CFAO

*Société anonyme* (joint stock corporation)
with a Management Board and Supervisory Board
With share capital of €10,254,310
Registered office: 18, rue Troyon, 92316 Sèvres, France
Registered in Nanterre under number 552 056 152

# REFERENCE DOCUMENT

## INCLUDING THE ANNUAL FINANCIAL REPORT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

This document is a free translation into English of CFAO's original *document de référence* (hereinafter referred to as the ''Reference Document''), which was prepared in French and filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 6, 2012 under number R. 12-009, in accordance with the AMF's General Regulations, and in particular with Article 212-13.

Only the French version of this Reference Document is legally binding.

The French Reference Document may be used in the context of a financial transaction only if it is accompanied by a securities note approved by the AMF. It was prepared by the issuer and its signatories therefore assume responsibility for its content.

In accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code (*Code monétaire et financier*), the French Reference Document was filed after the AMF had verified that it was complete and comprehensible, and that the information it contained was correctly presented. This does not imply the certification by the AMF of the accounting and financial data presented herein.

Copies of this English translation of the French Reference Document are available at CFAO's registered office: 18, rue Troyon, 92316 Sèvres, France.
This document may be also consulted on the website of CFAO (**www.cfaogroup.com**), and on the website of the AMF (**www.amf-france.org**).

## GENERAL

This Reference Document also includes:

- the annual financial report that must be prepared and published by all listed companies within four months following the end of each fiscal year, pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations; and
- the annual management report of the Company's Management Board, which must be submitted to the Shareholders' Meeting called to approve the financial statements for each completed fiscal year, pursuant to Articles L. 225-100 *et seq.* of the French Commercial Code (*Code de commerce*).

The cross-reference table below shows where the information pertaining to these two reports can be found.

## INCORPORATIONS BY REFERENCE

In accordance with Article 28 of European Regulation (EC) 809/2004, the following information is incorporated by reference in this Reference Document:

- the consolidated financial statements and annual financial statements for the year ended December 31, 2010 and the related Statutory Auditors' reports on pages 199 to 288 (inclusive) of the 2010 Reference Document in French, registered by the AMF on April 8, 2011 under number R. 11-007 (these documents were on pages 187 to 276 of the English version of the Reference Document);
- the financial information in Chapter 9, ''Operating and financial review'', on pages 102 to 132 of the 2010 Reference Document in French, registered by the AMF on April 8, 2011 under number R. 11-007 (this information was on pages 97 to 123 of the English version of the Reference Document);
- the consolidated financial statements and annual financial statements for the year ended December 31, 2009 and the related Statutory Auditors' reports on pages 196 to 287 (inclusive) of the 2009 Reference Document in French, registered by the AMF on April 13, 2010 under number R. 10-020 (these documents were on pages 182 to 270 of the English version of the Reference Document);
- the financial information in Chapter 9, ''Operating and financial review'', on pages 100 to 132 of the 2009 Reference Document in French, registered by the AMF on April 13, 2010 under number R. 10-020 (this information was on pages 93 to 121 of the English version of the Reference Document);

## DEFINITIONS

In this Reference Document, and unless otherwise specified:

- the term ''CFAO'' or ''the Company'' refers to the *société anonyme* (joint stock corporation) CFAO SA;
- the term ''Group'' refers to CFAO and its subsidiaries;
- the term ''Maghreb'' refers to Algeria, Morocco and Tunisia, although the Group only operates in Algeria and Morocco;
- the term ''French-speaking Sub-Saharan Africa'' refers to the following countries:

| | | |
|---|---|---|
| Benin* | Côte d'Ivoire* | Madagascar* |
| Burkina Faso* | Democratic Republic of the Congo* | Mali* |
| Burundi | Djibouti | Mauritania* |
| Cameroon* | Equatorial Guinea* | Niger* |
| Central African Republic* | Gabon* | Rwanda |
| Chad* | Gambia* | Senegal* |
| Comoros | Guinea* | Sao Tome and Principe* |
| Congo* | Guinea-Bissau* | Togo* |

** Countries in which the Group operates.*

- The term ''English- and Portuguese-speaking Sub-Saharan Africa'' refers to the following countries:

| | | |
|---|---|---|
| Angola* | Lesotho | Sierra Leone |
| Botswana | Liberia | South Africa |
| Cape Verde | Malawi* | Sudan |
| Eritrea | Mozambique | Swaziland |
| Ethiopia | Namibia | Tanzania* |
| Ghana* | Nigeria* | Uganda* |
| Kenya* | Seychelles | Zambia* |
| | | Zimbabwe* |

** Countries in which the Group operates.*

- The term ''French Overseas Territories and Other'' refers to the following countries and territories:

| Overseas departments and regions | French overseas territories Overseas collectivities | Other French overseas territories | Other |
|---|---|---|---|
| French Guiana* | French Polynesia* | Clipperton | Mauritius* |
| Guadeloupe* | Mayotte | French Southern and Antarctic Lands | Switzerland* |
| Martinique* | Saint-Barthélémy | New Caledonia* | Vietnam* |
| Reunion* | Saint-Martin* | | |
| | Saint-Pierre and Miquelon | | |
| | Wallis and Futuna | | |

** Countries and territories in which the Group operates.*

Information concerning the above-mentioned countries and geographic areas in which the Group operates is provided in Chapter 6 of this Reference Document. The above classification of the countries and territories corresponds to that used by the Group in the context of the presentation of its financial statements and may be different from the traditional geopolitical classification for certain countries (in particular Gambia, Guinea-Bissau and Sao Tome and Principe).

- The term ''territories'' refers to a country or a French overseas territory.
- Unless otherwise indicated, the term ''revenue'' (and related information), when referring to the Group or one of its divisions, excludes intragroup revenue.

## MARKET INFORMATION

This Reference Document contains information about the Group's markets and competitive position, including information relating to market size and market share. Unless otherwise stated, this information is based on the Group's estimates and is provided for indicative purposes only. To the Group's knowledge, there are no authoritative external reports providing exhaustive and comprehensive coverage or analysis of the markets in which the Group operates.

Consequently, the Group has made estimates based on a number of sources including internal surveys, studies and statistics from independent third parties (in particular INSEE, Global Insight, *Groupement pour l'Elaboration et la Réalisation de Statistiques* and Intercontinental Marketing Services (IMS) Health) or professional federations of specialized distributors (such as the *Comité des Constructeurs Français d'Automobiles* in France, and the *Association des Importateurs de Véhicules Automobiles* and the *Groupement des Poids Lourds et Camions* in Morocco) and data from operating subsidiaries.

These various studies, estimates, research and information, which the Group considers reliable, have not been verified by independent experts. The Group does not guarantee that a third party using other methods to collate, analyze or compile market data would obtain the same results. In addition, the Group's competitors may define its economic and geographic markets differently. To the extent that the data relating to market share and market size included in this Reference Document are based solely on the Group's estimates, they do not constitute official data.

## FORWARD-LOOKING STATEMENTS

This Reference Document contains information on the Group's prospects and main lines of development. This information is sometimes presented by use of the future or conditional tense, or by the use of forward-looking statements such as ''considers'', ''plans'', ''aims to'', ''expects'', ''intends'', ''should'', ''is designed to'', ''estimates'', ''believes'' and ''may'', or, if applicable, the negative of these terms and similar expressions. Such information is not historical data and should not be interpreted as a guarantee that such facts and events as stated will occur.

Such information is based on data, assumptions, and estimates that the Group considers reasonable. They are likely to change or be modified due to the uncertainties of the economic, financial, competitive or regulatory environment. This information is mentioned in various sections of this Reference Document and contains data relating to the Group's intentions, estimates and targets concerning in particular its market, strategy, growth, results, financial position, cash position and projections.

The forward-looking statements provided in this document are made as of the date of this Reference Document. Except to comply with any applicable legal or regulatory requirements, the Group does not make any commitment to publish updates of the forward-looking statements provided in this document to reflect any changes in its targets or in the events, conditions or circumstances on which such forward-looking statements are based.

The Group operates in a rapidly changing and competitive environment. It is therefore unable to anticipate all risks, uncertainties or other factors that may affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a guarantee of actual results.

## RISK FACTORS

Investors should read carefully the risk factors described in Chapter 4 ''Risk factors'' of this Reference Document, before taking any investment decision. The occurrence of all or any of these risks may have an adverse effect on the Group's business, results or financial position or prospects. Furthermore, other risks that have not yet been identified or that are not considered material by the Group at the date of registration of this Reference Document, could have the same adverse effect.

***The table of contents of this Reference Document uses, as far as possible, the nomenclature set forth in Annex I of European Regulation (EC) 809/2004 implementing European Directive 2003/71/EC, known as the "Prospectus Directive".***

For the purposes of clarity, the cross-reference table below identifies:

1. the information included in the annual financial report that must be published by all listed companies in accordance with the provisions of the French Monetary and Financial Code, and which reflects the transposition of European Directive 2004/109/EC, known as the ''Transparency Directive'';

2. the information included in the management report which must be prepared by the Management Board of CFAO pursuant to Articles L. 225-100 *et seq.* of the French Commercial Code;

3. the information relating to the environmental and social consequences of CFAO's activities as required by Articles L. 225-102-1, R. 225-104 and R. 225-105 of the French Commercial Code.

| **Annual financial report (Transparency Directive)** | **Reference Document** |
|---|---|
| 1. Annual financial statements | Chapter 20 |
| 2. Consolidated financial statements | Chapter 20 |
| 3. Management report | See below |
| 4. Statement of responsibility | Chapter 1 |
| 5. Statutory Auditors' report on the financial statements | Chapter 20 |
| 6. Statutory Auditors' report on the consolidated financial statements | Chapter 20 |
| 7. Fees paid to the Statutory Auditors | Chapter 2 |

| **Annual management report (French Commercial Code)** | **Reference Document** |
|---|---|
| 1. Group management report | Chapters 6 and 9 |
| 2. Business and results of operations of the parent company, CFAO SA | Chapters 7 and 20 |
| 3. Major risks and uncertainties | Chapter 4 |
| 4. Information on market risks and financial risk management | Chapters 4 and 10 |
| 5. Significant events after the reporting period | Chapters 12 and 20 |
| 6. Trend information for the Company and the Group and outlook | Chapters 12 and 13 |
| 7. Equity interests – control – subsidiaries | Chapters 7 and 25 |
| 8. Employee information | Chapter 17.1 |
| 9. Environmental information | Chapter 6.7 |
| 10. Information on terms of payment | Chapter 20 |
| 11. Research and development activities | Chapter 11 |
| 12. Information relating to administrative and management bodies | Chapters 14 and 16 |
| 13. Compensation and benefits of corporate officers (*mandataires sociaux*) | Chapters 15, 16 and 17.2 |
| 14. Transactions by corporate officers (*mandataires sociaux*) involving the Company's shares | Chapter 17 |
| 15. Information on the share capital | Chapters 18 and 21 |
| 16. Summary of current delegations of authority to the Management Board and their use in 2011 | Chapter 21 |
| 17. Five-year financial summary | Chapter 20 |
| 18. Report of the Chairman of the Board on corporate governance and internal control | Chapter 16 |
| 19. Information on factors likely to have an impact in the event of a takeover bid | Chapter 16 |
| 20. Observations of the Supervisory Board on the financial statements and on the management report of the Management Board | Chapter 16 |

| Social and environmental consequences of the Company's activities | | Reference Document |
|---|---|---|
| | **Article R.225-104 of the French Commercial Code** | |
| 1 | Total number of employees, new hires and layoffs, overtime and external manpower | Chapter 17, section 17.1.1 |
| 2. | Organization of work time | Chapter 17, section 17.1.2 |
| 3. | Compensation, incentive plans, profit-sharing agreements, employee savings plan and gender equality in the workplace | Chapter 17, sections 17.1.5 and 17.1.6 |
| 4. | Employee relations and summary of collective agreements | Chapter 17, section 17.1.4 |
| 5. | Health and safety conditions | Chapter 17, section 17.1.1 |
| 6. | Training | Chapter 17, section 17.1.3 |
| 7. | Employment and integration of disabled workers | Chapter 17, section 17.1.7 |
| 8. | Social initiatives | Chapter 17, section 17.1.8 |
| 9. | Extent of subcontracting | Chapter 17, section 17.1.9 |
| 10. | Territorial impact of activities in terms of employment and regional development | Chapter 17, section 17.1.10 |
| 11. | Relations with associations and educational institutions | Chapter 17, section 17.1.11<br>Chapter 6, section 6.7.1 |
| | **Article R.225-105 of the French Commercial Code** | |
| 1. | Consumption of water resources, raw materials and energy | Chapter 6, section 6.7.2.2 a), b), c), d), e) |
| 2. | Measures taken to reduce damage to the biological equilibrium, natural ecosystems, and protected animal and plant species | Chapter 6, sections 6.7.2.1 and 6.7.2.2 f) |
| 3. | Environmental evaluation and certification measures taken | N/A |
| 4. | Measures taken to ensure that the Company's activities comply with legislative and regulatory provisions in force relating to environmental protection | Chapter 6, section 6.7.2 |
| 5. | Expenditure incurred to prevent the Company's activities from having a negative impact on the environment | N/A |
| 6. | Training and information relating to the environment | N/A |
| 7. | Amount of provisions and guarantees set aside for environmental risks | N/A |
| 8. | Amount of compensation paid pursuant to a court order relating to environmental issues and actions undertaken to compensate for damages caused to the environment | N/A |
| 9. | Objectives assigned to overseas subsidiaries in relation to points 1 to 6 above | Chapter 6, section 6.7.2 |

# CHAPTER 1 – PERSON RESPONSIBLE

## 1.1 Person responsible for the Reference Document

Richard Bielle, Chairman of the Management Board

## 1.2 Statement of responsibility

Sèvres, April 6, 2012

''*I hereby certify, having taken all reasonable care to ensure that such is the case, that the information contained in this Reference Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.*

*I further certify that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of CFAO SA and of all the companies of the consolidated Group, and (ii) the ''Management Report'' (*Rapport de gestion*) set forth in this Reference Document, as indicated in the cross-reference table above, provides a fair view of the development of the business, results and financial position of CFAO SA and all the companies of the consolidated Group, as well as a description of the principal risks and uncertainties to which they are exposed.*

*I obtained from the Statutory Auditors, upon completion of their work, a letter in which they state that they have audited the information concerning the financial position and the financial statements presented in this Reference Document and that they have read the Reference Document in its entirety.*

*The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2009 contains an observation and is presented on pages 269-270 of CFAO's Reference Document for 2009.*''

Richard Bielle
Chairman of the Management Board

# CHAPTER 2 – STATUTORY AUDITORS

**Principal Statutory Auditors**

Deloitte & Associés
Represented by Alain Penanguer
185 Avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Deloitte & Associés was appointed principal Statutory Auditor at the General Meeting of May 26, 1992, for a period of six fiscal years. The most recent renewal of its term took place at the General Meeting of May 17, 2010, for a period of six fiscal years, i.e., until the General Meeting to be held in 2016 to approve the financial statements for the fiscal year ending on December 31, 2015.

KPMG
Represented by Hervé Chopin
Immeuble le Palatin, 3 Cours du Triangle
92939 La Défense Cedex

In the context of the Company's IPO in 2009, KPMG was appointed principal Statutory Auditor at the General Meeting of October 5, 2009, for a period of six fiscal years, i.e., until the General Meeting to be held in 2015 to approve the financial statements for the fiscal year ending on December 31, 2014.

**Deputy Statutory Auditors**

BEAS
Represented by Alain Pons
7-9 Villa Houssay
92200 Neuilly-sur-Seine

BEAS was appointed deputy Statutory Auditor at the General Meeting of May 24, 2004, for a period of six fiscal years. Its term was renewed at the General Meeting of May 17, 2010, for a period of six fiscal years, i.e., until the General Meeting to be held in 2016 to approve the financial statements for the fiscal year ending on December 31, 2015.

François Chevreux
1 Cours Valmy
92923 La Défense Cedex

In the context of the Company's IPO in 2009, François Chevreux was appointed deputy Statutory Auditor at the General Meeting of October 5, 2009, for a period of six fiscal years, i.e., until the General Meeting to be held in 2015 to approve the financial statements for the fiscal year ending on December 31, 2014.

**Fees of the Statutory Auditors for 2010 and 2011**

| | DELOITTE | | | | KPMG | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (before tax) | | % | | Amount (before tax) | | % | |
| **In thousands of euros** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| Audit<br>• Audit opinion, certification, review of statutory and consolidated financial statements | | | | | | | | |
| Issuer (CFAO SA) | 164 | 161 | 15% | 15% | 164 | 161 | 20% | 22% |
| Fully consolidated subsidiaries | 856 | 812 | 80% | 78% | 600 | 547 | 75% | 74% |
| *Sub-total* | 1,020 | 973 | 95% | 93% | 764 | 708 | 96% | 96% |
| Other services provided to fully consolidated subsidiaries | | | | | | | | |
| • Legal, tax, employment-related | 56 | 68 | 5% | 7% | 57 | 28 | 4% | 4% |
| *Sub-total* | 56 | 68 | 5% | 7% | 57 | 28 | 4% | 6% |
| **TOTAL** | **1,076** | **1,041** | **100%** | **100%** | **821** | **737** | **100%** | **100%** |

# CHAPTER 3 – SELECTED FINANCIAL INFORMATION

The following tables present consolidated financial information by division for the income statement and other Group operating information. The financial information has been extracted from the audited consolidated financial statements prepared in accordance with IFRS.

**Selected financial information – consolidated income statement**

***Simplified consolidated income statement (CFAO Group)***

| (in € millions, except percentages) | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Revenue** | **2,534.7** | **2,874.7** | **2,582.0** | **2,676.2** | **3,123.7** |
| **Gross profit** | 590.8 | 666.0 | 577.3 | 613.7 | 705.5 |
| *As a % of revenue* | *23.3%* | *23.2%* | *22.4%* | *22.9%* | *22.6%* |
| **Recurring operating income before PPR management fees*** | **232.3** | **276.8** | **216.6** | **223.2** | **256.3** |
| *As a % of revenue* | *9.2%* | *9.7%* | *8.4%* | *8.3%* | *8.2%* |
| **Recurring operating income** | **226.2** | **269.9** | **211.0** | **223.2** | **256.3** |
| *As a % of revenue* | *8.9%* | *9.4%* | *8.2%* | *8.3%* | *8.2%* |
| **Net income of consolidated companies** | **142.5** | **171.1** | **121.2** | **140.3** | **170.6** |
| **Net income attributable to owners of the parent** | **106.5** | **128.6** | **90.3** | **100.2** | **121.1** |

* *See section 9.1.3.5 of the Reference Document for further information on PPR management fees paid by the Group until 2009.*

***Revenue and recurring operating income by division***

*NB: The CFAO Industries, Equipment & Services division includes the businesses of the Industries and Technologies divisions, as well as rental services which were part of the Automotive division until 2011. Conversely, the motorcycle assembly business in Morocco which was part of the Industries division until 2010 is included in the Automotive division from 2011.*

| (in € millions, except percentages) | 2007 | 2008 | 2009 | 2010* | 2010** | 2011 |
|---|---|---|---|---|---|---|
| **CFAO Automotive**<br>*Revenue* | *1,507.6* | *1,779.1* | *1,451.4* | *1,537.6* | *1,527.4* | *1,891.7* |
| *Recurring operating income* | *156.3* | *198.1* | *118.1* | *120.1* | *117.6* | *141.1* |
| *As a % of revenue* | *10.4%* | *11.1%* | *8.1%* | *7.8%* | *7.7%* | *7.5%* |
| *Number of new vehicles sold* | *69,857* | *88,108* | *66,728* | *64,873* | *64,873* | *82,095* |
| **Eurapharma**<br>*Revenue* | *639.3* | *695.5* | *740.8* | *809.6* | *809.6* | *864.5* |
| *Recurring operating income* | *54.7* | *55.3* | *60.1* | *71.4* | *71.4* | *75.8* |
| *As a % of revenue* | *8.6%* | *8.0%* | *8.1%* | *8.8%* | *8.8%* | *8.8%* |
| **CFAO Industries**<br>*Revenue* | *279.2* | *286.4* | *279.9* | *221.1* | – | – |
| *Recurring operating income* | *35.8* | *35.6* | *44.3* | *50.3* | – | – |
| *As a % of revenue* | *12.8%* | *12.4%* | *15.8%* | *22.8%* | – | – |
| **CFAO Technologies**<br>*Revenue* | *108.6* | *113.7* | *110.0* | *107.8* | – | – |
| *Recurring operating income* | *3.1* | *4.6* | *4.1* | *6.7* | – | – |
| *As a % of revenue* | *2.9%* | *4.0%* | *3.8%* | *6.2%* | – | – |
| **CFAO Industries, Equipment & Services**<br>*Revenue* | – | – | – | – | 339.1 | 367.4 |
| *Recurring operating income* | – | – | – | – | *59.6* | *67.1* |
| *As a % of revenue* | – | – | – | – | *17.6%* | *18.3%* |
| **CFAO Holding**<br>*Recurring operating expense**** | *(23.6)* | *(23.7)* | *(15.7)* | *(25.3)* | *(25.3)* | *(27.6)* |

* *Based on Group structure in 2010.*

** *Pro forma based on Group structure in 2011.*

*** *Including management fees paid to the PPR group until 2009.*

**Reconciliation of recurring operating income to EBITDA**

| (in € millions) | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Recurring operating income** | **226.2** | **269.9** | **211.0** | **223.2** | **256.3** |
| Amortization of intangible assets | (1.4) | (2.1) | (2.5) | (3.1) | (3.8) |
| Depreciation of land and buildings | (3.5) | (4.2) | (5.1) | (6.1) | (6.4) |
| Depreciation of plant and equipment | (19.3) | (23.1) | (24.3) | (26.2) | (30.1) |
| Depreciation of other property, plant and equipment | (6.5) | (7.6) | (7.8) | (7.6) | (7.9) |
| Additions to provisions for non-current assets | (0.1) | 0.1 | (0.1) | (0.0) | (0.5) |
| **Total EBITDA** | **256.8** | **307.0** | **250.6** | **266.3** | **304.9** |

### Selected financial information – consolidated statement of financial position

| | At December 31 | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Total assets** | **1,616.8** | **1,899.7** | **1,714.1** | **1,918.3** | **2,315.1** |
| *o/w cash and cash equivalents* | *148.0* | *114.5* | *127.8* | *133.1* | *251.8* |
| **Total equity** | **617.0** | **570.2** | **570.9** | **646.7** | **739.1** |
| **Non-current liabilities** | **52.1** | **53.0** | **183.9** | **132.8** | **131.1** |
| *o/w non-current borrowings* | *21.2* | *18.4* | *149.6* | *99.0* | *93.5* |
| **Current liabilities** | **947.6** | **1,276.5** | **959.3** | **1,138.8** | **1,445.0** |
| *o/w current borrowings* | *212.0* | *394.1* | *240.2* | *234.6* | *350.3* |

### Selected financial information – consolidated statement of cash flows

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **2007** | **2008*** | **2009** | **2010** | **2011** |
| Cash flow from operating activities before tax, dividends and interest | 254.2 | 313.4 | 240.6 | 274.3 | 314.4 |
| Change in working capital requirement | (24.0) | (143.6) | 36.2 | 17.1 | 0.8 |
| Net cash from operating activities | 167.5 | 81.6 | 203.1 | 231.0 | 241.0 |
| Net operating investments | (51.9) | (66.6) | (64.2) | (61.1) | (70.0) |
| Net cash used in investing activities | (55.2) | (68.5) | (38.8) | (66.6) | (89.9) |
| Net cash from (used in) financing activities | (86.9) | (237.0) | 27.5 | (162.6) | (120.7) |
| **Net increase (decrease) in cash and cash equivalents** | **(27.9)** | **(224.3)** | **192.6** | **(4.2)** | **26.7** |

* *Data for 2008 and onwards are presented after the application of IAS 16 from January 1, 2009. For the purposes of meaningful comparison, 2008 figures have been restated accordingly.*

### Other selected operating information

#### EBITDA

EBITDA is defined as recurring operating income plus depreciation, amortization and provisions for non-recurring operating assets recognized in recurring operating income. EBITDA is not a financial measure defined under IFRS. It should not be taken as a substitute for operating income, net income or cash flows, nor should it be treated as a measure of liquidity. EBITDA may be calculated differently by other companies with businesses that are similar to or different from that of the Group. Accordingly, the EBITDA figure calculated by the Group may not be comparable to that calculated by other issuers.

For the purposes of meaningful comparison, EBITDA recorded under the CFAO holding company in the table below is shown after the payment of PPR management fees until 2009 (see section 9.1.3.5).

| | Years ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| **(in € millions)** | **2007** | **2008** | **2009** | **2010*** | **2010**** | **2011** |
| *CFAO Automotive* | 170.0 | 216.6 | 139.1 | 143.1 | 136.7 | 162.4 |
| *Eurapharma* | 59.1 | 60.4 | 65.0 | 76.3 | 76.3 | 81.1 |
| *CFAO Industries* | 46.0 | 46.9 | 56.2 | 63.7 | – | – |
| *CFAO Technologies* | 4.8 | 6.3 | 5.5 | 7.8 | – | – |
| *CFAO Industries, Equipment & Services* | – | – | – | – | 77.9 | 88.4 |
| *CFAO Holding* | (23.1) | (23.2) | (15.2) | (24.7) | (24.7) | (27.0) |
| **Total** | **256.8** | **307.0** | **250.6** | **266.3** | **266.3** | **304.9** |

* *Based on Group structure in 2010.*

** *Pro forma based on Group structure in 2011.*

EBITDA before management fees paid to PPR (until 2009) is presented below.

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **EBITDA** | **262.9** | **313.9** | **256.3** | **266.3** | **304.9** |
| as a % of revenue | 10.4% | 10.9% | 9.9% | 10.0% | 9.8% |

Until 2009, CFAO benefited from a certain number of services from PPR in exchange for the payment of an annual fee. Following the IPO, the Group had to bear additional expenses related to its new status as an independent company directly. Some of these amounts were previously included in the annual fee (see section 9.1.3.5 of the Reference Document). Presenting EBITDA after the payment of PPR's annual fee therefore allows for a more meaningful comparison.

## OTHER FINANCIAL DATA

| | At December 31 | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **2007** | **2008** | **2009** | **2010** | **2011** |
| *Free operating* cash flow(1)(5) | 115.6 | 14.9 | 139.0 | 169.9 | 171.0 |
| Net debt(2) | (85.3) | (298.0) | (262.0) | (200.5) | (192.0) |
| Capital employed(3) | 616.1 | 739.7 | 837.3 | 800.0 | 926.6 |
| Working capital requirement (in € millions) | 317.4 | 459.2 | 401.7 | 383.2 | 397.0 |
| *Working capital requirement (as a % of revenue)* | *12.5%* | *16.0%* | *15.6%* | *14.3%* | *12.7%* |
| Return on capital employed (ROCE)(3)(4)(5) | 37.8% | 37.6% | 24.2% | 28.9% | 27.8% |

(1) *Free operating cash flow is equal to net cash from operating activities less net operating investments. For more information regarding the calculation of free operating cash flow, see section 10.4.4 ''Free operating cash flow''.*

(2) *The concept of net debt used by the Group comprises gross debt including accrued interest less net cash as defined by French National Accounting Board (*Conseil National de la Comptabilité *– CNC) recommendation 2009-R-03 dated July 2, 2009. Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds. The interest rate risk on this debt is covered in full or in part by these fair value hedges. For more information concerning the calculation of net debt, see section 10.4.5 ''Change in net debt''. The Group does not currently have any interest rate hedging instruments.*

(3) *Capital employed (i.e., the sum of intangible assets, property, plant and equipment, deposits and guarantees and working capital requirement, less provisions for contingencies and losses) is calculated using the average of the month-end values.*

(4) *ROCE corresponds to the ratio between operating income excluding gains and losses on the sale of financial assets and capital employed.*

(5) *Free operating cash flow and ROCE are not financial indicators defined under generally accepted accounting standards. They should not be taken as a substitute for operating income, net income or cash flows, nor should they be treated as measures of liquidity. The amounts of free operating cash flow and ROCE may be calculated differently by other companies with activities that are similar to or different from those of the Group. Accordingly, the free operating cash flow and ROCE figures calculated by the Group may not be comparable to those calculated by other issuers.*

# CHAPTER 4 – RISK FACTORS

Investors should read carefully the risk factors described in this Chapter before making any investment decision. As of this document registration date, these are the risks the Group considers as having a material adverse effect on its business, financial position, results and prospects. However, other risks may also exist that have not yet been identified as of this document registration date, or that are not considered as having a material adverse effect on the Group's business, financial position, results and prospects.

## 4.1 Risks relating to the business and regulatory environment

*A difficult macro-economic environment*

The Group conducts most of its operations in emerging or pre-emerging markets with economies that are often volatile and unpredictable, and which are affected by local political conditions as well as by multiple external factors, including the level of direct foreign investment and financial aid, and conditions in the markets for raw materials and other important export products. Low or negative economic growth rates, inflation and significant fluctuations in interest rates and currency values have had, and may continue to have negative effects on the economies in which the Group operates. Moreover, in many of these countries, the economy is highly dependent on the export of one or several categories of raw materials or agricultural products and therefore highly sensitive to relatively unpredictable developments in the markets for such raw materials or products.

When economic conditions are difficult, volatile or unpredictable, customers may reduce or defer spending, or seek to reduce costs by switching to lower cost alternatives offered by the Group's competitors. This is particularly true in CFAO's Automotive, Industries, Equipment & Services divisions, which depend on discretionary spending by businesses, governments and consumers.

Although the Group considers that its presence in 31 countries in Africa and seven French overseas territories, as well as its business in Vietnam and Mauritius, reduces the risk that a macro-economic downturn in a single country will have a significant impact on its results, its operations in certain countries generate a significant portion of its revenue. For information, the following countries and French overseas territories accounted for over 5% of Group revenue in 2011: Algeria (14.5%), Congo (8.3%), Cameroon (7.3%), Reunion (7.3%), French Antilles (6.5%) and New Caledonia (5.2%). Taken together, these six territories generated 49.1% of Group revenue in 2011 and unfavorable macro-economic conditions in one of them could have a material adverse effect on the Group's business, results, financial position and prospects (see Chapter 6 and section 6.1 of this Reference Document for further details of the Group's geographical revenue split).

Similarly, several countries located in the same geographic area could be simultaneously affected by adverse macro-economic conditions, as was the case in the mid-1990s following the devaluation of the CFA franc.

In addition, while the current global economic downturn has so far had a limited effect in Africa, it could still have a major impact on the economies of certain countries and regions in which the Group operates. The Overseas Collectivities have been hit by the current recession and it is not possible at present to predict how long these effects will last. The ongoing situation has made access to resources and financing more difficult and this could also have a material adverse effect on the Group's business, results, financial position and outlook, notably to the extent that a crisis could reduce demand for products, investment by the authorities and the availability of funding.

*Foreign exchange risk exposure*

The Group purchases its products in yen, in US dollars and in euros and sells them primarily in euros and euro-linked currencies (CFP francs), in CFA francs and in other local currencies. The Group prepares its financial statements in euros. If the currencies in which it purchases the products it distributes and the raw materials it uses to produce the products sold appreciate relative to the local currencies in which the Group makes its sales, CFAO may be unable to raise its prices to maintain its margins or cover the full increase in cost and any price increase the Group implements to cover the additional cost may adversely impact the Group's sales volumes.

In addition, because the Group reports its results in euros, an appreciation of the euro against the currencies in which the Group sells its products may reduce the euro equivalent of such sales, and conversely a depreciation of the euro may increase the euro equivalent of the Group's purchases. Furthermore, the Group's financial commitments (including borrowings) may be denominated in currencies other than the euro, exposing the Group to foreign exchange risk with respect to its financial charges. Failure by the Group to respond effectively to changes in foreign exchange rates could have a material adverse effect on the Group's business, results, financial position and prospects. (See section 4.4.1 ''Foreign exchange risks'' below for a more detailed description of foreign exchange risk and the tools used by CFAO to manage such risks.)

The Group operates in 14 countries that use the CFA franc (see the table in section 4.4.1.1 for further details). Although the CFA franc is currently pegged to the euro based on a fixed exchange rate, it is possible that the CFA franc could be devalued against, or decorrelated from the euro, either of which could have a material adverse effect on the Group's results. The 1994 devaluation of the CFA franc had a material adverse effect on the Group's revenue and operating income in the countries that were affected by it, and it took several years for sales to return to pre-devaluation levels.

Moreover, even before the devaluation of the CFA franc, the economies of numerous countries within the CFA franc zone – and consequently, the Group's sales in these countries – were adversely affected by certain measures taken by the countries in this zone to support the CFA franc. And while we stress that no such measures are being contemplated by the relevant monetary authorities at present, future devaluation in the CFA franc or government policies implemented to support the CFA franc, or other similar monetary policies in the other countries in which the Group conducts business, may have a material adverse effect on the Group's business, results, financial position and prospects.

*Business in emerging and pre-emerging African markets and countries*

The Group's future growth prospects are heavily dependent on the development of the emerging or pre-emerging markets of the African countries in which it operates. These economies are in various stages of development and their economic performances may vary considerably.

As discussed in section 6.4 ''Market description'', the Group believes that the African market offers generally favorable growth prospects due in particular to a high GDP growth rate in recent years, the emergence of a middle class and low levels of vehicle ownership and medical spending in most of the African countries in which the Group operates.

However, the Group cannot guarantee that the countries in which it operates will continue to experience high growth rates or that actual rates of development will be sufficient to support the Group's own development, that the purchasing power of the African middle class will actually grow, or that the infrastructure (essentially road networks) will be sufficiently improved, all of which could have a material adverse effect on the Group's business, results, financial position and prospects.

Countries in which the Group does business may also experience political or labor unrest, war, acts of terrorism or other violence, infrastructure failure or inadequacy, and the risk of loss due to expropriation, nationalization, confiscation of assets and property, or the imposition of restrictions on foreign investments and repatriation of invested capital. Political or social unrest is common in some of the countries in question.

The origins of such unrest may vary widely and could result notably from extremes of wealth and poverty, religious, ethnic or racial strife, or from external events such as hikes in raw material prices worldwide that can rapidly lead to significant increases in the prices of basic foodstuffs in a given country. This unrest has been, and may continue to be a source of violence and wars that could lead to destruction of assets and infrastructure, increased transportation expenses and interruptions in, or a slowdown of the Group's businesses, or have an adverse effect on economic growth in these countries.

The CFAO Group does not have operations in Tunisia, Egypt or Libya which experienced major popular uprisings in the first-half of 2011. However, the Group does have extensive operations in the neighboring countries of Algeria and Morocco (which accounted for 19.2% of consolidated revenue in 2011) and either of these countries could be affected by the ongoing political uncertainty and instability in the three aforementioned countries.

At the present time, certain countries in which the Group is present are experiencing social strife, such as the countries of the Sahel region, which have recently experienced an upsurge in terrorism. The French Foreign Ministry currently advises against traveling to Mauritania, Mali or Niger and its most recent recommendation, which dates from March 2012, formally advises French citizens not to travel to the northern half of Mali and Niger, and to the north eastern portion of Mauritania. The current situation in Mali is tense in view the *coup d'État* announced on March 22, 2012, and the subsequent rebellions in the northern part of the country the consequences of which are unpredictable. If the situation were to worsen, it could have an adverse impact on the CFAO Group's activities in this country and on the results of its operations. In 2011, Mali represented 2.5% of the Group's consolidated revenue.

The French Foreign Ministry currently advises French citizens against traveling along the northern border of Senegal and within the Casamance region, as well as to the extreme north of Burkina Faso. Finally, the French Foreign Ministry is advising people not to travel to any part of Nigeria which is witnessing renewed social strife and terrorist activity, or to northern or eastern Kenya due to conflicts along the borders with Somalia, Ethiopia and Sudan. Any of these ongoing situations could have the impacts described previously. In particular, they may hamper certain manufacturing operations, trading activities or projects, or make travel difficult and adversely affect development possibilities in a given country or region, and negatively impact the Group's activities and earnings.

In some countries where the Group does business, political or social unrest may be driven by upcoming elections which may disrupt economic activities and trade. Sometimes scheduled elections may lead central governments or public bodies to reduce expenditure or tighten credit and this may also slow down economic activity in the country concerned.

2012 is set to be a particularly busy year for elections in Africa. Based on information available as of the date of this Reference Document, 23 elections (8 presidential and 15 parliamentary elections) are scheduled in 16 countries in which CFAO is present. One such presidential election has just been held in Senegal, with legislative elections to follow in June. It appears that these elections are passing off without any social or economic upheaval that could have an impact on the CFAO Group. There are other significant dates on the electoral calendar this year, most notably in Mali, Algeria and Kenya. Some of these elections and related events may have an impact on the Group's business and results.

Election-related strife may last for a considerable period as happened in Côte d'Ivoire in late 2010/early 2011 and while the business environment in this country is now settling down, the situation is still not completely back to normal.

In view of this potentially unstable environment, CFAO is very attentive to country risks. Such risks are carefully analyzed before launching operations in new territories. In view of its longstanding operations in these countries, CFAO has for many years had an appropriate security procedure in place for each of the environments in which it operates, aimed at safeguarding its employees and assets. This procedure includes monitoring political and social conflicts in each of the countries concerned, in the aim of anticipating any difficulties.

*Exchange rate controls*

The Group's ability to generate operating cash flows at the level of CFAO SA (the Group's holding company) and to pay dividends depends on the ability of its subsidiaries to transfer the funds upstream. Several of the African countries in which the Group operates have exchange controls that place restrictions on the exchange of local currency for foreign currency and the transfer of funds or payment of dividends abroad. The Group is subject to such regulations in the following countries and areas: the CFA franc zone (see the table in section 4.4.1.1 for further details), Algeria, Nigeria and Morocco.

Although these controls have not generally created major operational problems, they may become more onerous in the future. These and other controls that may be implemented in the future could limit the ability of the Group's subsidiaries to transfer cash to CFAO. Moreover, in certain countries, the Group has experienced, and may experience in the future, difficulties in converting large amounts of local currency into foreign currency due in particular to illiquid foreign exchange markets.

In addition, as the cash flows of certain countries are highly dependent on the export of certain raw materials, the ability to convert such currencies can be limited by the timing of payments for such exports, requiring the Group to organize its currency conversions around such constraints. The Group cannot guarantee that additional restrictions on currency exchange will not be implemented in the future or that these restrictions will not limit the ability of the Group's subsidiaries to transfer cash to CFAO, which could have an adverse effect on the Group's business, results, financial position and prospects.

The Group takes account of exchange rate controls in its management of day-to-day transactions and in its decision-making analysis prior to launching new sites and operations.

*Restrictions on imports or foreign direct investment*

A significant portion of the Group's business involves the distribution of products that are sold in regions that are often distant from the places where they are manufactured. As a result, the Group must comply with applicable import regulations and restrictions, including import duties. Some countries in which the Group has operations may also decide to limit imports, by implementing new quotas, conditions for obtaining quotas, customs duties or other import barriers or by tightening up those already in place. These changes could durably hamper the Group's ability to import the products it distributes or sells in some countries, in particular vehicles, pharmaceutical products and spare parts, at reasonable prices, which could also negatively impact the Group's activities, results, financial position and prospects. In Algeria for example, in order to meet regulatory requirements for renewing its import quotas, the Group recently invested in the pharmaceutical sector.

The Group is also subject to the regulation of foreign direct investments in the countries in which it operates. Certain countries have implemented measures to encourage foreign investment, such as tax incentives, the loss of which could have an adverse effect on the Group's results. Other countries may impose new or additional limitations on foreign direct investment, causing the Group to incur additional costs.

Algeria has made far-reaching changes to its foreign investment regulations in recent years, including minimum Algerian shareholding requirements of 30% for companies engaged in foreign trade, introduced in July 2009. At present, this obligation does not apply to existing entities, however it makes it more difficult to incorporate new entities and set up new ventures if local partners cannot be found. It also makes it harder to reorganize local group entities or change their ownership or corporate management structures.

Minimum Algerian shareholding requirements increase to 51% in the case of manufacturing and service companies and are generally coupled with preemptive rights for the Algerian government or public entities in the event of the sale of a stake in an Algerian company by a foreign shareholder to a foreign buyer. New restrictions on existing or future investments in Algeria or in other countries could have a material adverse effect on the Group's business, results, financial position and prospects.

*Unstable legal and regulatory environment*

The Group's distribution businesses, and the products and services the Group offers are subject to a variety of legislative and regulatory measures in the countries in which it operates.

Weaknesses in legal systems and legislation in many of these countries create uncertainty for investments and business due to changing requirements that may be costly, incoherent and contradictory, limited budgets for judicial systems, defective judicial interpretations and/or inadequate regulations. These failings may have an adverse effect on economic conditions in the countries in which the Group operates. They could also interrupt some of the Group's businesses or lead to an increase in operating expenses in the countries concerned. Changes in legislative and regulatory provisions in these countries, which the Group may not be able to anticipate, could have a material adverse effect on the Group's business, results, financial position and prospects.

For example, in Algeria, a country in which the Group generated revenue of €453 million in 2011 (i.e., 14.5% of the Group's consolidated revenue), a series of regulations introduced since 2008 have made it more difficult to carry out import and distribution activities and it is impossible to estimate if these measures will remain in effect, or for how long. These regulations have had a negative impact on the Group's business in Algeria (for more information, see section 6.6 ''Regulations'' of this Reference Document) and, given the current unstable environment, no assurance can be given that Algerian government policies that have been favorable to new car sales, such as a prohibition on imports of used cars, will not be scrapped or changed in ways that reduce the positive impact they have had on new car sales in Algeria.

Government authorities have considerable discretionary powers in many of the markets in which the Group operates, and have sometimes used these powers somewhat arbitrarily and unpredictably. Moreover, many governments in the countries in which the Group operates have the power in certain circumstances, by regulation or other government action, to interfere with the performance of contracts or to terminate them or declare them null and void. Governmental actions may include withdrawal of licenses, withholding of permits, criminal prosecutions and civil actions.

In some countries, when the economic environment has deteriorated, and in order to compensate for the resulting revenue shortages, the authorities have imposed new regulations, in particular relating to tax and customs duties, sometimes unexpectedly. The weakness of the legal systems in the countries in which the Group operates could have a material adverse effect on its business, results, financial position and prospects (see section 6.6 ''Regulations'' for details of the regulations with which the Group has to comply).

*Difficulties obtaining licenses, permits or approvals for carrying out the Group's businesses*

Most of the Group's diversified offering of products and services is subject to regulations imposed by national, regional or local governmental and/or regulatory authorities in countries in which it operates, that may require the Group to obtain approvals or licenses from the relevant authorities in order to be able to do business.

For example, the Group is required to obtain licenses to sell pharmaceutical products in certain countries such as Algeria and the majority of the English- and Portuguese-speaking Sub-Saharan African countries in which Eurapharma operates. Moreover, in some countries, the act of importation requires a government-issued license. These licenses are subject to review, interpretation, modification or termination by the relevant authorities and any delay in obtaining them may adversely affect the Group's sales by hampering its import schedules. Moreover, certain Eurapharma subsidiaries located in France, including Continental Pharmaceutique and EPDIS France, as well as others located in the French overseas territories, may only engage in the wholesale importation and distribution of pharmaceutical products with the authorization of the French health regulator.

The Group can offer no assurance that the relevant authorities will not take any action that could materially and adversely affect these licenses, permits or approvals, or the Group's ability to distribute its products and provide its services, such as actions to increase license, permit or approval fees, or to reduce the scope of goods and services the Group is allowed to provide. The Group may experience difficulties in obtaining or keeping some of these authorizations, which may require the Group to undertake significant efforts and incur additional expenses, and may in turn have a material adverse effect on the Group's business, results, financial position and prospects. Nevertheless, the loss of a single one of these aforementioned authorizations by any of the Group's divisions would not result in the termination of all of the division's activities (see section 6.6 ''Regulations'' for details of the various regulations applicable to the Group).

*Risk of extortion and infringement of anti-corruption laws and regulations*

Anti-corruption laws and regulations in force in many countries prohibit companies from making direct or indirect payments to civil servants, public officials or members of governments for the purpose of entering into or maintaining business relationships. In certain countries where corruption and extortion are considered to be widespread, the Group sells products and services to governments and public or quasi public entities and its business requires obtaining approvals from, or completing certain formalities with public officials. Therefore, the Group is exposed to the risk that its employees, consultants or agents may make payments or grant hidden benefits in violation of anti-corruption laws and regulations, especially in response to demands or attempts at extortion.

In the past, the Group has experienced actual or alleged violations of anti-corruption laws and regulations and/or extortion. As a result, the Group has implemented prevention and training programs as well as internal procedures designed to promote best practices and discourage such violations. However, these prevention and training programs may prove to be insufficient, and employees, consultants or representatives of the Group may have been, or may in the future be engaged in activities for which the Group or its relevant corporate officers could be held liable.

In addition, certain anti-corruption laws and regulations may require that proper books and records be maintained, and that controls, procedures and internal regulations be implemented in order to ensure that the operations of a given entity do not involve corruption, illegal payments or extortion. The great diversity and complexity of these local laws and regulations and the decentralized operating basis of Group entities in various countries and markets create a risk that, in some instances, the Group may be deemed liable for violations of local laws and regulations – in particular, in connection with a failure to comply with the laws and regulations relating to books and records or reporting.

Any breach of these anti-corruption laws and regulations could affect the overall reputation of the Group and expose it to administrative or judicial proceedings, which could result in criminal and civil proceedings, culminating in a possible prohibition on maintaining business relationships with suppliers or customers in certain countries. This could have a material adverse effect on the operations, results, financial position and prospects of the Group.

As of the date of registration of this Reference Document, there are no material administrative or judicial proceedings in which the Group is involved, as the result of infringement of anti-corruption laws or as the result of extortion.

*Risk of fraud being committed by Group employees*

The Group has adopted a decentralized business model and operates in emerging and pre-emerging markets where ethical standards for business relations may not be uniformly mature. Despite the Group's best efforts in terms of training and internal control, it has experienced fraud by its employees in the past, and could experience this again in the future. Such cases may include misappropriation or misuse of corporate assets and could have an adverse effect on the Group's results.

As of the date of registration of this Reference Document, there is no pending case of fraud involving employees within the Group, which could have a material adverse effect on the Group's results or financial position.

*Tax risks linked to the geographical location of the Group's activities*

As an international group handling flows of funds in multiple jurisdictions, the Group is subject to tax laws in many countries throughout the world, and it structures and conducts its business globally around diverse regulatory requirements and its commercial, financial and tax objectives. Given that tax laws and regulations – particularly those involving transfer pricing – in the jurisdictions in which the Group operates do not always provide clear-cut or lasting solutions, or definitive guidance, the tax regimes to which Group entities are subject as well as the interpretations of current local tax laws and regulations may not be consistent over time or they may be applied in an inconsistent manner. This may undermine the Group's business planning process which could adversely affect the Group's effective tax rate and financial results.

In addition, some of the Group's subsidiaries are currently subject to tax audits and tax adjustments by the tax authorities in various jurisdictions, including France, in relation to VAT, sales tax, income tax and other taxes. The total amount of the provisions set aside for tax litigation amounted to €14.5 million as of December 31, 2011, and €17 million as of December 31, 2010. If these tax audits were to result in tax adjustments (for which provisions have been set aside in certain cases [see section 20.8.1 ''Tax litigation'' of this Reference Document]), or if the Group becomes subject to other tax adjustments, this could adversely affect the Group's cash flows, liquidity and ability to pay dividends (see Note 26 ''Provisions'' to the consolidated financial statements).

*Investor perceptions of risk in African economies*

Economic crises in one or more emerging or pre-emerging market countries may reduce overall investor appetite for securities of African market issuers, even for emerging market issuers located outside the regions directly affected by the crises.

Past economic crises in emerging markets, such as in Southeast Asia, Russia and Argentina, have often resulted in significant outflows of international capital and higher costs for raising funds, and in some cases have effectively impeded access to international capital markets for extended periods.

Similarly, a crisis affecting one or more African countries could impede the CFAO Group's access to financing.

## 4.2 Risks relating to the Group's business

*A relatively small number of suppliers*

A major part of the Group's operations depends on its ability to negotiate agreements and maintain business relationships with automobile manufacturers and pharmaceutical companies. While the Group has long-standing relationships with most of these suppliers, the Group's agreements with them are generally entered into for fixed terms, and therefore must be renewed and renegotiated periodically, and the current trend among the main automobile manufacturers is to reduce the duration of distribution agreements. In addition, some of these agreements contain change of control clauses that could be invoked by certain partners as a result of CFAO's IPO – although this has not happened up to the present time – or the sale by PPR at some time in the future of all or part of its stake in CFAO, or the acquisition of a certain percentage of the Company's capital or voting rights by a shareholder considered to be a competitor by the partner in question.

However, the Group believes that the main risk relates to the non-renewal of agreements that are generally entered into for a short term. The Group generates a significant share of its revenue from sales of products of a relatively limited number of suppliers, in particular in the CFAO Automotive division, and is therefore dependent on the success of their products and brands, as well as on maintaining its relationship with such suppliers.

