ANNUAL REPORT
Year ended
Dec. 31, 2014

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Group
ABC arbitrage

Contents

Disclaimer

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

1. Business review

Key consolidated figures for 2014 are presented below:

In EUR million	Dec. 31, 2014 IFRS	Dec. 31, 2013 IFRS	Change
Advisory revenues	-	-	-
Third party management revenues (1)	4.4	4.8	*(8)%*
Proprietary trading revenues (2)	42.2	24.0	*75%*
Net revenues	***46.6***	***28.8***	***61%***
Payroll costs	(12.1)	(9.1)	*33%*
Occupancy costs	(1.7)	(1.7)	*(2)%*
Other expense	(4.4)	(3.7)	*18%*
Other taxes	(0.4)	(0.0)	*2,620%*
Total costs	***(18.6)***	***(14.6)***	***28%***
Income before tax	**27.9**	**14.3**	***96%***
Net income attributable to equity holders	**18.8**	**10.1**	***87%***

(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 (€46.4 million) + net provisions (€0.2 million) - third party management revenues (€4.4 million).

IFRS net revenues came to €46.6 million for 2014 and net income to €18.8 million. The total includes portfolio valuation differences between French GAAP and IFRS. This adjustment is absorbed when the relevant arbitrage transactions are unwound.

Excluding the fair value adjustment required under IFRS (which was abnormally high in 2013), net revenues were up by more than 16.5% year-on-year, in a market environment that remained generally unfavorable for Group activities, with volatility regularly at less than 10%, and low volumes.

Gross return on equity (proprietary trading revenues as a percentage of average equity) stood at 33.27% in 2014 and Return on equity at 14.87%.

In EUR thousand	Dec. 31, 2014 IFRS
Equity at January 1, 2013 under IFRS	118,858
Equity at December 31, 2013	134,424
Average equity	**126,641**
Return on equity	**14.87%**
Gross return on equity	**33.27%**

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.

In 2014, the unfavorable market conditions were even more pronounced, with massive central bank intervention continuing to have a similar effect on the financial markets (low volatility, artificial reduction in investors' perception of risk, reduction in role of liquidity providers and general decorrelation of the markets).

Average volatility was very low in 2014 as it was in 2013, but 2014 had the largest number of lifeless days for 32 years and the few surges were abrupt but localized, mainly in February, October and December.

Volumes were up slightly and M&A activity picked up to some extent and involved larger companies, which helped to improve results on historical strategies. However, both these indicators remained broadly weak.

The Group's equity was not fully employed in its investment management activities. The Group has substantial operating capacity thanks to its diversity trading models and skilled staff, as well as its innovative, customized information systems.

The Group continued to roll out the Ambition 2016 growth plan. Work on devising new strategies and adapting existing strategies to the prevailing market environment enabled the Group to use available capital more effectively to expand its business while keeping risk ratios stable. The Group was therefore able to exploit the market opportunities that did arise in its areas of expertise during 2014.

As announced in 2013, the four-pronged growth plan also generated an increase in staff costs and other plan-related costs.

Staff
The Groups value-added has always been largely driven by its people, who are a source of innovation, and by its expertise in data acquisition and processing technologies.

During the year, 14 new employees were hired, both young graduates and more experienced people, to strengthen the quantitative research and IT development teams. Although the performance-related compensation policy has been broadly retained, the compensation structure has been gradually reviewed and basic salary levels have been increased to align Group practices to changes in the industry.

Geographic expansion
Market conditions and recent structural trends in the market are putting pressure on exploitable margins. International expansion is therefore necessary to support continued development, given the requirements in order to face up to the requirements of financial partners and competitive and regulatory.

It was to this end that on December 18, 2013 Quartys Limited was set up in Ireland. Quartys trades in financial instruments. The first half of 2014 was primarily spent on becoming operational and Quartys only really began to operate in July 2014. In early July 2014, ABC arbitrage subscribed in full to a capital increase of €7 million, and again in late October and early December, each time for an amount of €4 million. Quartys Limited's total capital therefore amounted to €15 million at end-2014.

In parallel, ABC arbitrage Asset Management Asia Pte Ltd (based in Singapore) was incorporated on May 5, 2014 with a view to improving the Group's operational efficiency in the Asian markets. The company was authorized as a Registered Fund Management Company (RMFC) by the Monetary Authority of Singapore (MAS) on October 30, 2014.

Innovation
Since the outset, the Group success has been predicated on innovation. We continue to invest in R&D to support our ongoing drive to develop new strategies and adapt existing ones to the lackluster market conditions experienced since 2012.

Asset management
On 22 July 2014, ABC arbitrage Asset Management obtained AIFM (Alternative Investment Fund Manager) approval from the French securities regulator (AMF) pursuant to European directive 2011/61/EU. This decision confirms the Group's ability to adapt to new European requirements and will be an added strength in developing the asset management business.

The lack of volatility and trading volumes, coupled with quantitative easing policies, also prompted some investors to turn to other types of investment. Assets under management fell sharply in 2014, to €231 million at the year end (versus €348 million in 2013), including €100 million from external investors (versus €229 million in 2013).

There was a reversal in trend during the first quarter of 2015, with net inflows driven by the resilience shown by the Group investment funds and their ability to protect external capital effectively. At March 1, 2015, assets under management stood at €243 million including €112 million from external investors.

Management and performance fees from external investors amounted to €4.4 million compared with €4.8 million in 2013. This represents a decrease of 8%, which is lower than the decline in assets under management as the fall in fixed management fees was offset by a rise in variable performance fees.

During the first half of 2014, the Group set up a new alternative investment fund called ABCA Implicity Fund, which exploits inefficiencies identified on the implied volatility surface. At December 31, 2014, it had €17 million of funds under management.

ABCA Continuum Fund exploits statistical arbitrage opportunities in the equity markets. At December 31, 2014, it had €12 million of funds under management after its re-launch with a revised strategy on 1 February 2014.

ABCA Opportunities Fund exploits M&A arbitrage opportunities. At December 31, it had €41 million of funds under management.ABCA Reversion Fund exploits statistical arbitrage opportunities in the futures and ETF markets. At December 31, it had €69 million of funds under management.
ABCA FX Fund exploited statistical arbitrage opportunities in the forex markets. ABCA Inference Fund exploited futures strategies. These funds were all liquidated in early 2015 and assets under management were zero at December 31, 2014.

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

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

The Group maintains its aim to develop a range of diversified investment funds and we are seeking to quickly rebuild our assets under management to more than €400 million, although in view of the current environment, we remain cautious about our ability to do so before the end of 2015.

2. Subsidiaries and holdings

A list of subsidiaries and holdings can be found in note 3.3. to the parent company financial statements.

ABC arbitrage Asset Management is the Group's main investment management company with expertise in alternative investment funds, discretionary management mandates, investment strategy advice and trading in financial instruments. It incurred a loss of €7,813 thousand in 2014 and must continue to develop its client base in order to reach breakeven.

ABC arbitrage Asset Management Asia incurred a loss of €374 thousand in its first seven months due to unavoidable start-up investments. It began operations in early 2015.

Quartys Limited delivered net income of €682 thousand in its first year, an encouraging result that comforts the Group's strategic choices.

ABCA Global Fund had no business activity during the year other than prudent management of its own cash. The sole shareholder, ABC arbitrage, plans to liquidate this company in the first half of 2015.

