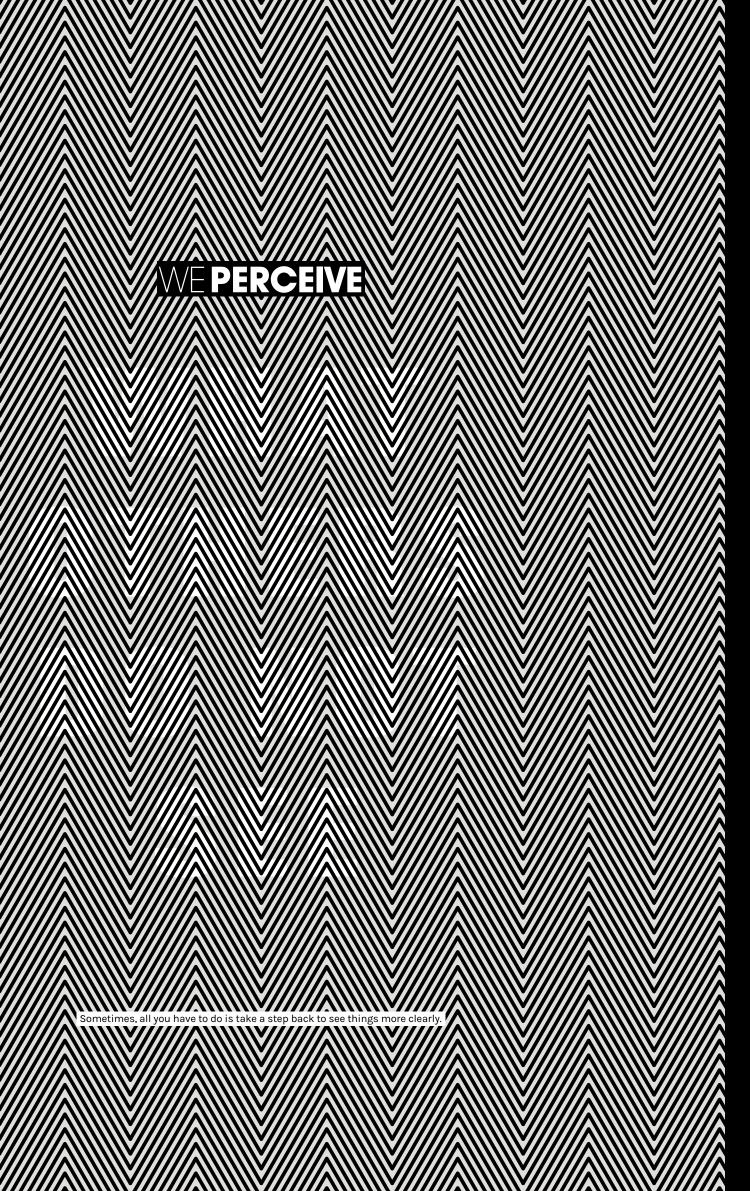
DC: Our approach is transparent and begins to function normally again, we will systematic. I repeat that we have always be better equipped than ever to take advanhad an opportunistic policy in dividend tage of more favorable conditions and if distribution, but never at the expense the sluggishness continues, we are on of our research and development the right track in the development of new

MC: After all, Jean-Pierre Dick Globe sailing race without a keel?

DC: The analogy is quite relevant. Jean-Pierre is someone who faced up to a certain number of adversities in his race around the world. What I find interesting in Jean-Pierre's attitude and that of his ders have the option of reinvesting their team is that they made well-calculated dividends in stocks and that many of them choices between performance and security have done so for many years. The Board and were able to assume the ups and of Directors has deliberately given people downs that any challenging project has to deal with. ABC arbitrage has good reason price' in order not to generate too much to be proud of being their sponsor. During this Vendée Globe, rather than feel sorry for himself, Jean-Pierre persevered and factored in the new constraints he had to deal with and finished the race admirably well. I'm sure he'll build his future victories on this fourth place without a keel, which in my mind is a much greater performance than being on the podium without any impediments.

> Without going too far in the comparison. I think that our teams have proven in the very unfavorable conditions of 2012

05 INSTINCTS & PHYSICAL ABILITIES



Financial arbitrage requires a subtle mix of technical skills, innovation and creativity to exploit every possible opportunity through optimized performance and constant responsiveness. Arbitrage combines scientific knowledge, flexible 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 operators are constantly renewing. Every day, the ABC arbitrage Group works to improve its business-driven technological resources and improve the performance of its people, so that they stay in tune with changes in their environment.

WE SEE PERCEPTION AS OUR CAPACITY TO USE ALL OUR SENSES, HONED BY OUR INTENSE CONCENTRATION AND OUR EXPERTISE IN WHAT WE DO, TO DETECT PHENOMENA THAT ARE NOT NATURALLY APPARENT. WE MUST BE ATTENTIVE AND SCRUTINIZE THE SLIGHTEST DETAILS IN THE DYNAMICS OF FINANCIAL MARKETS, TO IDENTIFY OPPORTUNITIES AND TO CONCEIVE AND DESIGN ORIGINAL HIGH-PERFORMANCE MODELS OF INTERVENTION. PERCEPTION, HOWEVER, IS NOTENOUGH; WE MUST SUBMIT WHAT WE THINK WE HAVE IDENTI-FIED TO COMPREHENSIVE TESTS IN ORDER TO AVOID "OPTICAL ILLUSIONS" AND MIRAGES OF ALL SORTS. THAT IS WHY WE CROSSCHECK EVERYTHING FROM DIFFERENT VIEWPOINTS AND ANALYZE OUR FINDINGS THROUGH MATHEMATICAL AND LOGICAL TOOLS THAT ENABLE US TO UNDERSTAND EVENTS THAT ARE NOT VISIBLE BY THE NAKED EYE. IN FACT, IT IS BY LOOKING AT REALITY WITHOUT ANY PRECONCEIVED NOTIONS THAT WE CAN UNDERSTAND WHAT LIES HIDDEN BENEATH THE SURFACE, THE KEY TO INNO-VATION.



FIELDS

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. This research is also focused on reducing operating errors linked to very precise financial processes.

The ABC arbitrage Group has implemented a global and systematic approach to arbitrage. Internally, we master 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 throughout the process. The competitive advantage of an arbitrage company is built on the lead in R&D that it can maintain against the competition, and its ability to understand every single change impacting the environment and the business.

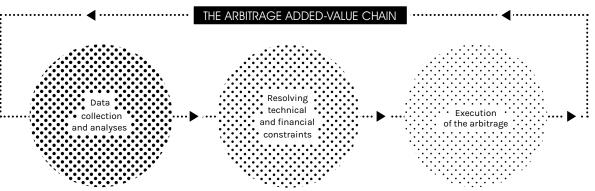
Arbitrage is constantly focused on finding new techniques that are not immediately perceptible, to open up new fields of performance. Arbitrage uses its scientific grounding to spur on its innovation, which in the final analysis depends on the talent and motivation of people and their capacity to combine very diverse skills. Success in the financial markets depends on a subtle mix of science and talent. **VISION,** VERIFICATION, VALIDATION

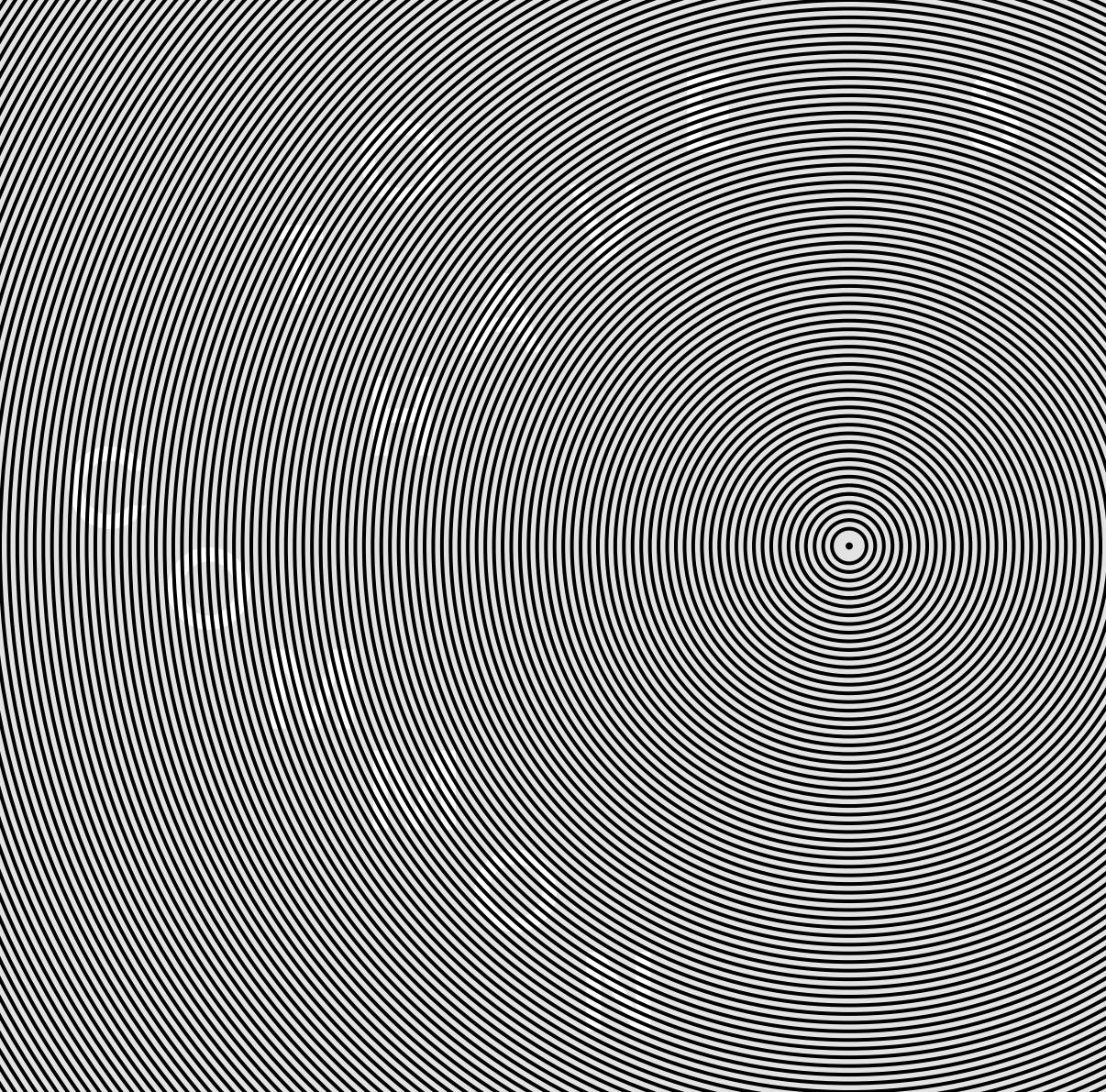
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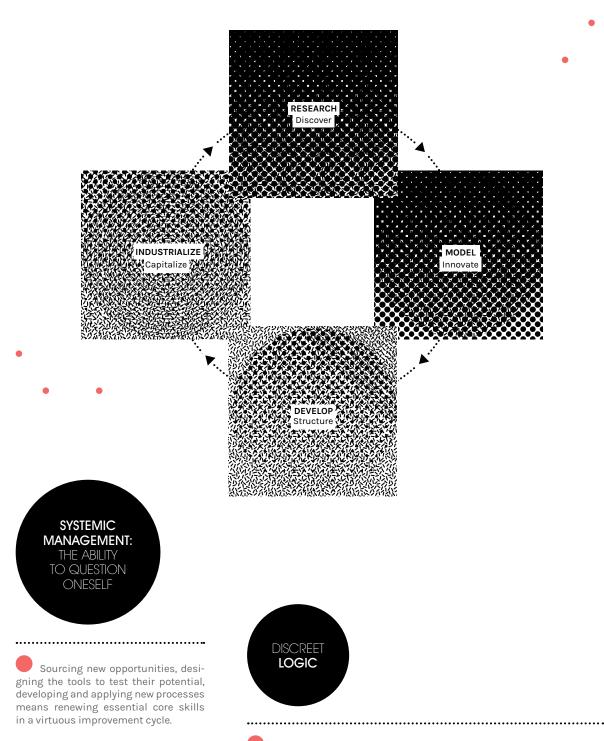
The primary area of ABC arbitrage's research is what we refer to as cloning, which means systematically replicating and extending our proven practices to new areas of applications. For example, this might mean expanding geographically to new stock markets or applying proven techniques to new asset classes.

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 for discovering new fields are considerable.









Arbitrage research begins by identifying measurable phenomena that can be replicated. These are then developed via 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 by specialists to verify the financing and accounting of these operations and to guarantee that real performance levels are in line with forecasts.

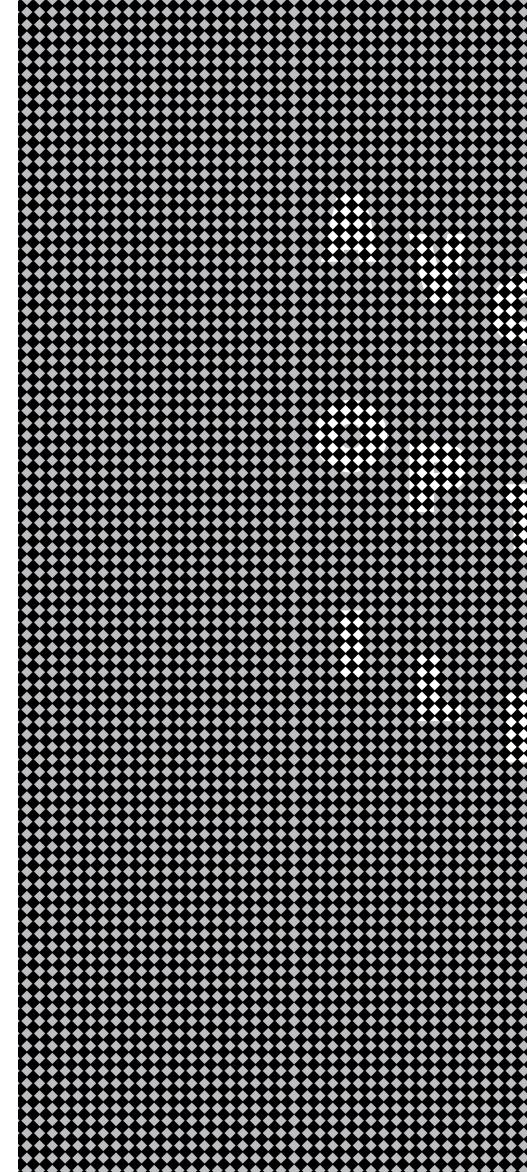


The arbitrageur is like a researcher in a lab, constantly coming up with novel ideas, which will provide a competitive advantage, regularly testing new processes upstream, working discreetly before applying findings concretely.