Moreover, although in practice the Group is often the only distributor of a given product in the territories covered by a supply agreement, the agreements typically do not stipulate exclusivity. In addition, the automobile and pharmaceutical industries have substantially consolidated in recent years, and the global economic crisis could lead to further consolidation within these industries. When suppliers merge, they may seek to modify existing distribution strategies, for example by selecting a single distributor for a given territory or region, or by deciding, for strategic reasons, to enter or exit a given market.

The Group cannot guarantee that its suppliers will wish to continue to renew their agreements with the Group on acceptable terms, that the agreements will actually be renewed or will not be terminated prior to their expiration, or that the Group will remain, in practice, the only distributor of the products of a supplier in the countries covered by a given agreement. Early termination or failure to renew the Group's distribution agreements could have a material adverse effect on the Group's business, results, financial position and prospects.

*Risks related to developments in the automobile industry*

The performance of the Group's automobile division depends on the success of its key suppliers, in particular Toyota, General Motors (including Chevrolet and Opel), and Nissan, which together represented approximately 29.9% and 29.4% of its consolidated revenue in 2011 and 2010, respectively. The Group relies on its automaker suppliers to provide it with an attractive and high-quality range of products in a timely manner to meet its customer demands. The Group's success depends on its suppliers' financial position, new product design and marketing, reputation, management and industrial relations.

The Group's suppliers may be confronted with shortages or rising raw material costs, rising employee benefit costs, adverse publicity that may significantly reduce consumer demand for their products, product defects, product recalls, litigation, poor market strategy, or other unfavorable developments. Manufacturers also provide product warranties and, in some cases, service contracts to customers that allow the Group to perform work at the sales locations for vehicles under manufacturer product warranties and service contracts, and bill the manufacturer directly as opposed to invoicing the store customer. Consequently, at any particular time, the Group may have significant receivables balances with manufacturers for customer warranty and service work performed. In addition, the Group relies on manufacturers to varying degrees for replacement parts, technical training, product brochures, point of sale materials, and other items required at the Group's sales locations.

Automobile manufacturers have been severely affected by the recent global economic crisis, and many manufacturers have experienced acute financial difficulties (e.g., General Motors) that they have successfully dealt with. Others could easily experience similar difficulties in the future.

The impact of the continued economic difficulties of the major automobile manufacturers on the Group's portfolio of brands is difficult to predict. If automobile manufacturers continue to experience financial difficulties, possible effects could include a major shake-out in the sector that could undermine the interests of distributors, a deterioration in the services rendered to the Group by these suppliers, reduced consumer demand for vehicle inventory, non-payment of receivables and/or termination of the Group's distribution agreements, any or all of which would have a material adverse effect on the Group's business, results, financial position and prospects.

The earthquake that struck Japan in March 2011 and its aftershocks caused widespread damage to the Japanese manufacturing industry and to its sub-contractors. The floods in Thailand during the second-half of 2011 also had an adverse impact on the automobile industry in general, and as concerns the Group on the manufacture of pickups in particular.

Because of these natural catastrophes, the Group may face difficulties in obtaining supplies of certain brands that it distributes, notably Toyota, Nissan and Isuzu, which could have an adverse impact on its revenue and results.

*Risks associated with the import and export of products*

The Group imports materials and products from numerous countries, and coordinates delivery to its 261 sites on five continents. Accordingly, the Group's ability to serve its customers competitively depends on its ability to import and export its inventory in a timely and effective manner. The Group uses multiple forms of transportation to bring its products to market, including trucks, air freight and sea freight. The Group's inventory is often under the control of third-party transporters for long periods, which can range from five days for products shipped from Europe to North Africa, to 90 days for products shipped from Japan to land-locked countries of Sub-Saharan Africa. The weighted average period is 30 days.

The import and export of its products may be disrupted by raw material shortages, work stoppages, strikes, shipping container shortages, bankruptcies of transporters, stricter inspections of import deliveries, poor or extreme weather conditions and accidents, or damage or destruction of products during the shipping process. Increased import or export delays or increased forwarding costs for any reason, including availability or cost of fuel, regulations affecting the industry, competition for shipping capacity, piracy or labor shortages in the transportation industry, could have an adverse effect on the Group's ability to serve its customers, which could have a material adverse effect on the Group's business, results, financial position and prospects.

*Functioning of distribution facilities*

The efficient functioning of the Group's global distribution facilities is key to its success. The Group distributes its products to customers directly from the manufacturers and through distribution subsidiaries located primarily in Africa. The Group's ability to meet customer expectations, manage inventories, complete sales and achieve objectives depends on the proper operation of its distribution facilities, the development or expansion of additional distribution capabilities, and the timely performance of services by third parties (including those involved in shipping products to and from distribution facilities).

The Group centralizes most of its purchases through central purchasing offices and relies on logistics information systems across its supply chains for production, forecasting, ordering, manufacturing, transportation, sales, and distribution. The Group's ability to effectively manage and maintain its inventories and to deliver products to customers on a timely basis depends to a large extent on the reliability of its centralized purchasing operations and these logistics information systems. The Group's distribution systems could be interrupted by power failures, breaches in security, IT problems, natural disasters or problems linked to geopolitical instability in one or a number of countries where there is a potential or an actual threat to the free movement of goods. The Group has taken out business interruption insurance, but this may not adequately protect it from all of the adverse effects that could be caused by significant disruptions to its distribution systems. Any significant failure within the aforementioned systems could have a material adverse effect on the Group's business, results, financial position and prospects.

*Customer credit risk*

Although the Group's customer base is diversified across industries and countries and no single customer represents more than 1% of its revenue, the Group is exposed to the risk of non-payment or delayed payment by its customers. Customers may default on their payment or contractual obligations for any number of reasons, including insolvency, illiquidity, operational problems or alleged breaches of contract. Although the Group seeks to manage this exposure through guarantees, insurance and credit control, it is not possible to eliminate this risk, which is accentuated by the economic crisis. In particular, the Group's risk management model may not accurately anticipate the impact of an economic crisis on customers, and the Group may fail to set aside adequate provisions for potential losses. Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate, particularly in the current economic climate, and an unforeseen substantial increase in bad debts could have a material adverse effect on the Group's results.

*Risk of increased competition*

The Group's competitive environment varies by division, products distributed and the countries and regions in which it operates. In markets where the Group is the leading distributor or has a high market share, it may be unable to maintain its leading position or market share. As the economies of the countries in which the Group operates grow and mature, other distributors may enter the market, and, in some cases manufacturers may elect to begin distributing their products directly or through affiliates.

Although the Group is often the only distributor of a manufacturer's products in a given country or region, the Group's agreements with manufacturers rarely stipulate exclusivity. As the Group's markets become more mature and grow, larger distributors present in other regions in Africa and the Middle East may seek to enter the Group's markets. In recent years, major manufacturers and exporters have showed renewed interest in Africa, which has become a new target market for certain – largely Chinese – players, thus increasing competition in general.

This increased competition may require the Group to spend greater resources to acquire and retain customers, or may require it to reduce its prices in order to avoid losing market share to competitors. In the Automotive division, existing partnerships with major automakers may make it difficult to negotiate distribution agreements with competing automakers in the same country.

In several of the Group's other markets, such as Algeria, Morocco, and English- and Portuguese-speaking Sub-Saharan Africa, the Group faces stiff competition, has lower market shares than in other countries and in some cases may also face competitors who are better established locally than the Group. The Group also faces substantial competition from used car dealers (and in countries such as Algeria where there are regulatory restrictions on used car imports, such restrictions may be lifted in the future, generating increased competition).

Regulatory authorities may seek to stimulate competition in the Group's pharmaceutical products distribution markets by granting additional licenses to new actors, or to lower the price of drugs by reducing the margins paid to wholesale distributors. Eurapharma subsidiaries in the French overseas territories have recently had to compete with a number of wholesalers from mainland France who do not actually operate as wholesalers-resellers. If the Group is unable to respond effectively to competition, it may lose customers to competitors or be forced to lower its prices or its margins, which could have a material adverse effect on the Group's business, results, financial position and prospects.

*Risk related to recruiting, retaining and training skilled labor*

The Group's success depends in large part upon its ability to attract and retain skilled manufacturing, sales and management personnel, and any difficulties in retaining key employees could disrupt its operations. Future growth will require the Group to continue to implement and improve its managerial, operational and financial systems, and to retain, recruit and train additional qualified personnel, which may strain the Group's administrative and operational infrastructure.

If the Group is unable to retain key personnel or manage its growth effectively, it may not be able to implement its business plan. Generally speaking, the Group does not have non-competition agreements in place that would prevent its managers or employees who leave the Group from joining a competitor. The loss of the services of existing personnel or the failure to recruit additional key technical and managerial personnel in a timely manner following the loss of employees to its competitors could have a material adverse effect on the Group's business, results, financial position and prospects.

*Changes in pharmaceutical price regulations*

In the French overseas territories, the price of the pharmaceutical products marketed by the Group is subject to government regulation (regulated margins). Government may sometimes amend the regulations to limit healthcare spending. For example, in 2008, the Group was required to lower its margins in the French overseas territories as part of a government decision, which reduced Eurapharma's operating margin slightly in 2009. In late 2011, a new regulation was adopted in mainland France to reduce the margins earned by wholesalers/resellers and, while no official decision has been taken to this effect, a similar measure could be applied in the French overseas territories in 2012.

In the 14 French-speaking Sub-Saharan African countries (including Mauritania) in which the Group operates, as well as in Algeria, the price of medication is generally regulated, as are the margins at different stages of the distribution process. Any reduction in the margin the Group is permitted to generate in these markets may have a material adverse effect on its business, results, financial position and outlook.

In addition, governments or private health insurers may also attempt to reduce spending on pharmaceutical products. For example, in 2008, the French government took steps to encourage the sales of lower-priced generic products, negatively affecting the Group's results in the French Overseas Territories. Any similar initiatives seeking to lower the reimbursement of medical expenses could have a material adverse effect on the Group's business, results, financial position and prospects.

*Risks associated with manufacturing processes in the CFAO Industries division*

The Group manufactures certain products at its production facilities, including beverages, plastic products and motorcycles. While the Group has taken out insurance covering its facilities, including business interruption insurance, loss of the use of all or a portion of its facilities due to accident, fire, flooding, explosion, labor unrest, civil war, severe weather conditions, or other natural disasters, whether in the short- or long-term, could have a material adverse effect on the Group's business, results, financial position and prospects.

Unexpected failures or breakdowns of the Group's equipment and machinery may result in production delays, revenue loss and significant repair costs, as well as in injuries to its employees. Any interruption in production capability may require large capital expenditure to remedy the situation. The Group's business interruption insurance may not be sufficient to offset the lost revenue or increased costs that it may incur during a disruption of its operations, which could have a material adverse effect on the Group's business, results, financial position and prospects.

## 4.3 Risks relating to the Group

*Risks linked to the Group's external growth strategy*

The Group's strategy partly relies on external growth through acquisitions. However, the Group may not be in a position to identify attractive acquisition candidates or to implement transactions on a timely basis or on acceptable terms. The conduct, timing, pricing and basis of acquisitions depend upon various factors, including the size of the target, negotiation of acceptable terms, the Group's financial capabilities, the availability of skilled employees capable of handling the acquisition and integrating the acquiree(s), and general economic and business conditions.

In its vehicle distribution activity, in the event that it acquires distribution businesses for certain brands in certain territories, the Group may have to contend with the loss of distribution rights to rival brands, or with requests to renegotiate contracts from suppliers of these rival brands in the territories concerned and even in other territories, which could have an adverse effect on the Group's results.

Further, the Group may need to borrow funds to complete future acquisitions and the resulting debt may reduce its income, or may not be available on acceptable terms. Such debt may also restrict the Group's ability to fund other projects or investments. Acquisitions may also involve other risks or problems *inter alia* operating in new markets with which the Group is unfamiliar, disruption to the Group's existing business, failure to retain key personnel of the acquired entities, deterioration in relationships with employees, manufacturers and customers or incorrect valuation of acquired entities.

In addition, integrating acquired entities into the Group's existing mix of businesses may result in substantial costs, diversion of management energy and resources or other operational or financial problems. Unforeseen expenses, difficulties and delays frequently encountered in connection with the integration of acquired entities and the rapid expansion of operations could hamper the Group's growth, result in failure to achieve acquisition synergies and require it to focus resources on integration rather than on other more profitable areas. Acquired entities may encumber the Group with unforeseen liabilities, or more onerous liabilities than it expected prior to completing the acquisition, which could have a material adverse effect on the Group's business, results, financial position and prospects.

*Less room for maneuver due to partnerships and minority shareholders*

The Group conducts certain businesses, including its beverages business in Congo, through partnerships. The partnership agreements sometimes include rights of first refusal, preemptive rights (including reciprocal preemptive rights) or put or call options that may restrict the Group's ability to maximize proceeds in the event of the sale of its stake. Moreover, these agreements may provide for vetoes over certain decisions relating to the operations of the partnership that could prevent the Group from implementing its strategy, which could in turn have a material adverse effect on the Group's business, results, financial position and prospects.

In addition, there are minority shareholders in numerous subsidiaries in all of its divisions. Agreements with the minority shareholders generally include preemptive and approval provisions, as well as commitments regarding representation on the governance bodies of the relevant companies. Minority shareholders may also restrict the Group's freedom of action in certain respects, e.g., corporate restructurings and dividend policy. Moreover, the Group conducts its pharmaceutical business in part through local subsidiaries in which local pharmacists hold minority interests. The by-laws of these companies and the agreements between the Group and these pharmacists do not generally provide for liquidity mechanisms – notably in the event of the retirement of a pharmacist – that would enable the Group to repurchase these minority interests and to transfer them to practicing pharmacists. Impediments to transferring shares in these companies could undermine the Group's strategy of fostering loyalty among local pharmacists by giving them an equity interest in the business.

*Financial risks from inadequate insurance coverage*

Many of the countries in which the Group operates have a history of currency instability, high inflation, political and civil unrest, wars and/or terrorism, and obtaining adequate insurance coverage against such risks for the Group's operations and assets in these countries may be impossible or prohibitively expensive. Should the Group's insurance coverage prove to be inadequate, the Group's financial position and results could be severely strained by losses arising on the risks inherent to operating in emerging or pre-emerging countries.

The Group is also exposed to risks inherent to its businesses. Although the Group maintains civil liability insurance, claims sometimes result in the payment of significant amounts, portions of which are not covered by insurance policies. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims, or that it will be able to maintain its existing insurance coverage on acceptable terms. If the Group's insurance coverage proves to be inadequate or unavailable in the future, this could have a material adverse effect on the Group's business, results, financial position and prospects.

*Risks related to litigation*

The Group is party to, or directly or indirectly involved in tax, civil and criminal litigation (see section 20.8 ''Litigation and arbitration''). In particular, certain subsidiaries of the Group are involved in tax reassessment proceedings in France, Morocco, and Algeria (see section 20.8.1 ''Tax litigation''). The Company is also party to proceedings before the Paris Commercial Court involving a claim by various minority shareholders of SCOA (which merged with CFAO 1997) for the payment by the Company of substantial damages. CFAO is also named in various criminal actions related to this commercial dispute (see section 20.8.2 ''Civil and criminal litigation''). At this stage of the proceedings, the Group cannot predict the outcome of these cases or the financial liability that it may incur as a result of these litigations, which, in aggregate, could have a material adverse effect on its financial position or results in the future.

There are no other governmental, legal, or arbitration proceedings (including any proceedings of which the Group is aware, that are pending or threatened) that could have or have had in the past twelve months a material impact on the Group's financial position or profitability.

The Group has set aside provisions for certain tax-related disputes; however, it has not set aside provisions for the litigation described in section 20.8.2 ''Civil and criminal litigation''.

However, the Group cannot exclude the possibility that new governmental, legal, or arbitration proceedings may arise due to events or facts that are currently unknown or the associated risk of which is not yet determinable or quantifiable. Such litigation could have a material impact on the Group's financial position or results. In particular, and without limitation, the Group could be exposed to liability claims related to the sale or storage of products. Although the risk of liability due to substandard or defective products is primarily assumed by the manufacturer of the product and CFAO has taken out several insurance policies to protect itself against this risk, coverage limits may be inadequate to cover claims and/or legal expenses.

Any successful product liability claim or other type of claim may have a significant impact on the Group's financial position or results and could also prevent it from obtaining new liability insurance in the future on commercially advantageous terms. Finally, certain products distributed by the Eurapharma division are stored and transported under specific conditions, e.g., cold storage for certain vaccines and insulin-based products. Non-compliance with these storage specifications could lead to lost inventory or product recalls, with consequential reputational damage and a risk of product liability, and material adverse effects for the Eurapharma division's operations and results.

*Ability of Group operating subsidiaries to generate profits and pay dividends*

CFAO, the parent company is a holding company that conducts the majority of its operations directly or indirectly through its operating subsidiaries. Most of the Group's assets are held by, and substantially all of its revenue and cash flows are attributable to the Group's operating subsidiaries. If revenue from these operating subsidiaries were to decline, the Group's earnings and cash flow would be affected, and the Group might not be able to meet its obligations or pay dividends. The Group's cash flows are principally derived from dividend payments, management fees, license royalties and interest and repayments of inter-company loans from its operating subsidiaries.

The ability of the Group's operating subsidiaries to make these payments depends on business considerations, regulatory limits in France and in the countries in which the Group does business, and relationships with other shareholders, in the case of subsidiaries that are jointly owned with local partners. Moreover, the Group may, in the future, be subject to exchange controls that restrict the transfer of cash upstream from operating subsidiaries to the holding company – as in Algeria where restrictions have been placed on the payment of dividends abroad.

CFAO, the parent company cannot guarantee investors that its operating subsidiaries will be able to distribute sufficient quantities of cash to it. Any decrease in revenue or failure or inability of Group operating subsidiaries to make payments to the Group's other subsidiaries could have a material adverse effect on the Group's ability to distribute dividends, service Group debt and satisfy its other obligations, which could in turn have a material adverse effect on the Group's business, results, financial position and prospects.

The Company's aim is to distribute an annual dividend, however, this objective is in no way an obligation for CFAO. The amount of dividends paid out in the future will depend on a number of factors, including the Group's strategic objectives, financial position, any contractual restrictions, development opportunities or applicable legislation.

*Risks related to the CFAO Group's new-found autonomy*

In the wake of CFAO SA's IPO in December 2009, a number of contracts between the Group's subsidiaries and PPR, pursuant to which PPR provided various services to the Group, have been terminated.

In particular, in late 2009, the Group paid off its cash current account balance with the PPR group and replaced this facility with a €300 million syndicated credit facility (see Chapter 10 ''Capital resources'' for further information on this credit facility). If the Group were unable to meet its obligations under the syndicated credit agreement, or in the event of a change in control of the Company (as defined in Chapter 10), the lending institutions may demand early repayment of outstanding balances or cancel the credit facilities which would have a material adverse effect on the Group's business, results, financial position and prospects.

Lastly, it should be noted that as of January 31, 2012, PPR group owns 41.99% of the shares and voting rights of CFAO SA (see Chapter 18, section 18.3 ''Principal shareholders''). A decision by PPR group to sell all or part of its holding on the market, or a perception by the market or by investors that such a sale was imminent or planned, could have a material adverse effect on the Group's share price.

Moreover, in light of CFAO SA's recent stock market listing and the lack of historical data relating to the share price and trading volumes, the Group cannot guarantee that a liquid market for its shares will last into the long term and this may affect the share price. Finally, it is important to note that stock market prices sometimes fluctuate considerably and such fluctuations are not always a reflection of the results of the companies quoted. Nonetheless, such market fluctuations may have a material effect on CFAO SA's share price.

## 4.4 Market risks

The Group has implemented an organizational structure that allows it to centralize the management of market risks. Within the Group, risk management is placed under the responsibility of Group financial management. The Group believes that addressing these issues at holding company level allows for more efficient implementation of the Group's risk management policies. Additional information about these risks is provided in Note 29 to the consolidated financial statements in Chapter 20 of this document.

### *4.4.1 Foreign exchange risks*

#### *4.4.1.1 Overview*

The Group's foreign exchange risk management policy consists of reducing the Group's intrinsic exchange rate risk by contracting currency forward hedges to manage the risk on commercial transactions denominated in foreign currencies (see Note 29.2 to the consolidated financial statements in Chapter 20 of this Reference Document).

The Group sells its products in euros and equivalent currencies (such as CFP francs), in CFA francs, and in other local currencies and prepares its financial statements in euros. But Group purchases are made in yen, US dollars and in euros, and these differences expose the Group to several currency-related risks, including:

- The value of the euro could depreciate between the date on which the Group places an order with a supplier in Japanese yen, US dollars, or any other currency, and the payment date for such order, resulting in an increase in the euro equivalent of such payment. To limit this risk, the Group enters into forward purchase contracts when it places an order in yen, US dollars or other currencies for an amount equal to 100% of the amount of the confirmed order at the payment date. This policy allows CFAO Automotive to anticipate the potential impact on the cost of vehicles sold resulting from the high cost of purchasing currencies as from the time orders are made, and to adjust its pricing policy where applicable to reduce the impact of exchange rates on gross profit. Any price increase in a local currency may lead to a decline in sales.
- The local currencies in which the Group's sales are made could depreciate against the euro (which is either the purchase currency or the currency into which exposure to the supplier's currency has been converted through the forward purchase contracts described above), requiring a higher amount of local currency to cover the purchase price. The Group takes several measures to minimize this risk:
  - *At central purchasing office level:* the central purchasing offices bill the local subsidiaries in the hard currency most closely associated with the local currency, and, once a confirmed order is received, they set up forward sale contracts for 100% of the value of the confirmed order at the payment date by the local subsidiaries. By doing this, the central purchasing office protects against a devaluation of the hard (billing) currency against the euro between the billing and payment dates.
  - *At local subsidiary level:* local subsidiaries either hedge, when possible, or else bear the risk of devaluation of the local currency in which they bill their customers against the hard currency in which they are billed by the central purchasing office, between the order and payment dates.

- *In the euro and euro-equivalent zones (see ''French overseas territories'' in the following table), which accounted for 26.7% of the Group's 2011 revenue,* the local subsidiaries bill customers in euros or in CFP francs, which are pegged to the euro. There is no foreign exchange risk exposure and these amounts are not hedged.

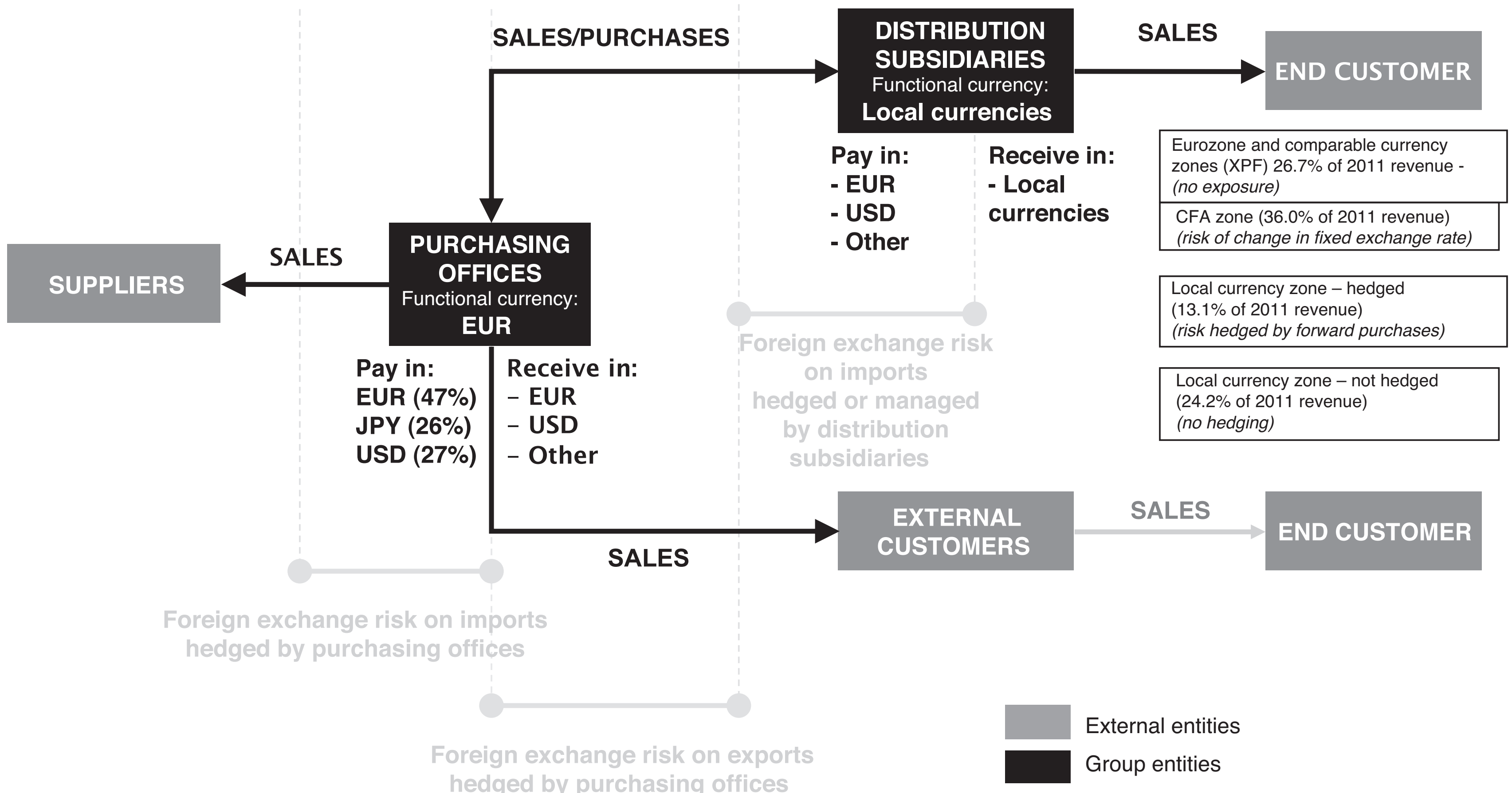
- *In the CFA franc zone (see ''French-speaking Africa – CFA franc zone'' in the following table), which accounted for 36.0% of the Group's 2011 revenue,* the local subsidiaries bill customers in CFA francs, a currency that is pegged to the euro. These subsidiaries are not exposed to exchange rate fluctuations and do not use hedging arrangements. They can neither exclude nor hedge against the possibility of a change in the fixed exchange rate between the CFA franc and the euro. See ''Foreign exchange risk exposure'' in section 4.1 ''Risks relating to the business and regulatory environment''.

- *In the countries outside of the CFA franc zone and the euro and euro-equivalent zones, where it is possible to hedge the exchange risk between local currency and hard currency (Morocco, Kenya and Mauritius) (13.1% of the Group's 2011 revenue),* the Group's subsidiaries set up forward purchase contracts for an amount equal to the purchase price of the goods ordered from the central purchasing offices at the scheduled payment date. This allows them to hedge against the risk of devaluation of the local currency against the hard currency in which their purchases are billed to them.

- *In the countries outside of the CFA franc zone and the euro and euro-equivalent zones, where it is not possible to hedge the exchange risk between local currency and hard currency (in the following table see ''English-speaking Africa'', ''Maghreb'' and ''Africa – other countries'', excluding Morocco, Kenya and Mauritius) (24.2% of the Group's 2011 revenue),* the Group's subsidiaries must bear the risk of a devaluation in the local currency against the hard currency between the date of the confirmed order with the central purchasing office and the due date for payment to the central purchasing office. For these local subsidiaries, the Group's policy is to seek to adjust sales prices in local currency to cover fluctuations in the value of local currency against the hard currency in which central purchasing offices bill the products. Nevertheless, the Group is not always able to adjust its prices to cover the total amount of exchange rate fluctuations, especially in highly-competitive markets. The Group's Nigerian subsidiaries started hedging their foreign exchange exposure to the naira in December 2010.

- When preparing its consolidated financial statements, the Group must convert the financial statements of its subsidiaries, which are prepared in local currency, into euros. Any devaluation of local currencies against the euro has a negative impact on shareholders' equity (see the ''Cumulative translation adjustments'' column in ''Consolidated statement of changes in equity'' in the consolidated financial statements presented in Chapter 20 of this Reference Document).

**Exchange Rate Hedging Policy of CFAO**



*Billing currencies used by the central purchasing offices*

The central purchasing offices bill local subsidiaries in the hard currencies deemed to be most closely associated with the applicable local currency. These hard currencies are listed in the following table:

| Geographic location of the subsidiary | Currency used by the central purchasing office for billing purposes | Country / Territory / Department |
|---|---|---|
| French overseas territories | Euro | Reunion, French Guiana, New Caledonia, Martinique, Guadeloupe, French Polynesia, Saint Martin |
| French-speaking Africa –CFA franc zone | Euro | Benin, Burkina Faso, Côte d'Ivoire, Senegal, Togo, Cameroon, Central African Republic, Congo (Brazzaville), Equatorial Guinea, Gabon, Mali, Niger, Chad, Guinea-Bissau |
| English-speaking Africa | US dollar | Tanzania, Zambia, Malawi, Kenya, Nigeria, Ghana, Zimbabwe, Gambia, Uganda |
| Maghreb | Euro | Morocco |
| | US dollar | Algeria |
| Africa – other countries | US dollar, Euro, Japanese yen(1) | Guinea, Congo (RDC), Mauritania, Mauritius, São Tomé and Principe, Madagascar |

(1) *As appropriate*

*4.4.1.2 Hedging instruments*

In accordance with IAS 39, foreign exchange hedges were analyzed to determine whether they qualified for hedge accounting.

The following tables present the Group's exposure to foreign exchange risks (including the risk related to intragroup transactions).

As of December 31, 2011, the Group's documented foreign exchange hedging instruments were as follows:

| (in € millions) | 2011 | Japanese yen | US dollar | Euro | Other |
|---|---|---|---|---|---|
| **Fair value hedges** | | | | | |
| Forward purchases and forward purchase swaps | **511.0** | 171.1 | 292.3 | 43.4 | 4.2 |
| Forward sales and forward sale swaps | **(245.4)** | (3.7) | (241.4) | | (0.4) |
| Total | **265.5** | 167.4 | 50.9 | 43.4 | 3.8 |

The €265.5 million total consists of hedges set up by the central purchasing offices (€200.2 million) and local subsidiaries (€65.4 million for countries with local currencies that may be hedged against the currencies in which purchases are billed by the central purchasing offices, see below).

The Group's foreign exchange risk exposure can be broken down into three components:

- ***Foreign exchange risk at the level of the central purchasing offices.*** Confirmed orders placed with suppliers and with customers in currencies other than the euro (mainly the Japanese yen and the US dollar) are hedged for their full amount using forward purchase/sales contracts: CFAO's central purchasing offices hedge the foreign exchange risk arising on the statement of financial position (trade receivables/payables) and on forecast transactions (confirmed supplier and customer orders) with respect to their reporting currency (euro).

  Hedged positions and exposure at December 31, 2011, can be analyzed as follows:

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **CENTRAL PURCHASING OFFICES** | | | | | | |
| Central purchasing receivables | **115.2** | | 113.5 | 1.6 | 0.0 | 139.5 |
| Central purchasing payables | **231.6** | | 165.5 | 65.9 | 0.2 | 211.5 |
| **Gross exposure in the statement of financial position – central purchasing** | **(116.5)** | **0.0** | **(52.0)** | **(64.3)** | **(0.1)** | **(72.0)** |
| Customer orders | **133.1** | | 130.6 | 2.2 | 0.2 | 109.2 |
| Supplier orders | **217.9** | | 107.8 | 106.6 | 3.4 | 127.6 |
| **Projected gross exposure – central purchasing** | **(84.8)** | **0.0** | **22.8** | **(104.4)** | **(3.2)** | **(18.4)** |
| **Gross exposure before hedging – central purchasing** | **(201.3)** | **0.0** | **(29.2)** | **(168.7)** | **(3.3)** | **(90.4)** |
| Hedging instruments – central purchasing | **200.2** | | 30.0 | 167.4 | 2.7 | 86.1 |
| **Net exposure after hedging – central purchasing** | **(1.1)** | **0.0** | **0.8** | **(1.3)** | **(0.6)** | **(4.3)** |

- ***Foreign exchange risk at the level of the subsidiaries operating in markets where forward currency contracts may be used to hedge the local currency against the currency in which purchases are billed by the central purchasing offices.*** Certain subsidiaries may use financial instruments to hedge the foreign exchange risk between their debt in US dollars or euros and their reporting currency (Moroccan dirhams, Kenyan shillings, Mauritian rupees and Nigerian naira).

Hedged positions and exposure at December 31, 2011, can be analyzed as follows:

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)** | | | | | | |
| ***Subsidiaries that use hedging instruments*** | | | | | | |
| Receivables due to subsidiaries hedging foreign exchange risk<br>Payables owed by subsidiaries hedging foreign exchange risk[(1)] | **65.4** | 43.4 | 20.9 | | 1.1 | **57.5** |
| **Gross exposure in the statement of financial position** | **(65.4)** | **(43.4)** | **(20.9)** | **0.0** | **(1.1)** | **(57.5)** |
| Gross projected exposure of subsidiaries hedging foreign exchange risk | **0.0** | | | | | **0.0** |
| **Gross exposure before hedging** | **(65.4)** | **(43.4)** | **(20.9)** | **0.0** | **(1.1)** | **(57.5)** |
| Hedges set up by subsidiaries | 65.4 | 43.4 | 20.9 | | 1.1 | 57.2 |
| **Net exposure after hedging of foreign exchange risk by subsidiaries** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **(0.3)** |

(1) *including €18 million in borrowings from the parent company*

- ***Foreign exchange risk at the level of the subsidiaries operating in markets in which it is not possible to use forward currency contracts to hedge the local currency against the currency in which purchases are billed by the central purchasing offices.*** As of December 31, 2011, the exposure to foreign exchange risk can be analyzed as follows:

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)** | | | | | | |
| ***Subsidiaries that do not use hedging instruments*** | | | | | | |
| Receivables due to subsidiaries | **19.0** | 3.2 | 15.4 | 0.0 | 0.4 | **7.5** |
| Payables owed by subsidiaries | **158.0** | 141.0 | 15.5 | 1.5 | 0.0 | **40.9** |
| Cash | **29.2** | 2.8 | 25.2 | 0.8 | 0.3 | **12.1** |
| Borrowings | **16.2** | 1.1 | 12.2 | 2.2 | 0.8 | **9.3** |
| **Gross exposure in the statement of financial position** | **(126.1)** | **(136.0)** | **13.0** | **(2.9)** | **(0.1)** | **(30.6)** |

The statement above does not include the exposure of euro-dominated assets and liabilities of subsidiaries in the CFA zone, since the exchange rate of this currency is fixed against the euro. These items amounted to €83.3 million as of December 31, 2011.

The following table summarizes the Group's net consolidated position:

**Net consolidated position**

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **CFAO Group** | | | | | | |
| Receivables | **134.2** | 3.2 | 128.9 | 1.6 | 0.4 | 147.0 |
| Payables | **520.3** | 249.7 | 201.9 | 67.5 | 1.3 | 409.1 |
| Cash | **29.3** | 2.9 | 25.2 | 0.8 | 0.3 | 12.1 |
| Borrowings | **34.2** | 19.1 | 12.2 | 2.2 | 0.8 | 9.3 |
| **Gross exposure in the statement of financial position** | **(391.1)** | **(262.7)** | **(59.9)** | **(67.2)** | **(1.3)** | **(259.2)** |
| Customer orders | **133.1** | 0.0 | 130.6 | 2.2 | 0.2 | 109.2 |
| Supplier orders | **217.9** | 0.0 | 107.8 | 106.6 | 3.4 | 127.6 |
| **Projected gross exposure** | **(84.8)** | **0.0** | **22.8** | **(104.4)** | **(3.2)** | **(18.4)** |
| **Gross exposure before hedging** | **(476.0)** | **(262.7)** | **(37.1)** | **(171.7)** | **(4.5)** | **(277.7)** |
| Hedging instruments | **265.5** | 43.4 | 50.9 | 167.4 | 3.8 | 143.3 |
| **Net exposure after hedging** | **(210.4)** | **(219.3)** | **13.8** | **(4.2)** | **(0.7)** | **(134.4)** |

Net exposure at 31 December 2011 (€210.4 million) includes €83.3 million of exposure to the CFA franc and €127 million of exposure to other currencies.

**Analysis of sensitivity to foreign exchange risk**

Based on year-end market data, the impact of a sudden 10% increase or decrease in the exchange rate of purchasing currencies not hedged against local currencies would be a positive or negative amount of €12.6 million. For the purposes of this calculation, all other variables are held constant, and the analysis excludes the impact relating to the conversion of the financial statements of each Group entity into euros. This analysis does not include the subsidiaries of the CFA franc zone whose currencies are pegged to the euro. This zone is not subject to exchange rate fluctuations with the euro but could be affected by a change in the fixed exchange rate with the euro.

*4.4.1.3 Management of foreign exchange risks for operational expenditure*

In order to limit the foreign exchange exposure on the financing of its operational expenditure, the Group generally tries to finance this expenditure out of shareholders' equity or borrowings in local currency.

*4.4.1.4 Residual foreign exchange risk (after hedging)*

Despite its efforts to systematically hedge its exchange rate risk exposure where possible, the Group cannot entirely eliminate its exposure to such fluctuations and it remains exposed to the following residual risks:

- For subsidiaries outside the CFA franc zone that operate in markets in which it is not possible to use forward currency contracts to hedge against the risk of fluctuation between the local currency and the currency in which purchases are billed by the central purchasing offices (which is the case in most of the countries in Africa in which the Group operates), the Group is unable to hedge against fluctuations between these currencies.

- In the CFA franc zone, the Group cannot hedge against or exclude the possibility of a change in the fixed exchange rate of the CFA franc against the euro (see section 4.1 ''Foreign exchange risk exposure'').

- The Group often places orders via the central purchasing offices without having a matching customer order. When a sale to the final customer takes place after the expiration of the corresponding hedge, the Group is exposed to the risk of exchange rate fluctuations between the expiration of the hedge and the sale date.

- Even when the Group is able to fully or partially hedge its risk using forward currency contracts against exchange rate fluctuations between the date an order is placed with a supplier and the date on which the final customer pays the purchase price in local currency, the Group must still set its prices in local currency based on the hedged purchase price that it obtains. Although the Group's policy is to adjust sales prices in local currency to reflect exchange rate fluctuations, its ability to increase its prices and maintain its gross profit margins will depend upon market conditions and the level of competition in a given country.

Because the Group is unable to fully eliminate its currency exposure, its revenue, gross profit margin and income are vulnerable to exchange rate fluctuations, particularly with respect to the yen/euro and dollar/euro exchange rates, as well as the dollar, euro and yen exchange rates against other currencies in which the Group's sales are conducted. For more information concerning these risks, see section 9.1.2.2 of this Reference Document, ''Exchange rate fluctuations'', and Note 29.2 to the consolidated annual financial statements, ''Exposure to foreign exchange risk''.

As from the fourth quarter of 2010, the Group dealt directly with the hedging of its foreign exchange risk, which previously was hedged via the PPR group. In this transition context, at the beginning of 2011, a new tool for management of foreign exchange risk was implemented within the Group, which will facilitate the analysis and reporting on this risk.

The Group has also augmented the notes to the consolidated financial statements concerning its foreign exchange risk (Note 27 to the consolidated financial statements for 2009, and Note 29 to the consolidated financial statements for 2010) and considers that this new presentation contains the appropriate disclosures.

As a result of the geographic areas and specific flows of the Group's distribution business, CFAO presents its exposure to foreign exchange risk using three different levels of analysis: (i) at the level of the central purchasing offices; (ii) at the level of the subsidiaries operating in markets where forward currency contracts may be used to hedge the local currency against the currency in which purchases are billed by the central purchasing offices; and (iii) at the level of the subsidiaries operating in markets where it is not possible to contract forward currency contracts to hedge the local currency. This method allows the Group to break down the different aspects of exposure to foreign exchange risk which together result in a consolidated analysis of the sensitivity to this risk.

*4.4.2 Interest rate risk*

The Group is exposed to interest rate risk mainly on its syndicated credit facility which bears interest at variable rates (see Note 29.1 to the consolidated financial statements in Chapter 20 of this Reference Document). The medium-term borrowings of the Group's subsidiaries in local currencies are at fixed rates. The interest rate on short-term borrowings is not usually indexed as these comprise unconfirmed lines of credit. The Group does not use any derivative instruments to hedge its interest rate risk at present.

The table below breaks down the Group's gross borrowings between fixed and variable rates as of December 31, 2011.

| (in € millions) | 2011 | Fixed-rate | Floating-rate |
|---|---|---|---|
| **Gross borrowings** | **443.8** | **311.9** | **132.0** |
| % | | 70.3% | 29.7% |

Fixed-rate borrowings mostly comprise debt with a maturity of less than one year, i.e., unconfirmed overdraft facilities and bridging finance granted to subsidiaries.

| | | 2011 maturities | | |
|---|---|---|---|---|
| (in € millions) | 2011 | Less than one year | One to five years | More than five years |
| Loans and receivables | 26.0 | 26.0 | | |
| Marketable securities and cash and cash equivalents | 251.8 | 251.8 | | |
| **Fixed-rate financial assets** | **277.8** | 277.8 | | |
| Other borrowings | 311.9 | 292.7 | 19.1 | |
| **Fixed-rate financial liabilities** | **311.9** | 292.7 | 19.1 | |

Floating-rate borrowings are essentially debt with maturities of more than one year, consisting of syndicated credit facilities.

| | | 2011 maturities | | |
|---|---|---|---|---|
| (in € millions) | 2011 | Less than one year | One to five years | More than five years |
| Loans and receivables | | | | |
| Marketable securities and cash and cash equivalents | | | | |
| **Floating-rate financial assets** | | | | |
| **Other borrowings** | **132.0** | **57.6** | **74.4** | |
| **Floating-rate financial liabilities** | **132.0** | **57.6** | **74.4** | |

Given the current split between fixed and variable rates, an immediate 100 basis point change in interest rates in each of the currencies in which the Group has borrowings, taking an average indebtedness for each currency, would have a full-year impact on the Group's consolidated net income before taxes of €3.1 million at December 31, 2011.

### *4.4.3 Liquidity risk*

(See Note 29.5 to the consolidated financial statements in Chapter 20 of this Reference Document.)

Most of the Group's non-derivative financial instruments, which consist primarily of trade payables and other borrowings, have maturities of less than one year. The table below presents the Group's contractual obligations relating to other borrowings and trade payables as of December 31, 2011, and includes accrued interest. Projected cash flows relating to accrued interest payable are calculated through to maturity of the debt to which they relate. Floating-rate accrued interest payable at future dates is calculated at the December 31, 2011 interest rate.

| | 2011 | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **Carrying amount** | **Cash flow** | **Less than one year** | **One to five years** | **More than five years** |
| **Non-derivative financial instruments** | | | | | |
| Other borrowings | 443.8 | (444.5) | (350.8) | (93.7) | |
| Trade payables | 669.6 | (669.6) | (669.6) | | |
| **Total** | **1,113.4** | **(1,114.1)** | **(1,020.4)** | **(93.7)** | |

In the past, the Group has met these obligations mainly from its available cash and cash equivalents, cash flows from operating activities and loans from the PPR current cash account. Since the Group's IPO in late 2009, it has set up a syndicated credit facility to replace and repay the financing arrangements previously provided by PPR. This confirmed credit line was for an initial maturity of three years and was extended by one year in 2010 and again in 2011. It is syndicated among CFAO's principal banks in order to match the level of financing previously provided by PPR and ensure sufficient liquidity to manage the Group's future financing requirements. For further information concerning the Group's liquidity sources see Chapter 10 of this Reference Document, ''Capital resources''.

Given the current instability in the global economy and its impact on each of the markets in which it operates, the Group cannot be certain that it will still be able to meet certain contractual obligations under the syndicated credit facility in the future, and in particular the restrictive clauses or covenants described in Chapter 10 ''Capital resources''. Other circumstances in countries in which the Group has operations, particularly political events, could indirectly prevent CFAO from complying with these covenants. Failure to comply with these clauses would constitute a default event under the credit facility agreement and entitle the financial institutions to demand early repayment of all sums outstanding as well as accrued interest and related costs. In the event of a demand for early repayment, it is possible that the Group may not have sufficient liquid assets to cover the full outstanding amount. At the date of this Reference Document, and in light of the current economic environment, the Company considers it unlikely that it will not comply with these covenants at the next contractual assessment date, i.e., June 30, 2012, and is unable to make a formal pronouncement with regard to subsequent assessment dates.

These clauses or covenants may also reduce the Group's flexibility in the conduct of its businesses which would affect its ability to: take advantage of commercial opportunities; make plans for development and/or dispose of certain assets as it sees fit; obtain additional finance to cover working capital requirements, investments, potential acquisitions and refinancing arrangements; or use the significant portion of cash flows it would be forced to earmark for repayment of outstanding amounts under the loan agreement for other purposes.

Lastly, the syndicated credit agreement stipulates that the lending institutions may demand early repayment of all outstanding balances and cancel the credit facilities in the event that an entity acting either alone or in concert (within the meaning of Article L.233-10 of the French Commercial Code), should acquire, either directly or indirectly, over 33.33% of the Company's capital or voting rights. In the event of such a demand, it is possible that the Group may not have sufficient liquid assets to cover the full outstanding amount.

Liquidity risk may also result from local difficulties in transferring funds as a dividend or other payment from local subsidiaries in countries where the Group operates to the holding company. As a result of the foreign exchange or economic policy of the country in question, the funds may be unavailable (see Note 27.2 to the consolidated financial statements and paragraph 4.3 above, ''Risks relating to the Group'' and ''Ability of Group operating subsidiaries to generate profits and pay dividends'').

### *4.4.4 Counterparty risk*

The Group is exposed to counterparty risk on its use of derivative instruments to manage its exchange rate risk (see notes 29.4 and 29.2 to the consolidated financial statements in Chapter 20 of this Reference Document). The Group's strategy is to minimize its exposure to counterparty risk by only contracting with leading establishments and hedging its transactions among the selected institutions according to pre-defined limits. The counterparties to the Group's derivative transactions are included in the Group's credit risk management procedures: each counterparty is subject to periodic authorizations both with respect to their amounts and maturities.

## 4.5 Risk management

The Group's internal control and risk management systems are closely linked. Both rely on a range of systems, procedures and tailored actions intended to ensure that appropriate measures are taken to control: (i) the Group's activities, the effectiveness of its operations and the efficient use of resources; and (ii) risks that are likely to have a significant impact on the Group's assets or the realization of its objectives, whether these involve operational, financial, or legal and regulatory matters.

As part of its internal control and risk management procedures, the Group has mapped the main risks to which it is exposed. For each risk identified, the Group evaluates the likelihood of the occurrence of this risk and its potential impact. The Group's risk management procedures are set out in more detail in Chapter 16 of this Reference Document in the report by the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and internal control for 2011.

## 4.6 Insurance

### *4.6.1 Overview*

The Group's insurance coverage is provided under a number of policies taken out either directly at Group level and/or at subsidiary level. These are included in international insurance programs, as is the case with carriage insurance, property damage and business interruption insurance, and civil liability insurance, or in individual policies such as those written for the Group's civil liability insurance for corporate officers and its construction insurance.

The insurance policies taken out by the Group over recent months have similar coverage (see section 4.6.4 ''Main insurance policies'' below for a description of the Group's insurance coverage) and terms and conditions to those of last year.

The Group's insurance manager seeks to identify risks, quantify their potential impacts and reduce these risks either by recommending preventive measures for risks that can be eliminated or reduced, or by insuring against such risks, particularly through financing or third-party insurance for exceptional risks that have a large potential scope and a low frequency.

Each Group subsidiary is required to provide the insurance manager with the information needed to identify and quantify risks and to implement business contingency plans in the event of a major incident. Based on this information, the insurance manager negotiates with major insurance and reinsurance providers in order to obtain the most appropriate coverage.

### *4.6.2 Risk prevention policy*

The Group's risk prevention measures, which are implemented on a decentralized basis at subsidiary level, are designed to enable the Group to identify, evaluate and reduce its exposure to risk and potential losses, and their frequency and intensity, through valuations of assets at risk.

They are based around audits of the Group's principal operating sites and implementation of the recommendations of security professionals, a risk prevention engineering program designed to reduce exposure to on-site fire risks in particular, internal control procedures, employee training programs addressing the risk of misappropriation of assets, and implementation of appropriate contingency plans in certain Group entities. This policy is implemented on a risk-by-risk basis.

### *4.6.3 The Group's approach to insurance*

The Group's significant risk insurance policy is determined primarily by evaluating the best economic fit between risk coverage, premiums and the Group's self-insurance, and the market offering, constraints and local regulations.