In 2012, the liquidation of BC Finanzberatung GmbH was re-opened and the liquidators were able to recover a €690 thousand receivable net of tax. The subsidiary had no business activity in 2014 and 2013 other than completing the associated legal and fiscal formalities.

3. Human resources

The Group employed an average of 82 people in 2014, compared with 78 in 2013.

The environment of instability and escalating regulatory requirements (CRD 4 and AIFM) triggered a significant increase in fixed salaries in the finance sector. This prompted the Group to gradually review its own compensation policy, leading to an increase in fixed staff costs of about 20% between 2012 and 2014. These competitive constraints, coupled with our policy of hiring first-rate people and focusing on performance-related compensation, led to a 33% increase in staff costs in 2014.

With a view to motivating our people over the long term and aligning their interests with those of our shareholders, management has developed various share-based incentive schemes to drive growth by retaining core skills while containing payroll and other fixed costs in a highly competitive environment. We had already embarked on this approach well before the 2008 crisis and the resulting G20 recommendations. Despite the additional cost, we are still convinced that they have a role to play and we will continue to use them, albeit to a lesser extent.

The Group's different schemes are described below:

Horizon 2015/Ambition 2016 share-based incentive programmes

Given the success of Horizon 2010, which created value for all shareholders, in May 2010 we recommended setting up a new programme for 2010-2015 to motivate and incentivize our teams, who are the key drivers of performance. In 2010, therefore, after discussions with operating managers, the Board of Directors set up the Horizon 2015 incentive plan, which vests progressively over a 5-year period with a minimum target of €100 million and a maximum target of €300 million cumulative results for the plan to vest in full.

The Group did not make any decisions or enter into any commitments with plan beneficiaries in relation to the purchase by one of the Group’s companies of shares or stock options awarded to said beneficiaries under this plan.

As the programme draws to an end, it is clear that conditions in the financial markets have largely jeopardized achievement of the Horizon 2015 targets.

Under Horizon 2015, the Board of Directors granted stock options and performance shares on September 20, 2010:
- Based on actual net income from 2010 to 2014 inclusive and given the continuing presence requirement, 231,147 options vested, i.e. 7.7% of the potential maximum of 3,000,000.
- Based on actual net income from 2010 to 2011 inclusive and given the continuing presence requirement, 338,100 performance shares vested on 20 September 2012, i.e. 67.6% of the potential maximum of 500,000.
- Based on actual net income from 2010 to 2012 inclusive and given the continuing presence requirement, 135,240 performance shares vested on 21 March 2013, i.e. a rate of 54.1% of the potential maximum of 250,000.

On February 14, 2012, the Board of Directors granted a maximum of 44,800 performance shares to four grantees. The shares were due to vest after publication of the 2013 financial statements subject to achieving the performance conditions in 2012 and 2013. Based on actual net income and given the continuing presence requirement, 10,304 shares vested on March 13, 2014.

On March 21, 2013, the Board granted a maximum of 60,000 performance shares to 6 grantees. The shares were due to vest after publication of the 2014 financial statements subject to achieving the performance conditions in 2013 and 2014. Based on actual net income for the period and given the continuing presence requirement, a maximum of 10,620 shares will vest.

On May 14, 2014, the Board awarded a maximum of 850,000 performance shares, through three separate plans:
- a maximum of 283,333 shares, which will vest according to cumulative consolidated net income for 2014 and 2015;
- a maximum of 283,333 performance shares, which will vest according to cumulative consolidated net income for 2014 to 2016;
- a maximum of 283,334 performance shares, which will vest according to cumulative consolidated net income for 2014 to 2017.

No shares will vest if net income is less than €12 million a year and they will vest progressively thereafter on a linear basis. For example, if net income is €20 million a year over the entire period, 390,000 shares will vest and if net income is €25 million a year over the entire period, 634,000 shares will vest.

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

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

In 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.

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. Based on net income for the period and the adjustment to the exercise ratio required as a result of the 2013 dividend distribution, one 2011 BSAA will entitle the holder to 0.23488 ABC arbitrage shares at a price of €7.72867 per share at December 31, 2014. The maximum number of shares issued under this programme will therefore be 1,099,242.

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 shares (representing 18% of the capital) have been issued to employees under share-based plans.

5. Corporate governance

The appointment of Marie-Ange Verdickt as a director of ABC arbitrage was ratified at the shareholders' meeting on May 31, 2013.

The Board therefore has seven directors, four of whom are independent. A non-voting director (*censeur*) also attends Board meetings regularly. Two of the independent directors are men and two are women. The Board also invites other people to attend its meetings in a consultative capacity either on an occasional or a regular basis.

Several directors are due to retire by rotation at the next shareholders' meeting. We are nominating all these directors for re-election and propose to keep the Board membership unchanged.

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

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

The Chairman's report on corporate governance and internal control provides details of compensation paid to executive officers and sets out the applicable rules or the reasons for any exceptions.

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

The following table shows total salary and benefits paid by Group companies to the executive officers in 2014:

Name	**Dominique Ceolin**
Position	Chief Executive Officer of ABCA Chief Executive Officer of ABCA AM Member of the board of ABCA AM Asia
Gross salary	170,400
Adjustment related to paid leave and statutory bonuses	2,671
Company car	9,600
Incentive plan	18,748
Profit-sharing plan	11,390
Termination without cause benefit in respect of 2012	17,400
Gross variable bonuses in respect of 2012	61,000
Termination without cause benefit in respect of 2013	28,250
Gross variable bonuses in respect of 2013	113,000

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

The following table shows Directors' fees paid by Group companies to directors and executive officers in 2014:

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	5,500
Sabine Roux de Bézieux	Member of the Board of ABCA	7,500
Didier Ribadeau Dumas	Member of the Board of ABCA	11,000
Marie-Ange VERDICKT	Member of the Board of ABCA	7,250
Jacques Chevalier	Censor of the Board of ABCA	1,000

ABCA: ABC arbitrage

The following table shows a summary of the dealings in ABC arbitrage shares by the Directors and executive officers of the company in 2014.

Name	Purchases (in EUR)	Sales (in EUR)	Subscriptions (in EUR)
Dominique CEOLIN	-	230,000	812,759
Financière WDD*	4,393,084	-	1,575,239
ABC participation et gestion	-	6,942,488	3,074,494
Aubépar Industries S.E. and its subsidiaries	-	236,732	2,966,350
Jean-François DROUETS	-	-	1,865
Didier RIBADEAU DUMAS	29,008	14,461	1,171
Sabine ROUX DE BEZIEUX	-	-	46
Marie-Ange VERDICKT	-	-	407