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 on deployed arbitrage techniques, 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. In the same spirit, arbitrage also searches for new areas of progress to move forward its expertise and creativity.



06 CLIMATE & ENVIRONMENT

(1) 6 A U R S 6 S 6 V 6 R Ν V Ν Ι 0

OUR Permanent Challenge

is to adapt our behavior to changes in our environment. This means anticipating, understanding and integrating new parameters so that we are not passively subjected to their pressure. Today, more than ever, we have to confront an everchanging ecosystem in the throes of a serious crisis.

This determination to understand and to deal with "climate changes" has always been at the heart of our business. We work on a daily basis to find the right models, to think and rethink all the possible scenarios we may face in our world with a constant focus to adapt our know-how, to sustain our actions and to maintain our capacities to achieve the highest levels of performance.

CLIMATE & ENVIRONMENT 82 - 83

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& BALANCE

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. The goal is the right balance between various concepts such long-term growth, the application of mathematical rules, adaptation to changing environmental conditions, and the application of ethical and transparent business practices.

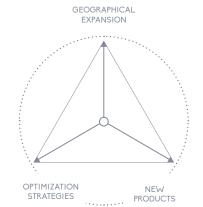
FORESIGHT TO KEEP OUR OPTIONS OPEN

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

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.

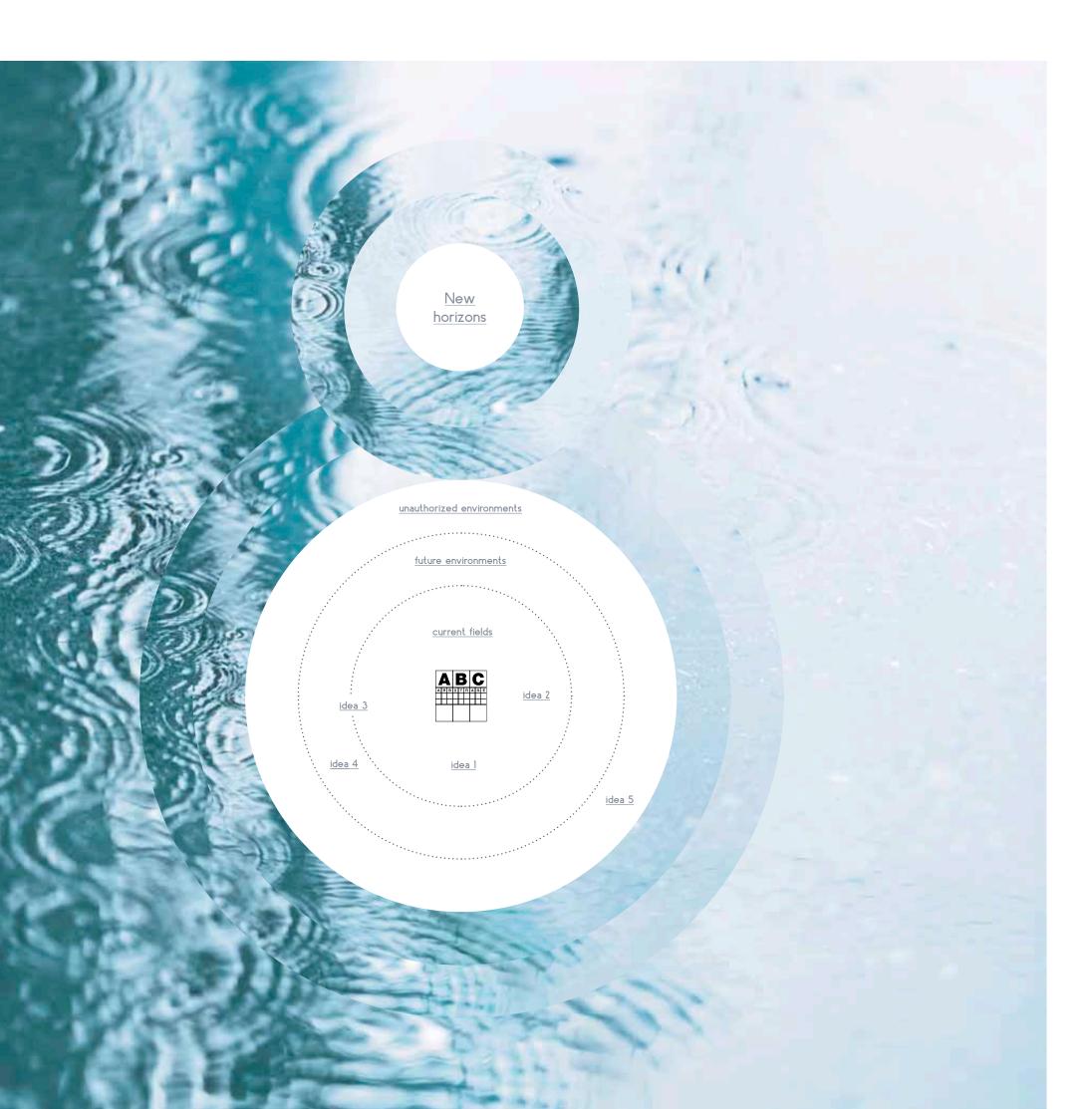
ABC arbitrage seeks to understand the characteristics of each environment as it really is and to adjust its behavior to create new fields of action.

The Group's development strategies reflect this openness and this adaptability: geographical expansion, development of new strategies in new products, process innovation, resource optimization, creation of new investment vehicles for clients, etc.



INDUSTRIALIZATION

PROPER CONTROL OF CLIMATE CHANGES TO ADAPTAND TO



WEATHERING $\top H \in$ STO R/M

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 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.



$\frac{THE}{4SEASONS}$

Between turbulence and quieter times

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). 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.

W

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

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 the scenario L, the Group compensates by expanding to new territories and testing new products.

V-type markets

characteristically have the following traits.

- strong and recurrent volatility
- high volumes
- a large number of operations

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

<u>W-type markets</u>

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.



CULTIVATING DIFFERENCES

Beyond its refined and time-tested risk management policies, the ABC arbitrage Group 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 inconsistencu.
- 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;
- real-time surveillance of positions.

An incentive-driven compensation scheme, encouraging medium-term ob jectives.

- 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 analytically 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.

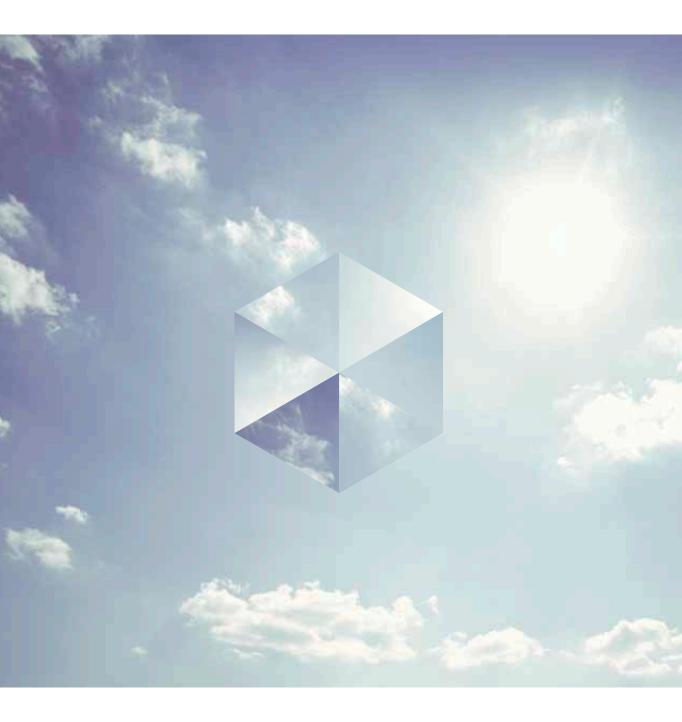
To pursue this development and support new projects, ABC arbitrage can count on its teams to take on new challenges and maintain profitability as they have always done in the past, by remaining realistic, determined and humble.

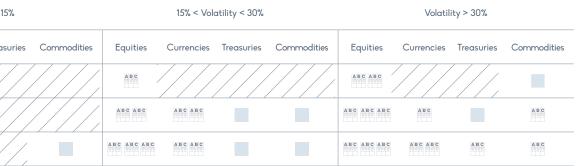
Evolution on the march. realities and outlook

Volatility < 15%

	Equities	Currencies	Treas
Volumes —	ABC		
Volumes - +	ABC		
Volumes +	ABC		

Readiness and capacity of the ABC arbitrage Group to intervene. The number of logos indicates the company's capacity for efficient action on a scale of 1 to 3. Arbitrage strategies being adapted to these types of market conditions. When there are no squares, this means the Group is not yet ready to work in these markets or conditions.





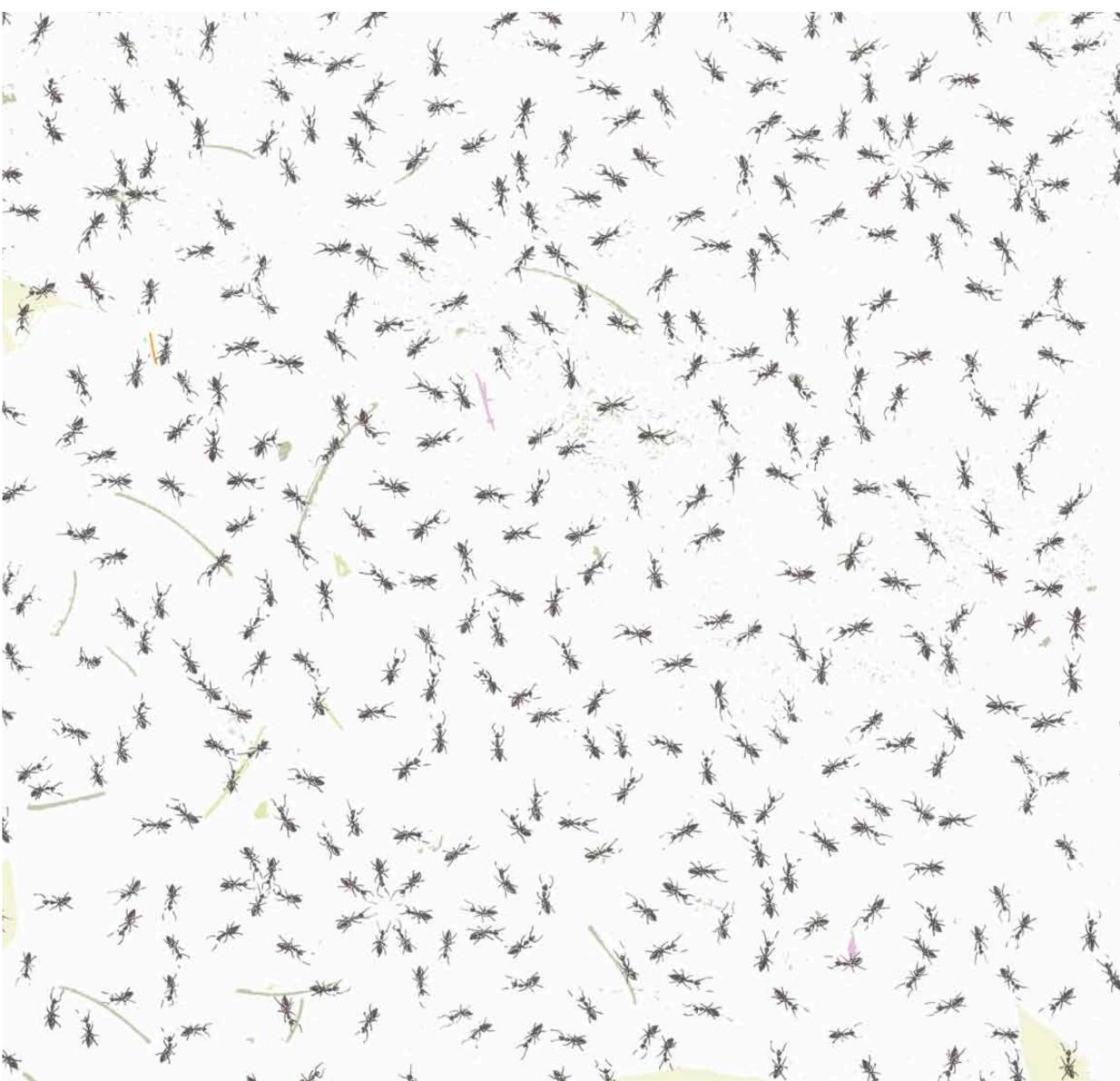
CLIMATE & ENVIRONMENT 92 - 93

07 THREATS & PROTECTION





LIKE ALL ORGANIZED LIVING ORGANISMS, WE ARE CONSTANTLY SEEKING A BALANCE TO ENSURE OUR DAILY NEEDS AND OUR SUSTAINABILITY, WHILE PROTECTING OURSELVES AGAINST THREATS. OUR SENSE OF CAUTION OBLIGES US TO IDENTIFY AND TAKE HEED OF THE DAILY "NATURAL" RISKS OF OUR ENVIRONMENT. TO DEAL WITH THESE, WE HAVE BUILT A CHAIN OF RESPONSIBILITIES BASED ON PRECISE INTERCONNECTED TASKS UNDERSTOOD BY EACH AND EVERY ONE OF US. OUR COOPERATION IS BASED ON TAREE FUNDAMENTAL PRINCIPLES: A CLEAR DIVISION OF LABOR, AN EFFICIENT COMMUNICATION SYSTEM AND A MUTUALLY SUPPORTIVE ORGANIZATION TO FEND OFF ALL DANGERS, BUT ALSO TO MAKE US BETTER AND ENABLE US TO ACHIEVE THE HIGHEST LEVELS OF PERFORMANCE. OUR STRENGTH IS THAT WE ARE CONSTANTLY ON THE LOOKOUT, NEVER LEAVING ANYTHING TO CHANCE AND ADAPTING OUR BEHAVIOR TO THE RISKS WE HAVE IDENTIFIED.