When obtaining coverage, the Group favors an ''all risks with exceptions'' approach and sets coverage levels in light of the Group's assessment of the potential financial consequences of potential loss events, including civil liability (bodily injury or property damage caused to third parties by products, installations or equipment), property damage resulting from fire, explosions, water damage, riots, terrorism, wars, etc., or operating losses arising directly from a loss event.

The Group determines the level of appropriate coverage by site and by company, based on its assessment of the amount needed to settle or deal with reasonably estimated potential liabilities, damage or other risks. In making these assessments, the Group considers evaluations provided by its insurers.

In some cases, identified risks are not insured because no third-party insurance coverage is available or because the price is disproportionately high compared to the benefits of the insurance.

The Group manages risks within the framework of its general risk management policy and believes that its approach to insurance is consistent with the market practices of French or foreign companies of a similar size that are exposed to comparable risks.

Most of the Group's policies are ''umbrella'' insurance policies that cover some or all of its subsidiaries, depending on the particular policy and subject to local regulations. The Group gets coverage through international insurance brokers specialized in obtaining coverage of the Group's principal risk categories from recognized insurers in the industrial risks sector. The insurance premium is generally paid by the Group's subsidiaries and is set based on criteria such as the amount of capital insured or the subsidiaries' share of the Group's overall revenue. The cost of corporate officer liability insurance and war risk policies is not passed on to the Group's subsidiaries.

In addition to the Group's main insurance policies, certain operating subsidiaries have taken out individual insurance policies to cover risks specific to their businesses (construction, auto insurance, etc.).

In 2011, insurance premiums recognized in operating expense (excluding carriage insurance, which is recognized in cost of sales) totaled €8 million.

### *4.6.4 Main insurance policies*

The Group's principal categories of insurance coverage are described below.

- ***Property damage and business interruption insurance:*** The Group's property damage and business interruption insurance program came into force on July 1, 2010, and has been renewed since. It insures the Group against damage resulting from fire, explosions, water damage, theft, natural events affecting specific assets (buildings, movable property, equipment, goods, IT equipment) and those for which the Group is responsible, as well as lost income resulting from such damages, for a period until normal business can be resumed. The total amount of the damages insured by these policies depends on the geographic area and the specific risks concerned. So, for example, this amount is capped at €70 million per claim resulting from fire, explosions or water damage in France, and €50 million or €20 million for a similar-type claim in the French overseas territories and Africa, respectively. These amounts are based on evaluations of potential maximum loss events within the Group.

- ***Credit risk:*** The Group only insures the central purchasing offices when selling to third parties on a transaction-specific basis.

- ***Carriage insurance:*** The Group has taken out an insurance policy expiring on December 31, 2012 that covers the transport of goods in the various geographic areas in which it operates. This policy covers the risk of damage, theft or major events, including acts of war, occurring during transport operations performed by the Group's operating subsidiaries, from dispatch of the goods by suppliers to delivery to the recipient. The amount of damages insured under this policy is capped at €25 million per claim.

- ***Civil liability insurance:*** The Group has taken out general civil liability insurance for operational risks and risks materializing after the delivery of goods or the provision of services. The amount of damages insured under this policy is capped at €100 million per claim and per year. The amount of the premium is paid by the subsidiaries in proportion to their revenue. The Group has also taken out similar-type civil liability insurance specifically covering its African activities. The amount of damages insured under these specific policies is capped at €150,000 per claim.
- ***Corporate officer liability insurance:*** The Group has taken out an insurance policy to cover the civil liability of its corporate officers. This policy covers the amount of any claim taken by third parties against the corporate officer(s) of the Group resulting from an (unintentional) act giving rise to their individual or joint and several civil liability.

# CHAPTER 5 – INFORMATION ABOUT CFAO

## 5.1 History and development of the company

### *5.1.1 Company name*

The name of the Company is CFAO.

### *5.1.2 Place of registration and registration number*

The Company is registered with the Trade and Companies Registry of Nanterre under identification number B 552 056 152.

### *5.1.3 Date of incorporation and duration*

The Company was incorporated on April 4, 1907. The term of the Company will end on April 3, 2042, except if this term is extended or the Company is subject to early dissolution.

### *5.1.4 Registered office, legal form and applicable law*

The Company's registered office is located at 18 rue Troyon, 92316 Sèvres, France (telephone: +33 (0)1 46 23 56 56). CFAO is a *société anonyme* (joint stock corporation) with a Management Board and a Supervisory Board, incorporated under French law and subject to the provisions of Book II of the French Commercial Code (*Code de commerce*). See Chapter 14 ''Administrative, management and supervisory bodies and executive management'' of this Reference Document for information on these bodies.

### *5.1.5 History of CFAO*

For further information on the history of CFAO, see section 6.1 ''Introduction to the Group''.

## 5.2 Investments

The investments outlined below relate to purchases and disposals of property, plant and equipment and intangible assets. Acquisitions of companies by the Group over the last three years are described in section 7.2.4 ''Acquisitions and divestitures over the past three years''.

### *5.2.1 Investments made since 2007*

The Group's total gross operating investments from 2007 to 2011 amounted to €364.1 million.

These investments were made according to the following priorities:

- a program to modernize and expand the automobile dealership network in Sub-Saharan Africa, the Maghreb and the French overseas territories;
- a program to invest in production equipment for the beverages business to increase production capacity, which includes a tax incentive. An initial investment program was launched in 2002 and was completed in 2008; these investments doubled production capacity. A second program aimed at increasing production capacity by 25% was launched in 2009 and was continued in 2011;
- a program to provide the CFAO Automotive division with a dedicated information technology system specifically designed for the business;
- a program for the creation of vehicle leasing fleets, amounting to €9.0 million in 2010 and €10.7 million in 2011.

The table below shows gross operating investments by division from 2007 to 2011:

| (in € millions) | CFAO Automotive | Eurapharma | CFAO Industries | CFAO Technologies | CFAO Industries Equipment & Services | CFAO Holding & Others | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2011** | | | | | | | |
| Gross purchases of property, plant and equipment and intangible assets | 21.8 | 6.8 | | | 44.9 | 0.5 | **74.1** |
| Network modernization and expansion | 10.4 | 2.9 | | | 4.6 | | **17.9** |
| Leasing fleets | – | – | | | 10.7 | | **10.7** |
| Equipment and technical material | 5.2 | 3.1 | | | 4.0 | 0.1 | **12.4** |
| Information systems | 4.7 | 0.8 | | | 0.6 | 0.3 | **6.4** |
| Brasseries du Congo | – | – | | | 25.0 | | **25.0** |
| Other | 1.5 | – | | | | 0.1 | **1.6** |
| **December 31, 2010** | | | | | | | |
| Gross purchases of property, plant and equipment and intangible assets | 31.6 | 7.4 | 28.8 | 0.9 | | 0.6 | **69.3** |
| Network modernization and expansion | 14.1 | | | | | | **14.1** |
| Leasing fleets | 9.0 | | | | | | **9.0** |
| Equipment and technical material | 3.5 | | | | | | **3.5** |
| Information systems | 5.1 | 1.1 | 0.4 | 0.2 | | 0.4 | **7.2** |
| Brasseries du Congo | | | 24.8 | | | | **24.8** |
| Other | (0.1) | 6.3 | 3.6 | 0.7 | | 0.2 | **10.7** |
| **December 31, 2009** | | | | | | | |
| Gross purchases of property, plant and equipment and intangible assets | 29.9 | 6.1 | 32.4 | 0.7 | | 0.2 | **69.3** |
| Network modernization and expansion | 14.1 | | | | | | **14.1** |
| Equipment and technical material | 6.7 | | | | | | **6.7** |
| Information systems | 5.0 | 1.2 | 0.4 | 0.1 | | 0.1 | **6.8** |
| Brasseries du Congo | | | 29.9 | | | | **29.9** |
| Other | 4.1 | 4.9 | 2.1 | 0.6 | | 0.1 | **11.8** |
| **December 31, 2008** | | | | | | | |
| Gross purchases of property, plant and equipment and intangible assets | 49.3 | 6.8 | 22.3 | 1.3 | | 0.5 | **80.2** |
| Network modernization and expansion | 21.1 | | | | | | **21.1** |
| Equipment and technical material | 8.1 | | | | | | **8.1** |
| Information systems | 4.3 | 1.0 | 0.8 | 0.4 | | 0.4 | **6.9** |
| Brasseries du Congo | | | 17.3 | | | | **17.3** |
| Other | 15.8 | 5.8 | 4.2 | 0.9 | | 0.1 | **26.9** |
| **December 31, 2007** | | | | | | | |
| Gross purchases of property, plant and equipment and intangible assets | 42.4 | 5.8 | 21.1 | 1.5 | | 0.6 | **71.3** |
| Network modernization and expansion | 14.8 | | | | | | **14.8** |
| Equipment and technical material | 6.6 | | | | | | **6.6** |
| Information systems | 3.1 | 1.0 | 0.6 | 0.5 | | 0.3 | **5.5** |
| Brasseries du Congo | | | 14.3 | | | | **14.3** |
| Other | 17.9 | 4.8 | 6.2 | 1.0 | | 0.3 | **30.2** |

In 2011, proceeds from disposals of property, plant and equipment amounted to €4.1 million notably due to the sale of assets in the Congo.

### *5.2.2 Main investments in progress*

The Group's main investments in progress are as follows:

- final stages of the investment program to modernize and expand the CFAO Automotive dealership network, mostly financed by Group cash flow and, for certain projects, by direct and external local financing;
- additional investments in production equipment for the beverages business in the Congo, financed by Group cash flow;
- continuation of the information systems investment program for subsidiaries;
- ramp-up of the leasing fleet investment program;
- ramp-up of the CFAO Equipment investment program.

### *5.2.3 Main planned investments*

As of the filing date of this Reference Document, no firm commitments had been made to third parties concerning material financial investments.

The Group estimates that its net operating investments in 2012 will consist of:

(a) investments to modernize and expand the CFAO Automotive network, as well as in information systems and the beverages and plastic products businesses, amounting to approximately €45 million; and

(b) the continuation of specific investment programs launched in 2011 related to the expansion of the CFAO Equipment division and leasing activities, and a program to increase the storage and logistics capacity of Eurapharma sites, amounting to approximately €40 million;

together equaling a total of roughly €85 million. These investments do not require specific or dedicated financing. They will be financed by the cash flow generated by the activities.

# CHAPTER 6 – BUSINESS OVERVIEW

**Cross-reference table**

The cross-reference table below identifies in this Chapter the information required by Annex I of European Regulation (EC) 809/2004 implementing European Directive 2003/71/EC known as the ''Prospectus Directive''.

| European Regulation Nomenclature | | Section(s) of this Reference Document |
|---|---|---|
| 6.1 | Principal Activities | 6.1 to 6.2.3.4, 6.3 and 6.5 |
| 6.2 | Principal Markets | 6.2.2 and 6.4 |
| 6.3 | Exceptional factors having influenced the information given pursuant to items 6.1 and 6.2 | 6.3 and 9.1.2 |
| 6.4 | Information regarding the extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes | 6.2.1.3, 6.6 and 4.2 ''Risks relating to the Group's business'' |
| 6.5 | Basis for any statements made by the issuer regarding its competitive position | 6.2, 6.4.2.1 and 6.4.3.1 |

## 6.1 Introduction to the Group

CFAO is a leader in specialized distribution and services in its core businesses in Africa (excluding South Africa) and in the French overseas territories.

CFAO operates in four main geographic areas: French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa (excluding South Africa), the Maghreb and the French overseas territories. The Group has operations in 32 African countries (including Mauritius) and seven French overseas territories, as well as in Vietnam through its automobile distribution activity. Most of the Group's operations in mainland France concern direct export sales.

As a major global brand distributor, CFAO stands out from its competitors for its before- and after-sales services which meet the highest international standards, its constant emphasis on operational improvements (as illustrated by its showrooms, stores, warehouses, workshops, equipment, IT systems, etc.), and a supply chain that is able to swiftly serve markets that are located far from its production centers.

CFAO is active in numerous market segments. In 2011 these segments were grouped into three major operating divisions, as described below:

- ***CFAO Automotive:*** CFAO Automotive is one of the main importers and distributors of private and utility vehicles in Africa (excluding South Africa) and the French overseas territories. It purchases, stores, imports and distributes vehicles manufactured by more than 20 international automakers. The Group has over 90 years of experience in this business. CFAO Automotive's network of dealerships now covers 32 countries, spanning across the Maghreb (Algeria, Morocco) and Sub-Saharan Africa (including Mauritius and Uganda since 2011), four French overseas territories and Vietnam. In addition to selling a full range of new light and utility vehicles, trucks and motorcycles, CFAO Automotive offers a diverse range of services including after-sales services and the sale of spare parts and tires. The long- and short-term car rentals activity is now incorporated within the CFAO Industries, Equipment & Services division. CFAO Automotive generated around 60% of the Group's total consolidated revenue in 2011.

- ***Eurapharma:*** The Group, through its Eurapharma division, is one of the leading importers and distributors of pharmaceutical products in Africa (excluding South Africa), the French overseas territories and Madagascar. Eurapharma stands out through the range of services it offers to both upstream (laboratories) and downstream (pharmacists) customers. Its customers include the largest international laboratories. With over 60 years of experience, Eurapharma enjoys market-leading positions in its core historical markets, French-speaking Sub-Saharan Africa, where Eurapharma has operations in 14 countries, and the French overseas territories. Eurapharma also has significant positions in markets that it has entered more recently, i.e., in English- and Portuguese-speaking Sub-Saharan Africa and Algeria. This division generated around 28% of the Group's total consolidated revenue in 2011.

- ***CFAO Industries, Equipment & Services:*** This division was formed in 2011, through the merger of two pre-existing divisions, CFAO Industries and CFAO Technologies, and two new business lines, CFAO Equipment and Rental services.

  - **CFAO Industries** principally consists of its beverages businesses in the Republic of the Congo, where it owns and operates the country's only two bottling facilities, in partnership with Heineken, and believes that it is by far the main distributor of beverages (in particular Coca-Cola brand beverages) in this country. CFAO Industries also encompasses a variety of smaller manufacturing businesses, such as the production of plastic products (e.g., BIC® razors and pens). In 2011 the motorcycle and moped assembly business, which previously formed part of this business, was added to the CFAO Automotive division, where the potential for synergies is greater.

  - **CFAO Equipment** is a business-to-business network, which is devoted to the sale and maintenance of equipment and consumer goods and also has a rental offering. The division offers an extended range of construction and handling machinery, agricultural equipment, generating units and elevators. CFAO Equipment also provides a variety of innovative customized rental solutions through Loxea, its short- and long-term rental banner. Launched by CFAO in 2011, Loxea is a partner to a number of major international names in the sector: JCB, LiuGong, Massey Ferguson, New Holland, FG Wilson, Hyster, Silla, Otis and Avis. CFAO Equipment is present in eight African countries, namely Cameroon, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Ghana, Nigeria and Senegal. The division also benefits from the Group's strong presence in Africa, which has already enabled it to operate in 21 countries on the continent. In 2011, this new network focused on organizing its operating units and teams to respond efficiently to the equipment needs of both local enterprises and major international companies that operate in Africa, notably in the construction, agricultural, mining, power, logistics and transport industries. CFAO Equipment also successfully integrated the Otis elevator installation and maintenance activities, which were previously part of the CFAO Technologies division.

  - **LOXEA:** CFAO manages a fleet of 2,200 lease vehicles in Cameroon, Congo, Côte d'Ivoire, Gabon and Senegal. To better serve the needs of companies present on the African continent, the Group decided to expand its offering. It now offers short- and long-term rental of passenger vehicles, pick-ups and 4X4s, in addition to construction and handling machinery and generating units. All these offerings are now combined under a single brand name: Loxea. These services effectively round out the long- and short-term vehicle rental franchises that the Group operates for Avis, Budget and Hertz.

  - **CFAO Technologies:** Formed in 2002, CFAO Technologies has refocused its activities which previously consisted of three main businesses: computer solutions, networks and telecommunications; the installation and maintenance of Otis elevators; and the distribution of office products and services. The division is now focused on providing high value-added computer products and solutions, networks and telecommunications, notably for work stations, bank ATMs and the radio-communications industry.

The CFAO Industries, Equipment & Services division generated 12% of the Group's total consolidated revenue in 2011.

In 2011, the Group's consolidated revenue amounted to €3,123.7 million, and recurring operating income amounted to €256.3 million.

**Change in the breakdown of revenue by division and by geographic area in 2011, 2010 and 2009**

| | 2011 | | 2010 (*) | | 2010 (**) | | 2009 | |
|---|---|---|---|---|---|---|---|---|
| | *(in € millions)* | *As a % of revenue* | *(in € millions)* | *As a % of revenue* | *(in € millions)* | *As a % of revenue* | *(in € millions)* | *As a % of revenue* |
| CFAO Automotive | 1,891.7 | 60.5% | 1,527.4 | 57.1% | 1,537.6 | 57.5% | 1,451.4 | 56.2% |
| Eurapharma | 864.5 | 27.7% | 809.6 | 30.2% | 809.6 | 30.2% | 740.8 | 28.7% |
| CFAO Industries | | | | | 221.1 | 8.3% | 279.9 | 10.8% |
| CFAO Technologies | | | | | 107.8 | 4.0% | 110.0 | 4.3% |
| CFAO Industries, Equipment & Services | 367.4 | 11.8% | 339.1 | 12.7% | | | | |
| **Total** | **3,123.7** | **100.0%** | **2,676.2** | **100.0%** | **2,676.2** | **100.0%** | **2,582.0** | **100.0%** |
| French-speaking Sub-Saharan Africa | 1,239.9 | 39.7% | 1,128.2 | 42.2% | 1,128.2 | 42.2% | 1,067.4 | 41.3% |
| French Overseas Territories and Other | 729.6 | 23.3% | 568.9 | 21.3% | 568.9 | 21.3% | 540.4 | 20.9% |
| Maghreb | 599.6 | 19.2% | 509.2 | 19.0% | 509.2 | 19.0% | 491.8 | 19.0% |
| English- and Portuguese-speaking Sub-Saharan Africa | 392.8 | 12.6% | 331.7 | 12.4% | 331.7 | 12.4% | 358.5 | 13.9% |
| France (export) | 161.8 | 5.2% | 138.2 | 5.1% | 138.2 | 5.1% | 123.9 | 4.8% |
| **Total** | **3,123.7** | **100.0%** | **2,676.2** | **100.0%** | **2,676.2** | **100.0%** | **2,582.0** | **100.0%** |

*(*) Pro forma based on 2011 divisional structure*

*(**) Based on 2010 divisional structure*

The table below lists the Group's largest markets by revenue in 2011. The recurring operating income of each Group division is provided further below in the descriptions of the business divisions.

| | **% of 2011 revenue** |
|---|---|
| 1. Algeria | 14.5% |
| 2. Congo | 8.3% |
| 3. Cameroon | 7.3% |
| 4. Reunion | 7.3% |
| 5. French Antilles | 6.5% |
| 6. New Caledonia | 5.2% |
| 7. Morocco | 4.7% |
| 8. Côte d'Ivoire | 4.4% |
| 9. France* | 4.3% |
| 10. Nigeria | 4.2% |
| 11. Gabon | 3.8% |
| 12. Senegal | 3.7% |
| 13. Kenya | 2.6% |
| 14. Mali | 2.5% |
| 15. DRC | 2.4% |
| 16. Ghana | 2.1% |

* *Revenue for France (Export) is generated by the export sales carried out by the Group's central purchasing offices.*

### 6.1.2 History

The Group has a history with Africa that spans more than 160 years. It traces its origins to the creation of the Etablissements Verminck in Marseilles in 1852, which were renamed CFAO in 1887. Throughout the second half of the nineteenth century, the Group conducted its business in the principal markets of Western Africa, including Senegal, Guinea, Gambia, Côte d'Ivoire, Nigeria and Sierra Leone. At the time, it was principally involved in the trading of consumer products and foods, including nuts, cocoa, soaps, oils, rubber, coffee, ginger, leather, tobacco, watches, alcohol and wax. It began distributing automobiles in Africa in 1913.

In the 1920s and 1930s, the Group expanded its businesses to Cameroon, Gabon, Togo and the Democratic Republic of the Congo. By 1939, it had grown to 11,000 employees, including 1,000 expatriates, and by 1948 it had over 360 sales locations in 19 countries. In the three decades that followed, the Group significantly grew its automobile distribution business and expanded into other industries, such as the manufacturing of plastics, becoming a multinational service and trading company. In the late 1950s, the Group moved its headquarters from Marseilles, its historical base, to Paris. During this period, the Group pursued a strategy of diversification, in particular by launching supermarket businesses in Africa and France. In the 1970s, the Group was therefore operating on three continents (Africa, Europe, and the United States), with a diversified portfolio of activities and annual revenue that reached nearly 4 billion French francs (i.e., approximately €610 million).

In 1990, the Group was acquired by the Pinault Group, which later became PPR, after which it became a branch of Pinault SA and refocused on its African business. The Group then began to reorganize its businesses in the context of a generally difficult economic climate.

In 1994, the Group weathered the crisis of the CFA franc (which lost 50% of its value against the French franc in the month of January 1994). This crisis disrupted the economies of the CFA-member countries and caused serious difficulties for many local players. After overcoming this crisis, the Group resumed implementing its strategy to reinforce its positions in its key business lines and regions. In 1996, the Group purchased SCOA, one of its historical competitors, assuming and successfully integrating the pharmaceutical distribution business of its subsidiary, Eurapharma.

Since the end of the 1990s, the Group has expanded its business, both organically and through acquisitions in new geographic areas, leveraging its strong positions in its traditional businesses and geographic areas. In the automobile sector, it created or acquired businesses in new regions including certain English- and Portuguese-speaking Sub-Saharan African countries (such as Kenya and Nigeria), the Maghreb and, most recently, Vietnam. CFAO Automotive has also strengthened its presence in French-speaking Sub-Saharan Africa and in the French overseas territories. The Group invested substantially in human resources (through training and recruiting efforts) and infrastructure to expand and modernize its existing distribution and manufacturing facilities. In the Group's pharmaceutical division, Eurapharma entered new regions, such as Algeria and Kenya, and developed new business lines, including its pre-wholesale business (in 2001) and distribution agent business (in 2000). In 2011, Eurapharma entered the pharmaceutical manufacturing segment for the first time by buying a 49% stake in an Algerian entity, Propharmal. The Group also developed new business lines, including in the field of new technology with CFAO Technologies in 2002, and in equipment distribution with CFAO Equipment, which was driven by the expected growth in the infrastructure, construction and agricultural markets.

2009 marked the start of a new chapter for CFAO, with the launch of its initial public offering on December 3 at an offer price of €26 per share, following the sale by PPR of 57.94% of the Group's share capital and voting rights.

## 6.2 Business divisions

### 6.2.1 CFAO Automotive

The Group is one of the leading importers and distributors of passenger and commercial vehicles in the African countries and the French overseas territories in which it has operations. It has dealership networks in the Maghreb and Sub-Saharan Africa, the French overseas territories and Vietnam. It has over 90 years' experience selling automobiles in Africa, and believes that its long history and established presence give it greater insight into local markets and enhance its reputation among customers. The Group offers a comprehensive range of new passenger and commercial vehicles, trucks and motorcycles, and also provides a full range of services encompassing after-sales services and the sale of spare parts and tires. The Group also assembles motorcycles and mopeds in

Morocco. In this business, it has partnered Peugeot for more than 40 years and assembles more than 10,000 Peugeot mopeds per year at its Moroccan production facility. In 2011, this business joined CFAO Automotive, having previously formed part of the CFAO Industries division where fewer synergies were possible. The Group has numerous dealerships and after-sales service units, a large majority of which it owns directly, as the agent network is concentrated in the Maghreb and Nigeria. CFAO Automotive is primarily active in business-to-business markets (private and public companies, NGOs and governments) in Sub-Saharan Africa and larger consumer markets in the French overseas territories and the Maghreb.

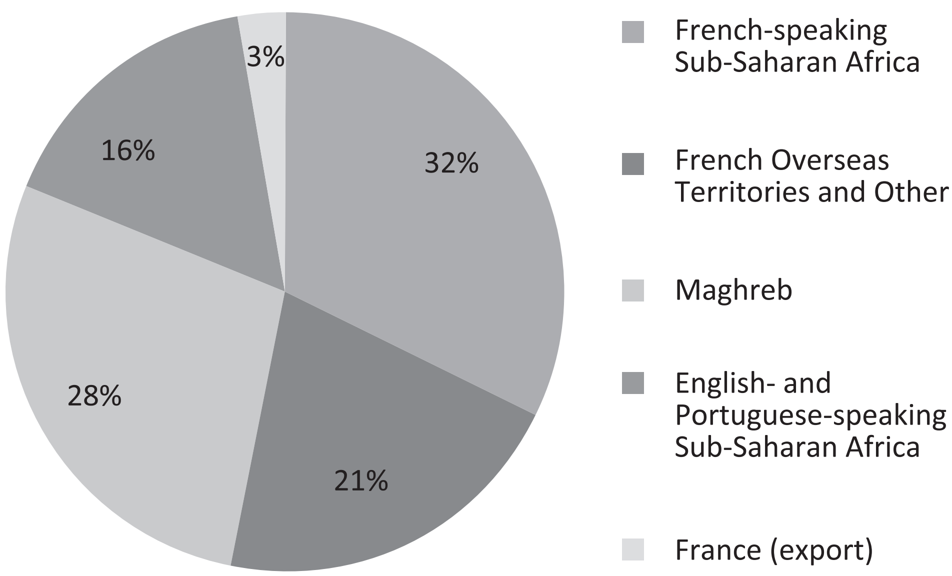
CFAO Automotive sold 82,099 new automobiles in 2011 (versus 64,902 in 2010, an increase of 26%), of which 72,952 light vehicles and 9,147 utility and heavy vehicles. In 2011, CFAO Automotive generated revenue of €1,891.7 million (representing 60% of the Group's total consolidated revenue) and recurring operating income of €141 million (representing 55% of the Group's total recurring operating income).

### *6.2.1.1 Geographic footprint*

After beginning operations in Uganda in 2011, the Group now sells motor vehicles in 32 countries spanning the Maghreb, French-, English- and Portuguese-speaking Sub-Saharan Africa, four French overseas territories (French Guiana, New Caledonia, Reunion, Tahiti) and Vietnam. The Group's principal historical market is French-speaking Sub-Saharan Africa, where it operates in 19 countries (in particular Cameroon, Congo, Côte d'Ivoire and Senegal) and sold its first vehicles in 1913. The Group has also long maintained a presence in English- and Portuguese-speaking Sub-Saharan Africa in countries such as Nigeria and Ghana. Since 2000, the Group has significantly expanded its geographic footprint, launching operations in 16 new countries. The most recent locations are in regions the Group believes have strong growth potential – especially the Maghreb – and have been a major revenue growth driver. Thus, its businesses in Algeria and Morocco represent its largest market in terms of number of vehicles sold, with 41,000 vehicles sold in 2011 in these two countries, accounting for 50% of the total number of vehicles sold by the Group over the year.

The Group believes that its presence in a broad range of countries throughout Africa offers it a strategic platform from which to benefit from growth opportunities in the African market, while at the same time reducing the potential impact on its overall results of adverse political, economic and market developments in individual countries. It also believes the geographic scope of its businesses makes it an attractive distribution partner for automakers, offering them a single point of access to important regions composed of multiple markets that taken individually would be too small and remote to be worth accessing.

CFAO Automotive's 2011 revenue can be broken down as follows by geographic area.



*6.2.1.2 Products and Services*

The following table summarizes the revenue generated by CFAO Automotive's main products and services in 2011, together with the percentage of total revenue.

| | 2011 | |
|---|---|---|
| | **in € millions** | **%** |
| Light vehicles | 1,278.5 | 68% |
| Used vehicles | 44.9 | 2% |
| Heavy vehicles and industrial equipment | 287.8 | 15% |
| Services, spare parts and tires | 230.1 | 12% |
| Motorcycles and other | 50.3 | 3% |
| **Total** | **1,891.7** | **100%** |

CFAO Automotive's main products and services are:

- *Light vehicles:* The Group sells light vehicles in all of its markets. Light vehicles are vehicles under 3.5 metric tons, including passenger and commercial vehicles. Most of the Group's light vehicle sales are generated from sales of new vehicles. The Group sold 72,952 new vehicles in 2011, generating revenue of €1,278.5 million (68% of total revenue for CFAO Automotive).

- *Used vehicles:* The only used vehicles sold by the Group are those purchased by the Group (principally by its subsidiary in Reunion) in connection with the sale of new vehicles. The resale of these used vehicles represents a very small percentage of CFAO Automotive's revenue (2% in 2011), with low inventories as well in 2011.

- *Heavy vehicles:* Heavy motor vehicles are those that weigh more than 3.5 metric tons. All of the Group's revenue from the sale of heavy vehicles is generated from the sale of new vehicles. The Group's heavy vehicle segment includes a range of brands, including Renault Trucks, Mercedes-Benz, DAF, Volvo, Isuzu and Iveco. The Group sold 9,147 heavy vehicles in 2011. The heavy vehicles business generated revenue of €287.8 million in 2011 (15% of total revenue for CFAO Automotive).

- *Services and spare parts and tires:* The Group sells spare parts and vehicle repair and maintenance services for the light and heavy vehicle brands it sells, as well as spare parts and tires (Bridgestone, mainly). These activities generated €230.1 million in revenue in 2011, i.e., 12% of total revenue for CFAO Automotive.

- *Motorcycles and other:* The Group imports and distributes Yamaha motorcycles and marine engines (and various other products and services including a small number of technology services in the countries in which CFAO Technologies has no subsidiary) in 14 countries in French-speaking Sub-Saharan Africa. These activities generated €50.3 million in revenue in 2011, representing 3% of total revenue for CFAO Automotive.

*6.2.1.3 Long-term partnerships with automakers*

- CFAO buys, stocks, imports and distributes vehicles manufactured by more than 30 automakers. The Group enjoys special relationships with Toyota, Nissan, and Chevrolet, its three main brands in terms of vehicles sold. The Group believes that having relationships with a selection of automakers allows it to offer a full range of vehicles in each region, and to mitigate risks and supply constraints, as well as any problems related to difficulties faced by specific automakers.

- Although its agreements with automakers rarely contain contractual exclusivity clauses, in practice the Group is the only distributor of each brand it sells in all of the countries in which it operates, with the exception of Nigeria (Mitsubishi), Mauritius (Isuzu) and Tanzania (Continental).

- The Group's largest selling brands by region are Toyota in French-speaking Sub-Saharan Africa, Nissan in English- and Portuguese-speaking Sub-Saharan Africa, and Chevrolet in the Maghreb. In the French overseas territories and Mauritius, its biggest selling brands are Peugeot and Toyota. The Group has close, long-standing relationships with both of these manufacturers in the regions in which it operates. Its main commercial partners are:

  - *Toyota Motor Corporation:* The Group's relationship with Toyota Motor Corporation (TMC) began in 1970 in Togo. Toyota is the Group's flagship brand in French-speaking Sub-Saharan Africa. It is the only distributor for Toyota brands in 16 countries and two French overseas territories, i.e., Benin, Burkina Faso, Cameroon, Chad, Republic of the Congo, Côte d'Ivoire, Gambia, Guinea, Guinea Bissau, Equatorial Guinea, Mali, Niger, Democratic Republic of the Congo, Central African Republic, Senegal, Togo, Reunion and French Guiana. In 2011, Toyota was the Group's second largest brand by number of vehicles sold.

  - *General Motors:* The Chevrolet brand is the Group's flagship brand in Algeria and Morocco, and was its largest-selling brand by number of vehicles sold in 2011. The Group is the only distributor of the Chevrolet brand in Algeria, Morocco, Nigeria, Mauritius, New Caledonia, French Guiana and Tahiti (since September 1, 2009). It also distributes Opel in Algeria, Morocco, Mauritius and French Guiana.

  - *Nissan:* Nissan is the Group's largest-selling brand in English- and Portuguese-speaking Sub-Saharan Africa, and in Gabon, where the Group began selling Nissan vehicles in 1991. It is the only distributor of the Nissan brand in Nigeria, Zimbabwe, Tanzania, Gabon, Kenya, Malawi and Zambia. Following the acquisition of SIAB in 2010, the Group also distributes the Nissan brand in Morocco.

  - *Mitsubishi:* The Group has represented the Mitsubishi brands since 1982 and began selling this brand of vehicles in Côte d'Ivoire. It is the only distributor of the Mitsubishi brands in Côte d'Ivoire, Gabon, Ghana and Mauritania, as well as in Madagascar after the CFAO Group acquired a majority stake in SICAM. In Nigeria, the Group is one of two Mitsubishi distributors.

  - *Isuzu:* The Group began selling Isuzu vehicles in Côte d'Ivoire in 1975. It currently sells Isuzu pick-ups and trucks in four countries (Côte d'Ivoire, Cameroon, Morocco and Algeria) and two French overseas territories (New Caledonia and Mauritius). In each of these countries and French overseas territories, it is the only Isuzu distributor.

  - *Suzuki:* The Group began selling Suzuki vehicles in Cameroon in 1994. It currently sells Suzuki light vehicles (mainly 4x4s) in most of the French-speaking Sub-Saharan African countries in which it operates as well as in Malawi and Tanzania. In each of these countries, it is the only Suzuki distributor.

  - *Peugeot:* The Group began selling Peugeot vehicles in France in 1960. It currently sells Peugeot light vehicles in most of the French-speaking Sub-Saharan countries in which it operates as well as in New Caledonia. In each of these countries, it is the only Peugeot distributor.

#### *6.2.1.4 Overall brand strategy*

The Group offers a large range of vehicles in each region, including passenger and commercial vehicles, which are its core business, in addition to trucks in the 3.5-15 metric ton and over 15 metric ton ranges and luxury and low-cost options. CFAO Automotive is adjusting its portfolio of brands and expanding the geographic footprint of its strategic partners, aiming to eventually cover all market segments. The Group is also actively seeking to expand its low-cost offering, which it believes will help position it to benefit from expected growth in vehicle ownership in its markets in French-, English- and Portuguese-speaking Sub-Saharan Africa, which currently have very low automobile ownership rates. This strategy offers an alternative to buying used vehicles, which remain extremely common on African markets.

In the past few years, the Group has enlarged its sourcing pool with trucks and low-cost vehicles manufactured by Chinese automakers. The Group believes that this new sourcing represents a key opportunity to strengthen its positioning on the truck and low-cost vehicle market in the Maghreb, Nigeria and Angola, as well as in other countries characterized by an emerging middle class.

*6.2.1.5 Distribution networks*

With the exception of some direct sales conducted by the Group's central purchasing offices, all of the Group's vehicle sales are conducted locally. CFAO Automotive's network consists of sales professionals distributed among its local subsidiaries that promote and sell the Group's products in the various markets in which it operates and whose compensation mainly depends on the number of vehicles sold and sales terms obtained. The Group owns or leases under long-term leases the sales office locations of the CFAO Automotive network (see Chapter 8 ''Property, plant and equipment'' of this Reference Document) and considers this to be an important competitive advantage in particular in terms of longevity, control and maintaining the quality of the network. In certain of its more recent and larger markets, such as Algeria, Morocco and Nigeria, the Group also has a network of sales agents that cover the majority of its territories.

The Group believes that it benefits significantly from the positive brand image generated by its investment in modern showrooms in most of its markets. The renovation efforts in the CFAO Automotive network are aimed to set the Group apart in the market of a growing African middle class concerned about finding suppliers with standards equivalent to those seen on developed markets.

The Group is committed to continually improving the quality of its customer service. Its quality assurance standards have for many years allowed CFAO to implement standard procedures and documentation for its sales and maintenance activities. In 2010, CFAO Automotive formed a special unit in charge of standardizing maintenance methods and training to ensure continuous progress. 2011 was spent optimizing logistics for the spare parts activity with the aim of reducing vehicle repair times to less than 15 days. The result was a new central warehouse facility, and although only Toyota spare parts are stocked so far, the facility is scheduled to include parts for other brands in 2012.

*6.2.2 Eurapharma*

In revenue terms, Eurapharma is the leading distributor of pharmaceutical products in Africa and the French overseas territories. Backed by more than 60 years' experience, Eurapharma has strong and profitable positions in its historical segments, and a significant presence in markets that it has entered more recently. Eurapharma currently operates in 20 African countries, including Madagascar, as well as in seven French overseas territories (Guadeloupe, French Guiana, Martinique, New Caledonia, French Polynesia, Reunion and Saint Martin). Eurapharma is the partner of reference for local authorities and pharmacists in its core markets where it is recognized for ensuring a fast, efficient and reliable supply of drugs to pharmacies and other healthcare providers.

In 2011, Eurapharma generated revenue of €864.5 million (28% of CFAO's total consolidated revenue) and recurring operating income of €75.9 million (30% of consolidated recurring operating income).

*6.2.2.1 Main businesses*

Eurapharma has three main businesses:

- **Import-wholesale-resale business (€678.0 million, or 78.6% of Eurapharma's revenue in 2011).**

Eurapharma's principal and core historical business is the import-wholesale-resale of pharmaceutical products to pharmacists in French-speaking Sub-Saharan Africa and the French overseas territories. The Group is a wholesaler to approximately 5,000 pharmacists and is supplied by approximately 450 pharmaceutical companies. Eurapharma makes deliveries to pharmacists on a daily basis.

Purchasing for the Group's import-wholesale-resale business is centralized through its purchasing subsidiary, Continental Pharmaceutique. Continental Pharmaceutique stocks pharmaceutical products in its 5,500 sq.m warehouse in Rouen, France, and exports them to Eurapharma's network of wholesalers in Africa and the French overseas territories.

The role of Continental Pharmaceutique in relation to French-speaking Sub-Saharan African countries differs slightly from its role in relation to the French overseas territories. In the French-speaking Sub-Saharan African countries, Continental Pharmaceutique acts as a broker by shipping pharmaceutical products to local wholesalers/resellers who become the owners of these products and record them as inventory until they are sold to the end user (pharmacists).

In relation to the French overseas territories, Continental Pharmaceutique centralizes orders, provides administrative coordination and ships orders placed by local wholesale/resale subsidiaries with pharmaceutical companies. Continental Pharmaceutique acts on a commission-only basis but does not become the owner of the products, as the pharmaceutical companies bill the local wholesale/resale subsidiaries who own the inventory that is sold to pharmacists. Orders received by Continental Pharmaceutique are forwarded to pharmaceutical companies within 24 hours of receipt. In each local market, the Group has at least one warehouse from which all deliveries to pharmacists are coordinated.

- **Pre-wholesale business (€139.2 million, or 16.2% of Eurapharma's revenue in 2011).**

Eurapharma's pre-wholesale business, launched in 2000, provides comprehensive logistics services to over 50 pharmaceutical companies, allowing them to outsource the process of handling orders from and delivering pharmaceutical products to wholesalers primarily in French-speaking Africa, Algeria, as well as other countries. The Group acts as a pharmaceutical supply chain specialist for companies and is responsible for all parts of the export process for pharmaceutical companies, ranging from shipping, handling and storing to distributing products to local wholesalers.

The Group conducts this business through its subsidiaries EPDIS France and EPDIS Algeria. EPDIS France provides a service offering through EPDIS.com, a tailored and secure website that allows pharmaceutical companies to monitor daily product export statistics, including sales and inventory figures (for most of their business, EPDIS Algeria and EPDIS France own their inventory). From its 7,000 sq.m logistics hub near Rouen, France, EPDIS France exports products to wholesalers and various other end-users principally located in Africa, but also in other countries throughout the world. EPDIS Algeria works with around ten pharmaceutical companies, whose products it imports and sells on to wholesalers and Algerian hospitals.

- **Distribution agent business (€43.9 million, or 5.2% of Eurapharma's revenue in 2011).**

As an agent, the Group is responsible for marketing pharmaceutical and medical products on behalf of major pharmaceutical companies on either an exclusive or non-exclusive basis. Its distribution agent business sells and delivers products on behalf of pharmaceutical companies to local pharmacists, hospitals, non-profit organizations, institutions, doctors and local wholesalers. In this business, the Group owns its inventory of products.

The Group operates a distribution agent business in English- and Portuguese-speaking Sub-Saharan Africa, namely Kenya, Tanzania, Uganda, Ghana and Angola. Through this business, the Group allows pharmaceutical companies to outsource the import, marketing and distribution of their products in the countries it serves. The Group developed this business in 2000 to leverage its strong relationships with pharmaceutical companies in its historic French-speaking Sub-Saharan African markets by assisting them in marketing their products in the English- and Portuguese-speaking markets in Africa. In these markets, which are characterized by lower prices due to the more widespread use of generics and less emphasis on innovative drugs, pharmaceutical distribution is not regulated. While its distribution agent business only represented 5.2% of Eurapharma's total revenue in 2011, it has grown substantially since its launch. The Group expects this growth to continue in the coming years.

- **Other activities**

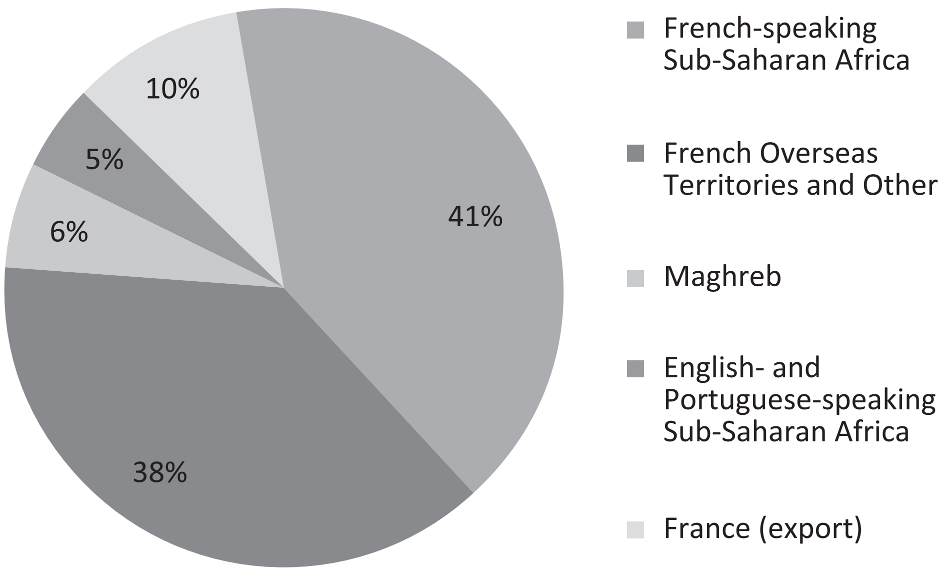
For Eurapharma, 2011 was characterized by two major developments. The first relates to the stake acquired in a pharmaceutical production unit, Propharmal (Algerian pharmaceuticals), in Algeria. The company operates in two segments: manufacturing pharmaceutical specialties under license and preparing pharmaceutical products for market (i.e., by bottling or inserting them into blister packs) on behalf of Algerian or foreign pharmaceutical companies. The Group is planning to step up the development of Propharma, whose production capabilities (around ten references produced) are dedicated to the Algerian market. The second development concerns the launch of EHS (Eurapharma Healthcare Services), a company specialized in the international distribution of medical and paramedical kits and materials. The target customers are public and semi-public institutions, international organizations and foundations, and non-governmental organizations.

Eurapharma owns a non-controlling interest in a pharmaceutical promotion company that specializes in the marketing of pharmaceutical products to doctors in French-speaking Sub-Saharan Africa, the Maghreb and the French overseas territories through in-office visits.

Through its subsidiaries EP.DEP, the Group also recently started a depository business for pharmaceutical companies, consisting primarily of handling the storage of medications for the pharmaceutical companies and ensuring their delivery to pharmacies.

*6.2.2.2 Breakdown by geographic area*

The chart below shows the distribution of Eurapharma's revenue by geographic area in 2011.




The revenue in France (export) mainly comes from the revenue (from entities outside the Group) generated by EPDIS France (pre-wholesale business).

Eurapharma benefits from an efficient logistics platform and a fully-integrated supply chain, managed by Continental Pharmaceutique, for the Group's import-wholesale-resale business and EPDIS for its pre-wholesale business destined for Africa.

The Group's principal markets in Africa (especially in French-speaking Africa) and the French overseas territories are characterized by high entry barriers. In these geographic areas, regulatory requirements for the storage and delivery of drugs require significant investment, expertise and specific authorizations issued by the relevant authorities.

*6.2.3 CFAO Industries, Equipment & Services*

The Industries, Equipment & Services division encompasses the following four businesses: Industries, Technologies, Equipment and Rental services. In 2011, CFAO Automotive generated revenue of €367.4 million (representing 12% of the Group's total consolidated revenue) and recurring operating income of €67.1 million (representing 26.2% of the Group's total recurring operating income).

*6.2.3.1 CFAO Industries*

CFAO Industries consists of the Group's beverages businesses in the Republic of the Congo, where it owns and operates the country's only two breweries through a joint venture with Heineken International and also bottles and distributes Coca-Cola brand beverages. This division also includes a variety of smaller manufacturing and distribution businesses specializing in plastic products. As part of the strategy to optimize the Group's portfolio of businesses, the assembly of motorcycles and mopeds in Morocco has been moved to the CFAO Automotive division, while the Nigerian equipment business (Structec Sofitam) now forms part of the newly established business line CFAO Equipment. Structec-Sofitam is a distributor of international hydraulic engineering and site equipment in Nigeria that also oversees the distribution, maintenance and use of gas stations under a directly-operated brand.

The Group operates the only two breweries and bottling companies in the Republic of the Congo through a 50-50 joint venture with Heineken International that has been in place since 1994 (prior to this date, the Group already operated one of the two breweries and bottling companies in the Republic of the Congo). At its two production sites, located in Pointe-Noire and Brazzaville, the Group manufactures and bottles more than a dozen types of beverages, including beers under the local brands Primus, Ngok, Turbo King and Mutzig and international brand beers such as Heineken and Amstel, as well as non-alcoholic Coca-Cola brand beverages. The Group has made significant investments in recent years to modernize and expand the production capacity of its Pointe-Noire and Brazzaville plants. In 2010, a second bottling line went into operation at the Pointe-Noire facility, thus meeting demand.

The Group produces and distributes pens and razors as well as a wide range of plastic packaging products for the food and petroleum industries. It also manufactures BIC® writing and shaving products and imports BIC® lighters in Nigeria, Ghana, Côte d'Ivoire and Cameroon under an arrangement with BIC® that has existed for over 45 years. The Group distributes these products in 16 African countries, generally on an exclusive basis.

In 2011, CFAO Industries generated €224.8 million in revenue (representing 7% of consolidated revenue and 61.2% of revenue for the CFAO Industries, Equipment & Services division).

The following table presents revenue figures for CFAO Industries by business in 2011.

| | | 2011 | |
|---|---|---|---|
| | | **in € millions** | **%** |
| Beverages | Congo | 186.7 | 83% |
| Plastic products | Nigeria, Ghana, Côte d'Ivoire, Cameroon | 38.1 | 17% |
| **Total** | | 224.8 | **100%** |

*6.2.3.2 CFAO Equipment*

In 2011 the CFAO Equipment network set about structuring its operating units, recruiting its teams and developing a portfolio of products and solutions to match its customers' needs. The target customer base is made up of African entrepreneurs as well as international companies. By the end of 2011, CFAO Equipment had operations under way in eight countries: Cameroon, Republic of the Congo, Gabon, Ghana, Nigeria, Senegal, Côte d'Ivoire and Democratic Republic of the Congo. Thanks to the Group's extensive presence on the continent, CFAO Equipment is now ready to operate in 21 African countries.

CFAO Equipment has structured its offerings around three areas of expertise:

- Installing and maintaining elevators as part of a long-running partnership with Otis, the global leader in this market. Having previously formed part of CFAO Technologies, this business was entirely transferred to CFAO Equipment in 2011.

- Selling and maintaining high-performance equipment produced by the market leaders in their respective segments: construction and handling machinery, agricultural equipment and generators.
- Short- and long-term vehicle rental, through Loxea, the Group's own rental brand.

CFAO Equipment's machinery offering is built around strong partnerships with market leading brands, for example JCB, the premium benchmark in its field, and Chinese firm Liugong, the world's leading manufacturer of wheel loaders. CFAO Equipment also distributes the FG Wilson, Hyster, Bomag, XVMG, Bobcat and Silla brands. In 2011, CFAO Equipment generated revenue of €48.9 million.

#### *6.2.3.3 LOXEA*

With revenues having grown by 14.3% to just over €18 million, the strong performances of the vehicle rental businesses in 2011 attest to the potential offered by this market, particularly in the long-term rental segment. The company spent part of 2011 structuring the Loxea brand, notably by taking over and transferring businesses that were previously operated under the name of SPLV. Loxea also set about preparing the operating units and teams needed to begin operating in the Demographic Republic of the Congo, Ghana and Madagascar at the very beginning of 2012. Finally, the brand has firm plans to establish itself in Nigeria.

The Group is keen to adopt agile and innovative approaches to serving customers. As a result it has developed a comprehensive offering, both in terms of the range of equipment and the number of automotive brands it offers for rent and the solutions it provides in terms of maintenance, insurance, GPS, tires and replacement vehicles.