** Holding company 50.01% owned by Dominique Ceolin*

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

Name	Directorships and other offices
Dominique Ceolin	Chief Executive Officer of ABCA Chief Executive Officer of ABCA AM Member of the board of ABCA AM Asia Chairman of the Board of Financière WDD Administrator of MiddleNext
ABC participation et gestion	**Jean-Christophe Estève:** Executive manager of, ABC participation et gestion Permanent representative of ABC participation et gestion Manager of Biotope SARL, Aerotope SARL and Biotope Luxembourg SARL Director of Biotope's subsidiaries
Aubépar Industries	**Aubépar Industries:** Chairman and Managing Director of Aubépar SE (represented by Xavier Chauderlot) Chairman and Managing Director of Financière du Bailli SA (represented by Xavier Chauderlot) Non-voting director on the Board of Directors of Jet Entrepreneurs SA (represented by Lionel Saby) **Xavier Chauderlot** Chairman and Managing Director of 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 Director of Quartys Ltd.
Jean-François Drouets	Chairman of Catella Valuation Advisors
Sabine Roux de Bézieux	Managing director of Notus Technologies SAS Member of the Supervisory Board of ANF Immobilier Member of the Supervisory Board of Turenne Investissement Member of the strategy commitee of Arteum SAS Director of IDLF - Inès de la Fressange - SAS
Didier Ribadeau Dumas	Representative of ABCA at the Board of ABCA AM Member of the Supervisory Board of La Banque Postale, wholly-owned subsidiary of La Poste group Chairman of the accounts committee, risks committee and appointments committee of La Banque Postale Member of the strategy committee and compensation committee of La Banque Postale Director of BPE, wholly-owned subsidiary of La Banque Postale Director, Chairman of the appointments and compensation committee, and member of the strategy committee of Poste Immo, wholly-owned subsidiary of La Poste group Member of the Supervisory Board of Comgest Member of the Board of La Mondiale till 10/14/2014 Director of SGAM Ag2r La Mondiale till 10/14/2014
Marie-Ange VERDICKT	Member of the Supervisory Board of Solucom Member of the Supervisory Board of CapHorn Invest Member of the Board of Interparfums
Jacques Chevalier	-

ABCA: ABC arbitrage / ABCA AM: ABC arbitrage Asset Management / ABCA AM Asia: ABC arbitrage Asset Management Asia

6. Payment periods

All trade payables outstanding at December 31, 2014 were payable no later than thirty days, end of month.

7. Share performance and share buyback programme

At December 31, 2014, issued capital amounted to €882,855.74 divided into 55,178,484 ordinary shares.

Average daily trading volume came to more than 38,084 shares, representing almost €185 thousand a day in value.

ABC arbitrage shares closed the year at €4.68. The par value of the shares is €0.016.

The Company has been authorised by shareholders to carry out a share buyback programme. Under the terms of the authorisation, shares may not be bought back at a price of more than €12 per share and the total amount invested in the programme may not exceed €20,000,000. In addition, the Board of Directors' authorisation is required for share buyback transactions representing over €500,000.

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	97,590	4.78	0.18%	99,211	4.85	0.18%
For employee share offers carried out in 2013	-	-	-	-	-	-
For future employee share offers	-	-	-	-	-	-
For cancellation	-	-	-	-	-	-
For allocation on exercise of rights to shares	-	-	-	-	-	-
For external growth transactions	-	-	-	-	-	-
For the payment of stock dividends	-	-	-	-	-	-
Other	-	-	-	-	-	-

Of the shares held at end-2013 for employee share-based plans (976,246 shares), 10,304 were allocated to performance share plans and 59,242 allocated upon the exercise of stock options.

8. Statutory disclosures

Under article L 233-13 of the *Code de Commerce*, the Board of Directors is required to disclose the names of shareholders whose holdings exceed the statutory disclosure thresholds at December 31, 2014. There was no significant change in the ownership structure in 2014.

Name	% of capital	% of voting rights
ABC participation et gestion	14.3	14.5
Aubepar Industries SE and its subsidiaries	14.0	14.3
Financière WDD*	8.0	8.1
Eximium	5.9	6.0
David HOEY	5.1	5.2
Other management**	5.1	5.2
Dominique CEOLIN	3.8	3.9

** Holding company 50.01% owned by Dominique Ceolin*
*** Executive management and independent non-executive directors excluding Dominique Ceolin and David Hoey*

At December 31, 2014, ABC arbitrage held 950,079 treasury shares (1.7% of issued capital).

The free float represented 42.0% of issued capital at the year-end (the balance is held by management and members of the Board).

The operating managers and some of ABC arbitrage's employees signed a shareholders' agreement. The agreement will take effect on July 1, 2014 and will end on July 1, 2018. The purpose of the agreement is to organise transfers of 40% of the ABC arbitrage shares acquired by the parties under the Horizon 2010 share-based incentive scheme, i.e. on the date of signature of the agreement, 3,600,200 ABC arbitrage shares representing 6.89% of the capital and voting rights. In the agreement, the parties state that they are totally free to exercise their rights as shareholders and expressly represent and warrant that they are not acting as members of a concert party with regard to ABC arbitrage.

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

9. Dividend policy

The table below shows dividends paid in respect of the last three fiscal years.

In EUR	2013	2012	2011
Dividend paid	0.40	0.47	0.55

All of these dividends qualified for the 40% tax relief available to individual shareholders resident in France for tax purposes, except for the €0.14867 per share dividend distributed from additional paid-in capital in 2013.

ABC arbitrage also paid a 2014 interim dividend of €0.20 per share, with the option of full or partial reinvestment in shares. At the end of the option period, 1,601,002 new ordinary shares were issued at a price of €4.42 per share, giving an overall reinvestment rate of more than 67%. The dividend ultimately paid in cash amounted to €3.46 million.

Net earnings per ordinary share amounted to €0.34 in 2014. With a view to maintaining an optimal balance between sources and uses of funds, the Board will recommend a dividend of €0.20 per share at the annual shareholders' meeting on June 5, 2015. Shareholders will be given the option of reinvesting all or part of their dividend in ABC arbitrage shares. The dividend payment procedure and date will be announced at a later date. The dividend is in addition to the €0.20 distribution paid in December 2014.

If approved by the shareholders, the full distribution for 2014 will therefore amount to €0.40 per share, giving a net yield of 8.55% based on the share price at December 31, 2014 (€4.68).

10. Post-balance sheet events

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.

11. CSR report

Information relating to the company's social, societal and environmental responsibility is included in the CSR report appended to the annual financial report.

12. Outlook

The first months of 2015 have not benefited from the volatility that was a feature of the first two months of 2014 and continued to be adversely affected by Central Bank quantitative easing policies.

Historically, ABC arbitrage's activities have been closely linked to market volatility. In the last 20 years, the Group has consistently demonstrated its ability to generate significant profits through the engagement of its teams and the effectiveness of its trading models.

In 2014, ABC arbitrage made good progress in adapting to the new financial market environment and new regulatory requirements, by completing the first phases of its Ambition 2016 plan.
In 2015, the Group will leverage its strong track record and assertively pursue its strategic plan, which will start to deliver results in the second half.