To avoid the traps associated to risk, 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, the ABC arbitrage Group has defined major categories of risk that 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 the level we have defined.

A PROVEN PROTECTION MODEL

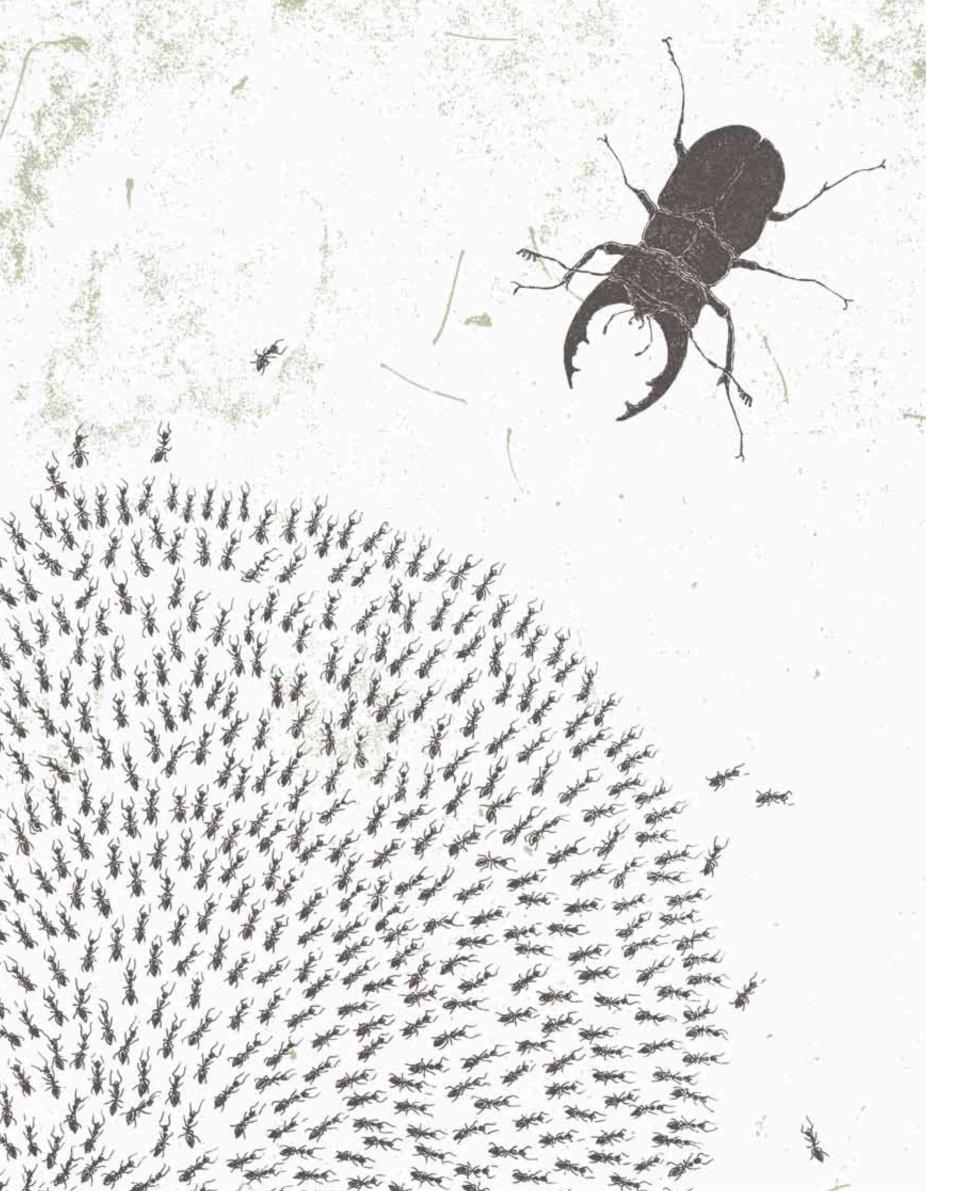
In the past, faced with unprecedented market pressure, the Group was able to test its models in extreme situations. The level of operating incidents at ABC arbitrage has remained very low and at constant levels, despite disrupted markets and a significant increase in the volume of transactions. In 2012, in a particularly unfavorable environment, the models once again demonstrated their capacity to resist, confirming the efficiency of the Group's risk control.

With these lessons in mind, ABC arbitrage continued and reinforced its strong commitment to assess and manage risks and pursued its deployment of rigorous 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 to ensure consistency between its mathematical models and market conditions. In this context, the Group can make the cautious decision to disconnect certain positions when a gap appears 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 always makes sure that it has sufficient available cash reserves to deal with all possible market conditions. The Group therefore did not have any financing or credit difficulties in fiscal 2012.

> THREATS & PROTECTION 98 - 99



BUSINESS -RELATED RISKS

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 risks, the fact that certain anticipated events fail to occur. The ABC arbitrage Group does not take Its risk is therefore not directly linked

directional positions in the financial markets. to potential downward movements in the markets, but hinges on whether or not an adverse event will occur that may directly affect an arbitrage operation once it is initiated. Changes in stock prices may also have an influence on the net value of its portfolio.

Intrinsically, the arbitrage-related risks of this type are not interdependent. The management company calculates the overall risk in its portfolio. This risk is minimized, either through direct hedging or pooling, which means that ABC arbitrage Asset Management diversifies its positions across the greatest possible number of transactions worldwide.

MARKET RISK

Constantly keeping an eye on outside signals

COUNTERPARTY RISK

Healthy diversification

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

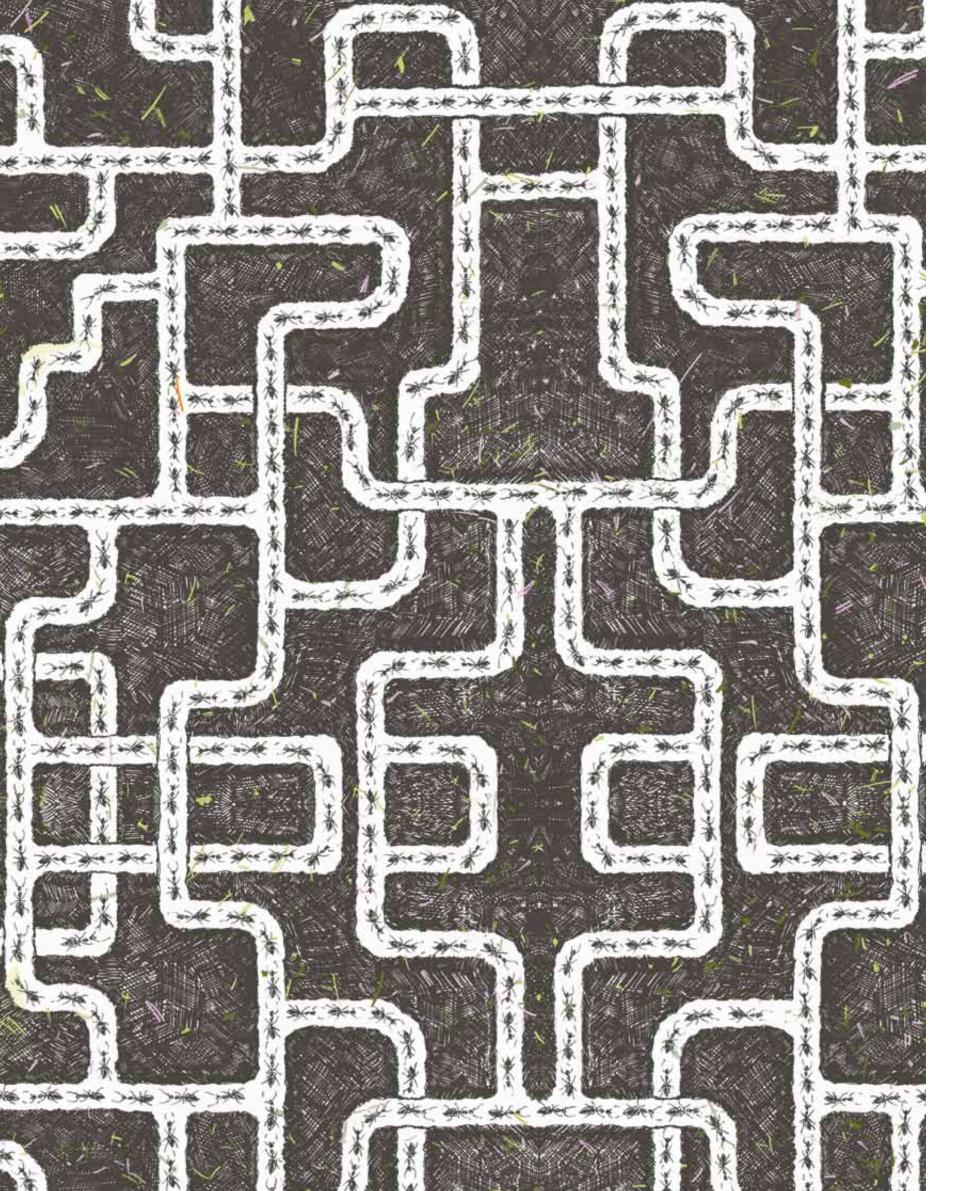
For these operations, ABC arbitrage has diversified its banking relationships and works exclusively as a client of the world's leading international credit institutions. These companies are all subjected to specific solvency regulations and are controlled by the financial authorities in their home country.

LIQUIDITY RISK

A secure source

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



RISKS RELATED

Avoiding traps

This is essentially the risk of internal failures within the ABC arbitrage Asset Management company. 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. Furthermore, 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, verification of position valuations, etc.

OPERATIONAL RISK

CONFLICT OF INTEREST RISK

Clearly defining roles

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 MEASURES

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 all operators.

A CUSTOMIZED INFORMATION SYSTEM

The 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 management 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.

ha the tot

A PRECISE ORGANIZATION

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

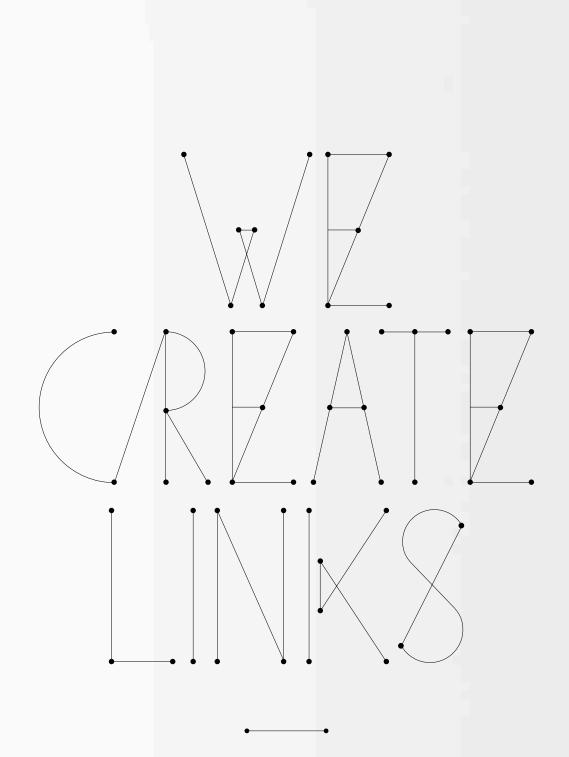
Investment rules are defined jointly by the asset manager and the client at the start of any contractual relationship to ensure that all parties follow the same management guidelines, in terms of investment limits, and leveraging. Regular controls are carried out to ensure the relevance of defined limits.

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 (Autorité des Marchés Financiers) 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.