#### *6.2.3.4 CFAO Technologies*

Created in 2002, CFAO Technologies set about refocusing on French-speaking Africa and Algeria in 2011, and on the segments that offer the strongest growth potential within the business: the integration of computer solutions, networks and telecommunications and, as a supporting activity, the distribution of office-related products and services.

In 2011, CFAO Technologies generated revenue of €75.3 million (2.4% of CFAO's total consolidated revenue and 20.5% of revenues for the CFAO Industries, Equipment & Services division).

CFAO Technologies has become the essential African business partner for world leaders in the field like IBM, Microsoft and Cisco thanks to a range of complementary and innovative high value-added solutions structured around four lucrative segments: managed desktop services, managed ATMs, digital wireless carriers, and infrastructure software and advisory.

CFAO Technologies has about 510 employees skilled in five areas of expertise, 150 of whom are engineers with certifications from partners such as Cisco or IBM. This business has subsidiaries located in seven African countries (Cameroon, Côte d'Ivoire, Algeria, Senegal, Burkina Faso, Gabon and Mali) and conducts business in 20 countries.

**Customers**

CFAO Technologies' broad service range allows it to provide maintenance advice to customers, including on installation and implementation. CFAO Technologies also maintains a high level of expertise by regularly training its technical and sales employees and having its engineers certified by its partners such as IBM, Cisco, Motorola and Microsoft.

CFAO Technologies' customers include international and pan-African companies and other local market participants. They mainly consist of companies and other public sector entities and telecommunications or banking companies in the private sector.

Some of CFAO Technologies' sales are obtained through tender offers, mainly with public sector entities in the countries in which CFAO Technologies operates.

**Partnerships**

CFAO Technologies is a commercial partner to various major global companies in Africa, including IBM, Microsoft, Cisco, Sharp, Lexmark, Motorola, Siemens, Oracle and Lenovo.

- *IBM:* CFAO Technologies is the leading distributor of the IBM brand in the geographic areas in which it operates. Its partnership with IBM is among its most highly developed. CFAO Technologies is qualified to provide pre-sale and customer support for the entire range of IBM products and 40 of its engineers are certified by the brand.

- *Cisco:* CFAO Technologies holds ''Advanced Security'' and ''Express Unified Communications'' certifications in 17 countries in Western and Central French-speaking Africa from Cisco and from the body certifying compliance with Cisco's customer satisfaction criteria and pre-sale and customer support skills pursuant to an external audit. In 2000, CFAO entered into a contract with Cisco that allows the Group to sell information technology packages composed of Cisco's software and equipment under a non-exclusive licensing agreement. Under the terms of the contract, CFAO also provides customer support. The agreement covers Algeria, Burkina Faso, Cameroon, Congo Brazzaville, Gabon, Ghana, Côte d'Ivoire, Mali and Senegal.

- *Microsoft:* CFAO Technologies has also entered into agreements with Microsoft in each of the countries in which the business has operations. Due to the ''Gold'' status that Microsoft attributes to the Group's operational subsidiaries, these subsidiaries are authorized to sell licenses and provide services to major accounts. In return, the operational subsidiaries are required to maintain certain skills that must be certified by Microsoft. These agreements are automatically renewed on an annual basis provided that the subsidiaries respect their skills certification commitments.

## 6.3 Competitive strengths

*6.3.1. Leadership positions in Africa and in the French overseas territories*

Thanks to its historical positioning, the Group has a unique experience in the specialized distribution market in Africa (excluding South Africa) and the French overseas territories. As a result, the Group has very strong market shares in its various businesses.

- *In its CFAO Automotive division*, the Group believes that it:
  - is the market leader in French-speaking Sub-Saharan Africa, its historical market, where it has operations in 19 countries and estimates that it had a market share of around 40.4% in 2011, based on the number of new vehicles sold by the Group over the year in these 19 countries (16,553 units);
  - had a market share of approximately 20% in 2011 in the French overseas territories in which it operates (i.e., Reunion, French Guiana and New Caledonia, Mauritius, Vietnam, as well as Tahiti since the first half of 2009) based on the number of new vehicles sold by the Group in this region over the year (11,804 units);
  - had a market share of close to 10% in the two Maghreb countries (Algeria and Morocco) in which it operates, based on the number of new vehicles sold by the Group in 2011 in these two countries (41,200 units);
  - has a market share of approximately 10% in each of the eight countries in English- and Portuguese-speaking Sub-Saharan Africa in which it operates, based on the number of new vehicles sold by the Group in 2011 in these countries (12,462 units).
- *In its Eurapharma division*, the Group believes that it:
  - is the leader in the wholesale pharmaceutical distribution market in French-speaking Sub-Saharan Africa and in the French overseas territories. The Group estimates that Eurapharma had a market share of close to 43% in the 14 French-speaking Sub-Saharan African countries in which it operates (source: IMS end-November) and approximately 52% in the seven French overseas territories in which it operates (in terms of average market share in 2010, source: GERS);

– has a market share of approximately 10% in each of the five countries of English- and Portuguese-speaking Sub-Saharan Africa in which Eurapharma operates. Note that there are no IMS or GERS-type data available for this region.

- *In its Industries business,* the Group owns, through a partnership with Heineken, the only two bottling facilities in the Congo and believes that it is by far the leading distributor of bottled beverages in this country. As regards its BIC business (writing and shaving products), CFAO Industries believes it is the market leader in Ghana, Côte d'Ivoire and Cameroon and in neighboring export countries such as Burkina Faso, Mali, Togo, Benin, Congo and Gabon. In Nigeria, the business is a major player on the writing and shaving market. Through its subsidiary Icrafon, CFAO Industries considers itself the leader in Cameroon on the market for plastic containers (e.g., bottle racks).

- *In its new equipment distribution business*, CFAO is positioning itself as a challenger in all its markets, except the elevator installation market where, thanks to its partnership with Otis, it has long been a major player in each of the countries in which it operates (Cameroon, Côte d'Ivoire, Nigeria, Senegal, Burkina Faso, Gabon, Ghana and Mali). In the other segments CFAO Equipment can draw on the Group's renowned distribution expertise in Africa, the roll-out of new offerings and previous success in certain territories, such as Nigeria and Gabon, where the business already existed prior to the establishment of a dedicated network. Given that this business was only recently set up, it is not yet possible to provide market share indications.

- *In its Technologies business*, the Group believes it is a major player in the area of computer solutions, networks and telecommunications in French-speaking Sub-Saharan Africa, including Cameroon, Côte d'Ivoire, Gabon, Senegal, Burkina Faso and Mali. For example, the Group estimates that it holds roughly a 50% share of the solutions integration market in Cameroon and Côte d'Ivoire.

The Group believes that its large market shares in its various business sectors reflect its high standards in terms of the quality and reliability of the services it provides and the fact that the ''CFAO'' networks (in the automobile and new technology sectors) and ''Eurapharma'' (in the pharmaceutical sector) now benefit from a strong brand image in the eyes of its manufacturing partners and customers.

### *6.3.2 Unique competitive positioning in key markets*

#### *6.3.2.1. Unrivaled coverage of Africa*

In Africa, there is no other player truly comparable to the Group in terms of geographic coverage, range of products and services, and market share in its core businesses of automobile and pharmaceutical importation and distribution:

- The Group's competitors in the African countries in which it operates are mostly small- and medium-sized local or regional players that are unable to match the Group's geographic scope, range of products, services, financial strength and market share. The difficulty of achieving critical mass in the markets in which CFAO operates reflects the entry barriers resulting from the need to (i) forge privileged relationships with the main international suppliers, (ii) comply with local legislative and regulatory restrictions, (iii) have a solid and substantial financial base, and (iv) develop often highly complex logistical networks.

- Some significant pan-African or international players operate in certain segments of the specialized distribution market in Africa in which the Group operates. However, these players are, in general, less diversified and present in fewer African countries than CFAO is in its core businesses. In particular, this is the case for the company formed from the merger of Optorg-Tractafric and SDA-Demimpex, which was announced at the end of 2010.

- A detailed analysis of the Group's competitive environment can be found in section 6.4.2.1. ''Few major players operating in the Group's core markets''.

#### *6.3.2.2 A recognized ability to enter and succeed in new markets*

In the past 15 years, the Group has invested in 19 new territories, expanding its geographical footprint from 21 to 40 territories. This expansion was achieved through targeted acquisitions and start-ups.

In some of its new territories – particularly the Sub-Saharan African countries – the Group was the first truly international player to enter the markets, which were often emerging. Some of these territories have become among the main generators of growth and contributors to the Group's revenue (in particular Algeria and Morocco, where the Group started operations in 2000 and which represented 14.5% and 4.7%, respectively, of the Group's revenue in 2011).

The Group now has strong expertise in identifying promising territories to enter and the conditions needed to manage these operations. This has enabled it to accompany its principal manufacturing partners in their geographic expansion and to develop relationships with new partners.

Pursuing geographic expansion makes the Group an even more attractive distribution partner and constitutes a key strategic focus for CFAO (for a more detailed analysis refer to section 6.5.3 ''Continuing the geographic expansion of its various divisions'').

*6.3.2.3 Substantial geographic and business diversification resulting in more effective risk management*

The following table breaks down the Group's revenue in 2011 by division and by geographic area:

| in € millions | CFAO Automotive | Eurapharma | Industries, Equipment & Services | Total |
|---|---|---|---|---|
| **French-speaking Sub-Saharan Africa** | 19.1% | 11.3% | 9.3% | 39.7% |
| **French Overseas Territories and Other[1]** | 12.9% | 10.4% | – | 23.3% |
| **Maghreb** | 17.1% | 1.8% | <1% | 19.2% |
| **English- and Portuguese-speaking Sub-Saharan Africa** | 9.5% | 1.4% | <2% | 12.6% |
| **France (export)[2]** | 1.9% | 2.8% | <1% | 5.2% |
| **Total** | **60.6%** | **27.7%** | **11.8%** | **100.0%** |

(1) *Mauritius and Vietnam*

(2) *Direct export from France to Africa*

The Group's presence in several large geographic areas and in many countries allows it to better manage its country-specific risk profile, thus limiting its exposure to fluctuations in local economic cycles and political events. By way of illustration, Algeria, the Congo and the French Antilles, the three territories that account for the largest individual shares of the Group's revenue, represented only 14.5%, 8.3% and 7.9%, respectively, of the Group's total revenue in 2011.

Moreover, the Group's two main businesses – automobile and pharmaceutical distribution – have relatively complementary features:

- automobile distribution in emerging and pre-emerging markets has rapid growth potential, but is also a cyclical business that may be affected by local economic conditions. The market for automobile distribution may therefore be prone to substantial fluctuations, both positive and negative;

- pharmaceutical distribution in developing countries has grown steadily over the past several years. This is due to the fact that pharmaceutical products are often essential goods, developing countries are growing significantly at a fairly consistent rate both demographically and economically, and more and more local populations have access to these products thanks to employee benefits programs offered by some private companies, social security measures implemented in certain countries, and aid from developed countries, multilateral organizations and NGOs.

Finally, the Group has a diverse customer base with no single customer accounting for more than 0.5% of the Group's revenue in 2011 (if each government entity in each of the countries in which the Group operates is considered to be a separate customer) or more than 1% of the Group's revenue (if all of the government entities in a given country in which the Group operates are considered to be a single customer). The Group's customer base includes individuals and local, regional and international corporations and businesses as well as governments, public sector entities and non-governmental organizations.

*6.3.2.4 Skill set and internal organization: a key competitive advantage*

In its key businesses, the Group offers an integrated set of products and services covering the entire import and distribution value chain, enabling it to capture a significant share of the value added and the corresponding margin. The Group has significant expertise in managing local market constraints and optimizing the flow of products throughout the supply chain. Suppliers therefore have access to cost-effective and innovative solutions, enabling them both to outsource an important part of the distribution process and reach markets that are difficult to access.

In order to remain a leader in its businesses, the Group has both diversified its business and maintained a very high level of expertise in each of its areas of focus. The Group's internal organization is also a foundation of its strategic success and its operating performance in its various fields:

- At the management level, the Group's internal organization is structured around a clear division of responsibilities between headquarters and local subsidiaries. Strategic decisions such as hiring key personnel, setting financial policy, approving capital expenditures and choosing suppliers and logistical services for the Group's distribution networks are made at the headquarters in order to ensure consistency in policy across the Group and flexibility to adapt and innovate. This also allows risk-taking to be contained at the local level. Local entities are therefore left to focus their efforts on further developing the local business and improving their market share, in particular by focusing continuously on improving business relationships and maintaining high levels of product and service quality.

- At the operational level, the Group is organized into several businesses (CFAO Automotive, Eurapharma, CFAO Industries, CFAO Equipment, Rental services and CFAO Technologies), allowing it to develop its specific areas of expertise. Moreover, within each of these businesses and divisions, the Group has implemented a ''flat'' (i.e., non-hierarchical) organizational structure, thus favoring rapid information flow and decision-making and fostering a real entrepreneurial approach.

- With respect specifically to logistics, CFAO Automotive and Eurapharma have been able, as a result of the Group's strategic decisions relating to internal organization matters, to develop efficient systems for centralizing orders with their suppliers. This enables them to optimize the management of these orders for all of their subsidiaries and offer solutions allowing them both to satisfy the demands of suppliers (specifically in terms of reliability of logistics flows to Eurapharma) and coordinate the delivery of the products distributed from the time they leave the factories or pharmaceutical companies until they reach local customers.

*6.3.2.5 A recognized and experienced leadership team and local teams with strong execution skills*

The success of the Group's strategy and its growth depends above all on the experience and strong reputation of the Group's leadership team and the ability of the Group's local teams to implement management's strategic choices:

- The Group's managers have extensive experience in the distribution sector. Most of the Group's top managers have been with the Group for over ten years. The Group's management team also has privileged relationships with international and local partners who operate within its geographic areas. In addition the management team has a unique understanding of the Group's markets.

- Moreover, the Group's policy to recruit locally, its career advancement and training programs (technical, commercial, managerial and otherwise), its focus on knowledge-sharing and, above all, its flat organizational structure, enable top management to work directly with local managers who can effectively implement Group strategy. In markets that often differ from country to country, the Group's local operating teams have demonstrated a strong ability to execute, adapt and show initiative in order to attain goals set by the Group's management. The Group therefore believes that it has succeeded in creating a very strong corporate culture spanning its various businesses that inspires and rewards talent and entrepreneurial spirit, as can be seen by the very strong commitment shown by the local teams to each of the projects assigned to them.

*6.3.2.6 A privileged partner for major international manufacturers seeking access to promising African markets*

The Group believes that it is a privileged partner for major international manufacturers seeking to access or further develop business opportunities in the Group's regions:

- The Group's broad geographic coverage gives manufacturers access to the majority of African countries through a single partner offering uniform service quality standards that meet the highest international standards. These large international manufacturers, which typically do not have local operations in the countries in which the Group operates, seek distribution partners who apply international standards and have networks enabling them to fully and effectively cover remote geographic markets such as Africa and the French overseas territories.
- The main markets in which the Group operates, particularly the African markets and the French overseas territories, are often located far from the centers of production of major international suppliers and have a specific risk profile, particularly in terms of operating and political risks, that may be high. The Group offers manufacturers a wealth of experience and know-how in managing the difficulties associated with doing business from afar and in countries with this particular risk profile.
- The Group has a policy of continuous improvement at its distribution and logistical networks as well as its production sites.
  - The Group has carried out substantial investment over the past six years to update and expand CFAO Automotive's distribution network, which is now one of the most modern distribution networks in the markets in which it operates. Eurapharma has developed its own integrated logistics network, thus securing a unique competitive position in its market. In the Industries business, considerable capital expenditure has been made to substantially increase production capacity at sites such as those relating to the beverage business. These sites will continue to benefit from a high level of investment over the coming years.
  - The Group's strong financial base gives it a greater capacity to invest, innovate and develop its expertise than most of its competitors, providing unique opportunities to further develop its business with major international brands.
  - In addition, the Group's distribution networks are staffed with professional and recognized personnel due to the Group's training programs and corporate culture which guarantee high standards in terms of customer satisfaction.
  - The Group believes that its distribution networks have a genuine brand image vis-à-vis its suppliers and customers, resulting not only from the good reputation of its supplier partners but also from the high quality services provided by the distribution networks over the long term.

CFAO's partners in these various markets, composed of leading international brands, attest to its status as market leader:

- CFAO Automotive has a strong (and in some cases and countries, exclusive) relationship with numerous automakers, including its three major strategic partners, Toyota (since 1970), Nissan (since 1991) and General Motors (since 1998), as well as other European and Asian automakers such as Mitsubishi (since 1982), Isuzu (since 1975), Suzuki (since 1994), Peugeot (since 1960), Renault Trucks (since 1994), Yamaha (since 1975) and Bridgestone (since 1990).
- Eurapharma provides services to major international pharmaceutical companies such as Pfizer, SanofiAventis, Novartis, Roche, GSK, Bristol Myers Squibb and Schering-Plough.
- CFAO Industries has also established relationships with major international suppliers such as BIC® (since 1973), Heineken (since 1994) and Coca-Cola (since 2002).
- Similarly, CFAO Technologies has established strong relationships with prestigious multinational companies such as Microsoft, IBM and Cisco.

- CFAO Equipment & Rental services has a portfolio of widely-renowned brands such as JCB, Liugong, Massy Ferguson, New Holland, FG Wilson, Hyster, Silla, Otis and Avis.

*6.3.2.7 Consistent and profitable growth*

The following table sets out the Group's revenue and recurring operating profit margin (recurring operating income divided by revenue) for each year from 1996 to 2011. Until 2009, a management fee calculated on a percentage of revenue was paid to the PPR group on a yearly basis. The figures below are to be read excluding the management fee paid to PPR.

This period is presented since it was free from distorting exceptional events, such as the CFA franc crisis of 1994/1995, which makes it suitable for analyzing the Group's underlying performance drivers.

The financial information set out below with respect to 2006, 2007 and 2008 is derived from the Group's audited consolidated financial statements, which were prepared in accordance with IFRS and set out in Chapter 20 ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of the Registration Document for the Group's initial public offering in 2009. The 2009 information has been included for reference and the 2010 and 2011 information is derived from the Group's audited consolidated financial statements which are included in this Reference Document.

The financial information with respect to 2004 and 2005 was prepared in accordance with IFRS and derived from the Group's consolidation package that was audited in connection with the audit of PPR's consolidated financial statements for such years. The financial information with respect to 1996 to 2003 is derived from the audited financial information published by PPR for such years prepared in accordance with French generally accepted accounting principles (GAAP).

| | French GAAP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **(in € millions)** | **1996** | **1997** | **1998** | **1999** | **2000** | **2001** | **2002** | **2003** |
| **Revenue** | 954.1 | 993.8 | 1,062.0 | 1,048.5 | 1,247.2 | 1,477.2 | 1,619.5 | 1,718.4 |
| **Recurring operating income (*)** | 80.1 | 89.9 | 99.7 | 102.8 | 112.4 | 134.6 | 147.8 | 158.3 |
| **Profit margin (**)** | 8.4% | 9.0% | 9.4% | 9.8% | 9.0% | 9.1% | 9.1% | 9.2% |

| | IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **(in € millions)** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Revenue** | 1,859.4 | 2,034.3 | 2,219.4 | 2,534.7 | 2,874.7 | 2,582.0 | 2,676.2 | 3,123.7 |
| **Recurring operating income (*)** | 156.1 | 167.0 | 182.4 | 232.3 | 276.8 | 216.6 | 223.2 | 256.3 |
| **Profit margin (**)** | 8.4% | 8.2% | 8.2% | 9.2% | 9.7% | 8.4% | 8.3% | 8.2% |

*(*) Excluding the management fee paid to the PPR group until 2009.*

*(**) As a % of revenue and excluding the management fee paid to the PPR group until 2009.*

The Group's revenue increased from €678 million in 1996 (excluding Eurapharma's revenue, as it was first consolidated in 1996) to €3,123.7 million in 2011, representing an increase of €2,445.7 million. This revenue increase represents an average annual growth rate of 10.7%.

Among other things it reflects the strengthening of CFAO's business portfolio through the addition of two new businesses: the pharmaceutical business (with the acquisition and consolidation of Eurapharma in 1996) and CFAO Technologies. It also reflects the geographic expansion of pre-existing divisions since 1996 (principally the CFAO Automotive division) into new markets.

Taking into account Eurapharma's revenue in 1996, the Group's sales grew by 8.2% over the period.

During this seventeen-year period following the crisis of 1994 (when the CFA franc was devalued by 50%), the Group once again transformed its business portfolio in order to strengthen its positions in Sub-Saharan Africa and the French overseas territories, and also entered new geographic areas to establish its core businesses in new markets, principally in Africa. These two new strategic directions allowed the Group to enhance its portfolio of countries and businesses while significantly strengthening its organic growth potential.

Between 1996 and 2011, the Group's growth remained steady except for a slight drop in revenue in 1999 and a sharper decline in 2009 due to the global economic crisis. Over this same period, CFAO was also very profitable, as it recorded a recurring operating profit margin of between 8.2% and 9.8%.

The Group's financial performance is based on its strategy of improving operating margins by leveraging the position of each of its businesses throughout the value chain as well as its size and structure, which allow it to optimize its purchasing and its transportation network. The Group has implemented an operational platform that allows it to closely monitor the performance of its various operating entities and, where appropriate, to implement rapid and effective improvement or corrective measures.

The Group's performance in this period demonstrates its ability to generate high operating margins in markets of varying sizes and maturity. Given its extensive experience and unique understanding of its principal markets, the Group believes that it is capable of adapting to changing market conditions in terms of operating margins, sales volumes and customers.

## 6.4 Market description

CFAO sells goods in geographic areas – principally in Africa (its core market) and the French overseas territories – that are located far away from the main global manufacturing centers.

### *6.4.1 The Group's two geographic areas (Africa and the French overseas territories) are growth markets*

#### *6.4.1.1 Two core regions*

The Group's specialized distribution business is concentrated in two main geographic areas:

- ***The African continent*** offers a favorable economic environment for specialized distribution.

The Group has operations in:

  - ***French-speaking Sub-Saharan Africa*** (40% of total revenue in 2011), focusing on Cameroon and the Republic of the Congo, the two largest countries in the region by revenue.
  - ***The Maghreb*** (19% of total revenue in 2011), specifically Algeria and Morocco, the two countries in the region where the Group has operations. Algeria, which is a large producer of oil and gas, represents a market of some 35 million inhabitants. Morocco represents a market of 31.4 million inhabitants.
  - ***English- and Portuguese-speaking Sub-Saharan Africa*** (13% of total revenue in 2011), and Nigeria in particular, the most significant country in the region in terms of revenue. Nigeria, a major producer of oil and gas, is the most populous country in Africa and represents a market of more than 148 million inhabitants. Nigeria is the second-largest economy in Africa in terms of GDP after South Africa.

- ***The French overseas territories,*** (23% of total revenues in 2011, including Mauritius and Vietnam). The Group operates in French overseas departments (Guadeloupe, Martinique, French Guiana and Reunion), overseas collectivities (French Polynesia, Saint Martin) and in New Caledonia. Approximately 2.1 million inhabitants reside in these European-style overseas territories.

See section 6.2 ''Business divisions'' for a fuller analysis of the Group's operating establishments and businesses run from its bases.

*6.4.1.2 Though complex, economic conditions in Africa are considered buoyant*

The Group does not know of any quantitative analysis that provides an overview of the specialized distribution market in Africa. However, it estimates that, on the whole, this market will continue to grow over the medium to long term, in line with the economic development of the continent.

This growth trend will likely be influenced by a combination of structural factors, including:

- ***Demographic growth*** in Africa, which is significantly higher than the level observed for the more mature economies.

| | Annual average demographic growth rate (%) | |
|---|---|---|
| **Region** | **2005-2010** | **2010-2015** |
| **World** | **1.18** | **1.11** |
| **Africa*** | **2.29** | **2.20** |
| North America | 0.96 | 0.91 |
| Latin America and the Caribbean | 1.12 | 0.99 |
| Asia | 1.14 | 1.05 |
| Europe | 0.09 | 0.03 |
| Oceania | 1.31 | 1.23 |

* *The Group's main geographic area*

*Source: UN, ''World Population Prospects: The 2008 Revision''*

The population of Africa surpassed the 1 billion mark in 2009. The Group has operations in 32 African countries that represent approximately 70% of Africa's total population, a market consisting of approximately 700 million people. Most economic research into the economic development of the continent indicates that its demographic structure is now having a positive impact. In October 2010, Société Générale published a report entitled ''African Acceleration'' discussing the economic developments taking place on the African continent. The report thus observed that while over the last half century Africa's demographic structure had constituted a major handicap to its development, ''Africa is now in a position to take advantage of its demographic transition thanks to two major connected trends: the positive effects of the leveling-out of the ratio of the young dependent population vs the working-age population and the rapid expansion of the young adult population, which provides a significant boost to potential growth in demand and to labor resources''.

- ***Economic development*** throughout Africa, which has been strengthened by globalization as well as African countries' strategies to encourage international trade, continued efforts to modernize public and private sectors and infrastructure, align commercial policies with international standards, and in certain countries, increase the price of raw materials. Economic development in Africa has also been fostered by the reduction of public debt in several African countries through international initiatives such as the HIPC plan (Heavily Indebted Poor Countries), which around 30 African countries have implemented to date. In terms of foreign direct investment, research published by Ernst & Young in May 2011 indicated that in the last decade, the number of projects initiated in Africa rose from 338 in 2003 to 633 in 2010, which implies an increase of nearly 87% in seven years. According to Ernst & Young, ''Despite the decline in investment that occurred in 2008, Africa remains an attractive destination in a context of global recession, and the region has maintained its relative share of global investment flows''. The number of new projects on the continent is expected to rise sharply next year and the consultancy estimates that direct investment will reach 150 billion dollars by 2015. The above-mentioned report by Société Générale also observed that investment is now moving beyond mainly oil and gas projects, into other business areas, such as banking, retail, transport and telecommunications.

- Broad stabilization in macroeconomic conditions in most African countries and prospects for strong economic growth are likely to underpin a gradual improvement in inhabitants' living standards, fostering the emergence of a middle class. The specialized distribution market should benefit from these nascent middle classes whose increased demand for services and products similar to those available in Western economies should allow the Group to continue expanding its businesses. In a June 2010 report entitled ''Lions on the move: the progress and potential of the African Economies'', the McKinsey Global Institute estimated that total consumer spending on the African continent would rise from $860 billion in 2008 to $1,400 billion by 2020.

- Economic recovery after ***the global economic and financial crisis***: although affected much later than other regions due to the weak integration of its economies in the global financial system, Africa was unable to escape the impact of the global financial and economic crisis, with growth slowing in 2009 in relation to the average recorded in previous years. Nevertheless, a recovery was observed in 2010 and 2011. The latest International Monetary Fund report on the economic outlook for Sub-Saharan Africa, published in October 2011, observed that ''Growth has remained strong in recent years, and most low-income countries in Africa weathered the global economic slowdown well''. According to the estimates contained in the report ''growth in Sub-Saharan Africa will remain on average higher than 5% in 2011. The growth rate is expected to increase in 2012 to nearly 6%, because of one-off boosts to production in a number of countries''. However, the IMF tempered its prognosis, by indicating that ''...there are significant downside risks to this outlook. Global financial volatility and a sharp slowdown in growth in advanced countries would affect Sub-Saharan Africa by subduing export demand and private financing flows, restricting growth particularly in the region's more integrated economies. Volatility in commodity markets could cause further disruptions in macroeconomic balances, with both winners and losers within the region''. In January 2012 when the IMF updated its key forecasts, it only slightly lowered its 2012 and 2013 projections for Sub-Saharan Africa, to 5.5% and 5.3% respectively, reflecting strong internal demand in 2011, but also strong commodity prices.

**Ongoing weaknesses:** Aside from the fragility of the global economic context, which could allow the downside risks to prevail, a number of other identified weaknesses could hold the Sub-Saharan economies back. These include the need for foreign capital (in the form of foreign direct investment, or bilateral or multilateral support) to finance development and a significant dependence on basic commodities that represent a substantial share (and, in some cases, nearly all) of the production and exports of several countries, leaving African economies particularly vulnerable to fluctuations in the prices of certain raw materials (see table below). Similarly, the weak integration of the African economies in the global financial system, their underdeveloped banking structures, the weakness of the local private sector, the need for public sector and judicial reform, the lack of budgetary resources to finance the modernization of infrastructure and expenditure on education and healthcare, and, finally, persistent failings observed in the respect for the rule of law in certain African countries could all be perceived as obstacles to the acceleration of growth across the continent. The IMF report of October 2011 also underlined that: ''Helpful as commodity prices can be to the region, the increase in global food and fuel prices, now amplified by an acute drought in some parts, has hit the budgets of the poor and in a number of countries sparked rising inflation.''

**The following tables illustrate growth expectations for African countries:**

| | Real GDP growth (%) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Estimates | | | |
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **French-speaking Sub-Saharan Africa** | | | | | | | | | |
| Benin* | 4.6% | 5.0% | 2.7% | 2.6% | 3.8% | 4.3% | 4.8% | 5.0% | 5.0% |
| Burkina Faso* | 3.6% | 5.2% | 3.2% | 7.9% | 4.9% | 5.6% | 6.0% | 6.3% | 6.4% |
| Burundi | 3.6% | 4.5% | 3.5% | 3.9% | 4.2% | 4.8% | 5.0% | 5.0% | 5.0% |
| **Cameroon*** | **3.4%** | **2.6%** | **2.0%** | **3.2%** | **3.8%** | **4.5%** | **4.8%** | **5.0%** | **4.0%** |
| Comoros | 0.5% | 1.0% | 1.8% | 2.1% | 2.2% | 3.5% | 4.0% | 4.0% | 4.0% |
| **Congo*** | **–1.6%** | **5.6%** | **7.5%** | **8.8%** | **5.0%** | **7.0%** | **6.4%** | **5.0%** | **6.9%** |
| **Côte d'Ivoire** | **1.6%** | **2.3%** | **3.8%** | **2.4%** | **–5.8%** | **8.5%** | **6.0%** | **5.7%** | **5.4%** |
| **Gabon*** | **5.6%** | **2.3%** | **–1.4%** | **5.7%** | **5.6%** | **3.3%** | **1.6%** | **2.6%** | **2.5%** |
| Gambia* | 6.0% | 6.3% | 6.7% | 6.1% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% |
| Guinea-Bissau* | 3.2% | 3.2% | 3.0% | 3.5% | 4.8% | 4.7% | 4.7% | 4.7% | 4.7% |
| Guinea* | 1.8% | 4.9% | –0.3% | 1.9% | 4.0% | 4.2% | 4.5% | 4.6% | 6.8% |
| Equatorial Guinea* | 21.4% | 10.7% | 5.7% | –0.8% | 7.1% | 4.0% | 6.8% | 2.5% | –2.0% |
| Madagascar* | 6.2% | 7.1% | –3.7% | 0.6% | 1.0% | 4.7% | 5.0% | 5.0% | 5.1% |
| **Mali*** | **4.3%** | **5.0%** | **4.5%** | **5.8%** | **5.3%** | **5.5%** | **5.5%** | **5.1%** | **5.1%** |
| Mauritania* | 1.0% | 3.5% | –1.2% | 5.2% | 5.1% | 5.7% | 6.3% | 5.7% | 5.7% |
| Niger* | 3.1% | 9.6% | –0.9% | 8.0% | 5.5% | 12.5% | 6.1% | 6.8% | 6.5% |
| Central African Republic* | 3.7% | 2.0% | 1.7% | 3.3% | 4.1% | 5.0% | 5.5% | 5.9% | 5.4% |
| Democratic Republic of the Congo* | 6.3% | 6.2% | 2.8% | 7.2% | 6.5% | 6.0% | 8.0% | 6.0% | 6.0% |
| Rwanda | 5.5% | 11.2% | 4.1% | 7.5% | 7.0% | 6.8% | 7.0% | 6.8% | 6.5% |
| São Tomé and Principe* | 6.0% | 5.8% | 4.0% | 4.5% | 5.0% | 6.0% | 6.0% | 6.0% | 29.5% |
| **Senegal*** | **5.0%** | **3.2%** | **2.2%** | **4.2%** | **4.0%** | **4.5%** | **4.9%** | **5.1%** | **5.4%** |
| Chad* | 0.2% | 1.7% | –1.2% | 13.0% | 2.5% | 6.9% | 3.1% | 3.2% | 3.3% |
| Togo* | 2.3% | 2.4% | 3.2% | 3.7% | 3.8% | 4.4% | 4.7% | 4.9% | 4.5% |

| | Real GDP growth (%) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Estimates | | | |
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **English-speaking Sub-Saharan Africa** | | | | | | | | | |
| South Africa | 5.6% | 3.6% | –1.7% | 2.8% | 3.4% | 3.6% | 4.0% | 3.8% | 3.6% |
| Angola* | 22.6% | 13.8% | 2.4% | 3.4% | 3.7% | 10.8% | 6.7% | 6.6% | 6.6% |
| Botswana | 4.8% | 3.0% | –4.9% | 7.2% | 6.2% | 5.3% | 7.1% | 5.1% | 4.4% |
| Cape Verde | 8.6% | 6.2% | 3.7% | 5.4% | 5.6% | 6.4% | 6.2% | 6.0% | 4.9% |
| Eritrea | 1.4% | –9.8% | 3.9% | 2.2% | 8.2% | 6.3% | 3.5% | 4.5% | 1.2% |
| Ethiopia | 11.8% | 11.2% | 10.0% | 8.0% | 7.5% | 5.5% | 6.0% | 6.5% | 6.5% |
| Ghana* | 6.5% | 8.4% | 4.0% | 7.7% | 13.5% | 7.3% | 6.1% | 6.2% | 6.3% |
| Kenya* | 7.0% | 1.5% | 2.6% | 5.6% | 5.3% | 6.1% | 6.5% | 6.5% | 6.6% |
| Lesotho | 4.5% | 4.3% | 3.1% | 3.6% | 5.2% | 5.1% | 4.9% | 4.8% | 4.9% |
| Liberia | 9.4% | 7.1% | 4.6% | 5.6% | 6.9% | 9.4% | 7.7% | 6.0% | 10.2% |
| Malawi* | 9.5% | 8.3% | 9.0% | 6.5% | 4.6% | 4.2% | 4.0% | 3.8% | 3.7% |
| Mozambique | 7.3% | 6.8% | 6.3% | 6.8% | 7.2% | 7.5% | 7.9% | 7.8% | 7.8% |
| Namibia | 5.4% | 4.3% | –0.7% | 4.8% | 3.6% | 4.2% | 4.3% | 4.3% | 4.3% |
| **Nigeria*** | **7.0%** | **6.0%** | **7.0%** | **8.7%** | **6.9%** | **6.6%** | **6.3%** | **6.3%** | **5.9%** |
| Uganda* | 8.4% | 8.7% | 7.2% | 5.2% | 6.4% | 5.5% | 7.0% | 7.0% | 7.0% |
| Seychelles | 9.6% | –1.3% | 0.7% | 6.2% | 5.0% | 4.4% | 4.4% | 4.2% | 4.2% |
| Sierra Leone | 6.4% | 5.5% | 3.2% | 5.0% | 5.1% | 51.4% | 10.2% | 4.0% | 3.8% |
| Swaziland | 2.8% | 3.1% | 1.2% | 2.0% | –2.1% | 0.6% | 1.5% | 2.4% | 2.4% |
| Tanzania* | 6.9% | 7.3% | 6.7% | 6.4% | 6.1% | 6.1% | 7.1% | 7.5% | 7.5% |
| Zambia* | 6.2% | 5.7% | 6.4% | 7.6% | 6.7% | 6.7% | 7.3% | 8.0% | 8.1% |
| Zimbabwe* | –3.7% | –17.7% | 6.0% | 9.0% | 6.0% | 3.1% | 3.0% | 3.0% | 3.0% |

| | Real GDP growth (%) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Estimates | | | |
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Maghreb** | | | | | | | | | |
| **Algeria*** | 3.0% | 2.4% | 2.4% | 3.3% | 2.9% | 3.3% | 3.4% | 3.3% | 3.3% |
| **Morocco*** | 2.7% | 5.6% | 4.9% | 3.7% | 4.6% | 4.6% | 4.9% | 5.2% | 5.5% |

*Source: IMF (World Economic Outlook Database) September 2011*

* *French-, English- and Portuguese-speaking Sub-Saharan African countries in which the Group operates are marked with an asterisk. The Group's principal countries in terms of revenue are indicated in bold.*

** *Data for 2011 and thereafter are estimated.*

### *6.4.1.3 Economic environment in French overseas territories may deliver greater market growth than mainland France*

The French overseas territories combine a legal and sales environment that meets French and European standards with economic and demographic growth that is historically higher than that of mainland France.

- *Historically high economic and demographic growth:* the economies of the French overseas departments are less developed than in mainland France. However, between 2000 and 2007, the economic growth of the French overseas departments was approximately 2.8%* per year as compared to 1.8% in mainland France, and their rate of demographic growth has generally been twice as fast as in mainland France (1.3% annually between 2000 and 2008 as compared to 0.7%). These two factors offer opportunities for growth in the specialized distribution market in the French overseas territories, where the population consists primarily of a middle class with consumer preferences that are identical to those of mainland France, particularly in the areas of motor vehicles and pharmaceuticals, the two main types of products distributed in these regions by the Group. The situation nevertheless became more nuanced after 2008 as the first phase of the economic crisis had a greater impact on certain overseas departments. Thus, after being affected by the crisis in 2009, economic activity on Reunion did not recover as hoped in 2010. In value terms, GDP grew by 2.3%, but the prices increases were more significant. In the French Antilles, after two years of economic crisis, the first signs of recovery became visible in Guadeloupe and Martinique in 2010. According to INSEE, most indicators are pointing upwards: trade, goods traffic, household credit, housing, hotel occupancy levels, employment figures and company registrations. Meanwhile, New Caledonia continues to benefit from the positive impact of mining investments on the island.

**Population growth**

| | in number | | | | |
|---|---|---|---|---|---|
| | 1990 | 1999 | 2009 | Estimated population as at January 1, 2011 | Projected population in 2040 |
| **France*** | **56,615,155** | **58,520,688** | **62,465,709** | **63,127,768** | **70,734,136** |
| Guadeloupe | 353,431 | 386,256 | 401,554 | 401,730 | 403,774 |
| French Guiana | 114,678 | 156,790 | 224,469 | 236,250 | 573,601 |
| Martinique | 359,572 | 381,325 | 396,404 | 395,953 | 423,435 |
| Reunion | 597,823 | 706,180 | 816,364 | 839,480 | 1,060,835 |
| **France** | **58,040,659** | **60,151,239** | **64,304,500** | **65,001,181** | **73,195,781** |

* *Mainland France*

*Sources: INSEE*

- *Close ties with mainland France:* the French overseas territories have few economic relationships with their direct neighbors, which are generally emerging or developing countries. Their economies are therefore highly dependent on imports coming from mainland France. Between 50% and 60% of trade in the French overseas territories is conducted with France, while the rest of Europe represents 10% to 15% (source: French Senate report on bill for economic development of overseas departments and territories, February 19, 2009). French producers and suppliers tend to have significant market shares in the French overseas territories and tend to be partners of reference for independent distributors, such as CFAO, who wish to enter or expand their presence in the local specialized distribution market.

- *A legal and commercial environment that meets French and European standards:* because French and European regulations apply throughout most of the French overseas territories, their markets are strictly regulated, particularly in the pharmaceutical distribution market, where compliance with regulatory requirements is essential for success (see section 6.4.3.2 ''The pharmaceutical distribution division in Africa and in the French overseas territories'').

### *6.4.2 Prime positions enjoyed by major players in the Group's key geographic areas*

#### *6.4.2.1 Few major players operating in the Group's core markets*

Within the Group's core business divisions (automobile and pharmaceutical distribution), the specialized distribution market in Africa and in the French overseas territories is characterized by the presence of a large number of players, the majority of which are local and small- or medium-sized – for example, subsidiaries of manufacturers, local dealers, local independent distributors – that, unlike CFAO, lack the capacity to operate in multiple markets due to their smaller size or inadequate financial resources:

- **Automobile distribution:** In Africa, unlike more developed economies, automakers generally have little direct involvement in the distribution of their vehicles because they usually lack familiarity with the characteristics of local markets. Small- or medium-sized independent companies, specialized in their local market, handle distribution, and usually work exclusively for a small number of automakers. In regions such as Sub-Saharan Africa, many companies, with no particular ties to car firms, specialize in the sale of used vehicles. Only a few groups, such as Jameel and the subsidiaries of French manufacturers (in the Maghreb), Optorg (in French-speaking Sub-Saharan Africa) and Toyota Tsuscho (in English- and Portuguese-speaking Sub-Saharan Africa) have regional or international branches. In December 2010, Optorg-Tractafric and SDA-Demimpex announced their intention to combine their respective automotive units to create a new pan-African business. In certain instances, the global economic situation has weakened local players and thus created development opportunities for the Group, as seen with the takeover of the Citroën import-distribution activity from Foucque Automobile and the acquisition of Caillé's majority interest in SICAM in Madagascar.
- **Pharmaceutical distribution:** In Africa (excluding South Africa), with the exception of Eurapharma and a few regional and international firms (in particular, Ubipharm and CERP Bretagne Nord), small local companies distribute pharmaceutical products. Likewise, in the French overseas territories, most distributors operate in one or two such territories at most, even when they are regional or international firms. The main European and North American distributors are not established in African countries and in the French overseas territories where Eurapharma operates.

The following table shows CFAO's main competitors by geographic area with regard to automobile and pharmaceutical distribution.

| Principal countries/regions of the Group in terms of revenue | Principal and types of Group competitors | |
|---|---|---|
| | **CFAO Automotive** | **Eurapharma[(1)]** |
| French Overseas Territories and Other | GBH (regional), Caillé group (local) and Jeandot group (local) | Ubipharm (international), CERP Bretagne Nord (regional), other local firms |
| Maghreb | Renault (international), Peugeot (international), Jameel group (regional), ONA Sopriam (local), other local firms | Local firms |
| French-speaking Sub-Saharan Africa | Optorg group (regional), other local firms | Ubipharm (international), CERP Bretagne Nord (regional), other local firms |
| English- and Portuguese-speaking Sub-Saharan Africa | Toyota Tsuscho group (international), other local firms | Local firms |

(1) *The competitors presented in this table distribute the same products as Eurapharma.*

*Source: CFAO*

*6.4.2.2 Markets with significant entry barriers*

It is essential to have critical mass in terms of geographic coverage, scope of services, market share and organization in order to generate adequate margins in CFAO's core markets. However, the markets in which the

Group operates have high entry barriers, which accounts for the low number of major players in each one. These hurdles include:

- **The need to establish strong relationships with global manufacturers.** Establishing privileged relationships with the various players in the specialized distribution market, in particular with automakers and pharmaceutical companies, represents a significant entry barrier. Potential competitors are often international groups that are not directly established in local markets and are seeking partners that already have extended distribution networks in one large region of Africa, making it difficult for local and regional players to forge trade ties with these firms and enter the market. Therefore, local distributors tend to focus principally on the used automobile market, a market segment in which the Group does very little business. In the Eurapharma division, in addition to the technical requirements imposed by applicable regulations, pharmaceutical companies also impose specific distribution standards that must be adhered to in order to develop contractual relationships with them. Local and regional firms do not always possess the necessary expertise to comply with these requirements.

- **A strict legal and regulatory framework in certain countries and within certain market divisions.** The market for distributing pharmaceuticals in French overseas territories is highly regulated. The complex and significant regulatory restrictions that apply to the pharmaceutical distribution business require considerable expertise, which is a significant entry barrier for new competitors. For instance, only companies of a similar size and financial capacity to Eurapharma are able to comply with the new traceability rules that require all pharmaceutical products sold on the French market to carry a new coding system, batch number and expiration date as of January 1, 2011, implying significant IT investment in 2010. In the future, this regulatory trend may spread to the geographic areas where the Group has operations since public health issues are increasingly being taken into consideration, including in several French-speaking Sub-Saharan African countries whose regulations are based on those of France.

- **The need for significant and solid financing.** Significant resources are needed to finance the business development initiatives and investments required to meet the standards of international suppliers and respond to competition, as well as to provide commercial partners, suppliers and customers with adequate financial or commercial guarantees.

- **The need for complex logistics networks.** In light of the often significant distances between production and distribution sites, efficient organizational methods and techniques are required to optimize a distributor's position on the value chain in terms of margins and geographic coverage in order to achieve economies of scale. Developing and implementing these techniques requires specific expertise.

### *6.4.3 Structural growth factors in the Group's core markets*

The deep-seated factors that have helped steady the African economy and the low rates of penetration of consumer goods among people groups are likely to foster medium- and long-term growth in the African markets in which the Group operates:

#### *6.4.3.1 Automobile distribution*

- The **distribution market for new vehicles in Africa** is significantly smaller than in other geographic regions.

***The African market:*** compared with other regions, the automobile market in Africa is still embryonic. According to the latest available statistics, in 2010 it represented 1,298 million new vehicles (of which 895,000 passenger vehicles), which implies 12.6% growth compared with the previous year, but still accounts for barely 2% of the world market. In contrast, the South American market represented 5.3 million new vehicles and the Asia-Pacific market (excluding China, Japan and South Korea) represented 10.5 million new vehicles in 2010. The rate of vehicle ownership is also very low in Africa. South Africa, where the Group is not present, is the most significant automobile market in Africa, with a level of infrastructure and development close to that of developed countries. Outside of South Africa, Japanese and South Korean manufacturers (Toyota, Nissan, Hyundai, Kia, etc.) dominate the African automobile market. Other car manufacturers have solid positions in certain countries, like General Motors (through its Chevrolet brand) and the European manufacturers (in particular Peugeot and Renault) in the Maghreb.

| | New vehicle registrations (in thousands) | |
|---|---|---|
| | 2009 | 2010 |
| Europe | 18,786 | 18,907 |
| United States | 10,601 | 11,772 |
| South America | 4,541 | 5,362 |
| Asia-Pacific | 28,326 | 35,341 |
| **Africa** | **1,153** | **1,298** |
| **World** | **65,666** | **75,111** |

*Source: French Automobile Manufacturers' Committee*

***The Maghreb's*** automobile distribution market has grown significantly in recent years. The two Maghreb markets in which the Group has operations are Algeria and Morocco. Both are highly competitive and dominated by sales of entry-level light vehicles. The market for heavy trucks and buses has grown steadily over the past several years. Algeria is the third largest market in Africa after South Africa and Egypt, with an automobile fleet of three million vehicles, 80% of which are at least ten years old. The Group believes that Algeria's vehicle ownership rate is among the highest in Africa, at 71 for every 1,000 inhabitants owning a vehicle. No local manufacturing exists. Since the 1990s, Asian brands have gained market share by launching aggressive pricing policies. Growth in the new vehicle market was fostered by the Algerian government's decision in 2005 to ban imports of vehicles over three years old. Other legislative or regulatory measures that have come into force since 2008 have had an adverse effect on the Algerian market (see section 4.1 ''Risks relating to the business and regulatory environment'').

***Sub-Saharan Africa*** is a nascent market compared with South Africa and the Maghreb. With the exception of a few countries such as Gabon, the rate of vehicle ownership is very low. In 2005, the vehicle ownership rate was only 17 out of every 1,000 inhabitants in Nigeria(1), the largest economy in the region (excluding South Africa). The Group believes that in Sub-Saharan Africa, the vehicle division is dominated by sales to private-sector companies (approximately 70% of the market). Because numerous countries in the region are still developing, sales to individuals account for only a small portion of the market (approximately 10% of the market according to CFAO's estimates), whereas sales of used vehicles dominate the market. Despite their smaller size, used-vehicle distributors compete with specialized distributors that sell new vehicles.

- **Factors likely to strengthen the medium/long-term development of the African automobile distribution market:**
  - Despite the effects of the global economic and financial crisis, structural growth factors within the African continent should have a positive impact on the local automobile market. In Sub-Saharan Africa, the Group believes that the very low rate of vehicle ownership in the region will in due course lead to increased demand for vehicles, in line with the area's economic development. The gradual emergence of a genuine middle class in the region could result in the decline of the used vehicle market in favor of the new vehicle market, which is a better fit for the aspirations of the middle classes. The improvement of living standards in Africa should help promote the development of the middle class and result in increased demand for automobiles, as has already occurred in certain African markets, particularly in the Maghreb and other developing countries.

(1) *Source: World Bank, ''Africa Development Indicators 2007''*

– The African automobile market is also undergoing significant changes, creating a more favorable environment for automobile distribution. On the legal and regulatory level, restrictions on the import of used automobiles are becoming increasingly strict, as is the case in Senegal and Algeria. On the demand front, the market is being driven by growth in sales of low-end vehicles. Africa has also seen an increasing number of manufacturers seeking growth opportunities on the continent, as evidenced by the recent entry of Chinese manufacturers (with whom the Group currently maintains limited relationships) and the aggressive growth strategy of Japanese and Korean manufacturers. The development of consumer credit could also favor the development of this market.