The Board of Directors
March 14, 2015

Balance sheet - assets

In EUR	Note	Dec. 31, 2014 IFRS	Dec. 31, 2013 IFRS
Intangible assets	3.1	71,981	60,248
Property and equipment	3.1	1,740,858	1,904,527
Work in progress	3.1	-	-
Non current financial assets	3.2	693,713	666,974
Deferred tax assets		990,497	1,687,054
Total non-current assets		**3,497,048**	**4,318,803**
Financial assets at fair value through profit or loss	3.4	598,784,636	730,064,150
Other accounts receivable	3.6	12,936,584	6,639,110
Current tax assets		-	-
Cash and cash equivalents		17,497,456	16,023,822
Total current assets		**629,218,676**	**752,727,081**
TOTAL ASSETS		**632,715,724**	**757,045,884**

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

Balance sheet - liabilities

In EUR	Note	Dec. 31, 2014 IFRS	Dec. 31, 2013 IFRS
Paid-up share capital		882,856	836,256
Additional paid-in capital		118,519,547	105,256,131
Retained earnings		3,458,054	2,711,853
Interim dividend		(10,715,495)	-
Net income		18,829,737	10,053,417
Total equity attributable to equity holders	**3.3**	**130,974,699**	**118,857,657**
Minority interests	2.1	(180)	(180)
Total equity		**130,974,519**	**118,857,476**
Provisions	3.7	100,000	300,000
Non-current financial liabilities		-	-
Deferred tax liabilities		-	-
Non-current liabilities		**100,000**	**300,000**
Financial liabilities at fair value through profit or loss	3.4	492,054,847	629,363,195
Other liabilities	3.6	6,234,202	5,402,684
Taxes payable		3,263,634	3,014,389
Short-term debt		88,522	108,139
Current liabilities		**501,641,206**	**637,888,407**
TOTAL EQUITY AND LIABILITIES		**632,715,724**	**757,045,884**

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

Statement of income

In EUR	Note	Dec. 31, 2014 IFRS	Dec. 31, 2013 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	4.1	46,325,523	28,658,838
Other revenue	4.2	129,486	91,474
Administrative expenses	4.3	(5,617,771)	(4,867,958)
Taxes and duties		(917,557)	(468,288)
Payroll costs	4.4	(11,576,387)	(8,504,504)
Depreciation and amortisation expense		(645,865)	(829,875)
OPERATING INCOME		**27,697,429**	**14,079,687**
Provision expense	4.5	232,000	188,000
INCOME BEFORE TAX		**27,929,429**	**14,267,687**
Current taxes	4.6	(8,403,134)	(7,123,353)
Deferred taxes		(696,558)	2,909,083
NET INCOME		**18,829,737**	**10,053,417**
Attributable to equity holders		18,829,737	10,053,417
Attributable to minority interests		-	-
Number of ordinary shares		*55,178,484*	*52,265,990*
Earnings per ordinary share		*0.34*	*0.19*
Diluted earnings per ordinary share		*0.34*	*0.19*

Statement of comprehensive income

In EUR	Note	Dec. 31, 2014 IFRS	Dec. 31, 2013 IFRS
Net income		18,829,737	10,053,417
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		18,829,737	10,053,417
Attributable to equity holders		18,829,737	10,053,417
Attributable to minority interests		-	-

In EUR thousand	Paid-up share capital	Equity instruments and related reserves	Elimination of treasury shares	Retained earnings and net income	Total equity attributable to equity holders	Minority interests	Total equity
At December 31, 2012	**835**	**112,539**	**(760)**	**25,466**	**138,082**	**nm**	**138,082**
Issue of shares	-	-	-	-	**-**	-	**-**
Elimination of treasury shares	-	-	(4,138)	-	**(4,138)**	-	**(4,138)**
Share-based payments	-	-	-	(1,165)	**(1,165)**	-	**(1,165)**
Appropriation of net income 2012	1	324	-	(14,067)	**(13,742)**	-	**(13,742)**
2013 interim dividend	-	(7,606)	-	(2,626)	**(10,233)**	-	**(10,233)**
Net income for the year	-	-	-	10,053	**10,053**	-	**10,053**
At December 31, 2013	**836**	**105,256**	**(4,897)**	**17,663**	**118,858**	**nm**	**118,857**
Issue of shares	-	4	-	-	**4**	-	**4**
Elimination of treasury shares	-	-	346	-	**346**	-	**346**
Share-based payments	-	-	-	418	**-**	-	**418**
Appropriation of net income 2013	21	6,209	-	(10,262)	**(4,033)**	-	**(4,033)**
2014 interim dividend	26	7,051	-	(10,525)	**(3,449)**	-	**(3,449)**
Net income for the year	-	-	-	18,830	**18,830**	-	**18,830**
At December 31, 2014	**883**	**118,520**	**(4,551)**	**16,123**	**130,975**	**nm**	**130,975**

nm: non-material

In EUR thousand	Dec. 31, 2014 IFRS	Dec. 31, 2013* IFRS
Net income	**18,830**	**10,053**
Net allocations to provisions	(232)	12
Net allocations to depreciation and amortisation	646	630
Change in deferred taxes	696	(2,909)
Others	-	0
Net cash provided by operations before changes in working capital	**19,940**	**7,786**
Changes in working capital	**(11,213)**	**(28,814)**
Net cash provided by operating activities	**8,727**	**(21,028)**
Net cash used by investing activities	**(521)**	**(252)**
Net cash provided by capital transactions	4	-
Dividends paid	(7,482)	(23,974)
Share-base payments	765	(5,303)
Net cash used by financing activities	**(6,713)**	**(29,277)**
Net change in cash and cash equivalents	**1,493**	**(50,556)**
Cash and cash equivalents, beginning of period	15,916	66,472
Cash and cash equivalents, end of period	17,409	15,916

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

Contents

1. Accounting principles and policies

1.1. General framework and significant events of the period

The Group's fiscal year runs from January 1 to December 31, 2014. The consolidated financial statements are presented in euros.

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

The ABC arbitrage Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as of December 31, 2014.

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2014. It has elected not to adopt those whose application is optional in 2014.

The amendment to IFRS 10 "Consolidated Financial Statements", approved by regulation (EU) no. 1174/2013 of November 20, 2013 and published in the EU Official Journal on November 21, 2013, introduces an exception to the consolidation requirements applicable to investments in certain subsidiaries.

ABC arbitrage operates an asset management business through its subsidiaries whose primary aim is to obtain funds from several investors for the purpose of providing them with investment management services and thereby generating management and performance fees. In this respect, ABC arbitrage provides seed money for Irish investment funds whose investments (the vast majority of which are financial instruments listed on regulated markets) are held only for trading purposes with the sole aim of generating returns from capital appreciation, investment income or both. The performance of substantially all of these investments is measured and evaluated on a fair value basis.

Following the introduction of IFRS 10 and, in particular, the amendments to IFRS 10, IFRS 12 and IAS 27 ("Investment Entities"), the ABC arbitrage Group's interests in the investment funds are recognised as financial assets at fair value through profit or loss, measured on the basis of the funds' net asset value. The impact of applying this standard at 31 December is detailed below.

Other than that, the application of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and the amendment to IAS 28 "Investments in Associates and Joint Ventures", adopted by the European Union on December 29, 2012, had no impact on the Group in 2014.

In addition to the "Investment Entities" amendment referred to above, IFRS 10 "Consolidated Financial Statements" has redefined the principle of control to include greater use of judgment. In light of these new provisions, the ABC arbitrage Group controls a subsidiary or structured entity when the following conditions are met:
- it has power over the investee (ability to direct the relevant activities) through the ownership of voting rights or other rights;
- it has exposure, or rights, to variable returns from its involvement with the investee; and
- it has the ability to use its power over the investee to affect the amount of the investors' returns. If voting rights are not relevant in assessing whether or not control exists, all facts and circumstances should be included in the assessment.

These new conditions had no impact on the scope of consolidation (excluding investment funds) described in note 2.2 below. In particular, the percentage interests disclosed in note 2.2 are the same as the percentages of voting rights, there are no restrictions on ABC arbitrage's ability to access or use assets, or settle liabilities, of the group, and there have been no changes in the risks associated with the interests held by ABC arbitrage in the subsidiaries listed in note 2.2.