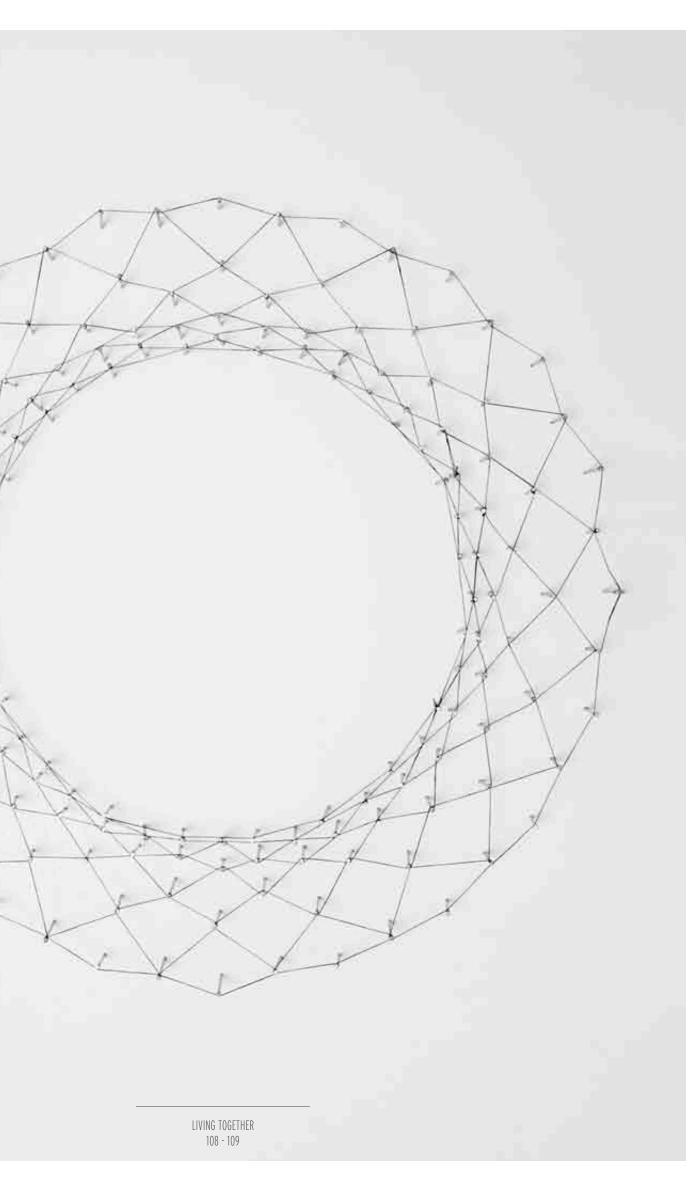
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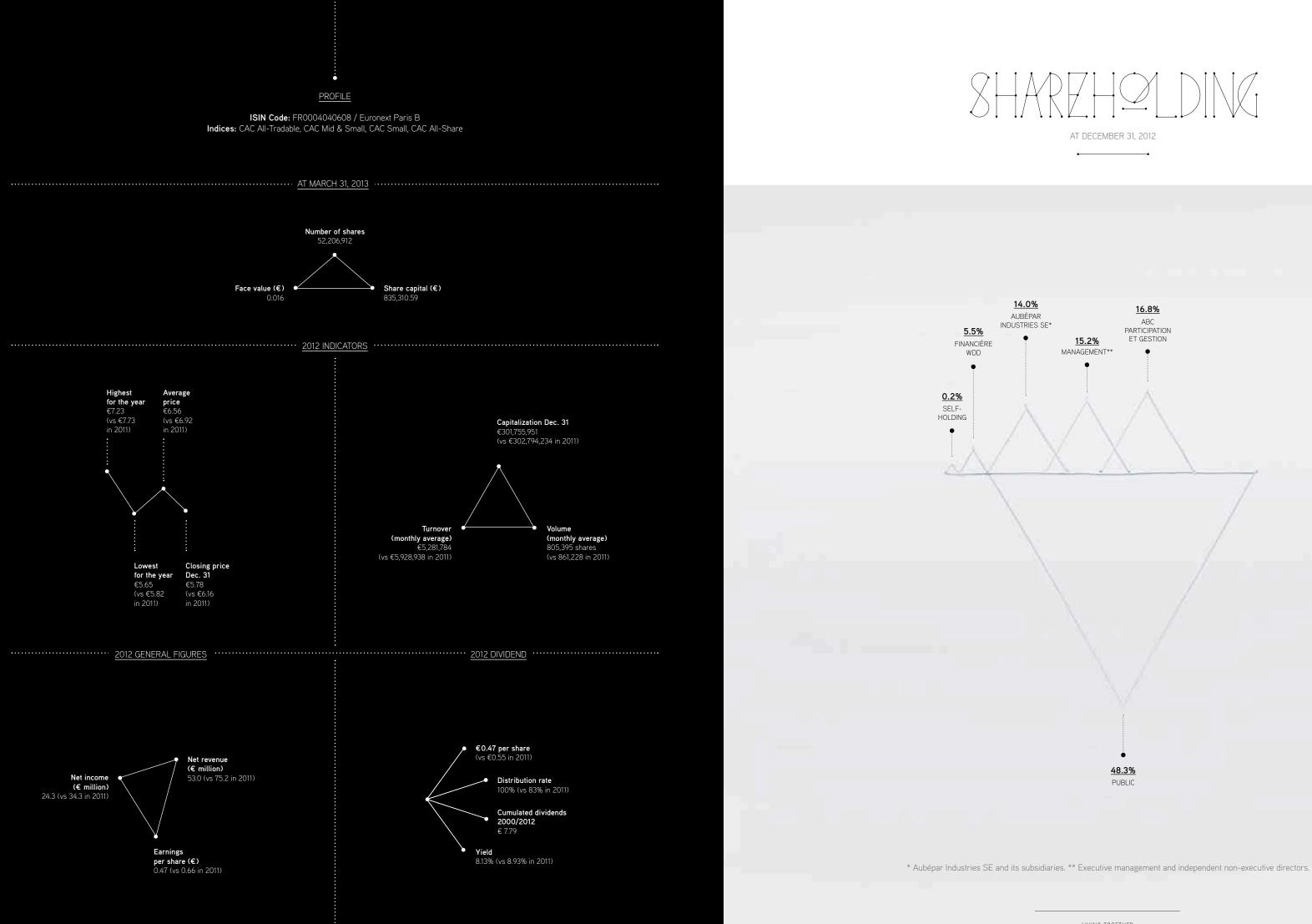
08 LIVING TOGETHER



We work to create solid and lasting links with our shareholders, based on trust and transparency. We keep the lines of communication open, to better understand and align the interests of all ABC arbitrage stakeholders. We maintain connections, through meetings and regular exchange, to keep an open dialogue going. We draw our energy from this balanced relationship to create lines of force and to build a true network of convergence.

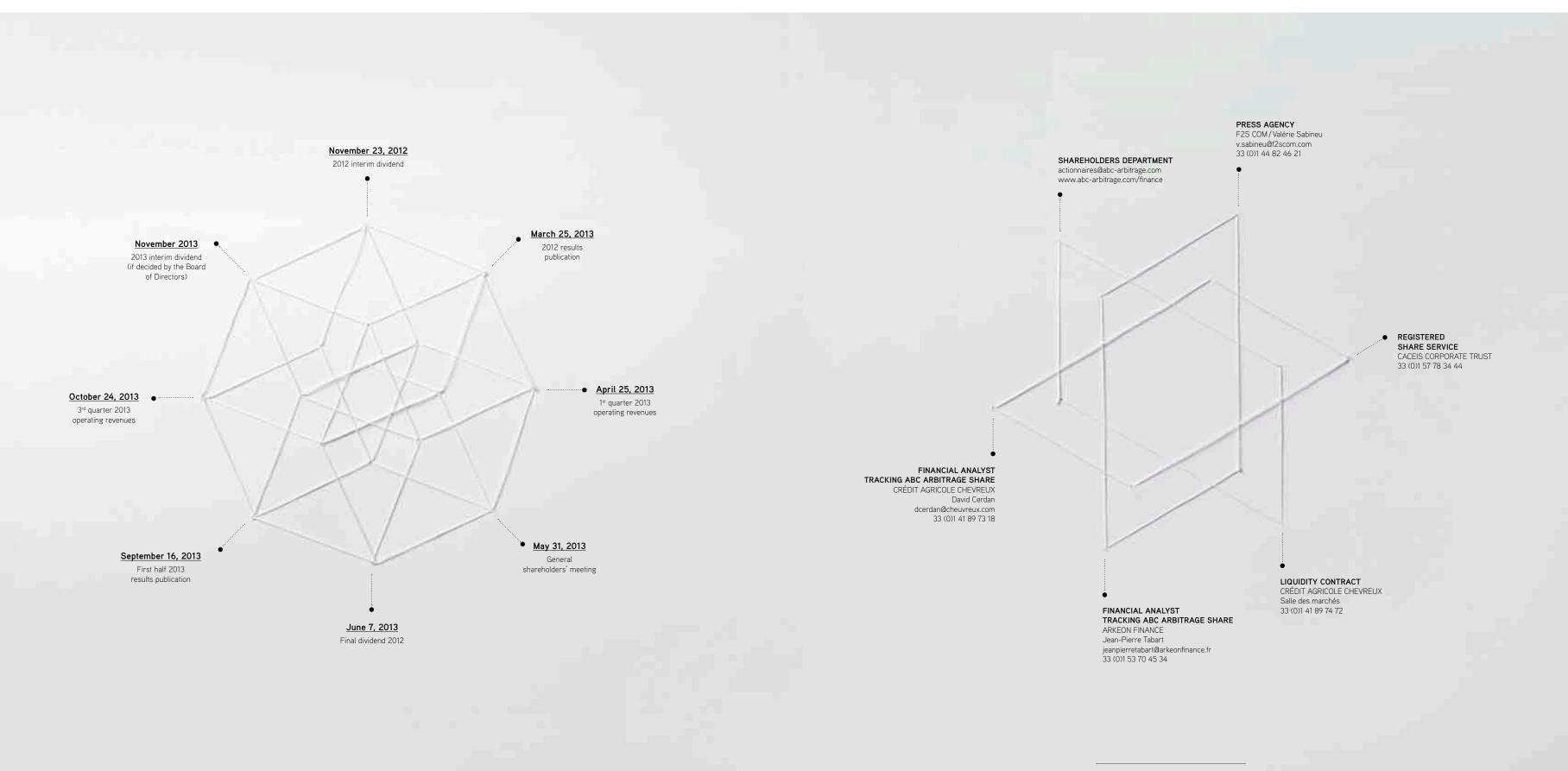
You'll find all the financial information you need and practical points (such as how to attend the Shareholders' meetings, FAQ, regulated documentation, press releases, publications, etc.) in the Finance section of the ABC arbitrage website: www.abc-arbitrage.com/finance





LIVING TOGETHER 110 - 111



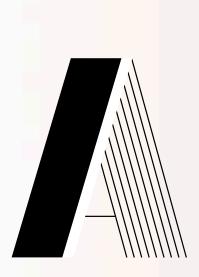


LIVING TOGETHER 112 - 113

09 GLOSSARY



AT FIRST SIGHT, OUR BUSINESS MAY APPEAR TO BE FAIRLY COMPLEX. LOOKING MORE CLOSELY, OUR ACTION, WHICH IS INTRINSIC TO THE WOR-KINGS OF FINANCIAL MARKETS, IS SIMPLER THAN IT APPEARS. HERE ARE FEW KEY WORDS THAT ARE THE ESSENTIAL COMPONENTS OF THE BU-SINESS TO BETTER UNDERSTAND AND APPRE-CIATE THE BUSINESS AND ITS DAILY CHALLENGES.



as in ARBITRAGE

Arbitrage is a combination of several operations generating earnings without risk by simply benefiting from imperfections between different financial markets.

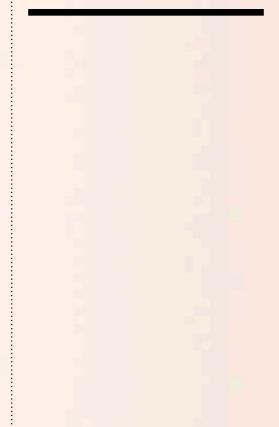
Arbitrage ensures equal prices at any given moment in time. It ensures fluidity between different markets and contributes by supplying liquidity. It is a basic operation, which guarantees market efficiency. (Source: Vernimmen).

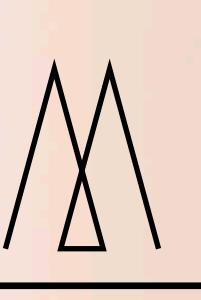
Arbitrage is a quantitative investment technique designed to take advantage of price discrepancies between financial instruments (such as two comparable financial assets) or markets.

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



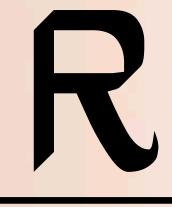


as in METHODOLOGY

ABC arbitrage app<mark>lies a strict definition of</mark> 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. Arbitrage transactions are designed to produce results that are independent of movements in the markets, exchange rates or interest rates.

ABC arbitrage car<mark>ries out a</mark> wide series of operations designed to draw the benefits of unjustified price differences between 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.

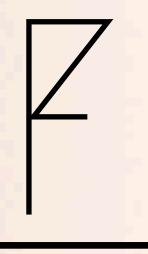


as in ROLE

The arbitrageur is a useful market player. Through their action, arbitrageurs in fact contribute to reduce market volatility because they do not practice "naked short selling", to speculate. Since each sale is backed by the purchase of a correlated product, they supply essential liquidity to the markets. Through its interventions, ABC arbitrage fully participates in the success of operations launched by issuers. Furthermore, 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 ROLE OF THE ARBITRAGEUR:

- Contributes to market liquidity
- Centralizes issuers' offers
- Acts as a catalyst for increased transparency
- Defends minority shareholders
- ► Helps to limit market volatility



as in 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.

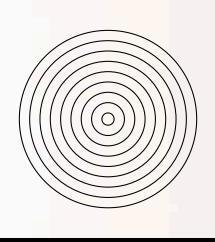
Arbitrage without market risks involves transactions without any directional or event risks.

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. lacebox

Arbitrage with market risks, unlike arbitrage without market risks, 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.

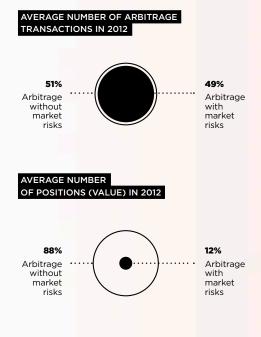
However, a number of conditions for suspending the process could cause the deal to fail, for example the requirement for the acquiring company to obtain a minimum percentage of the target for the offer to go ahead. For these strategies, risks are systematically identified and hedged.



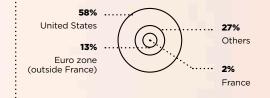
as in **OPPORTUNITIES**

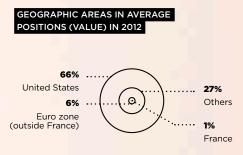
The balance between the two arbitrage types or between geographic areas depends mainly on opportunities identified in the market, bearing in mind that the priority is to develop, as much as possible, arbitrage strategies without market risks which in principle are not limited in terms of volume.

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.









ABC arbitrage continued its pooling policy in 2012, with an average of over 1,624 operations on a permanent basis in its portfolio (vs 1,340 in 2011) in nearly 70 market places 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 88% of operations. Arbitrage actions with market risks continued suffer from a low level of operations and limited equity issues.



as in PARAMETRES

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 G<mark>roup has therefore chosen</mark> not to restrict its activity to any product type or specific geographical area.

	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	+	+	+

as in **EXPERTISE**

ABC arbitrage studies regulatory measures 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, inflated regulatory or tax measures, etc.).