– With respect to the Maghreb, the Group believes that the Algerian and Moroccan markets present significant growth potential.

- **A Western-style market in the French overseas territories**

– The automobile distribution market in the French overseas territories is similar to that of Europe – very competitive with high rates of vehicle ownership, a preference for new vehicles and the presence of subsidiaries of large international manufacturers. The light vehicle market consists mainly of passenger cars (approximately 80% of the market of light vehicles) and commercial vehicles (approximately 20% of the market)[(2)]. It differs from the French market in terms of the larger share of entry-level vehicles sold. French manufacturers (Peugeot, Renault and Citroën) dominate the market. Based on the Group's estimates, Reunion alone, where the Group maintains a significant presence, represents approximately 33% of the new vehicles sold in the French overseas territories. The French overseas territories' automobile market was affected by the global crisis in much the same way as the European automobile market. In 2009 the cash-for-clunkers (*prime à la casse*) program implemented by the French government (in the French overseas departments only) nonetheless helped to soften the impact of the automobile market crisis since, according to data from the French Automobile Manufacturers' Committee, the decline in vehicle registrations in the French overseas departments (Guadeloupe, French Guiana, Martinique and Reunion) was limited to 5.4%. Once the positive effects of the cash-for-clunkers program had come to an end, momentum in the automobile market generally became weaker in 2010. According to the French Automobile Manufacturers' Committee, vehicle registrations in these same French overseas departments recovered in 2011, when the number of units increased by 3.8% to 53,281. French Guiana and Reunion, the two departments in which CFAO Automotive is present, recorded growth of 7.4% (4,719 units registered) and 4% (21,111), respectively in 2011[(2)].

| | New passenger vehicles | |
|---|---|---|
| **Region** | **2009** | **2010** |
| Guadeloupe | 14,084 | 13,438 |
| French Guiana | 4,446 | 4,382 |
| Martinique | 13,142 | 13,147 |
| Reunion | 20,935 | 20,295 |
| **Total for French overseas departments** | **52,607** | **51,262** |

* *To CFAO's knowledge, no similar data exist for the entirety of the French overseas territories other than that noted in the above table.*

(2) *Source: French Automobile Manufacturers' Committee.*

*6.4.3.2 The pharmaceutical distribution division in Africa and in the French overseas territories*

- **Africa and the French overseas territories, the principal markets for the Group's pharmaceutical distribution business, are two niche markets with growth potential.**
  - *African market:* in Africa, Eurapharma operates mainly in French-speaking Sub-Saharan Africa (including countries such as Senegal, Cameroon and Côte d'Ivoire). It also operates in English- and Portuguese-speaking Sub-Saharan Africa (including countries such as Kenya and Ghana) as well as in Algeria. The African market is, by far, the smallest pharmaceutical market in the world, representing only 1% of the worldwide pharmaceutical market, or approximately $880 billion in 2011, according to analysis carried out by IMS Health, despite the fact that Africa is the second most populous continent in the world.
  - *The French overseas territories* represent approximately 3% of the French market, which is in turn the largest European market, having accounted for 4.6% of the global market in 2010[(4)]. Eurapharma operates mainly in Guadeloupe, Martinique and Reunion. The pharmaceutical distribution market in the French overseas territories is dominated by direct individual expenses and is highly regulated.

- **Two markets with attractive growth potential**
  - **The pharmaceutical distribution market has a strong growth potential in Africa due to:**
    - significant demographic growth and economic growth supported by favorable macroeconomic trends throughout Africa. As indicated previously in this report, the gradual emergence of a middle class should favor consumer spending, particularly on health;
    - the amount of spending on pharmaceutical products per inhabitant, which is currently very low. Average pharmaceutical expenses per inhabitant amount to €4 a year in Africa compared to €196 in Europe and €422 in North America[(5)]; and
    - the development of ambitious programs in certain countries and companies within Africa aimed at improving access to medical care and health insurance for local populations as well as the assistance provided by developed countries, multilateral organizations and NGOs.
  - **Genuine growth potential of French overseas territories:** although the French overseas territories have experienced more significant economic and demographic growth than mainland France in the last decade, pharmaceutical expenditure per inhabitant is lower than in France as a whole, i.e., €225 on average in 2008 in the French overseas territories (excluding Guadeloupe), compared to €274 on average in mainland France (estimated figures provided by Eurapharma). In contrast, Eurapharma estimates that the average level of pharmaceutical expenditure per inhabitant in Europe in 2008 was €196. Pharmaceutical expenditure per inhabitant in the French overseas territories should also increase due to the aging population: the percentage of the population aged 75 and over is 6% in Martinique, 5.1% in Guadeloupe, 2.9% in Reunion, 1.6% in French Guiana and 7.7% in France (national average)[(6)]. Consequently, the Group believes that, as compared to France, the pharmaceutical distribution market in the French overseas territories has not yet reached maturity.

*6.4.3.3 The consumer goods production segment in Africa*

- **A high demand for consumer goods in Africa**

With the exception of the more developed regions such as South Africa, the need for consumer goods and services remains very high in Africa, particularly in Sub-Saharan Africa. Growth in the consumer goods market is likely to directly benefit from the sustained demographic growth in Africa as well as the gradual improvement of its inhabitants' standard of living (see section 6.4.1.2 ''Though complex, economic conditions in Africa are considered buoyant'' above). An increase in purchasing power including among Africa's poorest populations should continue

(4) *Source: Eurapharma and IMS Health.*

(5) *Source: Global Insight 2006.*

(6) *Source: INSEE, ''Demographic Summary as of January 1, 2005''.*

to favor the growth of the consumer goods and services market, including the beverages or plastic products markets in which the Group acts both as a manufacturer and distributor in Sub-Saharan Africa. At the same time, the development of the middle classes and their growing demand for services and products similar to those available in Western economies should lead to an increased demand for less common consumer products and services (e.g., furniture, motorcycles, etc.), as well as a more diverse range of products and services similar to what has been seen in other emerging markets.

- **Limited local production with significant development potential**

With the exception of South Africa and, to a lesser degree, certain countries in the Maghreb and Egypt, most African countries have limited or non-existent local industrial production. Most of the significant investments in the countries on the continent relate to the raw materials sector, which creates potential demand for local industrial production facilities to meet increasingly high demands for consumer goods that are otherwise imported from abroad. Due to the distance between the African market and the principal manufacturing production centers, the cost and price conditions under which these products are imported from abroad and sold in Africa should create opportunities for a genuinely competitive local production for consumer goods. The continued modernization of infrastructure in Africa, the private sector and local regulations will also be decisive factors in the growth of local production.

*6.4.3.4 The new technologies distribution division in Africa*

- **A budding market on the global scale**

The development of the IT services market in Africa is directly dependent on the overall development of new technologies (Internet, mobile telephones, etc.). Financing issues, the inadequacy of regulations and the insufficiency of infrastructure networks in Africa have slowed the growth of this market. According to estimates, less than 1% of Africa's inhabitants have Internet access.

The Group is not aware of any detailed quantitative analysis that provides an overview of IT services in Africa.

However, it believes that:

- Algeria, where CFAO Technologies has operations, as well as Morocco and Tunisia (where the Group is not present) are countries in which the IT services market has huge potential;
- Côte d'Ivoire and Senegal (where the Group has operations) are the most dynamic markets in French-speaking Sub-Saharan Africa.

Within this market, the Group's main customers and the other market players are telecommunication companies, public companies, governmental authorities, banks and insurance companies and companies connected to the oil industry.

- **A market with growth potential**

In the short term, the Group expects the African market to more effectively withstand the deterioration of the global economic environment, as was the case when the Internet bubble burst at the beginning of the last decade. Growth should benefit from efforts by African countries, occasionally with the assistance of international organizations, in the area of new technologies. Certain national governments (Algeria, Gabon) have implemented ambitious policies to develop the new technologies sector, by modernizing their network infrastructures, intensifying public expenditure in this sector, encouraging the development of the private sector and by changing their regulations. Countries such as Algeria, where the Group is extremely active, have made becoming regional centers for new technologies an official target.

## 6.5 Strategy

From a general perspective, even in development terms, most African markets are still new compared with the major emerging markets. To be profitable, the historical business model employed by distributors like CFAO is made up, with just a few exceptions, of wholesale and retail. In these emerging markets, due to the volumes involved, they are as yet unable to specialize and, in order to protect profitability, the Group needs to build up its expertise and ensure that it remains as strongly positioned as possible in every segment of the value chain.

To reinforce its leadership position in certain markets and to reach that position in other markets, the Group plans to employ a strategy that leverages its strengths and targets strong organic growth coupled with improved operating income. Additionally, the Group intends to continue with its policy of pursuing selective and targeted acquisitions and developing into new business segments. The exceptional events that have affected the Group's activities or the markets in which it operates are described in Chapter 9 ''Operating and financial review'', and in section 9.1.2, ''Factors affecting the Group's results of operations''.

### *6.5.1 Maintaining a high level of organic growth in existing businesses*

The Group believes that its existing markets will experience robust growth over the medium to long term, as projected by the International Monetary Fund, thanks to a combination of favorable structural factors, such as strong population growth and the anticipated development of the African middle class.

Additionally, the Group will draw upon its expertise and market position in its business segments to pursue specific and pertinent strategies to promote organic growth in each of its divisions that are consistent with the Group's overall growth strategy:

- In its CFAO Automotive division, the Group is implementing an ambitious strategy to expand and adapt its portfolio of partner brands, particularly in markets such as the Maghreb and English-speaking Sub-Saharan Africa. The Group also intends to adapt its supply and distribution network on an ongoing basis in response to changes in demand in the markets in which it operates. Such adaptations may include, for example, increasing its portfolio of small or low-cost passenger vehicles to respond to the emergence of a middle class in Sub-Saharan Africa, responding to an expected increase in demand for mid-range and luxury or high-end vehicles, and from private sector businesses as local economies grow. Overall, the Group seeks to cover selectively all segments (low-cost, luxury, trucks, and related services) within its markets. Finally, the Group is looking to progressively strengthen the quality and the performance of the after-sales services provided to customers across its network.

- In its Eurapharma division, the Group intends to continue to implement Eurapharma's multi-channel growth model to consolidate its position throughout its supply chain, as it did in 2011 with the stake acquired in pharmaceutical manufacturing company Propharmal in Algeria and the development of a new entity known as Eurapharma Healthcare Services to target private clinic, hospital and NGO customers with a new range of products (medical equipment, hospital consumables, emergency kits and generic products). Thanks to its efficient operational structure, it should be able to capture the anticipated rise in demand for pharmaceutical products in Sub-Saharan Africa. The Group also believes that the continued growth of its most recent distribution-agent and pre-wholesale activities illustrates the pertinence of this development model.

- In its CFAO Industries business, the Group is keen to expand its beverages business into other countries should the opportunities arise. In 2011 it continued to make substantial investments to increase production capacity and to keep up with demand. In its plastic products manufacturing activities, the Group is trying to accelerate the development of products aimed more specifically at agri-business and the oil industries and to seize, where possible, opportunities to expand its geographical presence.

- In its equipment distribution and rental businesses, the Group plans to take part in the development of the construction, power and long-term rental sectors, which are projected to enjoy substantial growth over the next ten to fifteen years. Foreign investment, very strong urbanization, infrastructure projects and mining potential are equally favorable factors. In the countries in which it has set up dedicated networks, the Group plans to grow its market share by developing new services and innovative, made-to-measure offerings that respond to the specific needs expressed by its customers. To do this, it can draw on its existing logistical know-how, market knowledge and strong reputation. In order to build a solid equipment business line spanning the whole of Africa, the Group is planning to follow an organic growth strategy, although acquisitions cannot be excluded if the right opportunities arise.

- Finally, in its CFAO Technologies business, the Group plans to continue the strategy initiated in 2011, i.e., to refocus its efforts on developing a range of solutions for the integration of new high value-added technologies in order to benefit from the expected strong growth of the information services market in Africa. To this end, and while trying to enrich its circle of partners, the Group will pay special attention to developing relationships with major players in the industry, to its capacity for innovation and to the recruitment, training and retention of highly qualified local professionals.

### *6.5.2 Optimizing productivity and operating profitability*

Historically, the Group has focused on optimizing the profitability of its businesses, with three objectives: (i) to improve the underlying profitability of its portfolio of businesses over the long term, (ii) to increase its operating flexibility in order to allow it to anticipate and limit the impact on its margins of a downturn in one or more of the markets in which it operates (such as, for example, adverse exchange rate trends), and (iii) to maximize the return on capital employed.

The Group's approach to these issues is centered around three main principles: continuing its strategy of covering the entire distribution value chain, implementing plans for continuous improvement in the operating performance of its various business divisions, and ongoing strategic reassessment of the composition and optimal distribution of its portfolio of businesses.

At a divisional level, the Group will therefore in the coming years continue to pursue various programs to optimize its operations:

- In the CFAO Automotive division, the Group intends to maintain a high level of operating profitability through several means:
  - diversification of the currencies in which it makes its purchases in order to further reduce the exposure of its operating profitability to fluctuations in the currencies of its principal manufacturing partners; the Group should benefit in this respect from the ongoing efforts by manufacturers to diversify their own production zones (since its purchases are paid for in the currency of the country of origin); the Group may also enter into new partnerships with automakers;
  - optimizing its operating cost structure by generating additional synergies between various local entities in the largest markets, thanks to the pooling of certain support functions in the Maghreb and Nigeria;
  - constantly improving its logistics chain, for instance as it did in 2011 by centralizing spare parts storage for the Toyota brand, a policy that is to be extended to other brands in 2012;
  - studying external growth opportunities, both within the Group's existing markets and in new geographic markets, that provide a return on investment in line with the historical levels of the Group's businesses, even if the operating margin levels may occasionally be lower, as was the case in Algeria.

The Group is aware of the fact that the interest Africa represents for a growing number of international players, as well as the anticipated emergence of an African middle class and a large consumer market, will probably lead to a less favorable competitive environment in the coming years, compared with the present day, and indirectly to downward pressure on margins.

- In its Eurapharma division, the Group believes that its operating profitability should benefit from the following two factors: first, the Group's ongoing efforts to increase its operating profitability in its import-wholesale-resale business in Africa by reducing its operating costs; and second, the volume effect of its rapidly growing pre-wholesale and distribution-agent businesses.

### *6.5.3 Continuing the geographic expansion of its various divisions*

The Group's external growth will naturally focus on Africa and may also include targeted entries into high growth areas, as demonstrated in 2011 with entries into certain French overseas departments and territories, particularly New Caledonia and Reunion.

- *Africa:* Firmly rooted in Africa, the Group intends to continue to actively pursue its growth on the continent, both by expanding its market presence in the countries in which it already operates, such as the Maghreb, which became one of its key markets in less than ten years, and by leveraging its network to enter new markets such as those in English- and Portuguese-speaking Sub-Saharan Africa. For example, while already present in Uganda in pharmaceutical distribution, the Group also set up an automobile distribution business there in 2011. The Group believes that there are opportunities to reinforce and expand its market presence, particularly in the Maghreb and English- and Portuguese-speaking Sub-Saharan Africa, that correspond to its development criteria and its expertise and knowledge of Africa. Compared with the competition, the quality of CFAO's existing network place it in a favorable position to seize these opportunities. Through its strategy to reinforce and expand its position in Africa, the Group intends to take full advantage of the growth potential offered by the specialized distribution market as the African economies continue to develop.

  The Group has demonstrated creativity and flexibility in expanding into new markets in Africa through various legal structures and vehicles (creation of subsidiaries, partnership agreements, franchise agreements, etc.) and will use this expertise in its future expansion initiatives in new countries or with new partners.

- *Overseas Collectivities:* The Group already has a strong presence in the French overseas territories through its Eurapharma subsidiary and it plans to draw on the economic growth being observed in these territories by strengthening its vehicle distribution activities there through targeted acquisitions. Thus, in 2010 the Group strengthened its existing partnership with New Caledonian company Pentecost and acquired Ford's distribution activity in French Guiana. Also, in 2011, CFAO acquired Fouque Automobile's Citroën import and distribution activities.

### *6.5.4 Applying its know-how to the development of new businesses principally in Africa*

As a leading player in each of its current businesses, the Group will continue to explore opportunities to use its expertise, knowledge of Africa and reputation throughout the African continent to develop new businesses.

CFAO will focus on business projects that respond to several of the following criteria:

- growth and development potential that meet the Group's objectives;
- opportunities to develop business in several markets in Africa in a manner similar to the Group's current businesses;
- opportunities to operate an integrated business with a presence along the entire value chain, in a manner similar to the Group's current businesses;
- opportunities to leverage the Group's expertise;
- fit with the Group's existing businesses.

With a view to harnessing the potential represented by the gradual emergence of new consumers in Africa, the Group is planning in 2012 to continue to look at opportunities to develop new specialized distribution businesses on the continent, including acquisition opportunities. Successfully adapting and rolling out distribution concepts currently existing in more mature markets requires local knowledge and experience due to the limited size of many African markets. Based on its profile and experience, CFAO believes that it is particularly well positioned to develop in this sector.

### *6.5.5 Pursuing a policy of targeted external growth*

The Group will consider opportunities to pursue targeted acquisitions that respond to its acquisition criteria and growth strategy in order to reinforce its position in its existing businesses and potentially to enter new markets (see the section above). CFAO has a successful acquisition track-record that has contributed to its growth and increased market shares.

The Group believes that its size, financial capacity and acquisition experience, particularly in African countries, place it in a stronger position to identify potential targets and successfully close acquisitions than many of its smaller and less experienced competitors.

The Group intends to study acquisition opportunities that will enable it to both strengthen its existing business lines and allow it to build up positions in new businesses related to specialized distribution.

The Group will continue to adopt a selective approach to acquisitions, and will evaluate them on the basis of strategic, operational and financial criteria including the following: opportunity to consolidate or grow market share and access new markets with strong growth potential; existence within the target entity of specific know-how, technology and skills that are complementary to those of the Group; quality of networks, portfolio of customers and suppliers, and synergies with those of the Group; ability to contribute to the improvement of the Group's position on the value chain as well as its financial and operating performance; local and regional reputation; and ability to adapt to the corporate culture of the Group.

When drawing up its strategic plan for 2013, back in 2010, and then updating this in 2011 with a strategic plan for 2014, the Group set new targets for its businesses. These are explained in Chapter 12 of this Reference Document, under ''Trend information and objectives''.

## 6.6 Regulations

The Group's business – specialized in automobile distribution in Africa and the French overseas territories, as well as the manufacture of industrial products and the provision of services related to new technologies – is not in and of itself subject to specific regulation. However, the manufacture and/or distribution of certain products, in particular pharmaceutical products, is subject to specific regulations (see sections 6.6.1 ''Pharmaceutical operations'' and 6.6.5 below).

In the countries in which the Group operates, an import license is generally required for the importation of goods (as is the case for Algeria and Angola).

Furthermore, given the Group's strong international profile, as reflected in its presence in 31 African countries, seven French overseas territories, Vietnam, Mauritius and mainland France, the Group's operations are subject to various regulations that significantly affect its business. These include regulations concerning:

– pharmaceutical operations (see section 6.6.1 below);

– exchange controls (see section 6.6.2 below);

– the flow of goods (see section 6.6.3 below);

– foreign direct investment (see section 6.6.4 below);

– product liability (see section 6.6.5 below); and

– environmental compliance (see section 6.7 below).

### *6.6.1 Pharmaceutical operations*

Through Eurapharma, the Group currently distributes pharmaceutical products in 19 African countries, Madagascar, and seven French overseas territories.

Within these markets, the sale of pharmaceutical products is subject to complex legal and regulatory requirements established by various government authorities in France (with respect to the French overseas territories) and in the African countries in which the Group operates. In the event of non-compliance with regulations, the regulatory authorities may impose fines, take disciplinary action against the pharmacists held responsible, order the closure of the pharmaceutical establishments concerned, seize or withdraw products from the market, or partly or totally suspend production and distribution. Regulations applicable to the marketing of pharmaceutical products principally relate to entities with ''pharmaceutical establishment'' status (a designation that applies to the Group's subsidiaries which operate in import-wholesale-resale activities), marketing authorizations for pharmaceutical products sold, public service obligations and pricing.

*Pharmaceutical establishments*

The Group is subject to a certain number of ongoing requirements set by national authorities that regulate pharmaceutical establishments. In the French overseas territories and most countries of French-speaking Sub-Saharan Africa in which the Group operates, the Eurapharma division's subsidiaries have pharmaceutical establishment status, which entails verification that their business and sites comply with applicable standards.

Under French law, prior approval is required in order to conduct any pharmaceutical business, whether related to the importation or to the wholesale distribution of pharmaceutical products intended for human use. The authorization is granted by the Director General of the French Agency for the Safety of Health Products (AFSSAPS) and does not need to be renewed. The authorization is issued following a three-step administrative and technical process: determination of the admissibility of the case, technical evaluation and authorization. With due notice, the authorization may be suspended or withdrawn in the event of an infringement of the French Public Health Code (*Code de la santé publique*). Continental Pharmaceutique has held an authorization to operate as an export wholesale distributor at its new premises since September 5, 2005. Epdis France has held an authorization to operate as a depositary and export wholesale distributor at its new premises since March 23, 2005. The Eurapharma companies located in the French overseas territories likewise are authorized to operate as depositaries and/or wholesalers.

In the 14 countries of French-speaking Sub-Saharan Africa in which the Group operates, the law generally provides that the importation and distribution of pharmaceutical products is subject to approval. In this case, the evaluation of the authorization request and the granting of the approval are typically entrusted to an agency or department of the Ministry of Health of the host country. An approval is also required in Algeria and most countries of English- and Portuguese-speaking Sub-Saharan Africa in which the Group operates, including Kenya.

*Marketing authorization*

In the French overseas territories and the other countries in which the Group operates, access to the pharmaceuticals market is regulated by national authorities. The sale of pharmaceutical products requires compliance with a regulatory authorization procedure (the marketing authorization – *autorisation de mise sur le marché* (''AMM'') – or visa), which aims to verify the quality, safety and effectiveness of products and must be repeated at least every five years. The preparation of marketing authorization or visa requests and their examination by the competent authority are costly and may take several years. In almost all cases, pharmaceutical companies are responsible for the entire process. However, as an agent, Eurapharma may at times contribute to the process at the local level.

*Public service obligations*

In mainland France and the French overseas territories, only wholesalers may distribute pharmaceutical products to pharmacists and their operations are regulated. In connection with this pharmaceutical monopoly, the Group is subject to certain obligations. Such obligations include placing its pharmaceutical wholesalers under the supervision of a pharmacist, declaring to the Director General of the French Agency for the Safety of Health Products (AFSSAPS) the territory in which each of its establishments distributes products and stocking in its distribution territory a wide range of pharmaceutical products, including at least nine-tenths of the pharmaceutical specialties effectively sold in France, as defined below.

In addition, in keeping with its public service obligations, each pharmaceutical establishment is required to maintain at least a two-week supply of pharmaceutical products corresponding to its average customer demand and to deliver any effectively marketed specialties (other than pharmaceutical products reserved for hospital use, medicinal plants and homeopathic remedies) within 24 hours when the order is received before 2 p.m. on a Saturday. Establishments must also deliver to any requesting pharmacy any medication and – when distributed in accordance with the French Public Health Code – any other product, item or article and any medicinal product distributed under the French Public Health Code and used in France, and to remain on call as necessary.

In the 14 French-speaking Sub-Saharan African countries in which the Group operates its import-wholesale-resale activities, the regulations in force are based on the existing French regulations governing the public service obligations of pharmaceutical establishments. All of the countries concerned require that pharmaceutical establishments include a senior pharmacist within their management team.

*Regulated prices and product reimbursement*

In the French overseas territories, the pricing of pharmaceutical products marketed by the Group is subject to control by the government, which either fixes prices or sets social security reimbursement at a flat rate for pharmaceutical products with a registered generic equivalent. This has the indirect result of aligning product pricing with that rate. The wholesale prices of prescription pharmaceutical products covered by the reimbursement system are thus equal to the manufacturer's prices multiplied by a regulated ratio. Retail sale prices are equal to the retail prices in effect in mainland France multiplied by a regulated ratio. Regulations governing pharmaceutical pricing in the French overseas territories may be amended in the near future.

In the 14 countries of French-speaking Sub-Saharan Africa in which the Group operates, the pricing structure of pharmaceutical products is generally regulated, but there is no social security reimbursement of pharmaceutical products. In practice, the relevant regulator fixes margins at various points throughout the distribution process. In some countries, such as Senegal, Cameroon and Côte d'Ivoire, price regulation applies to all pharmaceutical products. In other countries, such as Mali, only ''essential pharmaceutical products'' are subject to fixed pricing, the prices of other pharmaceuticals being determined by the market. In Algeria, margins on pharmaceutical sales are determined on a regulatory basis.

With the exception of Angola, the countries in English- and Portuguese-speaking Sub-Saharan Africa in which the Group operates do not practice pharmaceutical price regulation.

*Regulation of advertisements*

The Group must comply with strict regulations in terms of the labeling, advertising, promotion and marketing of pharmaceuticals. Any infringement of such regulations may result in notices, injunctions, seizure of products or legal proceedings, possibly of a criminal nature in certain jurisdictions like France or the French overseas departments.

*Product traceability*

As of January 1, 2011, wholesalers must ensure the traceability of all the pharmaceutical products they distribute, in compliance with the French Public Health Code.

The information required includes: 1) purchase date, 2) product name, 3) batch number and expiration date per batch and 4) the name and address of the supplier (laboratory) and recipient (pharmacist).

This information must be kept on record for five years as of the date the pharmaceutical products are received. As such, upon request from laboratory suppliers, reminders and requests can be sent for the removal of expiring batches from pharmacies.

As a result of this traceability requirement, information systems and operations had to be aligned so that data on all flows of goods to French overseas territories could be stored intelligently.

*Regulations on pharmaceutical production in Algeria*

Algerian regulations require facilities manufacturing pharmaceutical specialties to obtain administrative authorization from the Health Minister, subject to approval by a central commission and the national order of pharmacists.

These regulations define the manufacturing of pharmaceutical specialties as either full or partial production, such as formulation or simple preparation, of pharmaceutical products.

Authorization is delivered based on the manufacturer's application, which includes: 1) a description of the production facilities and their compliance with applicable regulations, 2) the industrial equipment used in manufacturing the pharmaceutical products, 3) a list of the products manufactured at the facility and the planned production processes, 4) a presentation of the staff participating in the production process and their qualifications and, more generally, 5) any information that guarantees that production meets the required quality and control standards.

The manufacturing facility's technical department must be overseen by a technical director who guarantees compliance with all technical and administrative rules laid down in the interest of public health. The technical director must hold a degree in industrial pharmacy and have at least two years of professional experience at an industrial facility. The responsibilities of this supervising pharmacist entail approving product registration applications and organizing and inspecting supply and all manufacturing stages, including the release of finished products onto the market. The pharmacist is personally liable for all pharmaceutical work carried out at the manufacturing facility.

Product release onto the market requires authorization from the Health Minister, subject to approval by the national directory commission, to register pharmaceutical products in the national directory. In France, this marketing authorization is called ''*autorisation de mise sur le marché*'' or AMM.

Marketing authorizations are delivered upon review of the scientific and technical application submitted by the manufacturer or owner of the intellectual and/or industrial property rights, as applicable, and must be renewed every five years.

The manufacturer must ensure that all pharmaceutical specialties produced have obtained this authorization.

### *6.6.2 Exchange controls*

The Group is subject to the exchange controls in force in the foreign countries in which it operates. These controls seek to prevent excessive currency purchases conducive to the depreciation of the national currency and to the deterioration of the balance of payments, to control imports of products likely to compete with national industries, to reserve purchases of foreign currency for the payment of imports deemed most useful, and to prevent capital flight and tax evasion. The Group is subject to exchange restrictions in the following significant countries: the CFA franc zone, Algeria, Nigeria and Morocco.

- The CFA franc zone: The CFA franc zone consists of the West African Economic and Monetary Union (UEMOA), which includes eight West African States (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), and of the Central African Economic and Monetary Community (CEMAC), which includes six Central African States (Cameroon, Central African Republic, the Congo, Gabon, Equatorial Guinea and Chad).

  The CFA franc zone is a monetary cooperation system between France and UEMOA and CEMAC member-countries. It is founded on the following principles: use of the CFA franc as a common currency, convertibility guaranteed by the French Treasury, fixed parity, free transferability and the centralization of foreign exchange reserves. Since January 1, 2002, the euro has replaced the French franc at a fixed parity of one euro to 655.957 CFA francs.

  The main exchange controls in the CFA franc zone are as follows:

  - The Ministries of Finance are responsible for managing exchange controls. They may delegate their powers in full or in part to the Central Bank of West African States (BCEAO) in the case of UEMOA member-countries, to the Bank of Central African States (BEAC) in the case of CEMAC member-countries, to approved banks or to the postal administration. All exchange transactions with foreign countries must be carried out through approved intermediaries.

  - All imports must be declared and transactions involving imports from foreign countries must be domiciled with an approved intermediary when goods are not considered to be in transit. The minimum declaration or domiciliation thresholds vary depending on the country.

- For the purpose of transfers to foreign countries, supporting documents must be presented to the intermediary responsible for payment. When supporting documents evidence that the transfer relates to a routine transaction (importation of goods, freight and insurance, salaries, wages, fees, patent and license fees and royalties, interest, dividends, etc.), the approved intermediary is free to carry out the transfer, under its responsibility. Otherwise (such as in the case of foreign investments or loans, except for transfers involving members of the CFA franc zone), the prior approval of the relevant Finance Minister is required. Provisions concerning foreign direct investment and foreign loans vary depending on the country.

Generally speaking, the Group believes that such regulations do not have a material adverse impact on its operations in the CFA franc zone countries in which it operates. The Group has implemented administrative procedures to achieve compliance with the exchange controls described above and no significant infringement of rules has been brought to light by the inspections carried out in several regional countries.

- Algeria: The currency of Algeria is the dinar. Routine currency conversion is subject to strict exchange controls, particularly in the case of capital transfers. The Bank of Algeria, as the country's central bank, is responsible for foreign exchange policy and, therefore, has sole control over the management of the country's foreign currency resources.

  The real effective exchange rate is determined monthly by the Bank of Algeria and depends on price indices in Algeria and trading partners, the structure of external trade and the nominal US dollar exchange rate. In the past, in order to slow consumption and reduce the country's import bill, the Bank of Algeria has allowed the dinar to depreciate against major world currencies. For example, on December 31, 2011, one euro was equivalent to 106.59 dinars, compared with 98.31 on average at December 31, 2010.

  In accordance with Article VIII of the IMF's Articles of Agreement, the exchange regime in Algeria offers a degree of flexibility as regards convertibility for routine transactions, including payments for the importation of goods. In the case of the foreign investment flows discussed under Article 2 of the 2001 ordinance on the development of investment, the Bank of Algeria reviews profit transfers, dividends and the proceeds of asset disposals carried out by foreign subsidiaries located in Algeria after the transaction has taken place. In the case of routine commercial transactions, the procedures, which are now handled by the bank dealing with the transaction, are considerably shorter, although the authorities have sought to reinforce control over these operations through the various measures introduced by the 2009 supplementary finance law (tax on banking domiciliation, limitation of proxy, obligation to settle imports through CREDOC). Finally, this same finance law stipulates that financing needed for the purpose of foreign investment, except in the case of capital accumulation, should be sought locally. This led the Bank of Algeria to send a letter, dated December 9, 2010, to all Algerian companies, requesting that companies receiving cash advances from foreign parent companies should capitalize these advances by December 31, 2010 at the latest. For transactions involving a significant amount, the opinion of the Bank of Algeria may be sought at the discretion of the credit institution concerned.

  CFAO cannot guarantee that the regulations will not significantly affect the capacity of its local subsidiaries to transfer dividends to the parent company.

- Nigeria: The currency of Nigeria is the naira.

  The Nigerian exchange market was deregulated in 1995, when an autonomous exchange market was created to permit purchases of foreign currency by the public from the Central Bank of Nigeria, at the market price and via approved intermediaries. Further deregulation of the exchange market followed in October 1999, when the interbank foreign exchange market was created. Capital movements to and from Nigeria can now be effected freely. Nevertheless, the Central Bank of Nigeria may at times adopt an interventionist policy, as reflected in its February 2009 decision to confine its sales of US dollars to companies able to demonstrate proof of a commercial transaction. This measure has not had a material impact on the Group's earnings.

- Morocco: The currency of Morocco is the dirham. The Foreign Exchange Office, under the supervision of the Ministry of Economy and Finance, is responsible for regulating exchange transactions by authorizing transfers abroad, in general or specifically.

  As part of its mission, the Foreign Exchange Office has undertaken a deregulation process in recent years to allow banks to perform most transfers abroad freely. Consequently, banks are now authorized to make payments freely in connection with transactions concerning imports, exports, international transport, insurance and reinsurance, foreign technical assistance, travel, education, medical care, savings on income and all other transactions considered to be routine.

In accordance with Article VIII of the IMF's Articles of Agreement governing currency convertibility for routine transactions, Morocco has extended the convertibility of the dirham to numerous capital transactions, including foreign investment in Morocco, external financing for Moroccan companies, investments by Moroccan legal entities abroad, the implementation of an export credit system and the use of hedging instruments against financial risks.

To date, Moroccan exchange controls have not prevented the Group from converting income from its operations and transferring it abroad.

- Other countries: Exchange controls are applied to fund inflows and outflows in certain other countries in which the Group operates, such as Malawi. However, in the past three years, exchange control regulations have not prevented the conversion and transfer of significant amounts generated from operations in any of the countries concerned. Convertibility and transfer issues in certain countries tend to result more from occasional problems with the levels of central banks' foreign currency reserves than from prevailing regulations.

### *6.6.3 Regulations concerning the flow of goods*

The Group's business is subject to regulations concerning the flow of goods in effect in the countries in which it operates. These regulations are implemented by the customs administration, which is in charge of applying and collecting custom duties with respect to products imported or exported, in accordance with applicable laws and regulations. The customs administration also ensures the safety and quality of goods flows, fraud prevention, and public health and safety protection.

Customs regulations may take forms other than the imposition of duties. They may, for example, require an import license, as is the case in Algeria and Angola. They may also impose import restrictions on certain specific products (as was the case in Algeria in 2005, when the government imposed a restriction on vehicles three years or older) or set vehicle-related approval requirements that can cause delays or slow down development (as is the case in Morocco concerning Chinese vehicles).

Certain tax regulations may have an adverse impact on the flow of goods. In Algeria, a number of tax regulations implemented in 2008 and 2009 have adversely affected the Group's activities and earnings in that country (see section 4.1 ''Risks relating to the business and regulatory environment'' and in particular the sub-section on the ''Unstable legal and regulatory environment'' of this Reference Document):

- a new tax on light vehicles with a capacity below 2,500 cu.m and on the profits of car dealers, introduced in August 2008;
- a new regulatory tax on vehicles with a capacity exceeding 2,500 cu.m and heavy trucks, introduced in August 2009;
- a new import duty of 5%, on the net earnings generated by importers and wholesale distributors on pharmaceutical products imported for resale in the country, introduced in December 2009.

Regulations affecting the financing of automobile purchases may also have such an impact. Algeria, for example, introduced regulations in 2009 to prohibit the use of consumer credit to finance automobile purchases in some cases, with a view to reducing the volume of vehicle imports. The Group believes that the measures have a negative impact on its activities and earnings in the country, given that, according to its estimates, 30% of its automotive revenue in Algeria was generated by sales of vehicles partly or completely financed in this manner.

### *6.6.4 Regulations concerning foreign direct investment*

The Group is subject to regulations on foreign investment in the countries in which it operates. Such regulations may take the form of preferential treatment intended to encourage the entry of foreign capital, such as the implementation of tax incentives to attract foreign investors. The nature and scope of incentives vary across countries and generally depend on the amounts invested and the economic sectors concerned. For instance, the regulatory environment in the Republic of the Congo includes a favorable tax system, from which the Group has benefited since 2006, and which has been extended in 2012 for a further five years, with regard to investments in its beverage business. The regulations in the Republic of the Congo essentially provide for total exemption from corporate income tax for a five-year period from January 1, 2012, subject to a certain level of investment in the two main production facilities in Brazzaville and Pointe-Noire. Pursuant to an agreement entered into on January 30, 2012 with the Republic of the Congo, Brasseries du Congo has committed to an investment program, to the maintaining of a stable workforce and to the creation of permanent jobs over the abovementioned five-year period. Brasseries du Congo has also undertaken to give priority to Congolese companies for the provision of supplies and services in connection with the maintenance and operation of its production facilities, and to Congolese workers and executives under its recruitment policy. In return, the Republic of the Congo has granted to the Group, for the same period, a certain number of legal, financial, economic and administrative guarantees, together with tax and customs benefits.

Regulations on foreign investment may also take the form of protection plans or requirements imposed on foreign investors in favor of local businesses. In Algeria, Executive Decree no. 09-181 of May 12, 2009 required that at least one-third of the capital of certain multinational companies' local subsidiaries be held by shareholders of Algerian nationality by December 31, 2009. This requirement does not apply to companies registered prior to its date of entry into force. In any event, Diamal, the Group's main Algerian subsidiary, already complies with this decree. However, the supplementary finance law of 2009, which amended the ordinance of August 20, 2001 on the development of investment, stipulates that new foreign investments realized in the economic activities of the production of goods and services should, prior to their realization, be the subject of a declaration of investment, and can only be realized within the framework of a partnership within which the resident national shareholding must represent at least 51% of the share capital, except in the case of foreign trade activities where the threshold is set at 30%. This same finance law introduced a preemptive right for the Algerian state and state entities on any transfer of a stake in an Algerian company by foreign shareholders or for the benefit of foreign shareholders. Various finance laws have been passed to specify how this law can be applied to foreign investments made before the supplementary finance law of 2009 went into effect. As yet, the Group has not had to change any terms or investments to meet the abovementioned requirements.

The Group cannot guarantee that these regulations will not significantly affect its capacity to develop new projects in Algeria.

### *6.6.5 Product liability*

*Imports*

The Group imports products from manufacturers (primarily automakers and pharmaceutical companies) for the purpose of resale. In connection with this activity, the Group may be required to provide a legal or contractual warranty to its customers, but such warranty is in turn generally covered by an equivalent manufacturer's warranty. Therefore, except in the event of a default on its part, the manufacturer ultimately assumes the legal or contractual warranties related to product liability.

*Manufacturing*

The CFAO Industries, Equipment & Services and Eurapharma divisions are involved in a manufacturing activity.

The CFAO Industries, Equipment & Services division includes the Group's beverage business and various light industrial activities, such as the production of plastic products and the assembly of motorcycles and mopeds.

Eurapharma is a shareholder in a company that owns a pharmaceutical manufacturing facility in Algeria.

The Group's manufacturing activities comply with all local rules and standards of assembly and manufacturing, as well as with the rules and standards imposed by its partners and the local regulatory framework. Were the Group to be held liable in relation to its manufacturing activities, the related risks would be covered by the general civil liability insurance policies held by CFAO for operational risks and risks after delivery or the provision of services. The policies cover damage to third parties arising from the business of any of its subsidiaries (see the section ''Insurance'' of Chapter 4 of this Reference Document).

Regulations governing the plastics businesses are principally structured around several obligations:

– Because of the nature of the activity itself, the Group may be required to obtain an environmental compliance certificate in certain countries, such as Cameroon and Nigeria, or a business permit, as in the Congo.

– In certain countries, imports of raw materials considered to be pollutants may require the authorization of governmental bodies (such as Ghana's Environmental Protection Agency).

– The product must comply with a certain number of standards in certain countries, such as Nigeria.

– In Côte d'Ivoire, for example, the elimination of production waste must be managed by duly approved parties.

Regulations governing the manufacture of pharmaceutical products are outlined in section 6.6.1 below.

## 6.7 Sustainable development

For more than a century now, CFAO has conducted the majority of its activities in Africa and, therefore, has a vested interest in the continent's development. Through its various operations in Africa, the Group seeks to provide solutions to the continent's sustainable development challenges, including the mobility of people, improvements in public health and the reduction of the digital divide.

In keeping with its sense of social and environmental responsibility, CFAO has for several years now developed an active Corporate Social Responsibility policy. In 2008, CFAO set up a fully-fledged Corporate Social Responsibility Department, which is represented on the Executive Committee, to organize the Group's policy in this sphere and strengthen its environmental management with a view to minimizing the impact of its operations.

The Group has three main priorities. It implements a corporate policy that is consistent with the specific characteristics of the areas in which it operates. It ensures that subsidiaries are environmentally friendly. Through community initiatives, it helps achieve millennium targets for alleviating poverty, primarily through the healthcare and educational channels. New initiatives were taken for each of these priorities in 2011.

### *6.7.1 The Group's corporate social responsibility programs*

The Group's objective is to be a leading employer in Africa, where most of its operations are located. It is working towards this goal by engaging in a labor and training policy adapted to these regions and has introduced additional human resources policies to boost the appeal of CFAO. While extending the medical coverage that it offers all employees on permanent contracts and their families in Africa (see Chapter *17.1.5* ''Compensation and employee benefits'' of this Reference Document), the Group has strengthened the key programs available to its employees.

- **Health (with anti-HIV/AIDS program for employees)**

Sub-Saharan Africa remains the region most seriously affected by HIV/AIDS. According to UNAIDS, the region is home to two-thirds of all HIV-infected people worldwide and accounts for three-quarters of all AIDS-related deaths.

CFAO has implemented a targeted Group-wide policy to raise employees' awareness of the virus and encourage them to take voluntary HIV/AIDS tests, with CFAO assuming the cost of treatment for employees and their families as necessary. The CFAO HIV Charter sets out CFAO's commitment to the fight against HIV/AIDS. It first came into effect in 2004 and was updated in 2011 to incorporate the recommendations issued by the International Labour Organization, notably those on anti-discrimination.

The program has four focuses: (i) informing and educating employees; (ii) preventing and protecting against infection; (iii) access to testing on a voluntary, confidential basis; and (iv) access to treatment of the disease. In keeping with its commitment, CFAO has deployed its policy in 30 of the countries in which it operates in Africa.

In 2011, CFAO extended the agreement signed in 2010 with SIDA-Entreprises, an association that raises HIV-AIDS awareness in major companies operating in Africa. Under the agreement, SIDA-Entreprises is responsible for conducting part of the appraisal concerning the implementation of the Group's anti-HIV/AIDS program in Sub-Saharan Africa and offers its subsidiaries guidance in applying the program.

The reporting grid in place for the past two years analyzes the data obtained using two methods. A quantitative analysis measures the number and types of actions performed, the targeted population groups, the resources dedicated to the program and the partnerships established. A qualitative analysis that groups together subsidiaries with the same levels of awareness-raising actions, prevention and care initiatives. The analyses performed on 2011 reported a number of strengths and weaknesses in the implementation of the program. The strengths include the fact that the Group's policy is known and that an anti-HIV/AIDS program has been set up in nearly all subsidiaries. Other strong points reported include operational HIV committees, identified coordinators, recognized partners and a dedicated budget.

The Group has identified several areas that will need to be improved in order to strengthen the effectiveness of the program's implementation. These areas include better training and improved monitoring of peer tutors and medical staff, greater coordination with professional organizations (e.g., on a national level) as well as with national authorities, and the development of action plans.

- **Scholarship program**

CFAO is keenly aware that education is an essential tool in the fight against poverty and in the drive to train the employees of the future. According to the World Bank, until recently, 38 million children in the Sub-Saharan Africa region alone did not attend school and barely 5% of schoolchildren reached university level.

Since the 2001-2002 academic year, CFAO has provided scholarships for the children of its non-management employees enrolled in secondary school. Thanks to CFAO's coverage of school expenses, just over 500 children were able to attend secondary school in the 2010-2011 year.

Expanding on this success, the Group extended the program to the children of management staff for the 2011 academic year, providing support for higher education and enabling students to continue their studies at African schools and universities. The program targets students specializing in areas sought after by the Group: business, marketing, management, finance, information technology, technical training, logistics and pharmaceutical studies. For the 2011-2012 academic year, about thirty young adults were granted a scholarship.

*6.7.2 Strengthened partnership with non-governmental organizations (NGOs)*

In its strategy of working with non-governmental and non-profit organizations, the Group encourages initiatives that promote long-term development in Africa. 2011 provided the opportunity to establish new partnerships. CFAO has notably joined forces with AMREF-Flying Doctors, the Sanofi Espoir Foundation and Bouygues to found the Club Santé Afrique. Active in 20 Sub-Saharan African countries, AMREF-Flying Doctors is the leading African public health NGO. Its reputation is built on its ''flying doctors'' who have improved access to healthcare for rural populations living in remote areas by distributing mobile medical services across regional channels. Club Santé Afrique is a pioneer, teaming up several private lenders within a single endowment fund to pool their resources and expertise. Through Club Santé Afrique, AMREF will work to expand its programs that have proven their success in Eastern Africa, such as telemedicine and e-learning, through Western Africa. The Group also continued its support for the Chirac Foundation, engaged in fighting the illegal trafficking of medicine and counterfeit drugs at the international level.

Meanwhile, CFAO Solidarité has been forging ahead. Since it was founded in 2002, this association has been co-financing community projects run by local NGOs, with employees at Group subsidiaries playing a major role. Notably in 2011, the association collaborated with the automobile distribution subsidiary DT Dobie Kenya to help provide agricultural training for 650 HIV carriers to enable them to earn their own living. Partnering with the NGO CCBRT (Comprehensive Community Based Rehabilitation in Tanzania), CFAO Solidarité and CFAO Motors Tanzania are involved in covering the costs of reconstructive surgery for 100 children, most of whom have been severely burned, until 2013.

Every year through CFAO Solidarité, the Group supports three to four employees who wish to take ''solidarity leave''. These employees offer their expertise to a development project, for example through missions led by Planète Urgence and Coup de Pouce Humanitaire in the countries and regions where CFAO operates.

The Supervisory Board's Sustainable Development Committee reviewed all the Group's commitments and initiatives in respect of 2011.

### *6.7.3 Corporate transparency*

As a socially responsible company operating in a number of countries where corrupt practices are generally considered to be widespread, CFAO has for many years had a clear ethical ambition and the objective of discouraging such practices.

The commitment of the Group and its management is enduring in this respect. Following a program implemented in 2004, preventive anti-corruption measures were instituted on the basis of three simple principles, which have been communicated to all Group employees: (i) do not initiate acts of corruption with a view to obtaining undue advantages; (ii) comply with disclosure requirements so as not to expose the Group to undue pressure and (iii) fight against blackmail and extortion. CFAO has also implemented training programs, which have been attended by more than 300 senior managers from Group headquarters and from all Sub-Saharan African countries. An ''Employee Guide'' has been produced to provide practical advice to Group senior managers on how to deal with corruption. The Group has further adhered to the Declaration of the French Council of Investors in Africa (CIAN), concerning the fight against corruption and promoted the Declaration in its subsidiaries.

The Group intends to further its efforts to foster ethics in the conduct of its business in compliance with the commitments made at the time of its IPO. That is why a Sustainable Development Committee has been created, with the main objective of assisting CFAO in designing, implementing and ensuring proper corporate governance in light of the Group's ethical goals. In early 2011, in order to monitor the Group's activities, the Sustainable Development Committee endorsed the appointment of a compliance officer who reports directly to the Audit Committee and the Management Board.

Since its IPO and withdrawal from PPR, the Group has also drawn up its own Code of Business Conduct shared by all of the Group's business divisions and includes major social and environmental responsibility standards and responsible business practices. This Code was drawn up in 2010 with the help of Ethic Intelligence, a specialized firm that continues to work with the Group, with a view to rolling out training programs adapted to its objectives.

### *6.7.4 Environmental management*

Since 2003 and the application of the NRE regulation, French listed companies are required to publish information on the social and environmental impact of their business in their annual report. CFAO was a fully consolidated subsidiary of the PPR group until 2008 and its social and environmental information was included in the PPR group's annual report. Following CFAO's IPO on December 3, 2009, the Company became independent and now publishes its own annual report subject to these reporting requirements.

**Key environmental reporting concerns for CFAO**

CFAO operates in Africa and the French overseas territories, applying a range of expertise:

– The distribution and maintenance of light and heavy vehicles with CFAO Automotive.

– The distribution of pharmaceutical products through Eurapharma.

– The distribution and production of staple consumer goods, the distribution of equipment and the integration of new information technologies through the division set up in 2011, CFAO Industries, Equipment & Services.

These businesses generate environmental impacts and challenges, including:

– energy consumption linked to air conditioning in showrooms and the production of maintenance waste by the automobile-related businesses;

– energy, water and packaging consumption in the case of industrial businesses;

– fuel consumption by Eurapharma's vehicle fleet in distributing pharmaceutical products.

The industrial businesses generate significant environmental impacts, as do the import and distribution businesses. The procurement of supplies from various countries and the extent of the Group's network lead to energy consumption, pollution and greenhouse gas emissions. However, the Group makes extensive use of sea transport for the majority of its freight, which is believed to produce less greenhouse gas emissions than air and road transport.