The tables below show the impacts of applying IFRS 10 to the balance sheet and income statement (these impacts were referred to in the published consolidated financial statements for the year ended December 31, 2013).

Balance sheet - assets

In EUR	Dec. 31, 2013 IFRS Pre-IFRS 10	Dec. 31, 2013 IFRS Post-IFRS 10	Impact of IFRS 10
Intangible assets	60,248	60,248	-
Property and equipment	1,904,527	1,904,527	-
Work in progress	-	-	-
Non current financial assets	666,974	666,974	-
Deferred tax assets	1,687,054	1,687,054	-
Total non-current assets	**4,318,803**	**4,318,803**	**-**
Financial assets at fair value through profit or loss	730,064,150	854,116,420	(124,052,271)
Other accounts receivable	6,639,110	4,728,419	1,910,691
Current tax assets	-	-	-
Cash and cash equivalents	16,023,822	125,965,148	(109,941,326)
Total current assets	**752,727,081**	**984,809,987**	**(232,082,906)**
TOTAL ASSETS	**757,045,884**	**989,128,790**	**(232,082,906)**

Balance sheet - liabilities

In EUR	Dec. 31, 2013 IFRS Pre-IFRS 10	Dec. 31, 2013 IFRS Post-IFRS 10	Impact of IFRS 10
Paid-up share capital	836,256	836,256	-
Additional paid-in capital	105,256,131	105,256,131	-
Retained earnings	2,711,853	2,711,853	-
Interim dividend	-	-	-
Net income	10,053,417	10,053,417	-
Total equity attributable to equity holders	**118,857,657**	**118,857,657**	**-**
Minority interests	(180)	(180)	-
Total equity	**118,857,477**	**118,857,477**	**-**
Provisions	300,000	300,000	-
Non-current financial liabilities	-	-	-
Deferred tax liabilities	-	-	-
Non-current liabilities	**300,000**	**300,000**	**-**
Financial liabilities at fair value through profit or loss	629,363,195	861,055,004	(231,691,810)
Other liabilities	5,402,684	5,793,781	(391,096)
Taxes payable	3,014,389	3,014,389	-
Short-term debt	108,139	108,139	-
Current liabilities	**637,888,407**	**869,971,314**	**(232,082,906)**
TOTAL EQUITY AND LIABILITIES	**757,045,884**	**989,128,790**	**(232,082,906)**

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

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

The Group conducts two types of arbitrage strategies:

➢ **Arbitrages without market risks (*Self-liquidating arbitrage strategies)***
These are transactions that do not generate any directional risk or any event risk. Positions are fully hedged and are governed by legally binding documentation that guarantees convergence on a fixed date. Exposure is limited to operational risks, such as hedging errors, calculation errors or custodian default.
Examples include the purchase of a convertible bond and the simultaneous short sale of a quantity of shares corresponding to the number of shares to be obtained on conversion of the bonds.

➢ **Arbitrages with market risks (*Suspensive clause arbitrage strategies*)**
Unlike the case of self-liquidating arbitrage strategies, the legally binding documentation governing suspensive clause arbitrage strategies does not guarantee convergence. The various risks involved are systematically identified and hedged using appropriate instruments.
A typical example of such a deal is a securities exchange offer. The arbitrage consists in the purchase of the offeree company's shares combined with the simultaneous sale of the offeror's shares. The quantities bought and sold reflect exactly the terms of the exchange offering. A suspensive clause can be that the offeror need not proceed with its offer if less than half the offeree company's shares are presented for exchange.

1.2. Fair value of financial instrument

The Group does not take any speculative directional positions on financial markets. Arbitrage transactions are designed to take advantage of an unjustified price differential between two financial instruments that may converge at a given parity and within a given timeframe. The Group qualifies as "unjustified" only those differentials that can be objectively measured by a mathematical or statistical process.
One of the instruments is qualified as the underlying, corresponding generally to the short position. The underlying may, for example, be the shares linked to convertible bonds or the shares of a predator.
The other instrument is qualified as the derivative, corresponding generally to the long position. The derivative may, for example, be the convertible bonds linked to shares or the shares of a takeover target.

The positions taken involve either (i) equities or equity derivatives such as share warrants, put warrants or convertible bonds listed on a regulated market, whose acquisition price is recognised net of brokerage costs; or (ii) derivative products such as futures, options, currencies and interests in investment funds. Most of these exposures, hereinafter referred to as "Financial Instruments" are traded on active markets whether regulated or not. Exposures to Financial Instruments may be held with a depositary or in synthetic form (CFDs, swaps).

Financial instruments are held solely for trading purposes, and are recognised in the accounts at fair value through profit or loss.

The fair value hierarchy is comprised of the following levels:
• quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
• inputs other than quoted 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).

Financial assets at fair value through profit or loss are initially recognised and measured at their fair value and are remeasured at fair value in subsequent periods. Fair value is defined as the price at which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction on the valuation date. The price used is therefore 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. The fair value of a financial instrument is the quoted price when the instrument is quoted in an active market. If there is no active market for the instrument, fair value is determined using valuation techniques.

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

In view of the highly specific nature of the arbitrage business, the Group has refined its inputs. For financial instruments that are the predominant element of an arbitrage without market risks, the bid or ask price is the price quoted at the time when the financial instruments comprising the arbitrage were last simultaneously quoted. For financial instruments that are the predominant element of an arbitrage with market risks, the bid or ask price is the price quoted at the close of the financial instrument's main market.

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

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

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

- ⇨ dividends;
- ⇨ gains and losses on disposal of financial assets at fair value through profit or loss;
- ⇨ changes in fair value of instruments held or due;
- ⇨ interest income and expense;
- ⇨ securities carrying or lending costs;
- ⇨ exchange gains and losses;
- ⇨ all other income or expense directly attributable to trading activities.

1.3. Property and equipment

Intangible assets and property and equipment are carried on the balance sheet at cost. Amortisation and depreciation are calculated on a straight-line basis over their expected useful lives.

The amortisation and depreciation periods generally applied by the Group are as follows:
- Intangible assets: 1 to 2 years
- Information systems equipment: 3 to 5 years
- Fixtures and fittings: 5 to 10 years

Amortisation and depreciation expense is recognised in the income statement under "*Net allocations to depreciation and amortisation*".

1.4. Share-based payment

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

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

1.5. Portfolio revenue

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

1.6. Provisions

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

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

1.7. Corporate income tax

Corporate income tax includes current taxes and adjustments to deferred taxes. Deferred taxes are calculated on all timing differences between the recognition of income and expenses for financial reporting and tax purposes and on consolidation adjustments. Deferred tax assets and liabilities are calculated using the liability method, at the tax rates that are expected to apply when the timing differences reverse. They are not discounted.
The probability of deferred tax assets being recovered is reviewed regularly and may, where necessary, give rise to the derecognition of previously recognised deferred tax assets.

1.8. Earnings per share

Diluted earnings per share is equal to net income for the year divided by the number of shares outstanding at December 31, 2014 plus the impact of all potentially dilutive instruments.

2. Consolidation principles

2.1. Change in scope of consolidation

Following the application of IFRS 10 "Consolidated Financial Statements" (see note 1.1), the ABC arbitrage Group's interests in the investment funds managed by ABC arbitrage Asset Management and housed in ABCA Funds Ireland Plc are no longer consolidated but recognised as assets at fair value through profit or loss measured at their net asset value. IFRS 10 had no impact on the Group's income statement or equity. However, it has had the effect of significantly reducing the Group's assets and liabilities.