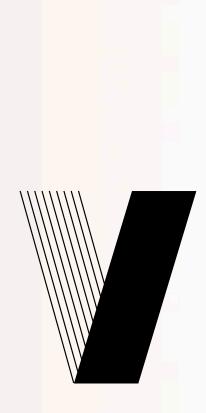
as in DEVELOPMENT

The Group's objective is not to try and forecast market changes, but to dispose of a wide array of efficient and complementary strategies 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 adapt and to continue to grow.

The increase in the number of operations and the development of new arbitrage strategies (such as Futures and Forex) allows the Group not only to compensate for the natural decrease in certain margins, but also allows it to diversify its business to lower risk and increased revenues. as part of an overall industrialization strategy.

Furthermore, through its constant investments in its working tools, ABC arbitrage is a responsive group that can exploit tighter margins in all types of environments, with controlled direct production



as in VALUES

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 enable it to move forward.

Since 1995, the Group's basic working principles that have enabled it to grow 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.

.....

10 ACCOUNTS





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MANAGEMENT REPORT

AT DECEMBER 31, 2012



ABC arbitrage delivered a good performance in 2012, posting net income of €24 million in an increasingly difficult trading environment both in Europe and the United States.

Key consolidated figures for 2012 are presented below:

IN EUR MILLION	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS	CHANGE
Advisory revenues	-	-	-
Third party management revenues (1)	6.2	3.6	72%
Proprietary trading revenues ⁽²⁾	46.8	71.6	(35%)
Net revenues	53.0	75.2	(29%)
Payroll costs	(10.4)	(18.5)	(44%)
Occupancy costs	(1.5)	(1.5)	3%
Other expense	(4.4)	(3.8)	16%
Other taxes	(0.8)	(0.1)	449%
Income before tax	35.9	51.3	(30%)
Net income attributable to equity holders	24.3	34.3	(29%)

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

(2) Net gains on derivative financial instruments measured at fair value through profit or loss (€53.3 million) - net provisions (€0.3 million) third party management revenues (€6.2 million).

Gross return on equity (proprietary trading revenues as in alternative investment. However, some difference is to be This compares with a 15.23% gain for the CAC 40 and an average of strategies and larger overall positions. return of 7.67% for the DJCS Hedge Fund Index, the benchmark

a percentage of average equity) stood at 32.25% in 2012. expected as the index naturally reflects a much broader range

IN EUR THOUSAND

Equity at January 1, 2011 Equity at December 31, 20

Average equity

IN %

Return on equity

Gross return on equity

CAC 40 index DJCS Hedge Fund Index

Net revenues, the main activity indicator, amounted to coupled with an increase in the employer's additional social €53 million, a 29% decrease on the previous year. contribution *forfait social*. In addition, the French financial transactions tax led to an opportunity loss which we put at In 2012, the market parameters that have an influence on our about €1 million.

business levels deteriorated yet further compared with 2011, a year already shaped by hesitation on the part of both investors In these difficult market conditions for our business, and issuers due to concerns over the European sovereign debt we maintained our strict management discipline, operational crisis. There were very few primary issues or M&A transactions efficiency and sustained innovation. during the year, while volatility and trading volumes in the We continued to invest in order to further develop our expertise financial markets were extremely low. In addition, this year in equity derivatives and currencies and to maximise our ability the futures market was also severely affected by the decline to adapt to the new market conditions. for the first time. As a result, the Group's equity was not fully invested in its arbitrage activities. Against this backdrop, ABC arbitrage delivered robust results, albeit below our ambitions, in an environment of controlled risk.

Massive intervention for more than a year now by the central

We remain true to our performance-related compensation banks, and particularly the ECB, seems to have had a structural impact on market behaviour and risk profiles, making policy, which in 2012 led to a 44% decrease in staff costs on transactions more complex to evaluate. a virtually unchanged headcount of 77 people. In a changing fiscal environment and with the imminent introduction of standards Lastly, regulatory requirements intensified and the time and governing compensation in asset management companies, effort we had to put into complying with them had a direct we will have to adapt our compensation policy. However, we are adverse impact on the company and slowed new research awaiting concrete information and regulation before making activities. any final decisions.

The tax burden also increased by €800 thousand following the introduction of the *contribution économique territoriale*, a local tax that replaces the old business tax (*taxe professionnelle*),



an increase of 72%.

This new fund reflects the Group's goal of developing the In June 2012, the ABC arbitrage Group launched a new alternative asset management business by providing a broader range investment fund operating under Irish law ("non UCITS"), of alternative products in addition to its existing funds.

	DEC. 31, 2012 IFRS
1 under IFRS	142,423
2011	148,204
	145,314

	DEC. 31, 2012
	16.73%
	32.25%
	15.23%
<	7.67%

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.

HIRD PARTY ASSET MANAGEMENT

fees billed to external investors versus €3.6 million in 2011, of funds under management.

Revenue generated by the asset management business rose ABCA Inference Fund. It exploits futures strategies and has significantly, with \in 6.2 million of management and performance a target capital of \in 150 million. At 31 December, it had \in 98 million ABCA Opportunities Fund exploits M&A arbitrage opportunities. These funds are managed by ABC arbitrage Asset Management, At 31 December, it had €50 million of funds under management.

ABCA Reversion Fund exploits statistical arbitrage opportunities New money inflows were ahead of target, driving a sharp increase in the futures and ETF markets. At 31 December, it had €176 million in funds under management to €411 million at 31 December 2012 of funds under management.

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

ABCA FX Fund exploits statistical arbitrage opportunities in the forex markets. At 31 December, it had €72 million of funds under management.

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



IBSIDIARIES AND HOLDINGS

the parent company financial statements.

management company, incurred a loss of €4,179 thousand receivable through its subsidiary BC Finanzberatung GmbH. its non-group business in order to reach breakeven.

ABCA Funds Ireland plc, an Irish non-UCITS, made a loss of €15,761 thousand in 2012 to be allocated between ABC arbitrage and the external investors.

a portfolio manager, and are housed within ABCA Funds Ireland plc.

(versus €218 million in 2011), including €367 million from external investors (versus €174 million in 2011).

However, this growth did not produce the expected returns. The lack of volatility and trading volumes also prompted some investors to turn to other types of investment. In January and February 2013, certain investors withdrew a total of €104 million while others increased their investments by €35 million.

A list of subsidiaries and holdings can be found in note 3.3. to ABCA Global Fund had no business activity during the year other than prudent management of its own cash.

ABC arbitrage Asset Management, an authorised investment As part of its arbitrage business, the Group has a \in 690 thousand in 2012. This company is responsible for the Group's operating A German court has confirmed the Group's right to claim activities in the financial markets and will continue to develop this amount and, accordingly, in its capacity as interested party and having the right to take action, ABC arbitrage has applied for the liquidation of its subsidiary to be re-opened. The subsidiary had no business activities in 2012 other than its action to recover this receivable.



PRORATE SOCIAL RESPONSIBILITY

Our corporate social responsibility policy covers two key areas:

- Active recruitment management and employee support: Our hiring policy focuses on diversity, without any form of discrimination, while the key aspects of our employee support policy are skills development and incentive-based compensation policies.
- Taking environmental and societal considerations into account in our day-to-day decisions:
- We seek to raise employee awareness of environmentally responsible practices and to reduce our direct impact on the environment through the initiatives described below.



INDICATOR

Total headcount

Average headcount

Permanent employees

Number of interns at the year-end

Number of interns during the year

Headcount by category

Headcount by gender

Gender balance

New hires Resignations Contractually agreed terminations Dismissals Average age Average length of servic Training (3)

Absenteeism

(1) ABCA: ABC arbitrage (2) ABAM: ABC arbitrage Asset Management

▲ Compensation policy

Key employee data are summarised in the table below:

	DEFINITION /	2012			2011	CHANGE
	UNIT OF MEASUREMENT	ABCA ⁽¹⁾	ABAM ⁽²⁾	TOTAL	TOTAL	100%
	Total number of interns and permanent employees	6	72	78	76	3%
	Total number of interns and permanent employees	6	71	77	76	2%
	Total number of permanent employees	6	72	78	76	3%
	Permanent employees as a % of total headcount	100%	100%	100%	100%	0%
	Total number of interns at 31 December	-	-	-	-	N/A
	Interns as a % of total headcount	0%	0%	0%	0%	N/A
	Number of short-term internships	-	3	3	3	0%
	Number of pre-hire internships	-	2	2	-	N/A
	Percentage of pre-hire internships conver- ted into permanent employment contracts	-	100%	100%	-	N/A
	Managers as a % of total headcount	67%	100%	97%	80%	22%
	Other employees as a % of total headcount	33%	0%	3%	20%	(87)%
	Number of women	3	18	21	22	(5)%
	Number of men	3	54	57	54	6%
	% women	50%	25%	27%	29%	(7)%
	% men	50%	75%	73%	71%	3%
	Number of new permanent hires	-	8	8	4	100%
	Number of resignations during the year	-	2	2	-	N/A
	Number of contractually agreed termina- tions during the year	-	4	4	-	N/A
	Total number of dismissals	-	-	-	2	(100)%
	Average age of permanent employees	44 years	33 years	34 years	34 years	N/A
се	Number of years	10 years	7 years	7 years	7 years	N/A
	Number of hours training provided	54	328	382	268	43%
	Number of days absenteeism in France (%)	2.27%	1.16%	2.17%	1.96%	0%

(3) Includes all training provided during the year including for employees no longer with the company at the year-end.

With a view to motivating our people over the long term payroll and other fixed costs in a highly competitive environment. and aligning their interests with those of the shareholders, We had already embarked on this approach well before the management has developed various share-based incentive 2008 crisis and the resulting G20 recommendations. However, schemes to drive growth by retaining core skills while containing measures taken by various governments in the past two years have made these schemes extremely costly to maintain if we is equal to or less than €100 million and all the options will want to provide our employees with an attractive after-tax vest if cumulative income totals €300 million or more. Between henefit

The Group's different schemes are described below:

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 excluding any adjustments required by law. 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.

During 2012, a total of 123,965 stock options were exercised at an average price of €4.85. The shares allocated were purchased in the market under the share buyback plan.

At 31 December 2012, a total of 359,446 stock options granted • 250,000 performance shares were granted to 64 grantees on in 2008 were 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 \in 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 The shares were sold at a price of €5.26, representing a discount awarded to said beneficiaries under this plan.

Horizon 2015 stock options

Three million performance stock options were granted to matching payment. 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 A BSAA is a warrant (option) entitling the holder to subscribe

these two limits, a steadily increasing proportion of options will vest, without any threshold effect. For example, if cumulative net income is €200 million, 2 million options will vest.

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 $\in 9$. It may be adjusted to take account of future dividend payments, to a minimum of \in 6.48

Horizon 2015 performance share grants

• 500,000 performance shares were granted to 64 grantees, vesting in September 2012 if cumulative consolidated net income for the two years 2010-2011 was at least €80 million. Based on actual net income for that period and given the continuing presence requirement, only 338,100 shares actually vested on September 20, 2012.

September 20, 2010, vesting at the end of 2012 if cumulative consolidated net income for the three years 2010-2012 was at least €120 million. Based on actual net income for that period and subject to the continuing presence requirement, 135,240 shares should vest.

• 44,800 performance shares were granted to 4 employees on February 14, 2012, vesting after the 2013 close provided that the performance conditions for 2012 and 2013 are met.

Horizon 2015 - Share offer made to employees

In 2012, ABC arbitrage offered to sell shares to employees. A total of 225,020 shares were purchased on July 31, 2012 by 41 employees (corresponding to 54% 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. As these shares are held in an employee share ownership plan, they are subject to a 5-year lock-up period.

of 20% to the average of the prices quoted over the twenty trading days preceding June 29, 2012, the date when the decision was made to launch the offer. The Group did not make any

Issue of warrants to subscribe for new shares or purchase existing shares (2011 BSAA)

2010-2014. None of the options will vest if cumulative income for new shares or purchase existing shares of the company

in the future at a specified price and on specified terms and of days' paid expressed as a percentage. Absenteeism is mainly conditions. The purchase price per 2011 BSAA was set by due to sickness and maternity leave. the Board of Directors on July 5, 2011 at €0.45, within the price ▲ Employee relations range determined by an independent evaluation, and with Social dialogue is based on a process of consultation between no discount or employer's contribution. The exercise price is employer and employees (or their representatives). There are €9.20, corresponding to 128% of the average closing share prices three employee representative bodies: quoted during the 20 trading sessions preceding July 5, 2011, and will be reduced by the amount of any dividend paid after • The Works Council, which plays a business role (company orga-July 12, 2011 with a minimum of $\in 6.30$.

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:

- of an ABC arbitrage share:
- ABC arbitrage shares;
- the holder to 2 ABC arbitrage shares.

In July 2011, ABC arbitrage issued 4,680,000 2011 BSAAs, 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 BSAAs 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 2011 BSAAs will be held in the Group employee share ownership plan for a period of five years, except in special circumstances.

Since the Company was founded in 1995, a total of 9,687,214 Our policy on health in the workplace goes further than simply complying with changes in the regulations. Protecting the health shares (representing 19% of the capital) have been issued to of our people is a key priority for ABC arbitrage. employees under share-based plans.

▲ Working time organisation

Working time varies according to the job and practices (fixed hours, In 2012, the occupational risk assessment report was reviewed flexible hours, organisation) differ depending on business needs. in association with the occupational physician. This report aims Employees work the hours specified in the collective agreement, to identify all the risks involved in the jobs carried out within which correspond to the legal hours, unless otherwise stipulated the Group. in their employment contracts. Where possible, subject to business constraints, employees are granted considerable We are very attentive to the well-being of our people, which flexibility in their working hours. They may also opt to work is reflected in various initiatives: part-time. In 2012, there was one part-time female employee.

▲ Absenteeism

Absenteeism and the reasons are tracked by the human • Provision of childcare facilities; resources department. The absenteeism indicator is the ratio between the number of days' absence and the total number • Balancing work and personal life;

• if cumulative consolidated net income over that period is equal to €150 million, one 2011 BSAA will entitle the holder to 0.5

• if cumulative consolidated net income over that period is equal to €250 million, one 2011 BSAA will entitle the holder to 1.5

• if cumulative consolidated net income over that period is equal to or more than €300 million, one 2011 BSAA will entitle

- nisation and practices, working conditions, vocational training, apprenticeship, etc.) as well as a social and cultural role.
- Staff representatives, who represent all employees of the company and are responsible for ensuring compliance with all laws, regulations and the collective agreement on social protection, health and safety.
- The Health and Safety Committee, whose role is to contribute to protecting the health and safety of Group employees and improving working conditions.