#### Reporting guidelines

The Group's environmental reporting process has been designed based on the concerns set out in the previous section. A set of guidelines applicable to all entities included in the reporting scope was defined to reflect the Group's consumption simply and clearly. It comprises a significant number of indicators used for all of its businesses as well as indicators specific to each business (water, industrial raw materials, plastics, gas, etc.). The Group's reporting was streamlined in 2011 to make it clearer and more reliable and to focus on only the indicators most relevant for CFAO. The changes may affect the figures reported this year. The indicators in question will be annotated.

#### Scope of reporting

CFAO's environmental data were included in PPR's annual environmental reporting process from 2004 onwards. Since 2004, CFAO has steadily improved the quality of its environmental reporting by enhancing the reliability of the data collected and extending the scope of coverage with the aim of optimizing the accuracy and significance of information concerning all of its businesses. The environmental reporting scope was enlarged in 2011 to include 40 new entities. The new scope now encompasses nearly 90% of CFAO's 2011 revenue, as against 70% of revenue in 2009. These changes in scope are a result of the Group's efforts to improve the reliability of environmental information on CFAO's businesses and develop the awareness of all Group entities about environmental issues.

CFAO aims to cover its entire scope as of 2012.

Indicators are presented with a differentiation between the total corresponding to the 2010 scope and the contribution of new entities included in the 2011 scope, thus allowing for year-on-year comparisons on a constant scope basis. The changes in the indicators described below are based on a scope that excludes the new entities.

#### Data collection and validation

CFAO's environmental reporting data are gathered by a network of dedicated contributors from each entity with grass-roots knowledge of the entity and its environment. Contributors use Group-wide reporting guidelines which specify the data sources and calculation methods applied for each criterion.

CFAO works to train contributors in order to continually improve its environmental reporting quality. Data are first validated by the financial controllers from each business line, followed by the Group Corporate Social Responsibility Department, which then consolidates the data. The Chief Executive Officers of subsidiaries included in the reporting scope were asked to guarantee the availability of the resources necessary for ensuring the quality of data reporting.

**Major environmental impacts generated by CFAO**

The major environmental impacts generated by CFAO are divided into eight themes, for which the 2011 indicators are presented below. Readings represent the outcome of the consolidation of all data collected from the entities included in the 2011 scope of reporting.

| Theme | Indicators | 2010 readings | 2011 readings (2010 scope) | % change | 2011 readings | Units |
|---|---|---|---|---|---|---|
| Water consumption | Water consumption | 524,360 | 529,023 | 1% | 650,244 | cu.m |
| Energy consumption | Electricity consumption | 36,766,803 | *42,014,334* | *14%* | 49,712,724 | kWh |
| | Light fuel oil (diesel) consumption | 10,366 | *12,477* | *20%* | 14,870 | cu.m |
| | Gas consumption | 726,046 | *641,205* | *−12%* | 641,205 | kWh |
| Industrial raw material | Water (raw material) | 1,092,947 | *1,241,006* | *14%* | 1,241,006 | cu.m |
| | Gas (raw material) consumption | 15,794 | *16,821* | *7%* | 17,384 | cu.m |
| | Plastics consumption (total excl. packaging) | 4,142 | *3,876* | *−6%* | 5,057 | metric tons |
| Packaging consumption | Total packaging consumption | 7,776 | *8,515* | *10%* | 9,434 | metric tons |
| Paper consumption | Consumption of paper from sustainably-managed forests | 6 | *32* | *433%* | 92 | metric tons |
| | Other paper consumption | 393 | *379* | *−4%* | 418 | metric tons |
| | Recycled paper consumption | 8 | *13* | *63%* | 26 | metric tons |
| Waste production | Recycled waste (materials recovery) | 12,450 | *16,660* | *34%* | 17,299 | metric tons |
| | Recycled waste (energy recovery) | 45 | *67* | *49%* | 87 | metric tons |
| | Non-recycled waste | 14,381 | *11,313* | *−21%* | 12,774 | metric tons |
| External transport* | Air freight | 17,798,027 | *16,909,621* | *−5%* | 17,310,366 | metric tons × km |
| | | 16,324 | *15,509* | *−5%* | 15,877(1) | metric tons of $CO_2$ |
| | Rail freight | 6,236,019 | *4,851,582* | *−22%* | 5,297,832 | metric tons × km |
| | | 32 | *25* | *−22%* | 27(1) | metric tons of $CO_2$ |
| | Sea freight | 961,695,741 | *1,064,048,524* | *11%* | 1,114,650,880 | metric tons × km |
| | | 8,559 | *9,470* | *11%* | 9,920(1) | metric tons of $CO_2$ |
| | Road freight | 77,644,179 | *87,216,524* | *12%* | 107,571,613 | metric tons × km |
| | | 6,787 | *7,623* | *12%* | 9,403(1) | metric tons of $CO_2$ |
| Internal transport | Road freight – fuel consumption | 2,270** | *2,366* | *4%* | 3,005 | cu.m |
| | | 6,039 | *6,294* | *4%* | 7,993(1) | metric tons of $CO_2$ |

* *Indicators expressed in metric tons × km correspond to the number of metric tons transported multiplied by the number of kilometers they were transported.*

** *Correction of the 2010 figure: 2,270 cu.m instead of 4,320 cu.m*

*The figure was overestimated because it included a part of the consumption of service and company vehicles.*

*As of 2011, this item is being studied in the section ''energy – light fuel oil consumption''.*

(1) *Emission factors are provided by the ADEME published in 2007.*

**Changes in CFAO Group transport**

As its main business is import and distribution, the Group relies heavily on freight to transport merchandise. Information on freight is divided into two indicators: (i) external transport (outsourced) which breaks down into road, rail, sea and air; and (ii) internal road transport (transported by CFAO's vehicle fleet).

The Group's overall freight volumes rose in line with its business growth.

External transport

New entities mainly contributed to road freight, representing 19% of the total, but accounted for a smaller proportion in other indicators: 8% rail freight, 5% sea freight and 2% air freight.

Sea freight counts the highest number of metric tons multiplied by the number of kilometers. The figure continued to rise in 2011, up 11% excluding new entities. This derives partly from the Group's business growth and partly from a shift of some freight from road to sea transport. For example, vehicles routed to Equatorial Guinea are now shipped from Zeebrugge to Valencia by sea.

Road freight rose by 12% in 2011. Half of this increase is attributable to Brasseries du Congo, which switched to more road transport following a sharp drop in the air transport of raw materials between Pointe-Noire and Brazzaville.

Air freight fell by 5% in 2011 as a result of the Group's ongoing policy to reduce air transport in favor of other means. However, the amount of air freight varied from business to business. The air shipment of spare automotive parts from South Africa to supply the central inventories in Le Havre was halted and replaced by supplies shipped directly from Asia by sea, thus accounting for the largest reduction in air freight. Air freight also fell significantly in the Republic of the Congo, where all Group entities used less air transport between Pointe-Noire and Brazzaville. Eurapharma, however, increased its use of air freight for a new direct shipment from Germany to the subsidiary Laborex in Kenya.

Rail freight fell by a considerable 22%, mainly because shipments between Dakar and Bamako were discontinued due to the line's frequent congestion and shutdowns.

**Good practices**

Transport is a major source of pollution caused by the greenhouse gas emissions it generates. It is also an area where both financial and environmental rewards can be reaped from optimization.

CFAO entities endeavor to rationalize the use of each means of transport in order to reduce the resulting environmental impacts.

- The Group invested in a computer program used to forecast its requirements and therefore limit as much as possible the use of air transport to cover for disruptions in other means of transport.
- The Algerian automobile distribution subsidiary Diamal transferred its logistics hub to the most central location to reduce delivery distances between its various sites.
- Dimac, the moped and motorcycle assembly subsidiary in Morocco, requires delivery trucks to be at least 80% full for shipments to customers over 300 kilometers away.
- Several entities, such as Pens and Plastics Ltd, Laborex Niger and Laborex Cameroun, arrange for their orders to be combined by geographic area to optimize shipments by external transporters.
- Some entities are looking into transport that produces less greenhouse gas emissions. Sopharma Martinique opts for sea freight to serve its island customers.

Rail freight is preferred when railway lines exist. CFAO intends to use the Dakar-Bamako line when it reopens.

Internal transport

New entities contributed 21% to total internal transport, which rose by 14% in 2011. This is primarily attributed to shipments of spare parts from the Accra site to the Kumasi and Takoradi branches in Ghana.

CFAO also works to optimize its internal transport using its own delivery vehicles, primarily focusing on Eurapharma, which makes daily deliveries to its pharmacy customers.

**Good practices**

Eurapharma entities are making efforts to rationalize the fuel consumption of their delivery vehicles. For example, Laborex Cameroun's fleet of 15 vehicles was equipped with GPS to improve the monitoring of delivery routes, therefore economizing on fuel.

CFAO Automotive has also taken new measures. At the Cameroon subsidiary CAMI, shipments of spare parts to agencies were pooled with shipments of other services to reduce the number of kilometers traveled as much as possible. A shuttle used for delivering spare parts runs a route covering the sites in Yaoundé, Bafoussam and Douala, also picking up parts, mail and items for other services.

**Analysis of environmental impacts, by theme and business:**

The following analyses present the changes in readings for each division and for the CFAO Group as a whole between 2010 and 2011.

''N/A'' indicates that the indicator is structurally equal to zero for the business concerned.

**Water consumption (cu.m)**

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 128,694 | 8,487 | 357,505 | 29,674 | **524,360** |
| 2011 | Former scope | 135,271 | 9,055 | 347,476 | 37,221 | **529,023** |
| | New | 210,541 | 9,055 | 376,769 | 53,879 | **650,244** |
| Change | Former scope | 6,577 | 568 | (10,029) | 7,547 | **−4,663** |
| % change | | 5% | 7% | −3% | 25% | **−1%** |

Eurapharma's 25% increase is due to the availability of more reliable data in 2011. The drill water drawn by Laborex Burkina had been underestimated in 2010. Water consumption at headquarters and for CFAO Automotive remained stable, up 7% and 5% respectively.

The new entities included in the reporting scope contributed 19% to CFAO Group's water consumption.

**Good practices**

Water management is crucial for CFAO, as many entities are located in the Sahel region. Measures are taken to improve water management, primarily to reduce consumption, at CFAO Group entities such as CFAO Technologies Cameroun and Epdis SPA Algérie. These companies are renovating their water system to avoid waste and conserve resources.

Water use is also rationalized, for example by CFAO Motors Mali. This subsidiary cleans its vehicles using a biodegradable product that does not require water. The practice is being applied in Senegal, Burkina Faso and the Democratic Republic of the Congo.

Many entities have implemented rainwater collection systems. The water is used to wash cars and water green spaces.

### Energy consumption

Electricity consumption (kWh)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 10,512,156 | 880,082 | 20,603,982 | 4,770,583 | **36,766,803** |
| 2011 | Former scope | 10,723,255 | 886,281 | 24,957,447 | 5,447,351 | **42,014,334** |
| | New | 14,747,859 | 886,281 | 27,453,405 | 6,625,179 | **49,712,724** |
| Change | Former scope | 211,099 | 6,199 | 4,353,465 | 676,768 | **5,247,531** |
| % change | | 2% | 1% | 21% | 14% | **14%** |

New entities accounted for 15% of the Group's total electricity consumption in the 2011 reporting, up 14% like-for-like.

Brasseries du Congo was the prime source of consumption due to strong business growth and investments in new equipment: compressors used for cold production in fermentation installed to cover higher vat capacity, a new brewhouse opened in Pointe-Noire at the end of 2010, reaching full capacity in 2011, an additional production line in Pointe-Noire and a water treatment facility.

Light fuel oil (diesel) consumption (cu.m)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 510 | N/A | 9,808 | 48 | **10,366** |
| 2011 | Former scope | 902 | N/A | 11,460 | 115 | **12,477** |
| | New | 2,241 | 0 | 12,404 | 225 | **14,870** |
| Change | Former scope | 392 | – | 1,651 | 67 | **2,111** |
| % change | | 77% | – | 17% | 141% | **20%** |

The sharp like-for-like rise in fuel consumption of CFAO Automotive and Eurapharma stems from the consumption of company and service vehicles, which was taken into account in 2011. The year-on-year change was even greater as figures were low in 2010.

Furthermore, some entities did not include the use of generators in 2010, which, combined with the consumption of company and service vehicles, results in a significant difference.

New entities contributed 16% to total light fuel oil consumption.

*Gas consumption (kWh)*

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | N/A | N/A | 2 | 726,044 | **726,046** |
| 2011 | Former scope | N/A | N/A | 0 | 641,205 | **641,205** |
| | New | N/A | N/A | 0 | 641,205 | **641,205** |
| Change | Former scope | – | – | (2) | (84,839) | **(84,841)** |
| % change | | – | – | – 100% | – 12% | **– 12%** |

Gas consumption comes exclusively from the Continental Pharmaceutique and Epdis registered offices in mainland France, where gas is used for heating. Both of these entities reduced their gas consumption by 12% by installing temperature controls at Epdis warehouses and offices.

An additional boiler was also installed to alternate with the existing boiler and prevent overconsumption from extended use. The gas service contract provides for weekly checks by a technician to make adjustments and optimize gas consumption.

The reporting scope's new entities did not use gas.

**Good practices in energy management**

Apart from the investments made at Continental Pharmaceutique and Epdis in Rouen, good energy practices remained largely unchanged in 2011.

Initiatives to raise awareness about energy-saving techniques are launched continually. An interesting initiative by Pens & Plastics Ghana Ltd entailed optimizing the production line: improved maintenance of molds and cooling systems reduced injection times and produced the same volumes in less time. This had a direct impact on electricity consumption. The Group plans to develop this good practice at other industrial entities in the sector.

Industrial raw material

Consumption of water as an industrial raw material (cu.m)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | N/A | N/A | 1,092,947 | N/A | **1,092,947** |
| 2011 | Former scope | N/A | N/A | 1,241,006 | N/A | **1,241,006** |
| | New | N/A | N/A | 1,241,006 | N/A | **1,241,006** |
| Change | Former scope | – | – | (148,059) | – | **(148,059)** |
| % change | | – | – | 13.5% | – | **13.5%** |

Brasseries du Congo is the only entity that uses water as a raw material to produce beer and soft drinks. Its consumption rose by 13.5% in line with its business growth.

The subsidiary has undertaken a review of its industrial processes to detect abnormal changes in water, electricity and fuel consumption, following the overconsumption recorded in a specific region.

Consumption of gas as an industrial raw material (cu.m)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 11,315 | N/A | 4,479 | N/A | **15,794** |
| 2011 | Former scope | 10,984 | N/A | 5,837 | N/A | **16,821** |
| | New | 11,459 | N/A | 5,925 | N/A | **17,384** |
| Change | Former scope | (331) | – | 1,358 | – | **1,027** |
| % change | | −3% | – | 30% | – | **7%** |

The Group's consumption of gas as a raw material edged up 7%. This heading includes acetylene, oxygen, carbon dioxide, nitrogen and butane used for welding in the Group's workshops and buckling processes in the plastics industries.

CFAO Automotive, which has integrated the Moroccan entity Dimac into its scope, was responsible for 66% of total consumption of gas as a raw material in 2011. Dimac, which assembles mopeds and motorcycles, alone accounted for 79% of CFAO Automotive's consumption and 52% of total Group consumption.

Icrafon, the plastic transformation facility in Cameroon, represented 83% of the consumption of gas as a raw material for CFAO Industries, Equipment & Services and 28% of total Group consumption.

This indicator was not completed by all entities in 2011 and will be subject to a more exhaustive assessment in 2012.

Consumption of plastics as an industrial raw material (excluding packaging) (metric tons)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | N/A | N/A | 4,142 | N/A | **4,142** |
| 2011 | Former scope | N/A | N/A | 3,876 | N/A | **3,876** |
| | New | N/A | N/A | 5,057 | N/A | **5,057** |
| Change | Former scope | – | – | (266) | – | **(266)** |
| % change | | – | – | −6% | – | **−6%** |

The CFAO Group's plastics consumption excluding packaging is entirely attributable to the three plastic transformation facilities, Icrafon (Cameroon), Mipa (Côte d'Ivoire) and Pen and Plastics Ghana Ltd. In 2011, Nipen

(Nigeria) was also included, contributing 23% to the enlarged scope. The like-for-like decline of 6% in plastics consumption stems from reduced orders for bottle racks at Icrafon.

**Good practices in industrial raw materials management**

Plants are equipped to grind plastic waste, which is then reused as a raw material in subsequent production.

Packaging consumption

Consumption of conventional packaging (metric tons)

This indicator reflects the consumption of plastic packaging and cardboard boxes.

| | | **CFAO Automotive** | **Headquarters** | **CFAO Industries, Equipment & Services** | **Eurapharma** | **CFAO Group** |
|---|---|---|---|---|---|---|
| 2010 | | 19 | – | 7,655 | 102 | **7,776** |
| 2011 | Former scope | 21 | 6 | 8,370 | 117 | **8,515** |
| | New | 23 | 6 | 9,223 | 182 | **9,434** |
| Change | Former scope | 2 | – | 715 | 15 | **739** |
| % change | | 12% | – | 9% | 15% | **10%** |

A new indicator, ''Consumption of wooden crates and pallets'', was added to this category for 2011 reporting to include wood packaging that was not covered in previous years. A portion of this consumption was taken into account in the indicator ''Consumption of wood as an industrial raw material'' (wooden crate production in Morocco withdrawn from the CFAO scope in 2010). The new indicator improved reporting on wood packaging (pallets and crates) and increased its total figure. Brasseries du Congo's consumption of wooden crates and pallets accounted for 96% of total consumption.

New entities in the 2011 reporting scope contributed 10% to total packaging.

**Good practices**

All Group entities are involved in reducing their consumption by almost systematically reusing the packaging received from suppliers for customer deliveries. The vast majority of entities use no new packaging. Some, like Laborex Burkina, even resell surplus packaging to fund the employee cooperative. Others now use paper bags rather than plastic bags to deliver parts to customers.

Paper consumption

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 77 | 28 | 234 | 68 | **407** |
| 2011 | Former scope | 95 | 25 | 247 | 57 | **424** |
| | New | 168 | 25 | 259 | 84 | **536** |
| Change | Former scope | 18 | (3) | 13 | (11) | **17** |
| % change | | +23% | −11% | +5.5% | −16% | **+4.2%** |

The Group's paper consumption was reasonable based on the same scope, up 4.2%.

CFAO Automotive saw a sharp rise partly resulting from the rollout of the Incadea management software, which led to unnecessary printing. The headquarters curbed its consumption by reducing publications from various departments. Eurapharma's decrease in consumption primarily came through a more accurate assessment of actual consumption (Laborex Kenya, Continental Pharmaceutique, Copharmed CI).

Consumption of paper from sustainably-managed forests (metric tons)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 0 | 0 | 0 | 6 | **6** |
| 2011 | Former scope | 4 | 12 | 3 | 13 | **32** |
| | New | 52 | 12 | 7 | 21 | **92** |
| Change | Former scope | 4 | 12 | 3 | 7 | **26** |
| % change | | N/A | N/A | N/A | 116% | **439%** |

The consumption of paper from sustainably-managed forests is mainly attributable to CFAO's headquarters, its purchasing office SFCE and Eurapharma.

This figure surged primarily because the type of paper used by these entities was classified under ''Other paper consumption'' in 2010. Eurapharma's consumption reflects its improved monitoring of paper sources and efforts towards a more sustainable purchasing policy.

Recycled paper consumption (metric tons)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 2 | 0 | 0 | 6 | **8** |
| 2011 | Former scope | 0 | 6 | 0 | 7 | **13** |
| | New | 1 | 6 | 0 | 19 | **26** |
| Change | Former scope | (2) | 6 | – | 1 | **5** |
| % change | | −100% | – | 0% | 22% | **65%** |

The proportion of recycled paper rose from 2% to 5% of total consumption, including new entities in 2011.

Other paper consumption (metric tons)

This indicator deals with non-recycled, non-certified paper.

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 75 | 28 | 234 | 56 | **393** |
| 2011 | Former scope | 91 | 7 | 244 | 37 | **379** |
| | New | 115 | 7 | 252 | 44 | **418** |
| Change | Former scope | 16 | (21) | 10 | (19) | **(14)** |
| % change | | 22% | −74% | 4% | −34% | **−3%** |

Other paper consumption remained stable overall across the Group despite the significant fluctuations discussed in the introduction to this section.

**Good practices**

Entities are generally aware of the need to rationalize the consumption of supplies. All publications released by headquarters entities are printed on paper certified from sustainably-managed forests. Recycled paper accounts for 47% of the paper used for printing. Many other entities have also adapted their purchasing policy. All Nigerian entities, CFAO Motors Tanzanie, CFAO Technologies Cameroun and Laborex Sénégal now exclusively source office paper certified from sustainably-managed forests, as do CMM La Réunion and Laborex Sénégal for their publications.

Several entities have also reported measures taken to reduce paper consumption: incentives to limit printing (digital media, restrictions on the number of print jobs), use of double-sided printing and reuse of drafts, consumption management, management of internal orders by computer programs and the replacement of individual printers with shared printers.

Waste production

The 2010 breakdown of indicators was reviewed to simplify and standardize reporting to focus on information relevant to the various entities and their businesses. A differentiation is now made between waste handled by recycling facilities, i.e., those that treat traditional materials (WEEE, batteries, ink cartridges and neon lights), and waste recycled for materials recovery, which more broadly covers reuse, recycling and energy recovery. This distinction reflects all the informal ways of reusing waste that exist in the countries where the Group operates.

The CFAO Group's total waste production rose 4% in 2011, excluding new entities. This increase does not reflect the changes in the different types of waste included in the indicator. Total waste for industrial businesses remained stable for 2011, up 3%. Brasseries du Congo was almost entirely responsible for this waste, accounting for 85% of the total waste produced by the Group, including new entities.

The new entities included in the reporting scope contributed a mere 7% of the total waste produced by the Group.

However differences exist in the types of waste, with 23% of total recycled waste attributable to new entities. Most of these new entities are part of CFAO Automotive, which recycles significant amounts of used oil.

Brasseries du Congo has improved its management of malt waste (spent grain) by instituting a monitoring register and transforming the solid waste into animal feed.

Recycled waste (metric tons)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 40 | 0 | 5 | 1 | **45** |
| 2011 | Former scope | 59 | 1 | 5 | 3 | **67** |
| | New | 77 | 1 | 5 | 3 | **87** |
| Change | Former scope | 19 | 1 | 0 | 2 | **22** |
| % change | | 48% | – | 10% | 197% | **49%** |

All of the automobile-related businesses operating in the French overseas territories use local recycling facilities or re-export (namely batteries, tires and metals). Total Group volumes remain low as recycling facilities are extremely limited in Africa.

But the situation is improving. Automotive entities in Algeria now outsource the recycling of their batteries to Recyclex, an industry leader that recently set up operations in the country. Moroccan entities also use a specialized service provider.

Contact was initiated with Ateliers du Bocage to recycle Waste Electrical and Electronic Equipment, first in Burkina Faso, followed by Cameroon, Benin, Senegal and Madagascar.

Waste recycled for materials recovery, energy recovery and reuse (metric tons)

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 1,060 | 53 | 10,560 | 778 | **12,450** |
| 2011 | Former scope | 1,265 | 18 | 14,526 | 851 | **16,660** |
| | New | 1,850 | 18 | 14,564 | 866 | **17,299** |
| Change | Former scope | 205 | (34) | 3,966 | 73 | **4,210** |
| % change | | 19% | –65% | 38% | 9% | **34%** |

The amount of waste recovered or reused increased considerably in 2011, rising 34%. Brasseries du Congo accounted for 87% of all waste in this category, with the above-mentioned 38% surge in recycled waste in 2011.

The figure for CFAO Automotive was also up, as 2011 reporting incorporated used oil recycled by oil companies (regeneration, transformation into fuel or energy recovery).

Eurapharma improved in this area as well, driven mainly by Société Pharmaceutique Antillaise (Sopharma Guadeloupe), which signed an outsourcing agreement at the end of 2010 for the energy recovery of out-of-date or damaged pharmaceutical products.

Non-recycled waste

| | | CFAO Automotive | Headquarters | CFAO Industries, Equipment & Services | Eurapharma | CFAO Group |
|---|---|---|---|---|---|---|
| 2010 | | 1,058 | 156 | 12,608 | 559 | **14,381** |
| 2011 | Former scope | 1,331 | 78 | 9,263 | 641 | **11,313** |
| | New | 2,420 | 78 | 9,611 | 665 | **12,774** |
| Change | Former scope | 272 | (78) | (3,344) | 82 | **(3,068)** |
| % change | | 26% | –50% | –27% | 15% | **–21%** |

The amount of non-recycled waste fell, unsurprisingly, by 21% in 2011, and is expected to drop further in 2012.

**Good practices**

Waste management is of chief importance in CFAO's environmental policy, particularly in regions where no recycling or recovery facilities yet exist. CFAO takes a proactive approach in these countries, providing entities with incentives to sort waste in order to measure the waste generated more accurately. Its objective is eventually to treat all hazardous waste.

Where no official facilities exist to recycle non-hazardous waste, some entities resort to informal methods of reuse (local recovery agents and craftsmen), especially for boxes, wooden pallets and packaging crates. If facilities are available, CFAO systematically sorts its waste and outsources treatment to qualified professionals, as explained above.

Used oil is the most common hazardous waste in the automobile-related businesses. Automobile dealership consume several thousand liters every year, with variations depending on business volumes. CFAO pays close attention to this type of waste, which is generally recovered and treated by oil companies.

Apart from the recovery of batteries in just a few countries, other hazardous waste is not currently treated.

The main type of hazardous waste for the pharmaceutical businesses is medicine that is out-of-date or cannot be sold. It is destroyed in compliance with regulations to ensure its traceability. For example, Sopharma Guadeloupe outsources to Thermolise, which incinerates the waste with energy recovery without any release into the environment. Société Pharmaceutique Guyanaise collaborates with the Cyclamed network, which returns medicine to mainland France for treatment. All the transformation facilities of CFAO's Industrial businesses recover plastic waste, grind it and reuse it as a raw material. The primary types of waste produced by Brasseries du Congo are wastewater and spent grain (solid waste from malt). All wastewater is reprocessed at purification plants in Pointe-Noire and Brazzaville, where recent investments have been made. The spent grain is used to produce animal feed.

The headquarters entities in Sèvres initiated a partnership in 2011 with Elise, a local paper collection and recycling service provider, to handle its office waste. The company was selected to work with the Group in its sustainable development approach by sorting paper, ink cartridges, cans, plastic bottles and batteries.

**Other environmental issues**

In 2011, no provisions for environmental risks were recorded at Group level and no compensation was paid in connection with any environment-related legal judgment. Furthermore, the Group was not called upon to take remedial action to repair any environmental damage.

The Group has not reported on certain environmental matters, such as environmental evaluation or certification processes undertaken, and expenditure on environmental impact prevention of its business activities. To date, these matters are not considered material at Group level. CFAO is currently working to improve the quality as well as the standardization and reliability of its reporting process before adding new indicators to its reporting guidelines.

# CHAPTER 7 – ORGANIZATIONAL STRUCTURE

## 7.1 The Group's simplified organizational chart as of December 31, 2011

The table below shows the Group's main subsidiaries by division, identified according to the criteria set out in section 7.2 below:

**Central purchasing offices**
SFCE (France)
Capstone Corporation (Mauritius)

**CFAO Automotive**
CP Holding (New Caledonia)
CAMI (Cameroon)
Capstone International (Mauritius)
CFAO Motors Maroc
CFAO Motors RDC (Democratic Republic of the Congo)
CMM (Madagascar)
Diamal (Algeria)

**CFAO Industries, Equipment & Services**
Brasseries du Congo
CFAO Nigeria

**Eurapharma**
Continental Pharmaceutique (France)
Copharmed (Côte D'Ivoire)
EDPIS (France)
EDPIS Algérie
Eurapharma (France)
Laborex Cameroun
Laborex Mali
Laborex Sénégal
Pharma Gabon
Sopharma Antilles
Soredip (Reunion)

The companies shown above are described in section 7.2 below.

## 7.2 Parent company, subsidiaries and equity interests

### *7.2.1 Overview*

CFAO SA is the parent company of the Group. CFAO is also the company under which the Group's subsidiaries, which are subject to French company tax, have consolidated their income for French tax purposes (*intégration fiscale*).

CFAO is a holding company with no operating activity of its own. The Company holds direct and indirect interests in over 168 subsidiaries operating mainly in French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa, the Maghreb, the French overseas territories, Mauritius, Vietnam and mainland France. The simplified organizational chart in section 7.1 ''The Group's simplified organizational chart as of December 31, 2011'' does not include all of these equity interests, but includes the main subsidiaries as set forth below. In the organizational chart, the subsidiaries are presented by division according to their primary business, although some may have additional businesses related to another Group division. The businesses and results of each division are presented respectively in Chapters 6 and 9 of this Reference Document.

Note 36 ''List of consolidated companies at December 31, 2011'' to the consolidated financial statements provides a more complete list of the Group's companies (see Chapter 20 ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of this Reference Document). CFAO does not hold any direct or indirect interests in any listed companies other than CFAO Côte d'Ivoire and SARI in Côte d'Ivoire.

The Group's main subsidiaries in terms of net income are listed in Chapter 25 ''Information on equity interests''.

The Group's subsidiaries that are described below meet the following criteria:

- each of the subsidiaries of the CFAO Automotive division described below generated at least 2% of the Group's total consolidated revenue in 2011, with the exception of Capstone International, which was included because it represented 6.9% of the Group's total consolidated assets in 2011;
- each of the subsidiaries of the Eurapharma and CFAO Industries, Equipment & Services divisions described below generated at least 1% of the Group's total consolidated revenue in 2011, with the exception of Eurapharma and Continental Pharmaceutique, which were included because they represented 1.3% and 6.5%, respectively, of the Group's consolidated assets in 2011.

The principal intragroup cash flows relate to dividends paid to CFAO by subsidiaries, cash flows between operational subsidiaries and central purchasing offices, which pay suppliers and bill subsidiaries, as well as investment and cash financing agreements as described below.

CFAO entered into bilateral cash financing agreements with its central purchasing offices (SFCE, Capstone Corporation and Capstone International) and with some of its subsidiaries in France and in the French overseas territories. Eurapharma also signed cash financing agreements with some of its subsidiaries.

The purpose of these agreements is to centralize the Group's management of cash in order to encourage better management of both credit and cash surpluses within the Group. Pursuant to the agreements, these subsidiaries deposit with CFAO any cash surplus which they do not use to finance their operations and capital expenditures, in exchange for which CFAO finances when necessary their working capital needs and capital expenditures. Reimbursements may be made on first demand and/or on a date that is mutually agreed by the parties.

Implementing a centralized cash management system within the Group's other subsidiaries is generally prohibited by local regulations, in particular in relation to exchange controls. Such subsidiaries secure financing through loans from local financial institutions.

CFAO has also entered into a technical assistance agreement with certain central purchasing offices and most of the subsidiaries of its CFAO Automotive and CFAO Industries, Equipment & Services divisions, generally for a one-year term and renewable each year. The purpose of this agreement is to make CFAO's expertise available to the relevant subsidiaries, in particular in the following areas: legal matters, human resources, tax matters, information technology and assistance with commercial and development issues. CFAO's fees are determined on an annual basis based on the level of service provided. In the event that the relevant subsidiary is no longer part of the Group and/or CFAO no longer has financial or legal control of it, CFAO may terminate the agreement at any time without prior notice.

With respect to certain of the Group's subsidiaries in the CFAO Automotive and CFAO Industries, Equipment & Services divisions, technical assistance agreements have not been entered into because of local regulations such as exchange controls. Continental Pharmaceutique signed a similar technical assistance agreement, as well as supply contracts, with some if its sister companies in the Eurapharma division.

### 7.2.2 Subsidiaries in which the Group holds all (or nearly all) of the share capital and voting rights

Percentages mentioned below are calculated on the basis of the consolidated ownership by the CFAO Group.

#### 7.2.2.1 Sub-holding company

- **Eurapharma** is a French *société anonyme* (joint stock corporation) with share capital of €2,799,750, whose registered office is located at ZAC du Grand Launay, 8 avenue Paul Delorme, 76120 Grand Quevilly, France, and which is registered with the Trade and Companies Registry of Rouen under number 307 718 577. CFAO holds 99.68% of Eurapharma's share capital and voting rights. Eurapharma directly and indirectly holds all of the Group's equity interests relating to its pharmaceutical business.

#### 7.2.2.2 Central purchasing offices

- **Société Française de Commerce Européen (SFCE)** is a French *société anonyme* with share capital of €12,114,240, whose registered office is located at 18, rue Troyon, 92310 Sèvres, France, and which is registered with the Trade and Companies Registry of Nanterre under number B 333 520 591. CFAO holds all of SFCE's share capital and voting rights. SFCE acts mainly as a central purchasing office, in the capacity of a *commissionnaire* (undisclosed agent), or trader, for automakers, or with the suppliers of the CFAO Industries, Equipment & Services division on behalf of the Group's companies developing their automobile distribution business or other activities in French-speaking Sub-Saharan Africa and the French overseas territories.

- **Capstone Corporation Ltd. (Capstone)** is a Mauritian private company with share capital of €15,000,000, whose registered office is located at c/o Globefin Management Services Ltd, Jamalacs Building, Vieux Conseil Street, Port Louis, Mauritius, whose offices are located at Harbour Front Building, President John F. Kennedy Street, Port Louis, Mauritius, and which is registered with the Trade and Companies Registry of Mauritius under number 20798/4602. CFAO holds all of Capstone's share capital and voting rights. Capstone acts mainly as the Group's central purchasing office for orders placed with certain automakers in the CFAO Automotive division for English- and Portuguese-speaking Sub-Saharan Africa, certain subsidiaries of the French overseas territories and the Maghreb, as well as with the suppliers of the CFAO Industries, Equipment & Services division.

#### 7.2.2.3 Export-wholesale business

- **EPDIS** is a French *société anonyme* with share capital of €6,477,000, whose registered office is located at ZAC du Grand Launay, 8 avenue Paul Delorme, 76120 Grand Quevilly, France, and which is registered with the Trade and Companies Registry of Rouen under number B 412 543 449. Eurapharma holds 99.68% of EPDIS's share capital and voting rights. EPDIS is one of the Group's subsidiaries specialized in the pre-wholesale business.

#### 7.2.2.4 Distribution subsidiaries

*CFAO Automotive*

- **Compagnie Marseillaise de Madagascar (CMM)** is a French *société anonyme* with share capital of €2,630,625, whose registered office is located at 4, chemin du Grand Canal, BP 106, 97492 Sainte Clotilde Cedex, Reunion, and which is registered with the Trade and Companies Registry of Saint-Denis, Reunion, under number B 572 073 914. CFAO holds 98.28% of CMM's share capital and voting rights. CMM's primary business is the distribution of automobiles in Reunion.

- **CFAO Motors Maroc** is a Moroccan *société anonyme* with share capital of 284,468,000 Moroccan dirhams, whose registered office is located at 15, rue Omar Slaoui, Casablanca, Morocco, and which is registered with the Trade and Companies Registry of Casablanca under number 104 285. CFAO holds all of CFAO Motors Maroc's share capital and voting rights. CFAO Motors Maroc's primary business is the distribution of automobiles in Morocco. Its by-laws require prior approval of any third party share transfers.

- **CFAO Motors RDC** is a Congolese private limited company with share capital of 106,207,478 Congolese francs, whose registered office is located at 17, avenue des Poids Lourds, BP2200, Kinshasa, Democratic Republic of the Congo, and which is registered with the Trade and Companies Registry of Kinshasa under number 44 560 KIN. CFAO holds all of CFAO Motors RDC's share capital and voting rights. CFAO Motors RDC's primary business is the distribution of automobiles in the Democratic Republic of the Congo. Its by-laws require prior approval of any third party share transfers.

*CFAO Industries, Equipment & Services*

- **CFAO Nigeria** is a Nigerian public limited company with share capital of 208,000,000 Nigerian nairas, whose registered office is located at Plot 2 & 4 Block 2D Amuwo Odofin Industrial Scheme, Oshodi Expressway, Apapa, Lagos, Nigeria, and which is registered with the Trade and Companies Registry of Abuja under number 6508. CFAO holds all of CFAO Nigeria's share capital and voting rights. CFAO Nigeria's primary business is the rental of property primarily to its subsidiaries and the provision of services to its subsidiaries and Alliance Autos Ltd, a fully-owned subsidiary of CFAO. In the CFAO Automotive division, CFAO Nigeria's main subsidiaries are CFAO Trucks & Tyres Nigeria Ltd, CFAO Motors Nigeria Ltd and CFAO CICA Nigeria Ltd, and in the CFAO Industries, Equipment & Services division, its main subsidiaries are Sofitam, Nipen and CFAO Technologies Nigeria.

### *7.2.3 Subsidiaries in which the Group does not hold all of the share capital and voting rights*

#### *7.2.3.1 Non-controlling interests*

There are non-controlling interests in numerous subsidiaries of the Group, principally in Eurapharma and in the subsidiaries of the CFAO Automotive division. Equity attributable to non-controlling interests represented €137.5 million at December 31, 2009, €153.9 million at December 31, 2010 and €191.3 million at December 31, 2011. Net income attributable to non-controlling interests amounted to €30.9 million (or 25.5% of consolidated net income) in 2009, €40.1 million (or 28.6% of consolidated net income) in 2010 and €49.5 million (or 29% of consolidated net income) in 2011. Dividends paid to minority shareholders in the Group's consolidated subsidiaries amounted to €26.4 million in 2009, €21.6 million in 2010 and €21.6 million in 2011, representing 21.8%, 15.4% and 12.6% of consolidated net income in 2009, 2010 and 2011, respectively.

The existence of minority shareholders within certain Group companies or the Group's non-controlling interest in certain companies is mainly the result of:

- in the case of Eurapharma division companies, the Group's growth model. The Group conducts part of its pharmaceutical businesses through local subsidiaries in which local pharmacists hold non-controlling interests. By sharing the earnings of the relevant subsidiary with these minority shareholders, these shareholders have an incentive to grow the Group's business. Certain subsidiaries or companies in which Eurapharma is a stakeholder, hold 40% of the capital and voting rights of Continental Pharmaceutique, the Group's centralized purchasing platform for its pharmaceutical import-wholesale-resale business;
- in the case of the Group's other divisions (i.e., CFAO Automotive, CFAO Industries, Equipment & Services), the Group's market entry method (for example through the acquisitions of interests in existing companies) or, in certain cases, local regulatory restrictions that may require the division to form a partnership with a local partner before it can establish a business within a given territory (see Chapter 4, section 4.1 of this Reference Document, ''Risks relating to the business and regulatory environment'', sub-section ''Restrictions on imports or foreign direct investment'').

The agreements between the Group and its partners generally include preemptive and approval provisions, as well as commitments regarding representation on the governance bodies of the relevant companies. Liquidity of these shares is therefore relatively limited.

The pharmacist stakeholders have no specific governance rights attached to their ownership interests. Generally speaking, the shares are only freely transferable between shareholders (shareholders' approval and preemptive rights). The main provisions of this type are set forth below.

Over the past three years, Eurapharma has, at times, guaranteed the liquidity of its subsidiaries by repurchasing shares held by minority shareholders.

*7.2.3.2 Central purchasing offices*

- **Capstone International Ltd** is a Mauritian private company with share capital of €100, whose registered office is located at c/o Globefin Management Services Ltd, Jamalacs Building, Vieux Conseil Street, Port Louis, Mauritius, whose offices are located at Harbour Front Building, President John F. Kennedy Street, Port Louis, Mauritius, and which is registered with the Trade and Companies Registry of Mauritius under number 59812 C1/GBL. CFAO holds 60% of the share capital and voting rights of Capstone International, with the remainder held by one of the Group's partners. Capstone International Ltd's primary business in Mauritius is the same as that conducted in the Maghreb.

- **Continental Pharmaceutique** is a French *société en commandite simple* (limited partnership) with share capital of €450,000, whose registered office is located at ZAC du Grand Launay, 8 avenue Paul Delorme, 76120 Grand Quevilly, France, and which is registered with the Trade and Companies Registry of Rouen under number B 582 113 031. Continental Pharmaceutique is the Group's centralized purchasing platform for its pharmaceutical import-wholesale-resale business. The Group holds 83.12% of Continental Pharmaceutique's share capital and voting rights (as a shareholder and as a partner) on a consolidated basis. Certain subsidiaries or companies in which Eurapharma is a stakeholder hold a percentage of Continental Pharmaceutique's capital and voting rights, as is the case for Laborex Sénégal, Copharmed Côte d'Ivoire, Laborex Cameroun, Pharma Gabon, Laborex Congo, Laborex Guinée, Promo-Pharma Bénin, Laborex Mali, Laborex Burkina, Sopharma Antilles, Soredip and Société Pharmaceutique de Guyane. The agreements entered into with import-wholesale-resale subsidiaries that are shareholders of Continental Pharmaceutique provide that their interest is to be reappraised every five years, and if necessary, adjusted based on purchases from Continental Pharmaceutique, provided that their aggregate interest does not exceed 40%. These agreements also restrict the ability of these subsidiaries to transfer their interests to third parties and include an obligation to transfer their interest to Continental Pharmaceutique in the event of a termination of their supply agreements with the latter or a change of control in the majority of their share capital.

*7.2.3.3 Import-wholesale business*

- **EuraPharma Distribution Spa (EPDIS Algérie)** is an Algerian *société anonyme* with share capital of 250,000,000 Algerian dinars, whose registered office is located at Zone Industrielle de Réghaia, BP 68-5, Algiers, Algeria, and which is registered with the Trade and Companies Registry of Algiers under number 05B0971754. EPDIS Algérie is another of the Group's subsidiaries specialized in the pre-wholesale business. The Group holds 59.81% of EPDIS Algérie's share capital and voting rights, the remainder of the capital and voting rights being held by a local partner and its representatives. Pursuant to the agreement entered into between the Group and this local partner, Eurapharma may appoint three of the five members of the Board of Directors, and each of the parties has a preemptive right in the event of a transfer of EPDIS Algérie's shares to a third party. In June 2011, Eurapharma exercised an option to acquire 10% of EPDIS Algérie's share capital. To date, this acquisition has not been finalized.

*7.2.3.4 Distribution subsidiaries*

*CFAO Automotive*

- **Distribution Automobile et de Matériel en Algérie (Diamal)** is an Algerian *société par actions* (joint stock corporation) with share capital of 1,146,000,000 Algerian dinars, whose registered office is located at C.W no. 31 Les Annassers, Bir Mourad Raïs, Algiers, Algeria, and which is registered with the Trade and Companies Registry of Algiers under number 00 B 00 12 430. CFAO holds 60% of Diamal's share capital and voting rights. A local partner holds the remaining 40%. Diamal's primary business is the distribution of automobiles in Algeria. The agreements entered into between the Group and its local partner provide that the Group will hold 60% of Diamal's capital and voting rights (the remaining 40% must be held by the partner) and may appoint three of the five members of Diamal's Board of Directors as well as the Chairman of the Board. These agreements also include a mutual preemptive right for the Group and its partner in the event that Diamal shares are transferred by either party. Finally, the agreements address several aspects of Diamal's operations. The by-laws provide that a prior approval is required for any transfer of shares in accordance with the Algerian Commercial Code.

- **Cameroon Motors Industries (CAMI)** is a Cameroonian *société anonyme* with share capital of 2,176,680,000 CFA francs, whose registered office is located at Douala, Bonabéri, BP 1217, Republic of Cameroon, and which is registered with the Trade and Companies Registry (*Registre du Commerce et du Crédit mobilier* – RCCM) of Douala under number 4060. CFAO holds 67.41% of the share capital and voting rights of CAMI. The remaining 32.59% is held by a group of local partners (individuals and legal entities), each of which individually holds less than 10% of the company's capital and voting rights. CAMI's primary business is the distribution of automobiles in Cameroon. The by-laws provide that any transfer of shares to third parties is subject to the prior approval of the Board of Directors.

- **CP Holding** is a French *société par actions simplifiée* (simplified joint stock company) with share capital of 5,824,020,000 CFP francs, whose registered office is located at 216 rue Roger Gervolino Complexe Edouard Pentecost, PK 5 Magenta, 98 800 Nouméa, New Caledonia, and which is registered with the Trade and Companies Registry of Nouméa under number 2010 B 1042 712. CFAO holds 74% of CP Holding. The remaining 26% is held by the New Caledonian group Pentecost. CP Holding owns the entire share capital of operating companies Ménard, Almameto, Prestige Motors, Intermotors, NC Motors and Sapas. These companies' primary businesses are the distribution of automobiles and civil engineering and mining equipment.

  Relations between CFAO and Pentecost, shareholders of CP Holding, are governed by a shareholders' agreement which provides that the Chairman, who is in charge of operations, is appointed by the company's Board of Directors which is composed of eight members (five proposed by CFAO and three by its partner). Under the shareholders' agreement, the unanimous approval of the directors present or represented is required for the Board of Directors to make any decisions on the following main issues concerning the company or any of its subsidiaries: (i) investments, loans, guarantees, sales of securities, creations, acquisitions or sales of businesses or companies that may be decided or granted by the new holding company, (ii) important contracts and (iii) the entry into or termination of automobile distribution agreements. A management committee composed of three members (two appointed by CFAO and one by the partner) will meet on a monthly basis to monitor the group's business. The agreement also includes a preemptive right in the event that one of the partners decides to terminate the agreement. CFAO and its partner have also provided the possibility for CFAO to acquire in the medium term the partner's minority interest in CP Holding, through purchase and sale options.

*Eurapharma*

- **Société Réunionnaise de Distribution Pharmaceutique (Soredip)** is a French *société anonyme* with share capital of €2,342,250, whose registered office is located at ZIC 2, rue Jules Verne, BP 47, 97822 Le Port Cedex, Reunion, and which is registered with the Trade and Companies Registry of Saint-Denis, Reunion, under number B 314 888 546. The Group holds 67.29% of Soredip's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Soredip's primary business is the distribution of pharmaceutical products in Reunion. Its by-laws require the approval of the Board of Directors for any third party share transfers.

- **Laborex Sénégal** is a Senegalese *société anonyme* with a Board of Directors with share capital of 1,048,320,000 CFA francs, whose registered office is located at Agence Centrale Corniche des HLM, Face Cité HLM 1, Dakar, Senegal, and which is registered with the Trade and Companies Registry (RCCM) of Dakar under number SN-DK-1975-B-7882. CFAO holds 59.98% of Laborex Sénégal's share capital and voting rights on a consolidated basis. Various local partner pharmacists hold the remaining share capital and voting rights. Laborex Sénégal is a subsidiary that specializes in the distribution of pharmaceutical products in Senegal. Its by-laws require the approval of the Board of Directors for any third party share transfers.

- **Laborex Cameroun** is a Cameroonian *société anonyme* with a Board of Directors with share capital of 3,383,424,000 CFA francs, whose registered office is located at 1394 rue du Pasteur Lotin Same, Quartier Akwa BP 483, Douala, Cameroon, and which is registered with the Trade and Companies Registry (RCCM) of Douala under number 708. The Group holds 65.31% of Laborex Cameroun's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Laborex Cameroun is a subsidiary that specializes in the distribution of pharmaceutical products in Cameroon. Its by-laws require the approval of the Board of Directors for any third party share transfers.

- **Compagnie Pharmaceutique et Médicale (Copharmed)** is an Ivorian *société anonyme* with a Board of Directors with share capital of 1,762,620,000 CFA francs, whose registered office is located at Boulevard de Vridi, 15-BP 954, Abidjan 15, Côte d'Ivoire, and which is registered with the Trade and Companies Registry (RCCM) of Abidjan under number 186 364. The Group holds 59.62% of Copharmed's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Copharmed is a subsidiary that specializes in the distribution of pharmaceutical products in Côte d'Ivoire. Its by-laws require prior approval of any third party share transfers.

- **Laborex Mali** is a Malian *société anonyme* with a Board of Directors with share capital of 1,430,000,000 CFA francs, whose registered office is located at Quartier ACI 2000, Hamdallaye, BP 1696 Bamako, Republic of Mali, and which is registered with the Trade and Companies Registry of Bamako under number Ma.Bko.2044.B.640. The Group holds 56.11% of Laborex Mali's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Laborex Mali is a subsidiary that specializes in the distribution of pharmaceutical products in Mali. Its by-laws provide that any share transfer to unrelated third parties is subject to the prior approval of the Board of Directors.

- **Société Pharmaceutique Gabonaise (Pharma Gabon)** is a Gabonese *société anonyme* with a Board of Directors with share capital of 892,080,000 CFA francs, whose registered office is located at ZI d'Oloumi, BP 2224 Libreville, Gabon, and which is registered with the Trade and Companies Registry (RCCM) of Libreville under number 2000B00067. The Group holds 51.85% of Pharma Gabon's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Pharma Gabon is a subsidiary that specializes in the distribution of pharmaceutical products in Gabon. Its by-laws require the approval of the Board of Directors for any third party share transfers.