Quartys Limited was incorporated in Ireland on December 18, 2013. ABC arbitrage subscribed to 10,000 shares each with a value of €10 and therefore owned 100% of the capital at December 31, 2013.
Quartys Limited trades in financial instruments. The first half of 2014 was primarily spent on becoming operational and Quartys only really began to operate in July 2014. In early July 2014, ABC arbitrage subscribed in full to a capital increase of €7 million, and again in late October and early December, each time for an amount of €4 million.
Quartys was profitable as of its first year of operation, with net income of €682 thousand.

ABC arbitrage Asset Management Asia Pte Ltd, a portfolio management company, was incorporated in Singapore on May 5, 2014. ABC arbitrage owns 100% of its capital. ABC arbitrage Asset Management Asia was authorised as a Registered Fund Management Company (RFMC) by the Monetary Authority of Singapore (MAS) on October 30, 2014. It incurred a loss of €374,000 in its first year due to heavy start-up costs.

In addition, 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 subsidiary was entitled to make a claim as a creditor. Accordingly, in its capacity as an interested party with a right to take action, ABC arbitrage asked the competent German court to reopen the liquidation and its request was granted on November 5, 2012. The subsidiary had no business activities in 2012 other than its action to recover the debt. In 2013, its only activity was completing the associated legal and fiscal formalities. The subsidiary had no activity in 2013 and 2014.

2.2. List of consolidated companies

Company	Country	% interest	Consolidation method
ABC arbitrage	France	Parent company	Fully consolidated
ABC arbitrage Asset Management	France	100%	
ABC arbitrage Asset Management Asia	Singapore	100%	
ABCA Global Fund	France	100%	
BC Finanzberatung GmbH	Germany	100%	
Quartys	Ireland	100%	

2.3. Information on investment funds

After restatement for the percentage share held via ABCA Multi Fund, the percentage interests are as follows:

Company	Country	% interest	Consolidation method
ABCA Opportunities Fund	Ireland	41.7%	Fair value based on net asset value
ABCA Reversion Fund	Ireland	21.2%	
ABCA Continuum Fund	Ireland	39.1%	
ABCA Fx Fund	Ireland	100.0%	
ABCA Inference fund	Ireland	42.5%	
ABCA Implicity Fund	Ireland	42.7%	

3. Notes to the balance sheet

3.1. Property and equipment

Gross value

In EUR thousand	Gross value Dec. 31, 2013*	Acquisitions	Retirements /disposals	Gross value Dec. 31, 2014
Concessions and similar rights	528	94	0	622
Equipment, fixtures and fittings	1,266	0	0	1,266
Vehicles	82	100	0	182
Office and computer equipment, furniture	3,748	299	0	4,047
Total gross value	**5,624**	**493**	**0**	**6,117**

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

Amortisation and depreciation

In EUR thousand	Dec. 31, 2013*	Increases	Decreases	Dec. 31, 2014
Concessions and similar rights	(467)	(83)	-	(550)
Equipment, fixtures and fittings	(560)	(141)	-	(701)
Vehicles	(41)	(35)	-	(76)
Office and computer equipment, furniture	(2,591)	(386)	-	(2,977)
Total amortisation and depreciation	**(3,659)**	**(645)**	**-**	**(4,304)**

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

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*".

3.2. Other non-current financial assets

At December 31, 2014 and 2013, this item comprised security deposits paid.

3.3. Consolidated equity

Share-based payment – Horizon 2015/Ambition 2016 incentive programmes

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

- 3,000,000 performance stock options to 59 grantees.
  The number of vested options will be determined in March 2015 based on cumulative consolidated net income for the five years from 2010 to 2014.
  Based on net income in the reference period and taking account of employees who have left the Group, 231,147 shares are expected to vest. The IFRS expense recognised in respect of 2014 was €24 thousand.
- 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 to 64 grantees, 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 actually vested on March 21, 2013.

On February 14, 2012, the Board granted to 4 grantees a maximum of 44,800 performance shares vesting rateably according to consolidated net income for the two years 2012 and 2013. Given the continuing employment condition and results for the period, only 10,304 shares vested on March 13, 2014.

On March 21, 2013, the Board granted a maximum of 60,000 performance shares to 6 grantees. The shares will vest after publication of the 2014 financial statements subject to achieving the performance conditions in 2013 and 2014. Based on actual net income for the period and given the continuing presence requirement, 10,620 shares are expected to vest. The IFRS expense recognised in respect of 2014 was €22 thousand.

On May 14, 2014, the Board awarded a maximum of 850,000 performance shares, through three separate plans:
- a maximum of 283,333 shares, which will vest according to cumulative consolidated net income for 2014 and 2015;
- a maximum of 283,333 performance shares, which will vest according to cumulative consolidated net income for 2014 to 2016;
- a maximum of 283,334 performance shares, which will vest according to cumulative consolidated net income for 2014 to 2017.

No shares will vest if net income is less than €12 million a year and they will vest progressively thereafter on a linear basis. For example, if net income is €20 million a year over the entire period, 390,000 shares will vest and if net income is €25 million a year over the entire period, 634,000 shares will vest. The IFRS expense recognised in respect of 2014 was €409 thousand.

The expense related to these plans is deferred over the vesting period. The corresponding amount recognised in equity is calculated on the basis of the overall plan value determined on the date of grant by the Board of Directors.

In accordance with IFRS 2, an expense of €455 thousand, calculated on the basis of the estimated probable number of shares under the various plans, was recognised in respect of 2014 (no expense recognised in 2013).

The after-tax loss on share buybacks used amounted to €37 thousand (vs €593 thousand in 2013) and was deducted from consolidated equity at 31 December 2014.

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

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

In 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.

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. Based on net income for the period and the adjustment to the exercise ratio required as a result of the 2013 dividend distribution, one 2011 BSAA will entitle the holder to 0.23488 ABC arbitrage shares.

The 2011 BSAAs are held in the Group employee share ownership plan for a period of five years, except in special circumstances.

Contingent capital

ABC arbitrage has entered into a contingent capital agreement in the form of a "PACEO" equity line with Société Générale, pursuant to the resolution passed at the annual shareholders' meeting of May 23, 2014. Société Générale has undertaken to subscribe, at ABC arbitrage's request, to successive capital issues made over the next 36 months, up to a maximum of 4,000,000 shares.

Capital increase resulting from reinvestment of dividends

The Annual Shareholders' Meeting of May 23, 2014 approved a 2013 dividend of €0.20 per share, which was paid on July 4, 2014. Shareholders had the option of receiving cash or reinvesting their dividend in shares.
At the end of the option period, 1,311,492 new ordinary shares, ranking *pari passu* with the existing shares, were issued at a price of €4.75 per share. The dividend ultimately paid in cash amounted to €4.03 million.
The total issue proceeds included €20,984 in paid-up capital and €6,208,603 in additional paid-in capital. The new ordinary shares are fully paid.

ABC arbitrage also paid a 2014 interim dividend of €0.20 per share, with the option of full or partial reinvestment in shares. At the end of the option period, 1,601,002 new ordinary shares were issued at a price of €4.42 per share, giving an overall reinvestment rate of more than 67%. The dividend ultimately paid in cash amounted to €3.46 million. The total issue proceeds included €25,616 in paid-up capital and €7,050,813 in additional paid-in capital.