These bodies are regularly informed and consulted when major decisions are made in order to take employees' interests into consideration. Employees are informed about them and the way they work, particularly upon first joining the company. The information is also available to everyone on the ABC arbitrage intranet site.

Social dialogue also takes place regularly through twice-yearly meetings held to present the Group's results. Attendance is mandatory and the meetings provide an opportunity for employees to ask management questions about the company's results, future strategy, etc.

The collective agreements applicable to the Group are mainly those related to the incentive and mandatory profit-sharing schemes. An employee savings plan is also open to all employees.

▲ Health and safety

The Group pays 100% of the basic cost of their top-up health plan. A voluntary flu vaccination campaign is offered each year.

- Maximum flexibility in working hours subject to business constraints;

- Close monitoring of working conditions;
- A pleasant, ergonomic working area;
- Furniture, and particularly chairs, adapted to a sedentary job;
- Lighting designed for maximum visual comfort (direct and indirect lighting, window blinds, etc.);
- Provision of a coffee area equipped with water dispensers.

In addition to the workplace emergency responders, a number of employees are also trained in basic first aid and some have • Each office has a paper and cardboard recycling bin; been appointed and trained as fire officers.

No accident has occurred on the Group's premises.

▲ Equal opportunity

In terms of recruitment, we practice a policy of diversity, notably in terms of nationality, age and gender. Diversity is an inherent part of the everyday working lives and experience of our people.

We endeavour to hire motivated, skilled employees who will integrate effortlessly into the existing team and create an intelligent working relationship between people from a broad variety of backgrounds. As we indicate on our website, there is no typical ABC arbitrage profile, but more a common attitude of In addition, measures have been taken to prevent and reduce and exacting standards go hand in hand or that independence does not mean exclusion or exclusivity. Most importantly, we encourage ambition, provided it benefits the group as a whole.

ABC arbitrage observes the International Labor Organisation's fundamental conventions, particularly as regards freedom of and the abolition of all forms of forced or compulsory labour. conferencing. The articles of the law on combating all forms of discrimination or harassment are posted in the communal area where they can be read by everyone.

4.2 ENVIRONMENTAL INFORMATION

Given our business activities, unlike many industrial or multinational companies, the ABC arbitrage Group is not concerned by the information to be disclosed under article 225 of the Grenelle II Act, and particularly the "environmental" and "societal" sections.

We are nonetheless aware of our responsibility and we endeavour to respect the environment in the conduct of our business activities, by taking environmental considerations into account in our day-to-day decisions.

▲ General environmental policy

Our environmental policy aims to minimise the direct impacts of our internal activities on the environment through strict management of the natural and energy resources needed in our business.

Employees do not receive any specific training on environmental protection but awareness is raised through various means:

- All emails sent by employees are marked "please consider your environmental responsibility before printing this email" to minimise unnecessary printing of documents;
- Recycling points for batteries, coffee capsules and plastic bottle stoppers are provided in the communal areas (coffee area):
- Printers are configured by default to print double-sided in black and white:
- Used toner cartridges are collected by a waste service provider;
- We attempt to find a useful outlet for our used computer equipment (given away to employees, non-profit organisations, etc.).

▲ Pollution and waste management

As stated earlier, waste management, and particularly recycling, is a well-organised process at ABC arbitrage.

openness and balance; for example a belief that mutual support air emissions. For example, we took the considered decision to locate our offices in central Paris as it helps to encourage employees to use public transport for their commute.

Employees are made aware of environmental risks and they are encouraged to group their business meetings together to the extent possible in order to reduce business travel, to take association and the right to collective bargaining, elimination the train rather than fly when distance permits, and to make of discrimination in respect of employment and occupation, maximum use of new technologies such as video or audio

> No specific provisions are set aside for environmental liabilities given the nature of the company and its environmental policy.

▲ Sustainable use of resources

Given its activity, the Group's consumption of raw materials is restricted to:

- Paper, an area where continuous efforts are being made. Only 350 reams of paper were purchased in 2012, compared with 700 in 2011.
- Water, whose use is more difficult to reduce as Group companies cannot monitor their individual consumption (water costs are included in the building service charges).
- Energy, mainly electricity, whose use edged up by just 0.01% Group-wide in 2012, to 844,839 kWh from 843,642 kWh in 2011. Since our relocation to the Centorial building in early 2010, we have been able to take action to limit our use of electricity and air conditioning. Outside of the programmed lighting hours to meet business needs, the lights have to be switched back on manually and automatically turn off after one hour.

4.3 SOCIETAL INFORMATION

▲ Local, economic and social impact of our business

and helping to keep them active.

company's activity:

frank dialogue:

But our role in society and our relations with our stakeholders are not confined to our shareholders and employees.



voting Director.

or regular basis.

The percentage of issued capital held by employees under group plans is less than 3% and consequently there are no employee

Since the outset, we have contributed to local development on our own scale, not only as an employer but also through our business activities by bringing liquidity to the markets

▲ Relations with people or organisations affected by the

We aim to fulfill our corporate social responsibility by taking account of the expectations of our stakeholders (mainly shareholders and employees), with whom we foster open,

• Employees can pass on their requests, suggestions and comments to their managers at any time. Appraisals are held twice yearly to discuss their daily activities and areas for improvement, set targets and plan their career paths. Dialogue also takes place between management and employee representative bodies. An intranet site is available to employees providing useful information about the organisation.

• Regular, high-quality financial reporting keeps investors and shareholders informed of the Group's results and key trends. In addition to the annual shareholders' meeting (the last one was held on 1 June 2012), regular press releases are issued to keep shareholders informed. Our website (www.abc-arbitrage.com) and email contact address (actionnaires@abc-arbitrage.com) are also available for obtaining any information they may need.

Our community involvement also involves facilitating entry in the workplace. links with educational institutions and membership in professional working groups:

- Employees regularly attend school job fairs to promote the company, forge relationships with students and identify future talent. Internships are offered to students on a regular basis and provide a reservoir of talent for future recruitment. The rate of conversion from internship to permanent employment (for interns reaching the end of their education) is close to 100%
- We also call upon the services of non-profit organisations and sheltered workshops that promote social inclusion and entry (or re-entry) in the workplace of disabled adults.
- We are an active member of MiddleNext and, along with the other midcaps listed on the market, share the belief that we need to tailor corporate governance practices to the needs of different organisational structures, for example based on ownership structure or size, in order to create an informal governance system suited to the company's practices.
- We are also a member of Croissance Plus, an association of entrepreneurs who promote a sustainable development business model and share their wealth, knowledge and power within the organisation. Croissance Plus works to promote an alternative entrepreneurial model with the aim of creating businesses and jobs and defending the interests of the most dynamic SMEs whose needs are not always taken into consideration the public authorities.

ORPORATE GOVERNANCE

The Board of Directors comprises six members and one non- elected Directors. A member of the Works Council attends Board meetings in a consultative capacity.

The Board of Directors also invites third parties to attend Under article L. 225-102-1 of the Code de Commerce, we Board meetings in a consultative capacity on an occasional 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 2012:

DOMINIQUE CEOLIN

Position	Chief Executive Officer, ABCA Chief Executive Officer, ABCA AM
Gross salary	170,400
Adjustment related to paid leave and statutory bonuses	2,483
Company car	9,600
Incentive plan	18,186
Profit-sharing plan	26,514
Termination without cause benefit in respect of 2011	46,000
Gross variable bonuses in respect of 2011	504,000
Termination without cause benefit in respect of 2012	32,500

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

The Board of Directors adopted the MiddleNext Corporate The Chairman's report on corporate governance and internal Governance Code for Small Caps and Midcaps on its publication control provides details of compensation paid to executive officers in December 2009. This Code has been approved as a reference and sets out the applicable rules or the reasons for any exceptions. code by the Autorité des Marchés Financiers (AMF).

The following table shows Directors' fees paid by Group companies to directors and executive officers in 2012:

NAME	POSITION	DIRECTORS' FEES (€)
Dominique CEOLIN	Chairman of the Board of ABCA	2,000
ABC participation et gestion (Jean-Christophe ESTÈVE, permanent representative)	Member of the Board of ABCA	2,000
Aubépar Industries (Xavier CHAUDERLOT, permanent representative)	Member of the Board of ABCA	2,000
Jean-François DROUETS	Member of the Board of ABCA	8,250
Sabine ROUX de BÉZIEUX	Member of the Board of ABCA	9,000
Didier RIBADEAU DUMAS	Member of the Board of ABCA	12,500
Jacques CHEVALIER	Censor at the Board of Directors of ABCA	1,000

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

Dominique CEOLIN

Xavier CHAUDERLOT

Jean-François DROUETS

Jean-Christophe ESTÈVE

Sabine ROUX de BÉZIEUX

Didier RIBADEAU DUMAS

Jacques CHEVALIER

ABCA: ABC arbitrage ABCA AM: ABC arbitrage Asset Management

in 2012:

NAME

Dominique CEOLIN (1) Financière WDD ⁽²⁾ ABC participation et gest Aubépar Industries S.E. Jean-François DROUETS Didier RIBADEAU DUMAS

Sabine ROUX de BÉZIEUX

(2) Amounts shows are for Financière WDD as a whole. (3) Including €4,277,929 of intragroup purchases and sales as part of an internal reorganisation of the Aubépar Industries group.

In January 2013, the Board of Directors appointed Marie-Ange VERDICKT, a former mutual fund manager, as non-voting director after the directors had discussed the proposal.

DIRECTORSHIPS AND OTHER OFFICES

	Chief Executive Officer, ABCA Chief Executive Officer, ABCA AM Chairman of the Board of Financière WDD
	Chairman and Managing Director, Aubépar Industries S.E. Representative of Aubépar Industries S.E. on the Board of Directors of Aubépar S.E. Representative of Aubépar Industries S.E. on the Board of Directors of Financière du Bailli SA Non-voting Director of Jet Entrepreneurs SA
	Chairman of Catella Valuation Advisors
Ε	Executive manager of ABC participation et gestion Permanent representative of ABC participation et gestion Manager of Biotope SARL Manager of Aerotope SARL Chairman of SAS Galerie du Lion (Biotope's subsidiary) Director of Unitas Ltd (Biotope's subsidiary) Director of Papalagage Ltd (Biotope's subsidiary) Director of BT PWATG Ltd (Biotope's subsidiary) Director of Biotope Botswana (Biotope's subsidiary)
Х	Member of the Supervisory Board of ANF Immobilier Member of the Supervisory Board of Micro Finance Solidaire SAS Chair of Entrepreneurs du Monde (NGO)
5	Representative of ABCA on the Board of Directors of ABCA AM Managing Partner of DRD Conseil till June 30, 2012 Member of the Supervisory Board of La Banque Postale Member of the Board of La Mondiale
	Director of SGP Cogitam

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

	PURCHASES (IN EUR)	SALES (IN EUR)	SUBSCRIPTIONS (IN EUR)
	227,703	7,429,261	-
	12,969,206	-	-
estion	-	-	-
. and its subsidiaries (3)	4,277,929	4,397,937	-
	-	-	-
,)	-	-	-
X	-	-	-

(1) Including €7,429,261 worth of shares sold to Financière WDD, 51%-owned by Dominique Ceolin.



of the shares is $\in 0.016$.

All trade payables outstanding at December 31, 2012 were payable no later than thirty days, end of month.

HARE PERFORMANCE AND SHARE BUYBACK PROGRAMME

At December 31, 2012, issued capital amounted to €835,310.59 The Company has been authorised by shareholders to carry out a divided into 52,206,912 ordinary shares.

Average daily trading volume came to more than 37,753 shares, representing almost €248 thousand a day in value.

share buyback programme. Under the terms of the authorisation, shares may not be bought back at a price of more than $\in 12$ per share and the total amount invested in the programme may not exceed €15,000,000. In addition, the Board of Directors' ABC arbitrage shares closed the year at €5.78. The par value authorisation is required for share buyback transactions representing over €500,000.

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	92,401	6.42	0.18%	94,526	6.61	0.18%
For employee share-based plans	593,979	6.44	1.14%	-	-	-
For cancellation	-	-	-	-	-	-
For allocation on exercise of rights to shares	-	-	-	-	-	-
For external growth transactions	-	-	-	-	-	-
For the payment of stock dividends	-	-	-	-	-	-
Other	-	-	-	-	-	-

share-based plans (184,590 shares) and those acquired in 2012 for the same purpose (593,979 shares), 123,965 shares were allocated during the year on exercise of stock options, 338,100 were allocated under performance share plans and 225,020 were sold to employees under the share offer.

Of the shares held at December 31, 2011 for employee At December 31, 2012, 91,484 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.



Under article L. 233-13 of the Code de Commerce, the Board whose holdings exceed the statutory disclosure thresholds of Directors is required to disclose the names of shareholders at December 31, 2012.

NAME	% OF CAPITAL	% OF VOTING RIGHTS
ABC participation et gestion	16.8	16.9
Aubepar Industries S.E. and its subsidiaries	14.0	14.0
Dominique CEOLIN	3.9	3.9
Financière WDD	5.5	5.5
David HOEY	5.3	5.3

members of the Board).

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



IN EUR

Dividend paid

At its meeting of September 13, 2012, based on the Company's €0.27 per share at the annual shareholders' meeting on May 31, results for the first half of 2012 and retained earnings brought 2013. Shareholders will be given the option of reinvesting all forward from prior years, the Board of Directors decided to pay or part of their dividend in ABC arbitrage shares. The final an interim dividend for 2011 in an amount of €0.20 per share. dividend is in addition to the €0.20 interim dividend paid As for previous dividend payments, shareholders were given in December 2012. The dividend payment procedure and date will the option of receiving their dividends in cash or reinvesting be announced at a later date. them in shares.