- **Société Pharmaceutique Antillaise (Sopharma Antilles)** is a French *société anonyme* with share capital of €3,094,380 whose registered office is located at Pointe des Sables, 97200 Fort de France, French Antilles, and which is registered with the Trade and Companies Registry of Fort de France under number B 572 061 281. The Group holds 47.86% of Sopharma Antilles' share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Sopharma Antilles is a subsidiary that specializes in the distribution of pharmaceutical products in the French Antilles. Its by-laws provide that any share transfer to non-shareholder third parties is subject to the prior approval of the Board of Directors.

*CFAO Industries*

- **Brasseries du Congo** is a Congolese *société anonyme* with share capital of 24,135,748,000 CFA francs, whose registered office is located at rue du Nouveau Port, Brazzaville, Republic of the Congo, and which is registered with the Trade and Companies Registry (RCCM) of Brazzaville under number 02B095. CFAO holds 50% of Brasseries du Congo's share capital and voting rights, and the remaining 50% is held by the Heineken group. Brasseries du Congo operates the only two bottling companies in the Congo in partnership with the Heineken group (for a more detailed description of the activities of Brasseries du Congo, see section 6.2.3 ''CFAO Industries, Equipment & Services'' of this Reference Document).

  This agreement provides for an equal distribution of the capital and voting rights of Brasseries du Congo between the Group and the Heineken group, as well as the governance of Brasseries du Congo organized around (i) a Chairman of the Board of Directors (chosen from Heineken representatives) in charge of auditing the management duties delegated to the Chief Executive Officer, and (ii) a Chief Executive Officer (chosen from representatives of the Group) who is given the broadest powers within the limits of the corporate purpose. The Group and the Heineken group have a mutual preemptive right in the event of a transfer of Brasseries du Congo shares to a non-shareholder third party or a significant change in the ownership structure of one of the parties (i.e., if the control of any party is transferred to a third party and the other party is able to prove (i) that such third party is one of its competitors, or (ii) that it has resulted in a change to its industrial or commercial approach in the short – or medium-term). In such an event the price of the shares to be transferred will be determined by the parties at the time of the transfer.

### *7.2.4 Acquisitions and divestitures over the past three years*

The table below shows the total amount of the Group's net investments in financial assets (acquisitions less divestitures) over the past three years:

| | As of December 31 | | |
|---|---|---|---|
| **in € millions** | **2009** | **2010** | **2011** |
| Net investments in financial assets | 8.2 | (1.3) | 13.1 |

***CFAO Automotive***

In the first half of 2009, the Group acquired Soncar in Angola, EldoMotors in Mauritius and two companies in Tahiti (Tahiti Motors Yet Sing since renamed Performance Autos, and Prestige Auto Service).

*SIAB* – In June 2010, the Group entered into an agreement with Renault Maroc and Nissan Motor Co., Ltd to acquire SIAB, an importer-distributor for Nissan on the Moroccan market, in order to consolidate its presence in Morocco and to strengthen its position in the passenger vehicle segment.

*Almameto* – New Caledonian company Almameto was a 50%-owned CFAO subsidiary and was consolidated using the equity method in the Group's financial statements in 2009 and 2010. In September 2010, CFAO signed an agreement with New Caledonian group Pentecost with a view to pooling their respective interests in the automobile distribution and civil engineering and mining equipment companies, including Almameto, which they owned in New Caledonia.

Prior to the transaction, the Pentecost group held 50% of the share capital of Almameto and NC Motors, and 51% of Sapas. Prior to the transaction, CFAO held 50% of the share capital of Almameto and NC Motors, and 49% of Sapas. CFAO also held 100% of the share capital of Ménard Automobiles, Intermotors and Prestige Motors.

Following the completion of the business combination by means of contributions to a newly-created company (CP Holding), CFAO and the Pentecost group respectively own 74% and 26% of the shares in the new joint venture, which in turn owns the entire share capital of operating companies Ménard Automobile, Almameto, Prestige Motors, Intermotors, NC Motors and Sapas.

*Foucque Automobile* – In January 2011, CFAO completed the takeover of the Reunion-based Citroën automobile import and distribution business of Foucque Automobile. CFAO already had a presence in Reunion through its subsidiary CMM Automobiles, which represents the Toyota, Ford, Lexus and Volvo brands. Through this transaction, CFAO intends to round out its products range and bolster its presence in this French overseas department The distribution business of Foucque Automobile represented full-year revenue of about €43 million in 2011.

*Madagascar* – On December 5, 2011, the Group acquired 51% of the Reunion-based Caillé group's shares in three Malagasy companies and one French company, of which CFAO already owned 49%. These companies included automobile distribution companies in Madagascar (Peugeot, Mitsubishi, Hyundai, BMW, Suzuki, Honda, Dong Feng and Yamaha).

*Zambia* – On April 1, 2011, the CFAO Group acquired the entire share capital of VCZ, a Zambian company distributing Ford automobiles in Zambia.

*French Guiana* – On March 24, 2011, the CFAO Group acquired a Ford automobile distribution business in French Guiana.

***Eurapharma***

*Propharmed* – In 2009, the Group sold all of the securities it held in Propharmed France and Propharmed International to Ressourcethica SA. Following a share capital increase in 2010, to which the Group's subsidiary Eurapharma did not subscribe, the Group's percentage interest in Ressourcethica SA stood at 35% as of December 31, 2010.

*Continental Pharmaceutique* – The Group acquired shares of Continental Participation held by employees and Fonds Valcontinental, increasing its interest in its central purchasing office, Continental Pharmaceutique, from 72.68% to 82.75% as of June 30, 2009.

*Propharmal* – Following the Group's acquisition in the pharmaceutical industry in Algeria in July 2011, it now holds 49% of Algeria-based Propharmal. In view of this acquisition, Eurapharma can offer international laboratories complete solutions for the management of imports and/or local production under license in Algeria.

***CFAO Industries, Equipment & Services***

*DIL Maltex (Nigeria)* – The Group sold its entire 95.04% interest in DIL Maltex in Nigeria in June 2009.

*CMMUDV* – In 2009, the Group sold its entire interest, i.e., 45%, in CMMUDV, a company specialized in beverage distribution in Reunion.

*Cometal* – In March 2010, the Group sold its entire 50% share in Cometal, a Cameroonian company specialized in the assembly of movable and fixed metal constructions.

*Sud Participations* – In September 2010, as part of CFAO Industries' policy to refocus on the division's strategic businesses, CFAO sold its Moroccan wood products manufacturing subsidiaries Sud Participations, Fantasia and Comamussy. These companies contributed €24.2 million to the Group's sales in 2009.

Information on changes in Group structure that occurred in 2011 is also set out in Note 3 ''Scope of consolidation'' to the consolidated financial statements in Chapter 20 of this Reference Document.

# CHAPTER 8 – PROPERTY, PLANT AND EQUIPMENT

## 8.1 Significant existing or planned property, plant and equipment

Property, plant and equipment held or leased by the Group essentially consist of:

- administrative buildings (in particular, the registered offices of holding and sub-holding companies).

  In France, CFAO and its subsidiaries SFCE and EPDIS have entered into a subleases with Discodis (a wholly-owned subsidiary of PPR) relating to their registered offices or offices at 18, rue Troyon, Sèvres. The majority of these subleases will expire on December 31, 2014. Discodis in turn entered into a sale-leaseback agreement for these premises (see section 19.1 ''Transactions with the PPR group'' of this Reference Document);

- the premises in which Eurapharma's depositary, export wholesale and central purchasing offices are located.

  The Grand Quevilly transport platform in the suburbs of Rouen, is operated under a sale-leaseback agreement with EPDIS, which covers the entire property (land and buildings). This platform, comprising a total surface area of 12,500 sq.m, includes two warehouses approved by the French Agency for the Safety of Health Products (*Agence Française de Sécurité Sanitaire des Produits de Santé* – AFSSAPS). The first one is a 5,500 sq.m facility used to store the purchases managed by Continental Pharmaceutique, and the other, a 7,000 sq.m facility used for the preparation of exports managed by EPDIS. EPDIS has a purchase option on these premises for an amount of €3,955,000 (before tax) as from April 1, 2017. An expansion project concerning the building of a 1,500 sq.m facility for Continental Pharmaceutique and a 3,000 sq.m facility for EPDIS is planned in order to meet demand relating to an increase in business activity. This project is financed through a sale-leaseback agreement and should be completed in late 2012;

- automobile dealership sites belonging to the Group's network; in Africa and in the French overseas territories, the Group's automobile dealership premises are generally owned by the Group or leased under emphyteutic or regular leases;

- operating sites for the Group's wholesale-resale business (storage warehouses and offices); in Africa and in the French overseas territories, these operating sites are generally owned by the Group or leased under emphyteutic or regular leases; and

- production facilities for CFAO Industries and Eurapharma.

  Within the scope of its activities in the Republic of the Congo in particular, the Group owns two breweries and bottling plants in Brazzaville and Pointe-Noire. In Algeria, the Group also owns a manufacturing plant specialized in dry and liquid pharmaceutical products (see Chapter 6 of this Reference Document for an overview of the Group's businesses).

The Group believes that its percentage of use of its property, plant and equipment is consistent with its level of operations, projected growth and its investments that are planned or in progress.

As of the date of registration of this Reference Document, the Group's planned real estate investments correspond to investments in progress or planned described in Chapter 5 of this Reference Document.

## 8.2 Environment and sustainable development

The Group's goal is to conduct a long-term profitable growth policy consistent with economic, social and environmental responsibility.

All environmental matters are set forth in Chapter 6 of this Reference Document under section 6.7 ''Sustainable development''.

# CHAPTER 9 – OPERATING AND FINANCIAL REVIEW

**Cross-reference table**

The cross-reference table below identifies in this Chapter the information required by Annex I of European Regulation (EC) 809/2004 implementing European Directive 2003/71/EC known as the ''Prospectus Directive''.

| European Regulation Nomenclature | | Section(s) of this Reference Document |
|---|---|---|
| 9.1 | Financial condition | 9.1 to 9.3.4.3 |
| 9.2 | Operating results | |
| 9.2.1 | Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations | 9.1.2, 9.2.1.5 and 9.3 |
| 9.2.2 | Material changes in net sales or revenues, and reasons for such changes | 9.3.1.1, 9.3.2.1 and 9.3.3.1 |
| 9.2.3 | Governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations | 9.1.2 |

The following information concerning the Group's financial position and results of operations should be read in conjunction with the Group's consolidated financial statements for the years ended December 31, 2010 and 2011 and the notes thereto, all of which are included in Chapter 20 of this Reference Document.

The Group's consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. The Statutory Auditors have audited the consolidated financial statements for the years ended December 31, 2010 and 2011, and their reports certifying these consolidated financial statements are included in Chapter 20 of this Reference Document, ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO''.

## 9.1 Overview

*9.1.1 Introduction*

The Group believes it is the leading specialized distributor in its core businesses of automotive and pharmaceutical product distribution in Africa (excluding South Africa) and the French overseas territories. Since 2011, the Group has three operating divisions and a Holding company, and has operations in five geographic areas.

The Industries, Equipment & Services division encompasses the following four businesses: CFAO Industries: two breweries in the Congo operated under a joint venture with Heineken and four plastic production manufacturing plants; CFAO Technologies: activities refocused in 2011 on IT products and solutions; CFAO Equipment: a new business based around the distribution of construction machinery and generators, and the sale, installation and maintenance of elevators (previously part of the Technologies division); and Rental services, which was previously part of CFAO Automotive.

In 2011, the Group's revenue and recurring operating income totaled €3,123.7 million and €256.3 million, respectively.

The following table summarizes the Group's revenue by division and geographic area in 2011:

| (in € millions) | CFAO Automotive | Eurapharma | CFAO Industries, Equipment & Services | Total |
|---|---|---|---|---|
| | Year ended December 31, 2011 | | | |
| **French-speaking Sub-Saharan Africa** | 597.1 | 351.6 | 291.1 | 1,239.9 |
| **French Overseas Territories and Other**[(1)] | 403.2 | 326.4 | – | 729.6 |
| **Maghreb** | 533.1 | 55.9 | 10.7 | 599.6 |
| **English- and Portuguese-speaking Sub-Saharan Africa** | 297.5 | 43.9 | 51.2 | 392.8 |
| **France (export)**[(2)] | 60.7 | 86.7 | 14.4 | 161.8 |
| **Total** | **1,891.7** | **864.5** | **367.4** | **3,123.7** |

(1) *''Other'' includes Mauritius and Vietnam.*

(2) *Revenue for France (export) corresponds to revenue generated by export sales invoiced by the Group's central purchasing offices located in mainland France and Mauritius.*

The following table summarizes the Group's recurring operating income by division for 2010 and 2011:

| | 2011 | | 2010(*) | | 2010(**) | |
|---|---|---|---|---|---|---|
| | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue |
| **Recurring operating income** | | | | | | |
| *CFAO Automotive* | 141.1 | 7.5% | 117.6 | 7.7% | 120.1 | 7.7% |
| *Eurapharma* | 75.8 | 8.8% | 71.4 | 8.8% | 71.4 | 8.8% |
| *CFAO Industries* | | | | | 50.3 | 22.8% |
| *CFAO Technologies* | | | | | 6.7 | 6.2% |
| *CFAO Industries, Equipment & Services* | 67.0 | 18.3% | 59.7 | 17.6% | – | – |
| *CFAO Holding* | (27.6) | – | (25.3) | – | (25.3) | – |
| **Total** | **256.3** | **8.2%** | **223.2** | **8.3%** | **223.2** | **8.3%** |

*(*) Pro forma based on the 2011 divisional structure.*

*(**) On a reported basis based on the 2010 divisional structure.*

In accordance with IFRS 8, the Group presents segment information in its consolidated financial statements on the basis of its operating divisions (see Note 4, ''Operating segments'' to the consolidated financial statements included in Chapter 20 of this Reference Document). The segments identified are:

- **CFAO Automotive.** This division includes the Group's automotive operations, including the purchase, storage, import and distribution of vehicles (light vehicles, heavy trucks and motorcycles), related services (particularly after-sales services), and the sale of spare parts and tires. For accounting purposes, this division also includes technology services and certain trading activities in countries in which the level of business is too low to justify a separate subsidiary.

  CFAO Automotive is the highest revenue-generating division in the Group, accounting for 57.5% of total consolidated revenue in 2010 and 60.6% in 2011. CFAO Automotive was also the biggest contributor to the Group's consolidated revenue growth between 2006 and 2008, accounting for approximately 90% of the increase in revenue in this period. However, in 2009 it was the only division to report a drop in revenue on a like-for-like basis (constant scope of consolidation and exchange rates). French-speaking Sub-Saharan Africa is the division's biggest region in revenue terms, followed by the Maghreb. CFAO Automotive also operates in the French overseas territories, Mauritius, Vietnam, English- and Portuguese-speaking Sub-Saharan Africa, and in France (export). This division contributed €141.1 million (55.1%) to recurring operating income in 2011.

- **Eurapharma.** This division includes all of the Group's pharmaceutical product distribution businesses: the import-wholesale-resale business in French-speaking Sub-Saharan Africa and the French overseas territories; the pre-wholesale business in France that exports products to French-speaking Sub-Saharan Africa and the Maghreb (Algeria); and the distribution agent business in English- and Portuguese-speaking Sub-Saharan Africa. The most important regions for Eurapharma in terms of revenue and recurring operating income are French Overseas Territories and French-speaking Sub-Saharan Africa. Eurapharma is the second-biggest contributor to the Group's consolidated revenue (30.3% in 2010 and 27.7% in 2011) and recurring operating income (32.0% in 2010 and 29.6% in 2011).

- **CFAO Industries, Equipment & Services.** This division encompasses four businesses.

  - CFAO Industries, based in French- and English-speaking Sub-Saharan Africa, is mainly involved in the manufacture and bottling of beverages in the Congo (€186.7 million in 2011) and the production and sale of plastic products (€38.1 million in 2011).
  - CFAO Technologies, which has refocused on the design and implementation of solutions for IT infrastructure and systems, networks and telecommunications for private and public companies (€75.3 million in 2011).
  - CFAO Equipment, which includes the new construction machinery distribution business along with elevator installation and maintenance operations (€48.9 million in 2011).
  - Rental services, encompassing both short- and long-term vehicle rentals (€18.3 million in 2011).

  This division operates in French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa, and the Maghreb. The division generated 12.7% of the Group's consolidated revenue in 2010 and 11.8% in 2011. Its contribution to consolidated recurring operating income was 26.7% and 26.2%, respectively, in 2010 and 2011.

- **CFAO Holding.** The Group's Holding segment includes centralized support services, such as the Group's human resources, IT, communication, audit and financial, accounting, legal and tax departments. This segment does not generate any revenue. CFAO Holding reported a net recurring operating loss of €25.3 million in 2010 and €27.6 million in 2011.

The analysis below covers revenue and recurring operating income for each of the Group's divisions. The analysis of the other line items (except revenue) that make up recurring operating income is carried out at the consolidated Group level, with explanations that refer to the Group's divisions. The remaining income statement items are discussed at the level of the consolidated Group.

The analysis below also includes quantitative data and qualitative explanations relating to the geographic areas in which the Group operates, i.e., French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa, French Overseas Territories and Other, the Maghreb and France (export). Revenue generated in the France (export) region corresponds to revenue from export sales invoiced by the Group's central purchasing offices in mainland France and Mauritius.

The divisional review of operations will be based on 2010 pro forma data restated to reflect the reorganization of divisions in 2011.

*9.1.2 Factors affecting the Group's results of operations*

*9.1.2.1 General economic conditions in the countries in which the Group operates*

Economic conditions in the regions and countries in which the Group operates can have a significant positive or negative influence on demand for the Group's products and services. This is particularly true for the CFAO Automotive and CFAO Industries, Equipment & Services divisions. Eurapharma is not as directly affected by economic trends, given the nature of its products and the regulatory pricing framework applicable in the principal countries in which the Group operates.

Generally speaking, the economies of the African countries in which the Group operates continue to be highly dependent on the level of foreign direct investment and financial aid received from other countries or international organizations, as well as on the prices of raw materials. The export of raw materials accounts for a large portion of gross domestic product (GDP) for many countries and contributes significantly to the amount of foreign currency entering these countries. Some countries in which the Group operates have several principal raw materials, whereas others have a single primary raw material (see section 6.4 of this Reference Document, ''Market description''). Fluctuations in prices for these raw materials may have a significant impact on the economic environment and on the growth and development prospects in the countries concerned, which in turn may have a substantial impact on the Group's results of operations.

The economies of the principal African regions in which the Group operates have become increasingly correlated to global macroeconomic trends due to their increasing integration within the global economy. There are substantial differences in terms of economic development between the different countries and regions in Africa in which the Group operates. The Maghreb, for example, has more diversified economies, in contrast to the often poorer and more vulnerable economies in Sub-Saharan Africa. Within Sub-Saharan Africa, significant disparities exist between English-speaking countries such as Nigeria and Ghana, which generate considerable revenue from exports, and French-speaking countries such as Mali or Burkina Faso, which have a lower GDP and remain highly dependent on foreign aid for basic economic and social needs (for more information on the Group's geographical markets, see section 6.4 of this Reference Document, ''Market description''). The economies of the French overseas territories are, in general, highly dependent on transactions with mainland France (particularly exports), and therefore tend to be correlated to the French economy.

Economic conditions in the countries in which the Group operates are also affected by political and social conditions. Political stability creates a more favorable climate for business growth and economic growth in general. Political instability, as can be manifested through political or social upheaval, conflicts or war, has the opposite effect. Certain African countries in which the Group operates have experienced periods of political instability and, in some cases, crises, conflicts or war. A bitter political crisis broke out in Côte d'Ivoire in 2011, significantly impacting business in the country. This had a negative impact on the Group's sales in Côte d'Ivoire, which retreated 15.3% over the year. The political and social situation in a number of African countries including Nigeria, the Democratic Republic of the Congo and Senegal could also impact the economic conditions in which the Group does business if it deteriorated in 2012.

The earthquakes that struck Japan in the second week of March 2011 and their aftershocks caused widespread damage to the Japanese manufacturing industry. Even though it is difficult to accurately assess the impact of these events on the Group's operations, sales for the Automotive division for 2011 would probably have been some €30 million higher than those actually reported. This loss in earnings reflects sales that could not be made by the Group due to procurement difficulties in 2011. In 2011, approximately 36% of purchases made by CFAO Automotive were sourced in Japan.

Similarly, the floods which raged across Thailand throughout the second half of 2011 had an impact on the automotive industry in general, and in particular on CFAO in terms of the delivery lead times for certain pick-up trucks.

On account of these events, the Group may continue to face residual supply disruptions for some of the brands it distributes.

In 2009, it became apparent that the French overseas territories were not immune to the social unrest that could impact the Group's sales in these regions.

*9.1.2.2 Exchange rate fluctuations*

Exchange rate fluctuations can have a significant impact on the Group's results of operations. The Group prepares its consolidated financial statements in euros. In 2011, 26.7% of the Group's sales were transacted in euros, 36.0% in CFA francs and 37.3% in other local currencies. The Group's purchases in 2011 were made in yen (26%), US dollars (27%) and euros (47%). Eurapharma, CFAO Industries and CFAO Technologies make purchases primarily in euros. Conversely, CFAO Automotive's purchases in 2011 were primarily made in yen (36%), US dollars (36%) and euros (28%).

These differences expose the Group to several currency-related risks:

- The value of the euro could depreciate between the date on which the Group places an order with a supplier in Japanese yen, US dollars, or any other currency, and the payment date for such order, resulting in an increase in the euro equivalent of such payment. To limit this risk, the Group enters into forward purchase contracts to convert these amounts into euros at the time it places an order with a supplier in yen, US dollars or other currencies. This policy allows CFAO Automotive to anticipate the potential impact on the cost of vehicles sold resulting from the high cost of purchasing currencies as from the time orders are made, and to adjust its pricing policy where applicable to reduce the impact of exchange rates on gross profit. Any price increase in a local currency may lead to a decline in sales.

- The local currencies in which the Group's sales are conducted could depreciate against the currencies in which purchases are conducted or against the euro, requiring a higher amount of local currency to cover the purchase price. If the Group is not able to increase its prices in the local currency to cover such increases, its profit margins will be affected. Any price increase in a local currency may lead to a decline in sales.

- Any depreciation in the euro against other currencies in which the Group has contracted debt would result in an increase in the euro-equivalent value of its debt and have a negative impact on the Group's earnings.

Conversely, a reversal of the trends described above would have a positive impact.

Whenever possible, the Group therefore seeks to hedge its exposure to exchange rate fluctuations. However, the Group is not able to contract long-term hedges to cover these risks in certain countries and geographic areas such as Algeria, all of English-speaking Sub-Saharan Africa (with the exception of Kenya and Nigeria since December 2010), the Democratic Republic of the Congo, Gambia, Guinea and Vietnam. Because the Group is unable to fully eliminate its currency exposure, its revenue, gross profit margin and income are vulnerable to exchange rate fluctuations, particularly with respect to the yen/euro and dollar/euro exchange rates, as well as the dollar, euro and yen exchange rates against other currencies in which the Group's sales are conducted.

Generally, an appreciation of the yen or dollar against the euro or a local currency would increase the Group's cost of sales and reduce its gross profit if it is unable, for competitive or other reasons, to raise its prices to cover the full increase in cost. Depreciation in the yen or dollar would have the opposite effect. The pressure on margins is greater in businesses or countries in which there is strong competition.

The table below shows the average euro to yen and euro to dollar exchange rates for 2009, 2010 and 2011:

| | **2009** | | | | **2010** | | | | **2011** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| Japanese yen to one euro | 122.0 | 132.6 | 133.8 | 132.7 | 125.5 | 117.2 | 110.7 | 112.1 | 112.6 | 117.4 | 109.8 | 104.2 |
| US dollar to one euro | 1.30 | 1.36 | 1.43 | 1.48 | 1.38 | 1.27 | 1.29 | 1.36 | 1.37 | 1.44 | 1.41 | 1.35 |

Source: European Central Bank

The appreciation in the yen and US dollar since 2009 has increased CFAO Automotive's procurement costs. Due to the downward pressure on prices exerted by the highly competitive market in which CFAO Automotive operates, the division has not always been able to entirely pass on this increased cost through higher prices. In 2011, the yen made further gains against the euro, particularly in the last quarter. On an average annual basis, the yen strengthened 4.7% against the euro. In contrast, the US dollar fell 4.8% year on year on an average annual basis.

Exchange rates for the yen and US dollar in the last half of 2011 will continue to impact gross profit for CFAO Automotive in 2012.

#### *9.1.2.3 Changes in scope of consolidation and business*

The Group regularly reviews and enhances its portfolio of businesses by reducing or increasing its activities or investments in certain sectors or countries, in line with its development strategy.

Together, the following main changes in the scope of consolidation had an impact on changes in revenue between 2010 and 2011:

- Companies joining the scope of consolidation: Almameto (automotive distribution in New Caledonia) in 2011, the Citroën automotive distributor in Reunion in 2011, the Nissan distributor in Morocco (SIAB) in 2010, and the Ford distributor in Zambia (VCZ) in 2011.
- Companies exiting the scope of consolidation (in 2010): wooden crates packaging business in Morocco.

These transactions influenced changes in the Group's revenue, gross profit and income in 2011.

The Group's results of operations are also affected by the creation of new subsidiaries, for example to launch a new brand or business activity in a given country, or by new sales locations opened in a given country.

#### *9.1.2.4 Distribution methods and the mix of products sold*

The Group's results of operations are affected by the portion of revenue and gross profit generated by each division and country, and within each division, by the contribution attributable to each product and method of distribution. Certain distribution methods and products generate higher gross profit margins than others (see section 9.1.3.1, ''Revenue'', and section 9.1.3.2, ''Gross profit and gross profit margin'').

#### *9.1.2.5 Country-specific risks and customer credit risk*

Provisions also affect the Group's results of operations. The Group operates in countries with a high risk of political instability and default by customers and other debtors. Accordingly, the Group sets aside provisions for such risks using an approach that reflects its experience and specific risk assessments.

#### *9.1.2.6 Regulatory environment*

The Group's activities and results of operations may also be negatively impacted by regulatory changes in the countries in which it operates, in relation to import restrictions, direct foreign investments, internal regulations which could have a side effect on the level of consumption, or administrative authorizations necessary for the continuance of the Group's operations. The Group's activities require a great number of approvals, permits and licenses from national, regional and local government authorities as well as regulatory authorities. The Group's existing activities, results and future development thus depend on obtaining or maintaining these authorizations. Some countries may also decide to limit imports, by implementing new quotas, conditions for obtaining quotas, customs duties or other import barriers or by modifying those that exist already, which could durably hamper the Group's ability to import its products into some countries and negatively affect the Group's activities. For example, restrictions on imports of vehicles over three years old imposed by the Algerian government in 2005 led to a rise in Group sales of new vehicles in Algeria. In contrast, the introduction in the country of a new tax on light vehicles and dealership network revenue, effective as of summer 2008, put a brake on new vehicle sales. Regulations prohibiting the use of consumer credit to finance automobile purchases and imposing new taxes on vehicle sales as from August 2009 also had a material adverse effect on the Group's business and results of operations in Algeria as from the second half of 2009 (see section 4.1 of this Reference Document, ''Risks relating to the business and regulatory environment'').

Eurapharma's sales may also be affected by changes in regulations, particularly in certain French overseas territories, where the wholesale price of pharmaceutical products is regulated under French law. New measures aimed at reducing healthcare spending could have an impact on the Group's results of operations. At the end of 2011, new regulations were adopted aimed at reducing compensation for wholesaler-resellers in mainland France. Although no official decision has yet been taken in this respect, a similar measure could be introduced in the French overseas territories in 2012.

Recently, a trend has emerged among pharmacists to procure supplies directly from wholesalers based in mainland France lacking the official status of a wholesale-resale business in the French overseas territories. If this non-regulatory distribution arrangement were to become more widespread, it could represent illegal competition and affect Eurapharma's business. In order to meet regulatory requirements for renewing its import quotas in Algeria, the Group has invested in a local drug manufacturing plant through the stake acquired in Propharmal. Propharmal should develop and enhance Eurapharma's supply capabilities in Algeria.

### *9.1.3 Principal income statement items*

#### *9.1.3.1 Revenue*

The Group derives its revenue from sales of products and services by its three operating divisions.

##### *9.1.3.1.1 CFAO Automotive revenue*

The CFAO Automotive division generates its revenue primarily through sales of new light vehicles, used vehicles, heavy trucks, industrial equipment, motorcycles, services, spare parts and tires. The revenue of the CFAO Automotive division depends primarily on sales volumes and average sales prices.

The degree to which sales volumes are affected by local economic conditions differs depending on the type of customer, (individuals, businesses or public entities). The automotive industry is largely cyclical in nature, with periods of market growth or contraction and changes in the range of products offered by automotive manufacturers (depending on how quickly new models are introduced). CFAO Automotive benefits from the diversification of operating in numerous countries and maintaining supplier relationships with several large international car manufacturers, which helps mitigate its exposure to the cyclical nature of sales in the automotive market.

Volumes of sales to retail customers principally depend on the financial resources of potential customers and the effectiveness of sales efforts (advertising). The ability of potential customers to finance the purchase of a vehicle (either through cash on hand or by borrowing) is the principal macroeconomic factor affecting sales. Consequently, a deterioration in the general economic environment or the implementation of certain legislative or regulatory measures can have a significant impact on the Group's sales if they limit the ability of potential customers to take out financing to purchase vehicles on favorable terms.

Sales levels are also affected by the ability of dealers to reach customers in surrounding areas, welcome them at prime sales locations that adequately promote the product offerings and provide quality after-sales services, and offer them a full range of vehicles adapted to their needs. Investments in the distribution network and expansion of the Group's range of products and services can therefore significantly affect sales levels.

Sales to companies and to public entities are influenced primarily by the macroeconomic conditions encountered by the Group's divisions. The price of oil, in particular, has a strong impact on Group sales to oil companies and to their subcontractors, as well as to public entities operating in countries that generate oil-related revenue. Automotive regulations in a given country can also have a significant positive or negative impact on sales.

The average price of vehicles primarily depends on the mix of vehicles sold, the degree of competition in a given country and the exchange rate between the currency in which the sales are made and the euro.

##### *9.1.3.1.2 Eurapharma revenue*

The Eurapharma division includes all of the Group's pharmaceutical product distribution businesses: the import-wholesale-resale business in French-speaking Sub-Saharan Africa and the French overseas territories; the pre-wholesale business – outsourcing the export function of pharmaceutical companies and selling directly to wholesalers – in France that exports products chiefly to French-speaking Sub-Saharan Africa and the Maghreb (Algeria); and the distribution agent business in English- and Portuguese-speaking Sub-Saharan Africa. Generally speaking, sales volumes in this division depend to a large extent on the level of overall healthcare spending in a given country. Healthcare spending has trended upwards in most countries in which the Group operates (see section 6.4 of this Reference Document, ''Market description'').

The degree to which sales are affected by local economic conditions depends on the type of market. In the French overseas territories, healthcare spending is steadily rising due to the aging population, while the government is constantly looking at ways of cutting healthcare costs. In Africa, increases in healthcare spending are driven to a greater extent by an increasing number of individuals with access to healthcare. The growth rate is understandably lower in the French overseas territories.

Revenue is therefore also significantly affected by the regulatory environment, which has a major impact on the prices of pharmaceutical products distributed by the Group and determines, in the French overseas territories, the categories of products that will be reimbursed as well as the amount of such reimbursements. Revenue also depends on the quality of existing healthcare within a given country. Apart from France, the French overseas territories and Algeria, none of the countries in which the Group operates currently has a well-developed medical reimbursement system. Macroeconomic trends have a much lower impact on demand in Eurapharma than in the Group's other divisions, because purchases of pharmaceutical products are less discretionary in nature.

*Import-wholesale-resale.* The import-wholesale-resale business is by far the biggest revenue generator for Eurapharma. The Group generates revenue in this business mainly by reselling pharmaceutical products purchased from pharmaceutical companies to pharmacies. Demand in this business depends on the volume of orders placed by pharmacists, which in turn is affected by the number of pharmacies served by the Group and healthcare spending levels. The average price of pharmaceutical products sold to pharmacies by the Group depends on the mix of products sold, the margins that the Group is permitted to charge under applicable regulations, the level of rebates offered to the Group's customers and, in the countries in which margins are not determined or limited by law, the level of competition within that market. Average sales prices are very sensitive to regulatory measures: the prices of underlying pharmaceutical products and the Group's margin on sales to pharmacies in the French overseas territories are highly regulated, as is the pricing structure in French-speaking Sub-Saharan Africa. Historically, regulated wholesale margins in the French overseas territories remain stable for long periods of time. In 2008, these margins were reduced for the first time since 1990, and further reductions may be implemented in the years ahead.

Eurapharma's revenue also reflects the growth of the more recently launched pre-wholesale and distribution agent businesses, which have higher growth rates than the historical import-wholesale-resale business.

*Pre-wholesale.* In its pre-wholesale business, the Group usually buys products from pharmaceutical companies and resells them to wholesalers. In certain limited cases, the Group does not purchase products for resale, but instead acts solely as a custodian and generates revenue based on the commissions that it receives in this capacity. While Eurapharma generates lower revenue from commissions under this arrangement than if it were to sell its own inventory, the profit margin is higher. Revenue from the pre-wholesale business depends chiefly on the volume of pharmaceutical products processed and the average sales price charged. New agreements with pharmaceutical companies are the main driver of volume growth. Average sales prices depend on the margins negotiated with pharmaceutical companies and the cost of the underlying products. The margin generally varies depending on the scope of services provided.

*Distribution agent.* In its distribution agent business, Eurapharma generates revenue by purchasing products from pharmaceutical companies and reselling them to its customers. The revenue from this business is dependent on sales volumes and average sales prices, which in turn depend on the margins negotiated with pharmaceutical companies and the cost of the underlying products distributed.

*9.1.3.1.3 CFAO Industries, Equipment & Services revenue*

In the CFAO Industries, Equipment & Services division, revenue is driven primarily by the performance of the Group's two breweries and bottling plants (in particular for Coca-Cola), based in the Congo, which generate a significant portion of the division's revenue. The revenue generated by the beverages business depends primarily on sales volumes and average sales prices. Volume is driven chiefly by demand, which in turn is affected by general economic conditions in the Congo, the performance of third party sales networks and production capacity. Average sales prices depend in part on applicable regulations (beer prices are regulated in the Congo), but also reflect the mix of beverages sold and the level of competition.

CFAO Industries, Equipment & Services also derives a considerable portion of its revenue from its other industrial business (manufacture of plastic products).

CFAO Equipment, the Group's new business, is involved in the installation and maintenance of elevators (formerly part of CFAO Technologies) and the distribution of machinery for the construction, mining and agricultural industries. The elevator business is recurring in nature and generates revenue from the installation or renovation of elevators and from the related maintenance contracts. These maintenance contracts generate recurring revenue throughout the lifespan of the elevator and enhance the Group's competitive position when an elevator needs to be renovated.

The equipment distribution business, which was set up in the year around new entities based on a number of new contracts signed with equipment suppliers, did not generate significant revenue in 2011.

In its solutions business, CFAO Technologies primarily designs and implements information technology solutions. Sales in this business are made primarily on a request-for-proposal basis and are associated with long sales cycles. The Group's solutions contracts may span several years, in which case revenue is generated based on services provided throughout the relevant contract term. As a result, the revenue generated during a given year is often a reflection of the sales efforts in a prior period.

Lastly, the rental services business in French-speaking Sub-Saharan Africa, previously part of CFAO Automotive, derives revenue from its short- and long-term vehicle rental services. The Group's rental services now operate under the Loxea brand, which was created in 2011 to give new impetus to the business.

*9.1.3.2 Gross profit and gross profit margin*

Gross profit is equal to revenue minus the cost of sales. Gross profit margin is gross profit expressed as a percentage of revenue.

Cost of sales includes the cost of goods sold measured at the net price charged by the supplier, plus all costs incurred to ensure that the products are made available in their end markets (freight, transit, customs duties and other import taxes, fees payable to agents and self-employed vendors, etc.). Cost of sales also includes net additions to inventory allowances and other valuation adjustments (inventory unable to be sold, theft, breakage, currency gains and losses affecting the related invoice, transportation insurance). Inventory is measured on a first-in-first-out (FIFO) basis or at weighted average cost depending on the Group activity.

The cost of purchases of goods from manufacturers is the most important component of the cost of sales. Related fees are the second most important component of the cost of sales. The cost of goods sold for CFAO Automotive, Eurapharma and CFAO Technologies consists essentially of the cost of goods purchased from suppliers for resale. For the industrial businesses of the CFAO Industries, Equipment & Services division, the cost of sales includes the cost of the raw materials used in the production of beverages and plastic products.

Gross profit and gross profit margin at the consolidated level are affected by the relative contributions of the Group's divisions, as certain divisions have a higher gross profit margin than others, and by the relative contribution within each division of the various business lines and geographic areas (each region has a different gross profit margin, depending on the competitive environment and the degree of maturity of the business and the market). Trends within the Group's divisions in 2011 are described below.

- The CFAO Industries, Equipment & Services division generates the highest gross profit margin of all of the Group's divisions, due to the industrial nature of much of its business, as the other divisions are more focused on distribution businesses. In industrial businesses, gross profit margin depends on the cost of materials, such as the raw materials used in the production of beverages and plastic products. Certain costs of production of the industrial businesses are accounted for according to their nature, and are not therefore recorded in the ''cost of sales'' line item but in ''payroll expenses'' and ''other recurring operating income and expenses''. This accounting treatment adds to the gross profit margin of these businesses. In the capital goods trading businesses, the gross profit margin depends primarily on the price of the goods purchased from suppliers. CFAO Technologies, a business that incorporates the gross profit margin on provisions of services and sales of materials, also has a higher-than-average gross profit margin.

- The CFAO Automotive division, has the second-highest gross profit margin of the Group's divisions. Within this division, the gross profit margin levels vary depending on the business. With respect to the sale of vehicles, the gross profit margin is higher when the Group purchases directly from the manufacturer and delivers the vehicle to the end-customer through its own sales offices, which is the case in most of the areas, and particularly in French-speaking Sub-Saharan Africa. Despite strong advances in the year, the gross profit margin is lowest in countries in which the Group distributes vehicles through agents (primarily in Algeria, Morocco and Nigeria). The geographic areas generating the lowest gross profit margins in the division are also its largest markets, notably the Maghreb and the French Overseas Territories. The mix of products and services can have a significant impact on the gross profit margin, as is the case for certain businesses such as services, spare parts and tires, which generate higher gross profit margins.

- Eurapharma has the lowest gross profit margin of the Group's divisions. Eurapharma's gross profit margin is highly sensitive to changes in regulations, in particular those designed to reduce healthcare costs for consumers and reimbursement entities. Prices in this division's principal markets are limited or set by regulations. The expansion of the distribution agent business, whose gross profit margin generally exceeds that of Eurapharma's traditional import-wholesale-resale business, has had a positive effect on the division's overall gross profit margin because of more flexible price regulations and a higher level of value-added services provided.

As indicated in this section and in section 9.1.2.2 ''Exchange rate fluctuations'', movements in exchange rates have a significant and direct impact on the gross profit margins of the various divisions, particularly CFAO Automotive. The exchange rates for purchasing currencies in the periods in which orders were made can have an adverse impact on the gross profit margin despite the price increases implemented to counter this.

At a geographical level, gross profit margins are lowest in areas with larger markets. In the Maghreb and French Overseas Territories and Other regions, gross profit margins are lower than in other geographic areas. French-speaking Sub-Saharan Africa, which is characterized by its smaller markets, generally has a higher gross profit margin than other geographic areas.

#### *9.1.3.3 Payroll expenses*

Payroll expenses include all employee-related expenses (fixed and variable compensation, social security charges, provisions and retirement expenses, employee profit-sharing and other incentives) and expenses relating to external employees.

Variable payroll expenses are linked mainly to business volumes and the company's financial performance. Variable components include commissions paid to sales teams based on revenue and the payroll expenses of the Industries business, which generally increase in line with production. As a percentage of revenue, payroll expenses vary among the divisions, the percentage being generally higher in CFAO Industries, Equipment & Services than in the other two divisions.

*9.1.3.4 Other recurring operating income and expenses*

Other recurring operating income and expenses comprise all of the Group's general expenses and include cash expenses paid and depreciation/amortization expenses. These cover:

- base costs, such as real estate, information technology, fees and insurance;
- variable costs such as advertising expenses, business travel, banking services, telecommunications, consumable goods and other expenses incurred in connection with production (water, electricity, etc.); and
- expenses relating to customer default risks: net charges to provisions for trade receivables, losses on trade receivables.

*9.1.3.5 Recurring operating income*

Recurring operating income is an intermediate line item intended to facilitate an understanding of the entity's operating performance. It comprises revenue minus the cost of sales, payroll expenses and other recurring operating income and expenses.

Pursuant to a service agreement entered into on September 28, 1995, the Group paid an annual management fee to PPR, its majority shareholder, until the date its shares were first listed on Euronext Paris in December 2009. This management fee was paid as compensation for certain consulting and technical services, as well as for support provided by PPR in connection with complex transactions, development opportunities, and new business and cost reduction initiatives. The annual fee corresponded to 0.24% of the Group's annual revenue. Since the IPO, certain costs that were previously covered by PPR, for example costs relating to investor relations, to the management of currency hedging, to insurance policies and to stock options and performance share plans have been directly and independently taken on by the Group.

*9.1.3.6 Other non-recurring operating income and expenses*

Other non-recurring operating income and expenses that are excluded from recurring operating income correspond to items that are exceptional in light of their frequency, nature or amount, and may include proceeds from sales of property, plant and equipment and intangible assets, capital assets or investments (capital gains, impairment of goodwill and other intangible assets), restructuring costs and costs relating to employee retraining measures and litigation settlements.

*9.1.3.7 Net finance costs*

Net finance costs chiefly include fees and interest paid in connection with medium- and long-term financing transactions; fees and interest relating to bank debt and other current borrowings; capital gains or losses on sales of assets; and other fees for certain financial management transactions. They also reflect interest and other income received on loans, debt or equity securities or other financial instruments held by the Group, costs relating to tax planning transactions in the French overseas territories, and gains or losses associated with commercial transactions carried out in foreign currencies.

The Group has two main types of finance cost: costs relating to borrowings in currencies other than the euro and those relating to its businesses in the eurozone. Since its shares were listed on Euronext Paris, the Group no longer has a current account with PPR and its financing is provided chiefly by a €300 million syndicated credit facility negotiated with its main financial partners. The original three-year maturity of this credit facility was extended by one year in 2010, and then by a further year in 2011.

In general, net finance costs evolve in line with the financial position of the Group's subsidiaries and local financing terms. Debt financed in euros (the largest portion of debt) is mostly short-term. Ancillary finance costs depend on the market's short-term interest rates. For debt financed in local currency, finance costs depend on local interest rates as well as the average financial debt contracted in local currency.

*9.1.3.8 Income tax*

Income tax includes taxes calculated on the basis of earnings and excludes other taxes or duties paid by the Group, such as land taxes, which are recorded in recurring income and expenses. Income tax also includes deferred taxes recognized according to prudent accounting principles. The effective tax rate is defined as income tax divided by pre-tax income. The Group's effective tax rate depends on the levels of taxation in the countries in which it generates income and the relative contribution to Group income from countries with higher or lower tax rates.

Prior to December 31, 2009, none of the Group's subsidiaries had been consolidated for tax purposes at the level of CFAO. Some of the Group's French subsidiaries were previously consolidated for tax purposes by PPR up to this date. As from January 1, 2010, these companies are included in the tax consolidation group created by CFAO.

In France, the 2010 finance law introduced the company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). In line with similar taxes within the Group, the CVAE is treated as an income tax in application of IAS 12. Consequently, it is accounted for under ''Income tax''. As charges to depreciation and amortization may not be deducted from the value added on which the CVAE is based, a deferred tax liability has been recognized based on the net value of the non-current assets carried in the statement of financial position of the entities liable for this tax.

Some Group subsidiaries are subject to exceptional tax treatment under specific provisions.

## 9.2 Comparison of the Group's results of operations for the years ended December 31, 2010 and 2011 and financial position

### *9.2.1 Comparison of the Group's results of operations for the years ended December 31, 2010 and 2011*

The table below shows the Group's consolidated income statements for the years ended December 31, 2010 and December 31, 2011, in millions of euros and as a percentage of consolidated revenue for the periods presented.

| | 2011 audited | | 2010 audited | | |
|---|---|---|---|---|---|
| | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue | Change |
| **Revenue** | **3,123.7** | | **2,676.2** | | **+16.7%** |
| Cost of sales | (2,418.2) | −77.4% | (2,062.5) | −77.1% | +17.2% |
| **Gross profit** | **705.5** | **22.6%** | **613.7** | **22.9%** | **+15.0%** |
| Payroll expenses | (222.2) | −7.1% | (193.5) | −7.2% | +14.8% |
| Other recurring operating income and expenses | (227.0) | −7.3% | (197.0) | −7.4% | +15.3% |
| **Recurring operating income** | **256.3** | **8.2%** | **223.2** | **8.3%** | **+14.8%** |
| Other non-recurring operating income and expenses | 9.8 | 0.3% | 10.0 | 0.4% | – |
| **Operating income** | **266.1** | **8.5%** | **233.2** | **8.7%** | **+14.1%** |
| Finance costs, net | (29.3) | −1.0% | (26.5) | −1.0% | +11.5% |
| **Income before tax** | **236.6** | **7.6%** | **206.7** | **7.7%** | **+14.4%** |
| Income tax | (68.9) | −2.2% | (69.0) | −2.6% | −0.1% |
| *Overall effective tax rate* | *29.1%* | | *33.4%* | | |
| Share in earnings of associates | 2.9 | 0.1% | 2.5 | 0.1% | +14.8% |
| **Net income of consolidated companies** | **170.6** | **5.5%** | **140.3** | **5.2%** | **+21.6%** |
| Net income attributable to non-controlling interests | 49.5 | 1.6% | 40.1 | 1.5% | +23.5% |
| **Net income attributable to owners of the parent** | **121.1** | **3.9%** | **100.2** | **3.7%** | **+20.9%** |

#### *9.2.1.1 Revenue*

Revenue generated by the Group in 2011 moved up 16.7% year on year, to €3,123.7 million versus €2,676.2 million one year earlier. Like-for-like, revenue rose 10.6%. Changes in the scope of consolidation with an impact on changes in revenue between 2010 and 2011 mainly concerned:

- the first-time consolidation of Almameto in New Caledonia in 2011, and the distributor of Citroën in La Reunion in 2011, Nissan in Morocco in 2010, and Ford in Zambia in 2011; and
- the disposal of the wooden crates packaging business in Morocco in 2010.

These changes had a positive €204 million impact on revenue for the year. Fluctuations in the exchange rates used to translate annual revenue into euros resulted in a negative impact of around €54 million in 2011.

The table below provides a breakdown of revenue for 2010 and 2011 by division and geographic area:

| | 2011 | | 2010 | | Change on a reported basis | Change on a like-for-like basis |
|---|---|---|---|---|---|---|
| | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue | | |
| CFAO Automotive | 1,891.7 | 60.5% | 1,527.4 | 57.1% | +23.8% | +11.2% |
| Eurapharma | 864.5 | 27.7% | 809.6 | 30.2% | +6.8% | +8.0% |
| CFAO Industries, Equipment & Services | 367.4 | 11.8% | 339.1 | 12.7% | +8.3% | +13.5% |
| **Total** | **3,123.7** | **100.0%** | **2,676.2** | **100.0%** | **+16.7%** | **+10.6%** |
| French-speaking Sub-Saharan Africa | 1,239.9 | 39.7% | 1,128.2 | 42.2% | +9.9% | +10.5% |
| French Overseas Territories and Other | 729.6 | 23.3% | 568.9 | 21.3% | +28.3% | −0.5% |
| Maghreb | 599.6 | 19.2% | 509.2 | 19.0% | +17.7% | +19.1% |
| English- and Portuguese-speaking Sub-Saharan Africa | 392.8 | 12.6% | 331.7 | 12.4% | +18.4% | +15.4% |
| France (export) | 161.8 | 5.2% | 138.2 | 5.1% | +17.1% | +28.7% |
| **Total** | **3,123.7** | **100.0%** | **2,676.2** | **100.0%** | **+16.7%** | **+10.6%** |

The Group's revenue increased €447.5 million, or 16.7%, in 2011, driven by the strong growth performance reported by the Group's three divisions and all of the geographic areas in which it operates. CFAO Automotive delivered the biggest revenue gains, accounting for 81% of the overall advance.

Revenue growth at CFAO Automotive led to an increase in the division's contribution to consolidated revenue, from 57.1% in 2010 to 60.5% in 2011. Eurapharma's contribution edged down to 27.7% in the year from 30.2% in 2010.