At December 31, 2014, ABC arbitrage's share capital was represented by 55,178,484 fully paid ordinary shares with a par value of €0.016 each.

Treasury stock

During 2014, ABC arbitrage sold 99,211 of its own shares. At the same time, 97,590 shares were purchased under the market-making agreement with Kepler Cheuvreux.

At December 31, 2014, ABC arbitrage held 950,079 of its own shares, acquired at a total cost of €4,551 thousand (at December 31, 2013, the company held 1,021,246 of its own shares, acquired at a total cost of €4,898 thousand).

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

3.4. Financial assets/liabilities at fair value through profit or loss

At December 31, 2013, 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	Quoted prices in active markets for identical assets or liabilities (Level 1)*	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2)	Unobservable inputs for the asset or liability (Level 3)	Total
Financial assets at fair value through profit or loss	684,480	45,584	0	**730,064**
Financial liabilities at fair value through profit or loss	(629,363)	0	0	**(629,363)**

**Amounts restated compared with the 2013 consolidated financial statements following the introduction of IFRS 10 (see note 1.1).*

At December 31, 2014, these instruments were classified as follows:

In EUR thousand	Quoted prices in active markets for identical assets or liabilities (Level 1)	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2)	Unobservable inputs for the asset or liability (Level 3)	Total
Financial assets at fair value through profit or loss	551,699	47,086	0	**598,785**
Financial liabilities at fair value through profit or loss	(492,055)	0	0	**(492,055)**

The only Level 2 instruments held are interests in the sub-funds of ABCA Funds Ireland Plc, which are not consolidated but recognised at fair value through profit or loss in accordance with the provisions of IFRS 10 (see note 1). These items are classified in Level 2 as the value of the units is not directly observable in an active market. However, the funds themselves trade in financial instruments quoted in active markets, whose prices are directly observable.

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

There were no transfers between the various levels of the hierarchy during 2013.

Financial assets and liabilities at fair value through profit or loss break down as follows:

In EUR thousands	a. Gross carrying amount (before netting)	b. Gross amounts netted in the balance sheet	c. Net carrying amount [a-b]	Financial assets at Dec. 31, 2014	Financial assets at Dec. 31, 2013*
Non-derivative financial instruments	606,245	(102,220)	504,025	**598,785**	*730,064*
Derivatives	11,674	(2,000)	9,674		
Unlisted derivatives	249,020	(404,528)	(155,508)		
Total long positions	**866,939**				
Cash derivative – unlisted	184,877	0	184,877		
Cash and cash equivalents	119,357	(63,639)	55,718		

**Amounts restated compared with the 2013 consolidated financial statements following the introduction of IFRS 10 (see note 1.1).*

In EUR thousands	a. Gross carrying amount (before netting)	b. Gross amounts netted in the balance sheet	c. Net carrying amount [a-b]	Financial liabilities at Dec. 31, 2014	Financial liabilities at Dec. 31, 2013*
Non-derivative financial instruments	(457,314)	102,220	(355,094)	**(492,055)**	*(629,363)*
Derivatives	(2,000)	2,000	0		
Unlisted derivatives	(404,528)	404,528	0		
Total short positions	**(863,842)**				
Cash derivative – unlisted	0	0	0		
Cash and cash equivalents	(200,600)	63,639	(136,961)		

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

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

3.5. Guarantees given

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

3.6. Other receivables and payables

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

In EUR thousand	Other receivables	Other payables
Trade receivables/payables	3,573	(786)
Accrued income/expenses	974	(1,006)
Accrued taxes and payroll costs	8,390	(4,442)
Total at December 31, 2014	**12,937**	**(6,234)**
*Total at December 31, 2013**	*6,639*	*(5,403)*

**Amounts restated compared with the 2013 published financial statements following the introduction of IFRS 10 (see note 1.1).*

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

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

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

3.7. Provisions

In EUR thousand	
Total provisions at December 31, 2013	**300**
Provisions utilised in 2014	-
Provision reversal in 2014	200
Charge to provisions in 2014	-
Total provisions at December 31, 2014	**100**

4. Notes to the statement of income

4.1. Net gains on financial instruments at fair value through profit or loss

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

Net gains on financial instruments at fair value through profit or loss amounted to €46,325 thousand versus €28,659 thousand in 2013.

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

4.2. Other revenue

Other revenue comprises revenue from sub-letting premises amounted to €129 thousand versus €91 thousand during 2013.

4.3. Administrative expenses

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

This item totalled €5,618 thousand in 2014 versus 4,868 thousand in 2013.

4.4. Payroll costs

The average number of employees was 82 in 2014 versus 78 in 2013.

Payroll costs include €8,226 thousand in fixed and performance-related compensation together with statutory and discretionary profit-sharing (€6,085 thousand in 2013), payroll taxes of €3,350 thousand (€2,420 thousand in 2013). Payroll-based taxes amounted to €332 thousand (€321 thousand in 2013).

The *Crédit d'Impôt Compétitivité Emploi* (CICE) tax credit was recognised as a deduction from payroll costs in the amount of €42 thousand for 2014. This accounting treatment complies with the position published by the *Autorité des Normes Comptables* (ANC), the French accounting standards setter, in its information notice of February 28, 2013 and reflects the ultimate purpose of the legislation, which is to reduce payroll costs.

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

During 2014, the following amounts were paid by Group companies to the executive officers of the parent company:

In EUR	
Directors' fees	257,900
Salary and other benefits	170,400
Gross bonuses	42,409

4.5. Provision expense

A net provision reversal of €232 thousand was recognised in 2014 compared with a net reversal of €188 thousand in 2013. This amount mainly comprised a €32 thousand reversal of provisions related to difficult-to-recover tax receivables and a €200 thousand reversal of provisions no longer needed following a *Conseil d'Etat* ruling in 2014.

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 32.58% - can be explained as follows:

Standard French tax rate	**34.43%**
Impact of permanent differences	(0.21)%
Impact of tax rate difference in affiliates	(0.14)%
Impact of tax credit	(1.36)%
Impact of the portfolio revenue recognition method	(0.14)%
Effective tax rate	**32.58%**

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

The tax group has signed an agreement whereby each member of the group (subsidiary and parent) recognises in its accounts the income tax that would be payable if it was taxed on a stand-alone basis. The charge is therefore calculated on their own taxable profit after deduction of any prior year losses.

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

5. Risk factors

5.1. Market risks

✓ *Market risks*

Equity risk, or price risk, arises mainly due to uncertainty about the future prices of Financial Instruments held. It represents the potential loss that could be incurred by the Group as a result of potential movements in price on its exposures to Financial Instruments.

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

The risk is never related to an unfavourable movement in market prices, for example a stock market crash, but can arise from an unfavourable event related to one of the above operations. By definition, risks associated with "suspensive clause arbitrage strategies" are never related amongst the different arbitrage positions and can therefore be spread. In order to mutualise risks, the Group enters into as many transactions as possible all over the world.

The following table summarizes the positions taken on markets at December 31, 2014:

Type of arbitrage transaction **In € thousands**	**Long positions**	**Short positions**
Borrowed securities not yet sold or symmetrical exposure	155,114	(155,114)
Arbitrage without market risks	665,883	(678,420)
Arbitrage with market risks	45,942	(30,309)
Total for arbitrage transactions	**866,939**	**(863,842)**

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

The process of market risk taking on trading activities is governed by:
- decision-making rules;
- exposure limits;
- delegated authorities.