With a view to maintaining an optimal balance between sources of 8.13% based on the share price at December 31, 2012 (\in 5.78). and uses of funds, the Board will recommend a final dividend of

STATUTORY DISCLOSURES

At December 31, 2012, ABC arbitrage held 125,159 treasury shares.

The free float represented 48.3% of issued capital at the year-end (the balance, excluding treasury shares, is held by management and

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.

The table below shows dividends paid in respect of the last three fiscal years. All of these dividends gualified for the 40% tax relief available to individual shareholders resident in France for tax purposes.

2011	2010	2009
0.55	0.55	0.75

If approved by the shareholders, the full dividend for 2012 Net earnings per ordinary share amounted to $\in 0.47$ in 2012. will therefore amount to $\in 0.47$ per share, giving a net yield



As of the date of this report, the Board of Directors is not aware of any material events that may have occurred since the year-end.



The profound transformation of the finance industry continued • higher costs of implementing new regulations (research, apace in early 2013 under strong political pressure, leading to an environment of significant regulatory change, increased taxes, investor hesitance, historically low volatility, weak trading volumes and few capital market transactions. In this environment, activity levels in the first quarter of 2013 were slightly down on the second half of 2012.

The creativity and flexibility of our operational teams will be one time optimizing operating structures and production systems. of the keys to ABC arbitrage's future success.

We expect to see a rise in fixed costs, driven by three factors:

- adjustment to compensation levels prompted by regulatory and fiscal change and competition from other countries;
- an increase in trading venue access fees;

systems compliance work, etc.).

In this uncertain environment, the Board confirms its development plans for 2013 to continue the momentum created since 1995. A large part of our resources will therefore be devoted to upgrading trading strategies, identifying and modelling new strategies, and motivating our best talent, while at the same

The Board of Directors March 21, 2013

BALANCE SHEET - ASSETS

IN EUR

Total non-current assets

BALANCE SHEET - LIABILITIES

IN EUR

Paid-up share capital Additional paid-in capita

Retained earnings

Interim dividend

Net income

Total equity attributable

Minority interests

Total equity

Provisions Non-current financial lia

Deferred tax liabilities

Non-current liabilities

Financial liabilities at fa

Other liabilities

Taxes payable

Short-term debt

Current liabilities

Total equity and liabiliti

CONSOLIDATED FINANCIAL STATEMENT

AT DECEMBER 31, 2012

IN EUR	NOTE	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS
Intangible assets	3.1	82,387	68,664
Property and equipment	3.1	2,270,095	2,797,275
Work in progress	3.1	-	-
Current financial assets	3.2	657,560	583,436
Deferred tax assets		73,333	2,552,272
Total non-current assets		3,083,375	6,001,646
Financial assets at fair value through profit or loss	3.4	1,103,869,028	998,192,215
Other accounts receivable	3.6	6,543,434	17,348,992
Current tax assets		-	-
Cash and cash equivalents		66,527,465	15,785,757
Total current assets		1,176,939,927	1,031,326,964
Total assets		1,180,023,301	1,037,328,611

	NOTE	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS
		835,311	833,232
tal		112,538,672	111,644,339
		10,830,342	6,093,730
		(10,432,669)	(10,406,582)
		24,309,689	34,258,515
le to equity holders	3.3	138,081,345	142,423,233
	2.1	(180)	(180)
		138,081,165	142,423,053
	3.7	100,000	-
iabilities		-	196,672
		1,295,362	-
		1,395,362	196,672
air value through profit or loss	3.4	1,033,140,716	868,218,735
	3.6	7,185,133	9,828,186
		165,339	16,533,276
		55,586	128,690
		1,040,546,774	894,708,887
ies		1,180,023,301	1,037,328,612

STATEMENT OF INCOME

IN EUR	NOTE	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	4.1	53,332,052	73,859,059
Other revenue	4.2	175,260	161,063
Administrative expenses	4.3	(5,325,803)	(4,609,291)
Taxes and duties		(1,321,058)	(756,184)
Payroll costs	4.4	(9,793,982)	(17,960,194)
Depreciation and amortisation expense		(880,322)	(802,809)
Operating income		36,186,146	49,891,645
Provision expense	4.5	(275,875)	1,327,099
Income before tax		35,910,271	51,218,744
Current taxes	4.6	(7,826,282)	(18,118,110)
Deferred taxes		(3,774,301)	1,157,881
Net income		24,309,689	34,258,515
Attributable to equity holders		24,309,689	34,258,515
Attributable to minority interests		-	-
Number of ordinary shares		52,206,912	52,076,986
Earnings per ordinary share		0.47	0.66
Diluted earnings per ordinary share		0.46	0.64

IN EUR THOUSAND

At December 31, 2010

Issue of shares Elimination

of treasury shares

Share-based payments

Appropriation of net income 2010

2011 interim dividend

Net income for the year

At December 31, 2011

lssue of shares

Elimination of treasury shares

Share-based payments

Appropriation of net income 2011

2012 interim dividend

Net income for the year

At December 31, 2012

nm: non-material

STATEMENT OF COMPREHENSIVE INCOME

IN EUR	NOTE	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS
Net income		24,309,689	34,258,515
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		24,309,689	34,258,515
Attributable to equity holders		24,309,689	34,258,515
Attributable to minority interests		-	-

STATEMENT OF CHANGES IN EQUITY

AT DECEMBER 31, 2012

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
814	101,006	(136)	24,174	125,857	nm	125,857
-	2,106	-	-	2,106	-	2,106
-	-	(1,157)	151	(1,007)	-	(1,007)
-	-	-	736	736	-	736
19	8,224	-	(17,716)	(9,472)	-	(9,472)
nm	308	-	(10,363)	(10,055)	-	(10,055)
r -	-	-	34,258	34,258	-	34,258
833	111,644	(1,293)	31,238	142,423	nm	142,423
-	-	-	-	-	-	-
-	-	534	-	534	-	534
-	-	-	(1,593)	(1,593)	-	(1,593)
1	603	-	(18,073)	(17,468)	-	(17,468)
1	291	-	(10,416)	(10,124)	-	(10,124)
r -	-	-	24,310	24,310	-	24,310
835	112,539	(760)	25,466	138,082	nm	138,082

CASH FI ()W SIAIFMI

AT DECEMBER 31, 2012

IN EUR THOUSAND	DEC. 31, 2012 IFRS	DEC. 31, 2011 IFRS	
Net income	24,310	34,259	
Net allocations to provisions	376	(5,200)	
Net allocations to depreciation and amortisation	780	803	
Change in deferred taxes	3,774	(1,158)	
Others	220	1,495	
Net cash provided by operations before changes in working capital	29,460	30,198	
Changes in working capital	50,567	(12,849)	
Net cash provided by operating activities	80,027	17,348	
Net cash used by investing activities	(341)	(490)	
Net cash provided by capital transactions	-	2,106	
Dividends paid	(27,592)	(19,527)	
Share-base payments	(1,280)	(1,766)	
Net cash used by financing activities	(28,872)	(19,187)	
Net change in cash and cash equivalents	50,815	(2,329)	
Cash and cash equivalents, beginning of period	15,657	17,987	
Cash and cash equivalents, end of period	66,472	15,657	



The ABC arbitrage Group's consolidated financial statements on a fixed date. Exposure is limited to operational risks, such have been prepared in accordance with the International as hedging errors, calculation errors or custodian default. Financial Reporting Standards (IFRS) issued by the International Examples include the purchase of a convertible bond and the Accounting Standards Board (IASB) as adopted by the European simultaneous short sale of a quantity of shares corresponding to Union as of December 31, 2012. the number of shares to be obtained on conversion of the bonds.

those whose application is optional in 2012.

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, terms of the exchange offering. A suspensive clause can be income and expenses are stated. The estimates, and the that the offeror need not proceed with its offer if less than half assumptions underlying them, have been made on the basis the offeree company's shares are presented for exchange. 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.

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

$\mathbb{N}(\mathbb{N}) = \mathbb{N}(\mathbb{N}) = \mathbb{N}(\mathbb{N}) = \mathbb{N}(\mathbb{N}) = \mathbb{N}(\mathbb{N})$ FINANCIAL STATEMENTS

AT DECEMBER 31, 2012

ACCOUNTING PRINCIPLES AND POLICIES

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2012. It has elected not to adopt

The Group's fiscal year runs from January 1 to December 31, 2012. The consolidated financial statements are presented in euros.

▲ 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

11 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 gualifies as "unjustified" In view of the highly specific nature of its business, the only those differentials that can be objectively measured by 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.

equities or equity derivatives, such as warrants, put warrants recognised on the balance sheet at fair value under *Financial* and convertible bonds. The securities are recorded in the balance assets or liabilities at fair value through profit or loss. Changes 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.

To facilitate the determination of fair value, the IASB has adopted the US Financial Accounting Standards Board's fair value hierarchy set out in SFAS 157. The fair value hierarchy is comprised of the following levels:

- quoted prices (unadjusted) in active markets for identical gains and losses on disposal of financial assets at fair value assets or liabilities (Level 1);
- inputs other than guoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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 guoted 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 guoted 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 vast majority of the Group's arbitrage positions concern The financial assets and liabilities held for trading purposes are 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:
- through profit or loss;
- changes in fair value of instruments held or due;
- securities carrying or lending costs;
- exchange gains and losses.



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.



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



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 adjustments. Deferred tax assets and liabilities are calculated release does not qualify as income as it does not result in a using the liability method, at the tax rates that are expected net increase in equity. It is therefore recognised as a reduction to apply when the timing differences reverse. They are not of the expense concerned. If the actual expense is lower than discounted. 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.



Corporate income tax includes current taxes and adjustments Diluted earnings per share is equal to net income for the year to deferred taxes. Deferred taxes are calculated on all timing divided by the number of shares outstanding at December 31, differences between the recognition of income and expenses 2012 plus the impact of all potentially dilutive instruments. for financial reporting and tax purposes and on consolidation



of funds under management.

This new fund reflects the Group's goal of developing the managed by the Group. asset management business by providing a broader range of alternative products in addition to its existing funds.

ABCA Opportunities Fund exploits M&A arbitrage opportunities. At 31 December, it had \in 50 million of funds under management.

ABCA Reversion Fund exploits statistical arbitrage opportunities in the futures and ETF markets. At 31 December, it had €176 million of funds under management.

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.



NSOLIDATION PRINCIPLES

2.1 CHANGE IN SCOPE OF CONSOLIDATION

In June 2012, the ABC arbitrage Group launched a new alternative investment fund operating under Irish law ("non UCITS"), ABCA Inference Fund. It exploits futures strategies and has a target capital of €150 million. At 31 December, it had €98 million

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

ABCA FX Fund exploits statistical arbitrage opportunities in the forex markets. At 31 December, it had €72 million of funds under management

ABCA Multi Fund is a diversified fund that invests in other funds

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

ABC arbitrage previously owned 100% of a German subsidiary called BC Finanzberatung GmbH, which it decided to place in voluntary liquidation.

In January 2012, a German court found that the liquidated to re-open the liquidation procedure and its request was granted subsidiary was entitled to make a claim as a creditor. Accordingly, on 5 November. The subsidiary had no business activities in 2012 in its capacity as interested party and having the right to take other than its action to recover the receivable. action, ABC arbitrage asked the competent German court



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%
BC Finanzberatung GmbH	Germany	100.0%
ABCA Opportunities Fund	Ireland	20.1%
ABCA Reversion Fund	Ireland	4.3%
ABCA Continuum Fund	Ireland	0.0%
ABCA Fx Fund	Ireland	0.1%
ABCA Inference Fund	Ireland	0.3%
ABCA Multi Fund	Ireland	10.8%

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%
BC Finanzberatung GmbH	Germany	100.0%
ABCA Opportunities Fund	Ireland	23.0%
ABCA Reversion Fund	Ireland	6.2%
ABCA Continuum Fund	Ireland	2.8%
ABCA Fx Fund	Ireland	3.2%
ABCA Inference Fund	Ireland	5.3%

Gross value

IN EUR THOUSAND

Total grass value	
Work in progress	
Office and compute furniture	r eo
Vehicles	
Equipment, fixtures	an
Concessions and sir	nila

Total gross value

Amortisation and depreciation

IN EUR THOUSAND

Total amortisation a	nd
Office and compute furniture	r e(
Vehicles	
Equipment, fixtures	an
Concessions and sir	nila



deposits paid.



Share-based payment - Horizon 2015 incentive programme

decided to grant:

ACCOUNTS 146

NOTES TO THE BALANCE SHEET

3.1 PROPERTY AND EQUIPMENT

	GROSS VALUE DEC. 31, 2011	ACQUISITIONS	RETIREMENTS / DISPOSALS	GROSS VALUE DEC. 31, 2012
r rights	399	66	-	465
d fittings	1,304	22	-	1,326
	212	-	(55)	156
juipment,	3,449	179	(62)	3,566
	-	-	-	-
	5,364	267	(118)	5,513

	DEC. 31, 2011	INCREASES	DECREASES	DEC. 31, 2012
lar rights	(331)	(52)	-	(382)
nd fittings	(338)	(140)	-	(479)
	(98)	(38)	55	(81)
equipment,	(1,730)	(550)	62	(2,218)
			_	
d depreciation	(2,498)	(780)	118	(3,160)

Intangible assets are amortised and property and equipment are depreciated over their estimated useful lives. Amortisation and depreciation expense for the year are reported in the income statement under *Depreciation and amortisation expense*.

At December 31, 2012 and 2011, this item comprised security

At its meeting on September 20, 2010, the Board of Directors

• 3,000,000 performance stock options to 59 grantees. The option exercise price was set at €9 (corresponding to 135% of the average closing share prices preceding the decision's

date). It may be adjusted to take account of future dividend payments, to a minimum of €6.48 excluding any adjustments required by law. The number of these options that vest will be set in March 2015 based on cumulative consolidated net income for the five years from 2010 to 2014 inclusive. By way of example, if cumulative consolidated net income is €200 million then two million stock options will vest.