The risk management process is overseen by the *"Market Risks Department"*, which monitors the following on a day-to-day basis:
- existence of effective, controlled position hedges;
- compliance with trading limits;
- appropriateness of trading strategies used by the traders in light of market conditions;
- accuracy of potential loss calculations.

The *"Market Risks Department"* has the power and the duty to ensure that these rules are strictly applied. If a position has to be partially or fully unwound as a result, the Management Committee sets out an action plan and timetable.

✓ *Interest rate risk*

Interest rate risk is the risk of changes in the price or value of a financial asset due to movements in interest rates.

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

✓*Currency risk*

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

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

Currency hedging is managed on a day-to-day basis by the traders for exposure generated by trading activities and by the *"Financial Operations Department"* for exposure generated by all other securities transactions.
The overall hedging position is verified daily by the *"Market Risks Department".*

At December 31, 2014, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have reduced (increased) net assets by €285 thousand.

5.2. Credit and counterparty risk

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

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

The Financial Instruments traded by the Group are quoted in active markets (if not regulated) and are usually settled through a clearing house. The risk of broker default is therefore considered to be minimal as the clearing house guarantees settlement of the trade and the Financial Instruments are not delivered until the broker has made or received payment.

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

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

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

The maximum exposure to credit risk is disclosed in the net amounts of the Financial Instruments presented in the balance sheet (note 3.4).

5.3. Liquidity risks

This is the risk that the Group will be unable to convert its assets into cash sufficiently quickly to meet demands for repayment received from creditors.

The assets of the ABC arbitrage Group consist almost exclusively of highly liquid securities quoted on organized markets and its liabilities mainly comprise debts towards banks or investment companies that are secured by the securities held as assets. Authorized financing volumes are contractually based on the assets lodged as collateral.

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

At December 31, 2014, 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	551,698	47,086	0	0	598,785
Other receivables	3,863	1,576	7,498	0	12,937
Deferred tax assets	0	0	0	0	0
Cash and cash equivalents	17,497	0	0	0	17 497
Total current assets	**573,058**	**48,662**	**7,498**	**0**	**629,219**
Financial liabilities at fair value through profit or loss	(492,055)	0	0	0	(492,055)
Other liabilities	(2,439)	(3,038)	(757)	0	(6,234)
Current tax liabilities	0	0	(3,264)	0	(3,264)
Short-term borrowings	(89)	0	0	0	(89)
Total liabilities	**(494,583)**	**(3,038)**	**(4,021)**	**0**	**(501,641)**
Net balance	**78,476**	**45,625**	**3,477**	**0**	**127,577**

5.4. Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems.

In 2014, losses due to operational incidents represented less than 1.2% (vs 2.0% in 2013) of net gains on financial assets and liabilities at fair value through profit or loss.

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

5.5. Other risks

✓ *Compliance risk (including legal risk)*
Compliance risk is the risk of failure to identify and/or comply properly with the provisions governing the Group's business activities. Such failure can lead to malfunctions, financial loss or sanctions (legal, disciplinary, administrative, etc). An ongoing monitoring system is in place within the Group's legal and tax department.

✓ *Conflict of interest risk*
Conflict of interest risk is the risk of being confronted with situations where the interests of a client or company may conflict with those of another client or with those of a Group company or a Group employee.

To prevent conflict of interest situations, the Group has implemented:
- an internal conflicts of interest policy including guidance to be followed by employees in order to identify, prevent and manage conflicts of interest;
- strict procedures and rules governing the handling of orders and primacy of the client interest. The Group's asset management companies comply strictly with financial market operating rules and are not permitted to do anything that might contravene the principle of fair and equal treatment of orders. More particularly, orders transmitted to the market are pre-allocated and time and date stamped.

Transactions between Group companies are carried out on an arm's length basis.

6. Other information

6.1. Segment information

Revenues by business segment

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

Breakdown of arbitrage transactions by type of risk

	Average number of arbitrage transactions		Average positions (value)	
Year	**2014**	2013	**2014**	2013
Arbitrages without market risks	**53%**	55%	**86%**	88%
Arbitrages with market risks	**47%**	45%	**14%**	12%
Total	**100%**	100%	**100%**	100%

Breakdown of arbitrage transactions by geographic area

Year	2014	2013
Euro zone (excluding France)	**11%**	10%
France	**3%**	2%
USA	**63%**	64%
Other markets	**23%**	24%
Total	**100%**	**100%**

Breakdown of arbitrage transactions by geographic area and type of risk

1st half 2014	Arbitrages without market risks	Arbitrages with market risks	Total
Euro zone (excluding France)	5%	1%	6%
France	5%	0%	5%
USA	62%	7%	69%
Other markets	17%	3%	20%
Total	**89%**	**11%**	**100%**

2end half 2014	Arbitrages without market risks	Arbitrages with market risks	Total
Euro zone (excluding France)	4%	2%	6%
France	0%	1%	1%
USA	62%	13%	75%
Other markets	15%	3%	18%
Total	**81%**	**19%**	**100%**

6.2. Related party transactions

There were no material transactions with ABC participation et gestion and Aubépar Industries in 2014.

6.3. Fees paid to the Statutory Auditors

	ERNST & YOUNG ET AUTRES				DELOITTE ET ASSOCIES			
	Amount in EUR (excluding VAT)		%		Amount in EUR (excluding VAT)		%	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Audit fees	32,900	32,150	50%	50%	32,900	32,150	50%	50%
Other services provided to fully consolidated subsidiaries	30,650	30,650	24%	72%	97,150	66,650	76%	68%
Other audit-related work	5,000	6,000	100%	100%	0	10,000	0%	62%
TOTAL	**68,550**	**68,800**	**35%**	**68%**	**130,050**	**108,800**	**65%**	**61%**

** Excluding ABC arbitrage Asset Management Asia, whose 2014 financial statements were audited by Crowe Horwath First Trust (€5 thousand of fees).*

To the shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of ABC arbitrage;
- the justification of our assessments;
- the specific verification required by law.

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

I. Opinion on the consolidated financial statements

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

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

Without qualifying our opinion, we draw your attention to the matters set out in notes 1 “Accounting principles and policies”, 2.1 “Change in scope of consolidation” and 3.4 “Financial assets/liabilities at fair value through profit or loss”, which describe the impacts of the first-time application of IFRS 10 – Consolidated Financial Statements.

II. Basis of opinion

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

- As explained in note 1.2, the Group has determined the market price of financial instruments measured at fair value based on the bid price for assets held and liabilities to be issued and on the ask price for assets to be purchased and liabilities held. We assessed the data and assumptions used to determine these prices, reviewed the Group’s calculations and assessed the appropriateness of the related disclosures made in the notes to the financial statements.
- As indicated in notes 1.4 and 3.3 to the consolidated financial statements, the Group has granted employees stock options and shares without consideration, for which an expense has been recognised equal to the fair value of the services rendered by the employees in return for the equity instruments granted to them. Our work consisted in assessing the data and assumptions used to determine this fair value, reviewing the Group’s calculations and verifying the appropriateness of the related disclosures made in the notes to the financial statements.

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

III. Specific procedures and information

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

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

Neuilly-sur-Seine & Paris-La Défense, April 24, 2015

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Marc MICKELER	Olivier DURAND