- 500,000 performance shares vesting at the end of 2011 if cumulative consolidated net income for the two years 2010-2011 was at least €80 million. Based on actual net income for that period and given the continuing presence requirement, only 338,100 shares actually vested on September 20, 2012.
- 250,000 performance shares vesting at the end of 2012 if cumulative consolidated net income for the three years 2010-2012 was at least €120 million. Based on actual net income for that period and given the continuing presence requirement, only 135,240 shares should vest.

On February 14, 2012, the Board granted a maximum of 44,800 The 2011 BSAAs will be listed on the stock exchange by September performance shares vesting rateably according to consolidated 30, 2016 at the latest and will be exercisable from June 1, 2015 net income for the two years 2012 and 2013.

The expense is deferred over the vesting period and a The 2011 BSAAs will be held in the Group employee share corresponding amount recorded in equity based on the overall ownership plan for a period of five years, except in special value of the plan as determined on the date of award by circumstances. the Board of Directors.

(vs. €1,495 in 2011).

The after-tax loss on share buybacks used during 2012 amounted to €1,813 thousand (vs. €759 thousand in 2011) and was deducted from consolidated equity.

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 future at a specified price and on specified terms and conditions. of receiving cash or reinvesting their dividend in shares.

of the average closing share prices quoted during the 20 trading million and €10.12 million respectively. 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 At December 31, 2012, ABC arbitrage held 125,159 of its own shares, 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.

to June 29. 2018 inclusive.

The proceeds received by the Group at the time of issue The expense recognised in respect of 2012 was €220 thousand amounted to €2.1 million and were accounted for as share premiums.

Capital increase resulting from reinvestment of dividends

The Annual Shareholders' Meeting of June 1, 2012 decided to pay a final dividend for 2011 in a net amount of $\in 0.35$ per share. At its meeting of September 13, 2012, the Board of Directors decided to pay an interim dividend in respect of 2012 in a net amount of €0.20 per share.

for new shares or purchase existing shares of the company in the For each of these payments, shareholders had the option

The purchase price per 2011 BSAA was set by the Board of Directors At the end of the two option periods, 86,359 and 43,567 new on July 5, 2011 at \in 0.45, within the price range determined by ordinary shares, ranking pari passu with the existing shares, an independent accountant, and with no discount or employer's were issued at a price of €7.00 and €6.70 per share. The interim contribution. The exercise price is €9.20, corresponding to 128% and final dividends ultimately paid in cash amounted to €17.47

> The total issue proceeds included €2,079 credited to paid-up capital and €894,333 credited to additional paid-in capital. The new ordinary shares are fully paid.

> At December 31, 2012, the parent company's share capital was represented by 52,206,912 ordinary shares with a par value of $\in 0.016$ each, all fully paid.

Treasury stock

During 2012, ABC arbitrage sold 94,526 of its own shares. At the same time, 92,401 shares were purchased under the marketmaking agreement with Cheuvreux.

acquired at a total cost of €760 thousand (at December 31, 2011, the company hold 220,390 of its own shares, acquired at a total cost of \in 1,293 thousand).

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

34 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At December 31, 2011, 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 1.1.

IN EUR THOUSAND

Financial assets at fair value through profit or loss

Financial liabilities at fair value through profit or loss

IN EUR THOUSAND

Financial assets at fair value through profit or loss

Financial liabilities at fair value through profit or loss

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
993,643	4,549	-	998,192
(868,219)	-	-	(868,219)

At December 31, 2012, these instruments were classified as follows:

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
1,103,869	-	-	1,103,869
(1,030,186)	(2,955)	-	(1,033,141)

therefore used as part of the Group's arbitrage business.

amount for which an asset could be exchanged, or a liability hierarchy during 2012. settled, between knowledgeable, willing parties in an arm's length transaction. The basis for determining the fair value

The only instruments classified in Level 2 are cash forwards that of financial instruments is the quoted price in an active market. are used to hedge fund units purchased in US dollars and are not If the instrument is not traded on an active market, fair value is determined using valuation techniques.

Fair value of financial assets and liabilities is defined as the There were no transfers between the various levels of the

Details of Financial assets and Financial liabilities are as follows:

FINANCIAL ASSETS	FINANCIAL LIABILITIES	TOTAL
1,202,117		1 424 000
234,881	-	1,436,998
(380,072)	(660,958)	(1 017 07 4)
(276,333)	-	(1,317,364)
323,276	(372,182)	(48,906)
1,103,869	1,033,141	
998,192	(868,219)	
	1,202,117 234,881 (380,072) (276,333) 323,276 1,103,869	1,202,117 - 234,881 - (380,072) (660,958) (276,333) - 323,276 (372,182) 1,103,869 1,033,141

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 Accrued taxes correspond mainly to corporate tax, bonuses at fair value through profit or loss have been given as collateral payable to employees and amounts due to social security to the institutions that provide the financing.

OTHER RECEIVABLES AND PAYABLES 3.6

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

IN EUR THOUSAND	OTHER RECEIVABLES	OTHER PAYABLES
Trade receivables/payables	181	(1,098)
Accrued income/expenses	845	(1,061)
Accrued taxes and payroll costs	5,517	(5,026)
Total at December 31, 2012	6,543	(7,185)
Total at December 31, 2011	17,349	(9,828)

IN EUR THOUSAND

3.7 PROVISIONS

organizations.

Total provisions at December 31, 2011	0
Provisions utilised in 2012	-
Provision reversal in 2012	-
Charge to provisions in 2012	100
Total provisions at December 31, 2012	100

Accrued taxes mainly comprise corporate income tax,

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

withholding tax and dividend tax credits.



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.

in 2011.

trading business.



4.3 ADMINISTRATIVE EXPENSES

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

thousand in 2011.



2011.

related compensation together with statutory and discretionary profit-sharing (€12,288 thousand in 2011), payroll taxes of €2,464 thousand (€4,177 thousand in 2011) and share-based payments of €220 thousand (€1,495 thousand in 2011). Payroll-based taxes amounted to €443 thousand (€480 thousand in 2011).

The Group does not provide any post-employment benefits profit after deduction of any prior year losses. (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 2012, the following amounts were paid by Group profitable. companies to the executive officers of the parent company:

NOTES TO THE STATEMENT OF INCOME

(41) NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR

Net gains on financial instruments at fair value through profit or loss amounted to €53,332 thousand versus €73,859 thousand

This item includes all expenses and costs directly related to the

Other revenue comprises revenue from sub-letting premises amounted to €175 thousand versus €161 thousand during 2011.

This item totalled €5,326 thousand in 2012 versus €4,609

The average number of employees was 77 in 2012 versus 76 in

IN EUR

Directors' fees	582,500
Salary and other benefits	170,400
Gross bonuses	56,783



Provision expense at December 31, 2012 represented loss of €276 thousand versus income of €1,327 thousand in 2011.

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 32.30% - can be explained as follows:

Standard French tax rate	34.43%
Impact of differences in foreign tax rates	(0.46%)
Impact of different tax rate for BCBF	0.17%
Impact of tax credit	(1.74%)
Impact of the revenue recognition method	(0.10%)
Effective tax rate	32.30%

Payroll costs include €7,110 thousand in fixed and performance 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

> 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



5.1 RISKS

Market risks

Equities risks

the financial markets. The only risks incurred are on suspensive clause arbitrage strategies.

The risk is never related to an unfavourable movement in market at December 31, 2012: 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 The Group never takes any directional arbitrage positions on risks, the Group enters into as many transactions as possible all over the world.

The following table summarizes the positions taken on markets

TYPE OF ARBITRAGE (IN EUR THOUSAND)	TOTAL LONG POSITIONS	TOTAL SHORT POSITIONS
Borrowed securities not yet sold or symmetrical exposure	118,529	(118,529)
Arbitrage without market risks	1,109,185	(1,116,126)
Arbitrage with market risks	209,285	(82,709)
Total for arbitrage transactions	1,436,998	(1,317,364)

- 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 arbitrage transactions, the amount of the long position is 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 first line corresponds to expositions to assets and liabili- The Market Risks Department has the power and the duty to ties that are strictly identical. They are not netted off because ensure that these rules are strictly applied. If a position has they concern different counterparties. The only risk on these 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 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 The risks related to the use of a prime broker are: traders for exposure generated by trading activities and by the *Financial Operations Department* for exposure generated by all other securities transactions.

Department.

(increased) net assets by \in 117 thousand.

Credit and counterparty risk

This is the risk of a counterparty being unable to honour its The Group manages this counterparty risk through the use contractual obligation to make a cash payment or to deliver a of standard master agreements (clearing and collateral certain quantity of securities to the Group, due to a deterioration agreements), close monitoring of counterparty credit ratings and in its financial position. diversification of its banking relationships to spread risk while The ABC arbitrage Group deals solely with credit institutions weighing up the pricing benefits of larger-scale volumes.

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 companies that are secured by the securities held as assets. 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 The Group's actual liquidity position, taking into account existing pledged as collateral. The prime broker may use this collateral for its own account but is required by law to return the assets is constantly monitored to ensure that the Group benefits or equivalent assets upon first demand.

The overall hedging position is verified daily by the *Market Risks*

At December 31, 2012, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have reduced

- 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

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 Authorized financing volumes are contractually based on the assets lodged as collateral.

financing agreements and guarantees given to partner banks, from considerable flexibility in conducting its business as well as substantial cash reserves.

At December 31, 2012, 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	1,103,869	-	-	-	1,103,869
Other receivables	456	1,310	4,777	-	6,543
Deferred tax assets	-	-	-	-	-
Cash and cash equivalents	66,527	-	-	-	66,527
Total current assets	1,170,853	1,310	4,777	-	1,176,940
Financial liabilities at fair value through profit or loss	(666,131)	(367,010)	-	-	(1,033,141)
Other liabilities	(2,779)	(3,043)	(1,123)	(257)	(7,185)
Current tax liabilities	-	-	(165)	-	(165)
Short-term borrowings	(56)	-	-	-	(56)
Total liabilities	(668,965)	(370,052)	1,289	(257)	(1,040,547)
Net balance	501,888	(368,742)	3,488	(257)	136,393

Operational risk

In 2012, 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 The main risks in this type of market environment are: up by rigorous internal controls. However, these procedures and controls cannot provide absolute assurance that operational • a rise in the failure rate of arbitrages with market risks; losses will not occur and due care is taken at all times as this is • drying up of deals in the financial markets (mergers & acquisia structural risk in the arbitrage business.

5.2 <u>CONSEQUENCES OF FINANCIAL CRISIS</u>

The Group has never had any exposure to the subprime mortgage market nor to any directly correlated derivatives.

- tions, issuance of various products);
- delays in completing deals, which could lead to carrying costs in excess of the expected profits.



Revenues by business segment

Breakdown of arbitrage transactions by type of risk

	AVERAGE NUMBER OF ARBITRAGE TRANSACTIONS			
Year	2012	2011	2012	2011
Arbitrages without market risks	51%	59%	88%	89%
Arbitrages with market risks	49%	41%	12%	11%
Total	100%	100%	100%	100%

	2012	2011
Euro zone (excluding France)	13%	16%
France	2%	4%
USA	58%	51%
Other markets	27%	29%
Total	100%	100%

HALF	2012	

1 ^{er} HALF 2012	ARBITRAGES WITHOUT MARKET RISKS	ARBITRAGES WITH MARKET RISKS	TOTAL
Euro zone (excluding France)	4%	3%	7%
France	1%	0%	1%
USA	56%	5%	61%
Other markets	25%	6%	31%
Total	86%	14%	100%

2 ND HALF 2012	ARBITRAGES WITHOUT MARKET RISKS	ARBITRAGES WITH MARKET RISKS	TOTAL
Euro zone (excluding France)	3%	1%	4%
France	1%	0%	1%
USA	67%	5%	72%
Other markets	18%	5%	23%
Total	89%	11%	100%

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 geographic area

Breakdown of arbitrage transactions by geographic area and type of risk

5.4 <u>RELATED PARTY TRANSACTIONS</u>

There were no material transactions with ABC participation et gestion and Aubépar in 2012.

5.5 FEES PAID TO THE STATUTORY AUDITORS

		ERNST & YOUNG ET AUTRES			DELOITTE ET ASSOCIES				
		AMOUNT IN EUR EXCLUDING VAT)		%		AMOUNT IN EUR EXCLUDING VAT)		%	
	2012	2011	2012	2011	2012	2011	2012	2011	
Audit fees	31,500	42,800	50%	50%	31,500	42,800	50%	50%	
Other services provided to fully consolidated subsidiaries	76,500	111,800	72%	79%	30,000	29,300	28%	21%	
Other audit-related work	25,766	-	100%	-	-	-	-	-	
TOTAL	133,766	154,600	68%	68%	61,500	72,100	32%	32%	



To the shareholders,

ended December 31, 2012, on:

• the audit of the accompanying consolidated financial on these financial statements based on our audit. statements of ABC arbitrage;



We conducted our audit in accordance with professional as evaluating the overall financial statement presentation. standards applicable in France. Those standards require that We believe that the audit evidence we have obtained is sufficient we plan and perform the audit to obtain reasonable assurance and appropriate to provide a basis for our audit opinion. about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a fairly the assets and liabilities, financial position and results test basis or by selection, evidence supporting the amounts of the companies included in the consolidated group, in and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well

STATUTORY AUDITORS' REP ()R | ON THE CONSOLIDATED FINANCIAL S

YEAR ENDED DECEMBER 31, 2012

- the justification of our assessments;
- In compliance with the assignment entrusted to us by the the specific verification required by law.

Shareholders' Meeting, we hereby report to you, for the year

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements present accordance with the International Accounting Standards and International Financial Reporting Standards adopted by the European Union.



In accordance with the requirements of Article L.823-9 of As indicated in notes 1.2 and 3.3 to the consolidated financial the French Commercial Code relating to the justification of our statements, the Group has granted employees stock options and 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 The assessments were made in connection with our audit to the financial statements.

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.

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.



As required by law, we have also performed specific verification We are satisfied that this information is fairly stated and agrees of the information concerning the Company given in the with the consolidated financial statements. management report.

Neuilly-sur-Seine and Paris-La Défense, April 15, 2013 The Statutory Auditors

ERNST & YOUNG et Autres Olivier DURAND

DELOITTE & ASSOCIES Jean-Marc MICKELER

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