Like-for-like (constant scope of consolidation and exchange rates), sales growth came in at 10.6%. Each of the three divisions delivered an excellent performance in 2011.

All of the Group's geographic areas posted strong revenue gains in 2011. Based on the analysis of like-for-like figures, operations in Africa proved bullish, although growth in French-speaking Sub-Saharan Africa was more subdued due to the crisis that hit Côte d'Ivoire in the first half of the year. Group sales in French Overseas Territories were up sharply, at 28.3%, spurred by the first-time consolidation of the Citroën distributor in Reunion and Vietnam, and Almameto in New Caledonia. Like-for-like, sales in French Overseas Territories were down slightly as markets slowed.

*9.2.1.2 Gross profit*

The Group's gross profit climbed 15.0% year on year, to €705.5 million in 2011 versus €613.7 million one year earlier. The increase reflects the rise in gross profit at each of the Group's three divisions and CFAO Automotive in particular.

The Group's gross profit margin was down slightly, from 22.9% in 2010 to 22.6% in 2011. This chiefly reflects the decline in the gross profit margin at CFAO Automotive due to the rising cost of vehicles resulting from fluctuations in the JPY/EUR exchange rate net of price increases. CFAO Automotive in the Maghreb delivered strong gains in its gross profit margin on the back of vigorous sales volumes. However, the margin remains below the average for the division, creating a negative mix effect on the margin for the division as a whole.

The gross profit margin in 2011 remained largely unchanged at Eurapharma, but was up slightly for CFAO Industries, Equipment & Services.

An amount of €1.7 million was set aside to inventory allowances in 2011 (net of reversals), compared to a reversal of €8.0 million from the allowance (net of additions) in 2010.

*9.2.1.3 Payroll expenses*

Payroll expenses climbed 14.8% year on year, to €222.2 million versus €193.5 million one year earlier. This rise mainly reflects the first-time consolidation of several companies within the CFAO Automotive division. On a constant scope of consolidation basis, payroll expenses rose 6%. The rise was similar for both CFAO Automotive and Eurapharma. In contrast, CFAO Industries, Equipment & Services reported a more significant increase in payroll expenses spurred by higher labor costs for employees working in its beverages and plastic products manufacturing plants following a sharp rise in production in 2011, driven by higher output levels in 2011.

In 2011, payroll expenses include the cost in the year of the performance share plan set up in July 2011. The total expense recognized in 2011 in respect of stock subscription option and performance share plans was €3.7 million (€2.9 million in 2010).

Payroll expenses represent 7.1% of revenue, versus 7.2% in 2010.

*9.2.1.4 Other recurring operating income and expenses*

Other recurring operating income and expenses moved up 15.2% to €227.0 million in 2011 from €197.0 million in 2010. The rise reflects both newly consolidated entities and the increase in variable costs for fast-growing industrial activities.

The caption represents 7.3% of revenue in 2011, versus 7.4% in 2010.

*9.2.1.5 Consolidated recurring operating income*

The Group's recurring operating income was up 14.8% year on year at €256.3 million compared to €223.2 million one year earlier. The recurring operating profit margin, i.e., recurring operating income divided by revenue, came to 8.2% in 2011 versus 8.3% in 2010.

The table below provides a breakdown of recurring operating income by division:

| | 2011 | | 2010(*) | | 2010(**) | |
|---|---|---|---|---|---|---|
| | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue | (in € millions) | as a % of revenue |
| **Recurring operating income** | | | | | | |
| *CFAO Automotive* | 141.1 | 7.5% | 117.5 | 7.7% | 120.1 | 7.7% |
| *Eurapharma* | 75.8 | 8.8% | 71.4 | 8.8% | 71.4 | 8.8% |
| *CFAO Industries* | | | | | 50.3 | 22.8% |
| *CFAO Technologies* | | | | | 6.7 | 6.2% |
| *CFAO Industries, Equipment & Services* | 67.0 | 18.3% | 59.7 | 17.6% | – | – |
| *CFAO Holding* | (27.6) | – | (25.3) | – | (25.3) | – |
| **Total** | **256.3** | **8.2%** | **223.2** | **8.3%** | **223.2** | **8.3%** |

*(*) Pro forma based on the 2011 divisional structure.*

*(**) Based on the 2010 divisional structure.*

The €33.1 million increase in recurring operating income is mainly attributable to the performance of CFAO Automotive in 2011.

The €33.1 million rise in recurring operating income was chiefly driven by CFAO Automotive, which saw its recurring operating income jump 20% to €141.1 million despite renewed gains in the yen and the impact of the crisis in Côte d'Ivoire. At 7.5%, the division's recurring operating profit margin is at an all-time low.

Eurapharma's recurring operating profit margin remains high.

CFAO Industries, Equipment & Services posted a rise in this indicator powered by a strong performance from the Industries business and profitability gains for CFAO Technologies.

The Holding company generated a net expense of €25.3 million, an increase of around 9%.

### *9.2.1.6 Other non-recurring operating income and expenses*

The net balance of this caption, which is an aggregate of net proceeds from the disposal of operating/financial assets and restructuring costs, represented income of €9.8 million in 2011 versus income of €10.0 million in 2010.

The principal components of this item in 2010 were net proceeds from asset disposals.

In 2011, the caption mainly included income arising on the accounting treatment of the Pentecost business combination in New Caledonia (€8.4 million capital gain on remeasuring the non-controlling interest in Almameto to fair value in accordance with IFRS 3).

### *9.2.1.7 Operating income*

The Group's operating income climbed 14.1% year on year, to €266.1 million versus €233.2 million one year earlier. Operating income represented 8.5% of revenue in 2011 versus 8.7% of revenue in 2010.

### *9.2.1.8 Net finance costs*

The table below provides a breakdown of the Group's net finance costs in 2011 and 2010:

| (in € millions) | 2011 | 2010 | % change |
|---|---|---|---|
| Cost of net debt | (26.4) | (22.3) | +18.4% |
| Other financial income and expenses | (3.1) | (4.2) | −26.2% |
| **Net finance costs** | **(29.6)** | **(26.5)** | **+11.7%** |

Average gross debt outstanding stood at €483 million at end-2011 versus €377 million at end-2010, reflecting changes in the cost of net debt in 2011.

Other financial income and expenses fell to €3.1 million in 2011, due mainly to the impact of discounting assets and liabilities.

### *9.2.1.9 Income tax*

Income tax includes taxes paid or for which provisions are made in a given period, as well as tax adjustments paid or provisioned during the period. The Group recognized income tax expense of €68.9 million in 2011 versus €69.0 million in 2010. The overall effective tax rate therefore fell, from 33.4% in 2010 to 29.1% in 2011. For more information on the calculation of income tax, see Note 11 to the consolidated financial statements included in Chapter 20 of this Reference Document).

### *9.2.1.10 Share in earnings of associates*

The share in earnings of associates totaled €2.9 million in 2011 compared to €2.5 million in 2010. In the statement of financial position, investments in associates represented assets of €25.7 million at December 31, 2011 and €21.8 million at end-2010.

*9.2.1.11 Non-controlling interests*

Net income attributable to non-controlling interests rose 23.5% to €49.5 million in 2011 (29.0% of consolidated net income), versus €40.1 million in 2010 (28.6% of consolidated net income). This increase chiefly reflects the rise in income reported by Brasseries du Congo and Diamal in Algeria as well as the consolidation of the non-controlling interest in Almameto in New Caledonia.

*9.2.1.12 Net income*

As a result of the above, net income attributable to owners of the parent climbed 20.9% to €121.1 million in 2011 from €100.2 million in 2010.

*9.2.2 Financial position and changes during the period*

| **Consolidated statement of cash flows (condensed) (in €m)** | **2010** | **2011** |
|---|---|---|
| Cash flow from operating activities before tax, dividends and interest | 274.3 | 314.4 |
| *as a % of revenue* | *10.3%* | *10.1%* |
| Change in working capital requirement | 17.1 | 0.8 |
| Income tax paid | (60.4) | (74.2) |
| Operating capital expenditure, net | (61.0) | (70.0) |
| **Free operating cash flow** | **169.9** | **171.0** |

Driven by the major increase in cash flow from operating activities and the working capital requirement which remained virtually stable, in 2011 the Group once again recorded a high level of free operating cash flow, coming in at €171.0 million after operating capital expenditure. Working capital requirement decreased during the last three months of the year, reflecting strong business levels in the last quarter and particularly high levels of inventory financing.

In 2011, operating capital expenditure chiefly concerned the expansion of production capacity at Brasseries du Congo for €25.0 million and the ongoing program to modernize and extend the CFAO Automotive network for €21.8 million (see Chapters 5 and 10 of the Reference Document for more comprehensive information on the Group's capital expenditure).

| **Consolidated statement of financial position (condensed) (in €m)** | **Dec. 31, 2010** | **Dec. 31, 2011** |
|---|---|---|
| Intangible assets | 152.3 | 180.9 |
| Property, plant and equipment | 279.0 | 319.6 |
| Working capital requirement | 383.2 | 397.0 |
| Other assets and liabilities | 32.7 | 33.5 |
| **Capital employed** | **847.2** | **931.0** |
| Equity (including equity attributable to non-controlling interests) | 646.7 | 739.1 |
| Net debt | 200.5 | 192.0 |

At December 31, 2011, net debt totaled €192.0 million, down €8.5 million on end-2010. The gearing ratio stood at 0.26 at year-end compared with 0.31 at the end of 2010.

At year-end, €60 million had been drawn down on the €300 million credit facility set up in late 2009 for an initial three-year term, and whose maturity was extended for one year in 2010, and for a second year in 2011, taking the maturity date to December 9, 2014 (see Chapter 10 of the Reference Document for more comprehensive information on the Group's net debt).

## 9.3 Analysis of revenue, gross profit and recurring operating income by division for 2010 and 2011

### *9.3.1 CFAO Automotive*

The following table shows key income statement figures for the CFAO Automotive division in 2010 and 2011:

| | Year ended December 31 | | |
|---|---|---|---|
| **(in € millions)** | **2011** | **2010(*)** | **Change** |
| **Revenue** | *1,891.7* | *1,527.4* | *+23.8%* |
| **Recurring operating income** | *141.1* | *117.5* | *+20.0%* |
| *As a % of division revenue* | *7.5%* | *7.7%* | *−0.2 pt* |

*(*) Pro forma based on the scope of CFAO Automotive in 2011.*

#### *9.3.1.1 CFAO Automotive revenue*

Revenue reported by CFAO Automotive moved up 23.8% year on year, to €1,891.7 million in 2011 from €1,527.4 million in 2010. Like-for-like (constant scope and exchange rates), revenue rose 11.2%.

Exchange rate fluctuations related to the translation of subsidiaries' revenue into euros had a negative impact of around €41 million on 2011 revenue. Companies consolidated for the first time in 2011 are listed in section 9.1.2.3 and had a positive impact of around €215 million on revenue for the year.

The following table provides a breakdown of CFAO Automotive revenue by category of product or service:

| | **2011** | | **2010** | | |
|---|---|---|---|---|---|
| | **(in € millions)** | **%** | **(in € millions)** | **%** | **Change** |
| Light vehicles | 1,278.5 | 67.6% | 1,033.4 | 67.7% | +23.7% |
| Used vehicles | 44.9 | 2.4% | 35.2 | 2.3% | +27.6% |
| Heavy trucks and industrial equipment | 287.8 | 15.2% | 224.5 | 14.7% | +28.2% |
| Services, spare parts and tires | 230.1 | 12.2% | 189.9 | 12.4% | +21.2% |
| Motorcycles and other | 50.3 | 2.7% | 44.4 | 2.9% | +13.3% |
| **Total** | **1,891.7** | **100.0%** | **1,527.4** | **100.0%** | **+23.8%** |

Revenue derived from sales of new light vehicles grew 23.7%, while revenue from sales of heavy trucks and industrial equipment moved up 28.2%. A total of 82,095 vehicles were sold in 2011, up 26.6% on 2010. The Maghreb in particular reported a sharp increase in sales volumes (up 33.4%), bringing the percentage of vehicles sold in the region to over 50% of total Group vehicles sold.

Although the volume of vehicles sold by CFAO in 2011 was down once again on the record high reported in 2008 (88,108 vehicles), revenue for the year came in around 6.4% higher than that period. This reflects an increase of around 14% in average revenue per vehicle sold between 2008 and 2011.

Sales of services, spare parts and tires rose 21.2% in 2011, accounting for some 12.2% of the division's sales. During the year the Group forged ahead with its strategy to increase sales of all parts and services. The plan will use customer service to carve out a competitive advantage in each country where the Group operates, with the Group seeking to distinguish itself from ''grey dealers'' (unofficial importers). A centralized spare parts management procedure was devised in 2011 involving the creation of central inventories. The procedure will be rolled out in 2012.

The following table provides a breakdown of CFAO Automotive revenue by geographic area:

| | 2011 (in € millions) | 2010 (in € millions) | Change on a reported basis | Change on a like-for-like basis |
|---|---|---|---|---|
| Revenue | | | | |
| French-speaking Sub-Saharan Africa | 597.1 | 551.5 | +8.3% | +9.0% |
| Maghreb | 533.1 | 425.9 | +25.2% | +22.9% |
| French Overseas Territories and Other | 403.2 | 241.8 | +66.8% | −0.7% |
| English- and Portuguese-speaking Sub-Saharan Africa | 297.5 | 238.0 | +25.0% | +16.2% |
| France (export) | 60.7 | 70.3 | −13.6% | +5.0% |
| **Total** | **1,891.7** | **1,527.4** | **+23.8%** | **+10.6%** |

Revenue reported by the CFAO Automotive division rose 23.8% in 2011 (10.6% on a like-for-like basis), after a bullish first quarter up 24.6% (15.5% like-for-like).

In French-speaking Sub-Saharan Africa, sales rose 8.3%. A total of 16,553 new vehicles were sold by CFAO in this region, up 6% on 2010. Over the year as a whole, Cameroon, the Congo and the Democratic Republic of the Congo reported strong sales growth. After a first-half slump in Côte d'Ivoire due to severe political unrest, sales rallied strongly in the second half, even though they failed to make up the decline observed in the first six months of the year.

Business was brisk in the Maghreb, particularly in Algeria where a bullish market drove sales up 33%. In Morocco, the recently acquired Nissan distributor SIAB turned in an excellent performance.

CFAO Automotive sales in English-speaking Africa also grew sharply, powered by Ghana and Kenya, despite slower growth in Nigeria. A new subsidiary was created in Uganda.

In the French Overseas Territories, the Group significantly strengthened its positions in New Caledonia and Reunion, and now holds a large market share. Like-for-like, CFAO Automotive sales in this area were down slightly.

Disruptions in the Japanese automotive industry due to the March 2011 earthquake in the country led to supply difficulties, especially in the second half of the year. It is estimated that the division could have earned additional revenue of around €30 million had the earthquake not hit. Similarly, albeit to a lesser extent, the Group's supplies (mainly of pick-ups) were also hit towards the end of the year by the impact of the floods in Thailand on its suppliers.

Revenue for the France export region (mainly exports to major pan-African accounts) climbed 5.0% on a like-for-like basis.

### *9.3.1.2 CFAO Automotive gross profit*

The gross profit margin reported by the CFAO Automotive division edged down slightly in 2011 compared to 2010, squeezed by the rise in the yen, the main purchasing currency (along with the US dollar) for vehicles sold. The Group remains largely able to adapt its sales prices in order to offset the impact of gains in foreign currencies against the euro and its efforts in 2011 have limited this adverse exchange rate effect. By geographic area, gross profit margins widened in the Maghreb, as prices held firm in markets enjoying strong demand, particularly Algeria.

### *9.3.1.3 CFAO Automotive recurring operating income*

Recurring operating income reported by CFAO Automotive moved up €23.5 million, or 20.0%, to €141.1 million in 2011 from €117.5 million one year earlier. The recurring operating profit margin slipped 0.2 points year on year, to 7.5%. Excluding results for Côte d'Ivoire, the profit margin would have increased slightly.

Changes in CFAO Automotive's recurring operating profit margin by geographic area are explained below:

- As expected, the Maghreb delivered another sharp rise in both recurring operating income and recurring operating profit margin. This essentially reflects buoyant growth in volumes of vehicles sold, particularly in Algeria, which improved the gross profit margin. The increases in Algeria were chiefly the result of a pricing policy aimed at restoring gross profit margins amid a more favorable EUR/USD exchange rate than in 2010.
- Both English- and Portuguese-speaking Sub-Saharan Africa and French-speaking Sub-Saharan Africa reported a rise in recurring operating income despite events in Côte d'Ivoire. The recurring operating profit margin fell slightly, due largely to a decrease in the gross profit margin, squeezed by the rising cost of sales reflecting gains in the Japanese yen against the euro.
- Recurring operating income reported by CFAO Automotive in the French Overseas Territories improved in 2011 thanks to the contribution from newly consolidated companies Almameto in New Caledonia and a Citroën distributor in Reunion. Based on a constant scope of consolidation, recurring operating income fell due to the dip in sales. Revenue for the division in Vietnam was up sharply at €38.4 million for 2011, while recurring operating profit margin was above the average for the division.

Overall, recurring operating income benefited from the strong rise in recurring operating income reported by the business in the Maghreb.

The division's recurring operating profit margin widened as the year progressed, at 6.7% in the first half and 8.1% in the second half (6.9% and 8.7%, respectively, in first-half and second-half 2010).

### *9.3.2 Eurapharma*

The following table shows key income statement figures for Eurapharma in 2010 and 2011:

| | Year ended December 31 | | |
|---|---|---|---|
| **(in € millions)** | **2011** | **2010** | **Change** |
| **Revenue** | *864.5* | *809.6* | *+6.8%* |
| **Recurring operating income** | *75.8* | *71.4* | *+6.3%* |
| *As a % of division revenue* | *8.8%* | *8.8%* | *–* |

#### *9.3.2.1 Eurapharma revenue*

Revenue generated by Eurapharma in 2011 moved up 6.8% year on year, to €864.5 million versus €809.6 million in 2010. Like-for-like, the division's revenue advanced 8.0%. No changes in the scope of consolidation affected Eurapharma in 2011. Revenue growth was powered by a sharp rise in sales to French-speaking Sub-Saharan Africa by subsidiaries present in the local market and subsidiaries engaged in pre-wholesale operations in France.

The following table provides a breakdown of Eurapharma revenue by business line:

| | **2011** | | **2010** | | |
|---|---|---|---|---|---|
| | **(in € millions)** | **as a % of revenue** | **(in € millions)** | **as a % of revenue** | **Change** |
| Import-wholesale-resale | 678.0 | 78.4% | 648.5 | 80.1% | +4.6% |
| Pre-wholesale | 139.2 | 16.1% | 114.7 | 14.2% | +21.4% |
| Distribution agent | 43.9 | 5.1% | 43.1 | 5.3% | +1.9% |
| Other | 3.4 | 0.4% | 3.3 | 0.4% | – |
| **Total** | **864.5** | **100.0%** | **809.6** | **100.0%** | **+6.9%** |

*Import-wholesale-resale.* Revenue from the import-wholesale-resale business was generated in French-speaking Sub-Saharan Africa (€351.6 million) and the French Overseas Territories (€326.4 million). Revenue for this business climbed €30.2 million (4.6%) in the year, representing 55% of overall revenue growth for the division, powered mainly by the 9.4% increase in revenue in French-speaking Sub-Saharan Africa. Sales continued to advance across the entire region in 2011. In Côte d'Ivoire, business slowed in the first half but picked up in the six months to December 31, delivering a year-on-year increase for 2011 as a whole.

Sales in the French Overseas Territories remained virtually stable, slipping 0.2%. As in 2010, markets were fairly morose. Eurapharma's market share edged up in Guadeloupe but contracted slightly in Martinique.

Eurapharma's market share in French-speaking Africa was up to 42.9% in 2011 from 41.4% in 2010. However, market share narrowed slightly in Overseas Collectivities, down to 51.7% from 52.5% one year earlier.

*Pre-wholesale.* Revenue for the pre-wholesale business was up €24.5 million, or 21.4%, to €139.2 million in 2011. This robust revenue growth reflects strong momentum in France for sales to wholesalers in French-speaking Africa as well as revenue from new contracts signed.

*Distribution agent.* Revenue for the distribution agent business, generated exclusively in English- and Portuguese-speaking Sub-Saharan Africa, climbed €0.8 million (1.9%) to €43.9 million from €43.1 million in 2010. Sales growth was hampered the impact of devaluations of the local currencies in Kenya and Ghana. Excluding exchange rate fluctuations, revenue was up 17.7%.

The following table provides a breakdown of Eurapharma revenue by geographic area:

| | 2011 (in € millions) | 2010 (in € millions) | Change on a reported basis | Change on a like-for-like basis |
|---|---|---|---|---|
| Revenue | | | | |
| French Overseas Territories and Other | 326.4 | 327.1 | −0.2% | −0.2% |
| French-speaking Sub-Saharan Africa | 351.6 | 321.4 | +9.4% | +10.2% |
| Maghreb | 55.9 | 60.8 | −8.1% | −5.9% |
| English- and Portuguese-speaking Sub-Saharan Africa | 43.9 | 43.1 | +1.9% | +17.7% |
| France (export)(1) | 86.7 | 57.1 | +51.7% | +51.7% |
| **Total** | **864.5** | **809.6** | **+6.8%** | **+8.0%** |

(1) *Revenue for France (export) chiefly reflects non-Group revenue relating to the subsidiary EPDIS France (pre-wholesale business).*

#### *9.3.2.2 Eurapharma gross profit*

Eurapharma's gross profit margin was very slightly down on 2010.

#### *9.3.2.3 Eurapharma recurring operating income*

Recurring operating income reported by Eurapharma climbed €4.4 million (6.3%), to €75.8 million in 2011. This reflects both an improvement in earnings in French-speaking Africa and the tight rein on base costs. The recurring operating profit margin remained stable at a high 8.8%.

The rise in recurring operating profit margin by geographic area is explained below:

- In French-speaking Sub-Saharan Africa, bullish markets drove a rise in recurring operating income, despite fairly sluggish sales in Côte d'Ivoire.
- Recurring operating income fell slightly in English- and Portuguese speaking Africa.

- In the pre-wholesale business, recurring operating income rose, buoyed by strong momentum in EPDIS France's wholesale business in French-speaking Africa.

### 9.3.3 CFAO Industries, Equipment & Services

#### 9.3.3.1 CFAO Industries, Equipment & Services revenue

The following table shows key income statement figures for CFAO Industries, Equipment & Services in 2010 and 2011:

| | Year ended December 31 | | |
|---|---|---|---|
| **(in € millions)** | **2011** | **2010** | **Change** |
| **Revenue** | *367.4* | *339.1* | *+8.3%* |
| **Recurring operating income** | *67.0* | *59.7* | *+12.2%* |
| *As a % of division revenue* | *18.3%* | *17.6%* | *–* |

The following table provides a breakdown of revenue by business line:

| | 2011 | | 2010(*) | | |
|---|---|---|---|---|---|
| | **(in € millions)** | **%** | **(in € millions)** | **%** | **Change** |
| Industries | 224.8 | 61.2% | 192.4 | 56.7% | +16.8% |
| Technologies | 75.3 | 20.5% | 70.3 | 20.7% | +7.2% |
| Equipment | 48.9 | 13.3% | 43.5 | 12.8% | +12.3% |
| Rental services | 18.3 | 5.0% | 16.0 | 4.7% | +14.3% |
| *Other (including Moroccan wooden crates packaging business)* | – | – | *16.9* | *5.0%* | – |
| **Total** | **367.4** | **100.0%** | **339.1** | **100.0%** | **+8.3%** |

*(*) Pro forma based on the 2011 divisional structure.*

Revenue reported by CFAO Industries, Equipment & Services was up 8.3% year on year, to €367.4 million in 2011 from €339.1 million in 2010. Like-for-like, the division's revenue advanced 13.5%.

– Revenue generated by CFAO Industries (beverages and plastic products) made further strong gains. Brasseries du Congo produced 2.6 million hectoliters of beer and soft drinks in 2011, up from 2.35 million hectoliters in 2010, thanks to extended production lines in the Congo. Production breaks down as in 2010, with beer accounting for approximately 70%, and soft drinks 30%.

The volume of pens and razors manufactured was also up sharply in 2011, at 206 million and 104 million units, respectively.

– Revenue reported by CFAO Technologies in 2011 was up 7.2% year on year, to €75.3 million from €70.3 million in 2010. Business was especially brisk in the second half of 2011. Sales in Côte d'Ivoire were down by €3 million over the year.

– Revenue reported by CFAO Equipment climbed 12.3% in 2011. Sales of elevators (2011 revenue: €26.5 million) declined, hit by the downturn in Côte d'Ivoire and Cameroon. In contrast, the new machinery distribution business (2011 revenue: €22.4 million) gathered momentum, buoyed by two major suppliers: JCB and Liugong.

– Lastly, short- and long-term rental services (2011 revenue: €18.3 million) delivered robust 14.3% growth. CFAO's rental services are now marketed under the new Loxea brand.

NB: the Moroccan wooden crates packaging business (revenue totaling €24.2 million in 2009 and €11.5 million in 2010) was sold in September 2010.

*9.3.3.2 CFAO Industries, Equipment & Services gross profit*

Growth in the division's gross profit outpaced revenue growth, resulting in a slight increase in the division's gross profit margin. This results from a persistently strong gross margin for the Industries business, as well as a favorable business mix within the division.

*9.3.3.3 CFAO Industries, Equipment & Services recurring operating income*

Recurring operating income reported by CFAO Industries, Equipment & Services came in 12.2% higher, up from €59.7 million in 2010 to €67.0 million in 2011. The division posted a 0.7 point rise in its recurring operating profit margin in the year, up to 18.3%. The increase reflects a good performance from the Industries business coupled with operating profitability gains at CFAO Technologies.

The following table provides a breakdown of CFAO Industries, Equipment & Services revenue by geographic area:

| | **2011** (in € millions) | **2010** (in € millions) | **Change on a reported basis** | **Change on a like-for-like basis** |
|---|---|---|---|---|
| Revenue | | | | |
| French-speaking Sub-Saharan Africa | 291.1 | 255.3 | +14.0% | +14.0% |
| English- and Portuguese-speaking Sub-Saharan Africa | 51.2 | 50.5 | +1.4% | +9.0% |
| Maghreb | 10.7 | 22.6 | −52.8% | +0.5% |
| France (export) | 14.4 | 10.7 | +34.0% | +34.0% |
| **Total** | **367.4** | **339.1** | **+8.3%** | **+13.5%** |

## 9.4 Significant accounting policies under IFRS

The preparation of consolidated financial statements requires the use of estimates and assumptions by Group management that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the information disclosed in the accompanying notes. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the value and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill; the amount of contingency provisions and other provisions relating to operations; and assumptions underlying the calculation of obligations relating to employee benefits, deferred tax balances and derivatives. In particular, the Group uses discount rate assumptions based on market data to estimate the value of long-term assets and liabilities.

Accordingly, the consolidated financial statements for 2011 have been prepared taking into account the prevailing economic and financial crisis and based on the financial market inputs available at the end of the reporting period. The immediate impacts of the crisis are reflected in the measurement of assets such as inventories and trade receivables, and liabilities. The value of these assets is determined each year based on the long-term economic outlook and management's best assessment of future cash flows in a context of limited visibility.

The sections below set out the accounting policies applied by the Group to prepare its financial statements which require the use of estimates and assumptions (see Note 2.1.2, ''Use of estimates and judgment'' to the consolidated financial statements included in Chapter 20 of this Reference Document).

### *9.4.1 Other provisions*

Under IAS 37 – ''Provisions, Contingent Liabilities and Contingent Assets'', provisions for litigation, disputes, and various contingencies and losses are recognized as soon as a present obligation arises from past events, is likely to result in an outflow of resources embodying economic benefits, and the amount of the obligation can be reliably estimated. Provisions maturing in more than one year are valued at the discounted amount representing the best estimate of the expense necessary to extinguish the present obligation at the end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

The analysis of risks in determining the probability of an outflow of resources and the estimates made to calculate the amounts concerned require the use of assumptions and judgment, which depend on the nature of the risk and the provisions involved and may ultimately prove inaccurate. For example, to determine provisions for litigation and disputes, the Group must estimate the probability of an unfavorable decision and estimate the amounts that may be involved. Determining the probable outcome of litigation and the amounts involved is inherently uncertain and subject to error. This uncertainty is particularly pronounced in the emerging and developing markets in which the Group operates. The amount of such provisions can have a material impact on the Group's results. For more information on the amount of provisions and the impact on the Group's results, see Note 26 ''Provisions'', to the consolidated financial statements included in Chapter 20, ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of this Reference Document.

### *9.4.2 Post-employment benefits and other long-term employee benefits*

Based on the laws and practices of each country, Group companies set up various types of employee benefit plans, including post-employment benefits and other long-term employee benefits.

In accordance with IAS 19 – ''Employee Benefits'', the Group recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future, and recognizes an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. To measure post-employment benefits and other long-term employee benefits, the Group must formulate a series of assumptions regarding matters subject to significant uncertainties, in particular future salaries, the probable length-of-service of employees, life expectancy and employee turnover. The Group calls on independent actuaries to help it establish these assumptions. Other important assumptions include the discount rate used to calculate the present value of the benefit obligation to be paid in the future, long-term returns on pension plan assets, and the average rate of increase in payouts to plan participants. The amounts estimated can vary significantly depending on the assumptions used. The actual benefits paid by the Group may differ significantly from the amounts shown in the Group's financial statements. Expenses relating to this type of plan are recognized in recurring operating income (service cost) and net finance costs (interest cost, expected return on plan assets). Curtailments, settlements and past service costs are recognized in recurring operating income or net finance costs according to their nature. The provision recognized in the statement of financial position corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets and non-amortized past service costs. For more information on the amounts recognized in the consolidated financial statements, see Note 25 ''Employee benefits'' to the consolidated financial statements included in Chapter 20 of this Reference Document.

### *9.4.3 Goodwill and asset impairment*

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition date. Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the business. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment during the second half of each fiscal year or whenever events or circumstances indicate that an impairment loss is likely. These circumstances include material adverse changes of a permanent nature affecting either the economic environment or the assumptions and objectives defined on the acquisition date. At

December 31, 2011, goodwill amounted to €149.4 million, or 6.5% of total assets (€126.3 million, or 6.6% of total assets at December 31, 2010). Goodwill related mainly to CFAO Automotive, Eurapharma and acquisitions undertaken to create and subsequently reinforce CFAO Technologies in the Industries, Equipment & Services division.

Impairment tests seek to determine whether the recoverable amount of an asset, a CGU or a group of CGUs is less than its net carrying amount. The recoverable amount of an asset, a CGU or a group of CGUs is the higher of its fair value less costs to sell and its value in use. The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset, CGU or group of CGUs. Future cash flow projections are based on medium-term budgets and plans spanning a period of four years. To calculate value in use, a terminal value equal to the perpetual capitalization of the final year of the medium-term plan is added to the estimated future cash flows. Fair value less costs to sell is the amount obtainable from the sale of an asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. When the recoverable value of an asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized in respect of the asset or group of assets.

Cash flow projections used for the purposes of calculating the value in use and the medium-term budgets and plans involve the formulation of assumptions on matters which are highly uncertain, concerning in particular the discount rate, growth rate, sales price trends and variable costs projected for the period concerned. The nature of the developing and emerging markets in which the Group operates makes these calculations even more difficult. The assumptions used can have a very significant impact on the values in use calculated for the purpose of performing asset impairment tests. For a CGU or group of CGUs, impairment is charged first to goodwill where appropriate, and recognized under ''Other non-current operating income and expenses'' in the income statement. No impairment losses were recognized in 2011 or 2010.

### *9.4.4 Income taxes*

In accordance with IAS 12 – ''Income Taxes'', the Group recognizes the deferred effects of tax losses carried forward as well as the effects of temporary differences in its consolidated financial statements. A valuation allowance is recognized when it is considered very likely that the tax assets will not be recoverable in the future. The measurement of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

In preparing its consolidated financial statements, the Group measures income taxes based on tax regulations in the various jurisdictions where it conducts business. This requires an estimate of actual current tax exposure and an assessment of temporary differences that result from different treatment adopted for accounting and tax purposes. These differences result in deferred tax assets and liabilities, which are recognized in the Group's statement of financial position. A deferred tax asset is recognized on deductible temporary differences and for tax loss carry-forwards and tax credits to the extent that their future offset appears probable. The Group assesses the probability that future profits will be available against which deferred tax assets can be utilized. If the Group finds that future profits are not likely to be available, a valuation allowance is recognized. When an allowance is booked, or when the existing allowance is increased during the same accounting period, the Group records a tax expense in the income statement. Conversely, when the Group reduces the allowance, a tax benefit is recognized in the income statement.

Determining provisions concerning (i) income taxes, (ii) deferred tax assets and liabilities and (iii) any valuation allowance to be recognized against deferred tax assets requires management to use its own judgment and to make significant estimates and assumptions about matters that are highly uncertain. For each tax asset, the Group must assess the probability that some or all of the asset will be recovered. The amount of the allowance set aside in relation to accumulated tax losses carried forward depends on the Group's assessment of the probability that future taxable profits will be generated within the legal entity in which the related deferred tax asset is recorded. The estimates and assumptions used may have a significant impact on the amounts reported in the Group's financial statements. Tax losses and tax credits not recognized as deferred tax assets amounted to €95.2 million at December 31, 2011 (€70.6 million at December 31, 2010). For more information, see Note 11.3, ''Unrecognized deferred tax'' to the consolidated financial statements included in Chapter 20, ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of this Reference Document.

*9.4.5 Derivatives*

The Group uses forward purchase and forward sale option contracts to reduce its exposure to foreign exchange risk. These instruments are generally listed on organized markets. In accordance with IAS 39 – ''Financial Instruments: Recognition and Measurement'', the Group recognizes all of its derivative instruments on the statement of financial position within other current assets and liabilities depending on their maturity and their accounting designation. Derivatives are measured at fair market value at the transaction date. Changes in the fair value of derivative instruments except cash flow and net investment hedges are always recognized in income.

The Group uses calculation methods commonly used by other market participants to calculate the fair value of financial instruments. To compute fair value, the Group relies on estimates and assumptions related to present values, taking into account where applicable: (i) specific market characteristics, (ii) projected interest rates, (iii) exchange rates, and (iv) forward market prices, as well as their respective volatility. The Group also considers the risk that its counterparties will fail to meet their obligations. The credit risk related to financial institutions is assessed using a credit risk assessment method that considers factors such as published ratings provided by rating agencies and other management estimates. All estimates and assumptions used to determine the fair value of financial instruments may have a material impact on the amounts reported in the Group's financial statements.

## 9.5 Changes in accounting methods

In 2009, the Group applied for the first time the recent amendments to IAS 16 – ''Property, Plant and Equipment'' regarding sales of assets previously held for rental, as well as the corresponding amendments to IAS 7 – ''Statement of Cash Flows''. Under these new standards, proceeds from sales of vehicles previously held for rental, which the Group had previously accounted for as a deduction from cost of sales, will now be classified as revenue. All cash flows relating to such transactions are now treated as cash flows from operating activities, whereas they were previously classified under ''Proceeds from disposals of property, plant and equipment and intangible assets''. For more information, see Note 2.1.3 to the consolidated financial statements, ''Impacts of changes in accounting policies and methods'' in the 2009 Reference Document.

# CHAPTER 10 – CAPITAL RESOURCES

The cross-reference table below identifies in this Chapter the information required by Annex I of European Regulation (EC) 809/2004 implementing European Directive 2003/71/EC known as the ''Prospectus Directive''.

| European Regulation Nomenclature | | Section(s) of this Reference Document |
|---|---|---|
| 10.1 | Information concerning the issuer's capital resources (both short and long term) | 10.1, 10.2.1 and 10.2.2 |
| 10.2 | An explanation of the sources and amounts of and a narrative description of the issuer's cash flows | 10.3 and 10.4 |
| 10.3 | Information on the borrowing requirements and funding structure of the issuer | 10.2.1 and 10.2.2 |
| 10.4 | Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations. | 10.2.2.1 |
| 10.5 | Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1 | 10.2.2.1 |

## 10.1 Overview

The Group's principal financing requirements include its working capital requirement, operating investments, dividend payments to its shareholders and debt repayments. The Group meets these requirements mainly with cash flow from operating activities and bank financing in local currencies in the countries in which it operates as well as in France through a syndicated credit facility. This confirmed credit line, set up in December 2009, has an initial maturity of three years and is syndicated among CFAO's principal banks. CFAO has used the facility to ensure it has sufficient liquidity to manage the future financing requirements it has identified to date. The maturity of this syndicated credit facility was extended by two years until December 9, 2014.

The Group estimates that its main financing requirements in 2012 (other than working capital requirement) will concern the repayment of drawdowns on the syndicated credit facility (amounting to €60.0 million at December 31, 2011), gross operating investments (amounting to €74.1 million for 2011, and an estimated amount of around €85 million for 2012), dividend payments to shareholders in respect of 2011, as well as dividends paid by the Group's subsidiaries to non-controlling interests.

The Group intends to meet these requirements mainly by using cash flow from operating activities and borrowings.

Further information on equity is provided in Note 24 to the consolidated financial statements in Chapter 20 of this Reference Document.

## 10.2 Financial resources

*10.2.1 Sources*

The Group has principally used the following sources of financing:

- *Cash and cash equivalents*, which represents one of the Group's sources of financing. Cash and cash equivalents at December 31, 2010 and 2011 totaled €133.1 million and €251.8 million, respectively. For further information on cash and cash equivalents, see Note 27 to the consolidated financial statements.

- *Operating activities*, which generated cash flow before tax, dividends and interest of €274.3 million and €314.4 million in 2010 and 2011, respectively. Cash flow from operating activities before tax, dividends and interest is calculated by adding together net income from continuing operations, net recurring charges to depreciation, amortization and provisions on non-current operating assets, other non-cash income and expenses, interest paid/received, dividends received, and net income tax payable.

- *Net debt,* which includes (i) a short- and medium-term portion denominated in euros and obtained through a syndicated credit facility with an initial maturity of three years, subsequently extended by two years; and (ii) a short- and long-term portion, which has historically been obtained from financial institutions in the countries in which the Group operates. The Group is careful to ensure that recourse to leverage is reasonable. The table below provides the breakdown of the Group's net debt at December 31, 2010 and 2011. For more information on changes in net debt, see section 10.4.5 ''Change in net debt'' of this Reference Document. For a more detailed description of the Group's net debt, see section 10.2.2 ''Borrowings'' below.

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Gross borrowings | **(443.8)** | (333.6) |
| Cash | **251.8** | 133.1 |
| **Net debt** | **(192.0)** | **(200.5)** |

*10.2.2 Borrowings*

*10.2.2.1 Outstanding borrowings at December 31, 2011*

The Group's gross debt totaled €333.6 million and €443.8 million at December 31, 2010 and 2011, respectively. The table below reflects the breakdown of the Group's gross debt as of these dates. The increase in gross debt in 2011 chiefly reflects a bigger drawdown on subsidiaries' short-term financing lines (recorded on ''Bank overdrafts'') as described below. For further information regarding changes in net debt, see section 10.4.5 ''Change in net debt''. In 2010 and 2011, average gross debt outstanding amounted to €377 million and €483 million, respectively.

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Confirmed lines of credit | **74.6** | 91.6 |
| Other bank borrowings | **31.5** | 15.2 |
| Obligations under finance leases | | |
| Employee profit-sharing | **2.3** | 2.2 |
| Bank overdrafts | **310.6** | 218.9 |
| Other borrowings | **24.9** | 5.7 |
| **Total** | **443.8** | **333.6** |

The Group's main categories of debt are as follows:

- *Confirmed lines of credit.* The Group set up a syndicated credit facility at the time of its IPO. Drawdowns on this facility amounted to €60.0 million at December 31, 2011.

- *Other bank borrowings.* This includes medium-term borrowings used to finance real estate investments by the Group's subsidiaries, particularly in the CFAO Automotive division (€15.2 million at December 31, 2010 and €31.5 million at December 31, 2011; the main amounts are detailed in Note 28.4 to the consolidated financial statements).

- *Bank overdrafts.* The Group uses overdrafts taken out with credit institutions. These facilities are generally put in place by the Group's local subsidiaries in their respective countries and are denominated in local currency. They are generally short term (less than one year) and are contractually renewed periodically depending upon the local subsidiaries' activities and the terms offered by the lending institutions. Amounts outstanding under bank overdrafts at December 31, 2010 and December 31, 2011 totaled €218.9 million and €310.6 million, respectively. The Group was authorized to draw up to €559 million and €600 million, respectively, at December 31, 2010 and December 31, 2011, under its unconfirmed bank overdraft lines (including drawdowns as of those dates).

- *Other (€2.2 million at December 31, 2010 and €2.3 million at December 31, 2011).* Employee profit-sharing is also classified within borrowings.

- *Other borrowings (€5.7 million at December 31, 2010 and €24.9 million at December 31, 2011).*

The following table sets out the Group's borrowings by currency at December 31, 2011.

| (in € millions) | Dec. 31, 2011 | Non-current borrowings | Current borrowings | % | Dec. 31, 2010 |
|---|---|---|---|---|---|
| Euro | **106.2** | 73.8 | 32.4 | 23.9% | 113.4 |
| CFA franc | **155.4** | 4.4 | 150.9 | 35.0% | 108.7 |
| Moroccan dirham | **40.6** | 0.0 | 40.6 | 9.2% | 33.3 |
| Algerian dinar | **64.1** | 12.6 | 51.4 | 14.4% | 49.8 |
| CFP franc | **17.3** | 2.6 | 14.7 | 3.9% | 8.4 |
| Nigerian naira | **29.8** | 0.0 | 29.8 | 6.7% | 10.9 |
| Kenyan shilling | **3.6** | 0.0 | 3.6 | 0.8% | 1.9 |
| Japanese yen | **2.2** | 0.0 | 2.2 | 0.5% | 0.0 |
| US dollar | **8.5** | 0.0 | 8.5 | 1.9% | 0.9 |
| Ghanaian cedi | **1.0** | 0.0 | 1.0 | 0.2% | 2.0 |
| Other currencies | **15.2** | 0.0 | 15.2 | 3.4% | 4.4 |
| **Total** | **443.8** | **93.5** | **350.3** | | **333.6** |

The following table sets out the Group's debt repayment schedule at December 31, 2011.

| (in € millions) | Dec. 31, 2011 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **93.5** | | **9.5** | **78.8** | **4.8** | **0.4** | |
| Confirmed lines of credit | **60.0** | | | 60.0 | | | |
| Other bank borrowings | **19.7** | | 8.8 | 6.5 | 4.4 | | |
| Employee profit-sharing | **1.9** | | 0.7 | 0.5 | 0.3 | 0.4 | |
| Other borrowings | **11.9** | | 0.0 | 11.9 | | | |
| **Current borrowings** | **350.3** | **350.3** | | | | | |
| Confirmed lines of credit | **14.6** | 14.6 | | | | | |
| Other bank borrowings | **11.8** | 11.8 | | | | | |
| Employee profit-sharing | **0.3** | 0.3 | | | | | |
| Bank overdrafts | **310.6** | 310.6 | | | | | |
| Other borrowings | **13.0** | 13.0 | | | | | |
| **Total** | **443.8** | **350.3** | **9.5** | **78.8** | **4.8** | **0.4** | |
| **%** | | **78.9%** | **2.2%** | **17.8%** | **1.1%** | **0.1%** | |

The principal borrowings with maturities of less than one year include bank overdrafts, which amounted to €310.6 million at December 31, 2011. Bank overdrafts have maturities of less than one year because these lines of financing are unconfirmed short-term facilities with no fixed maturity date or firm ongoing lending commitment from the lending institutions. The syndicated credit facility, under which €60.0 million had been drawn down at December 31, 2011, is a revolving facility with no fixed maturity date but with an initial maturity of three years. At December 31, 2011, the current portion under medium-term bank borrowings amounted to €11.8 million.

*Description of the syndicated credit facility and related financial covenants*

On December 7, 2009, CFAO entered into a revolving multicurrency syndicated credit facility agreement, for a total of €300 million (''the Credit Facility Agreement''). The initial term of the credit facility was three years, subsequently extended by one year in both 2010 and 2011, i.e., up to December 9, 2014.

Drawdowns on this credit facility bear interest at a rate equal to the sum of (i) a fixed basic rate indexed to Euribor for drawdowns in euros, and to Libor for drawdowns made in other currencies; and (ii) a margin determined on a half-yearly basis depending on the Group's gearing ratio (as set out below) between 1.00% and 2.50%.

The Credit Facility Agreement contains the customary covenants and clauses for this type of financing agreement, including:

- *Financial covenants:* At each assessment date (June 30 and December 31 each year), the Company undertakes to:

  (i) maintain the gearing ratio equal to 2 or less, it being specified that this ratio corresponds to consolidated net debt (i.e., Group's gross borrowings less cash on hand) divided by EBITDA (i.e., the Group's recurring operating income plus depreciation, amortization and provisions for non-current operating assets recognized in recurring operating income [see Chapter 3 ''Selected financial information'' of this Reference Document]); and

  (ii) maintain the ratio of gross borrowings (excluding intragroup debt) of subsidiaries controlled by the Company (within the meaning of Article L.233-3 of the French Commercial Code) to the Group's gross borrowings equal to 90% or less (initially set at 80% when the syndicated credit facility was set up, and amended in 2011); and

  (iii) maintain off-balance sheet commitments given by the Group entities to third parties, such as those described in the section ''Other commitments'' in the notes to the consolidated financial statements, equal to 120% or less (initially set at 100% or less on setting up the syndicated credit facility and revised in the first half of 2010) of the average of (x) trade payables as shown in the consolidated statement of financial position at the most recent assessment date, and (y) trade payables as shown in the consolidated statement of financial position at the preceding assessment date.

The purpose of this covenant is mainly to correlate the level of guarantees given by the Group to third parties with the level of trade payables.

For information concerning the Group's off-balance sheet commitments with third parties in 2011, see Chapter 20 of this Reference Document, and in particular Note 33 to the consolidated financial statements.

At December 31, 2011, the Group complied with all of the covenants shown above.

- *Other restrictive clauses:* These include clauses limiting, in certain circumstances, the capacity of the Company and its main subsidiaries to (i) grant or maintain guarantees and other collateral on their assets; (ii) sell, transfer or lease their assets; (iii) participate in mergers or other restructuring operations (excluding intragroup operations); or (iv) materially change the nature of their activities.

- *Early repayment in the event of a change in control:* The Syndicated Credit Agreement stipulates that each lending institution may demand early repayment of all outstanding balances and cancel the credit facilities in the event that an entity acting either alone or in concert (within the meaning of Article L.233-10 of the French Commercial Code), should acquire, either directly or indirectly, more than 33.33% of the Company's capital or voting rights.

- *Early repayment due to a default event:* The Credit Facility Agreement stipulates that the lending institutions may request the full or partial early repayment of drawdowns in certain cases, in particular in the event of: (i) non-compliance with the covenants and other restrictive clauses described above; (ii) default or non-payment with respect to other borrowings of the Company and/or subsidiaries in which it holds more than two-thirds of the capital or voting rights (based on pre-determined thresholds); or (iii) other events likely to have a material adverse impact on the financial position or results of operations of the Company or the Group, or on the Company's ability to meet its commitments in respect of the Credit Facility Agreement.

*Financial covenants and ratios linked to other borrowings (excluding the syndicated credit facility described above)*

Confirmed financing for Group subsidiaries in local currencies (mainly medium-term loans, which totaled €31.5 million at December 31, 2011) is customarily subject to certain standard covenants. However, they generally do not significantly limit dividend payments, loans, advances or other transfers between subsidiaries and the Company (see section 4.3 ''Risks relating to the Group'' of this Reference Document for a description of risks related to the transfer of sums to the Company by its subsidiaries, as well as section 6.6.2 ''Exchange controls'' of this Reference Document). Similarly, as bank overdrafts are not committed financing, they are not subject to any particular restrictions or covenants.

Further information on covenants is provided in Note 29.5 ''Liquidity risk'' (maturity schedule for non-derivative financial instruments) and Note 28.1 ''Breakdown of borrowings by maturity'' to the consolidated financial statements.

## 10.3 Presentation and analysis of the main categories of use of the Group's cash

*10.3.1 Investments*

The Group's gross investments amounted to €69.4 million in 2010 and €74.1 million in 2011. These amounts chiefly concern acquisitions of property, plant and equipment (€60.3 million and €63.4 million in 2010 and 2011, respectively) with the aim of renovating CFAO Automotive's points of sale and increasing production capacity in the Congo beverages business. Further information regarding investments made during this period, as well as current and planned investments, is provided in section 5.2 ''Investments'' and section 10.4.2.1 ''Net operating investments'' of this Reference Document.

*10.3.2 Dividends*

Historically, the Group has made two types of dividend payments.

- *Dividends paid in 2011 by the parent company.* Dividends paid by CFAO amounted to €48.0 million in 2010 and €50.6 million in 2011. The 2011 dividend represents 50.5% of 2010 net income attributable to owners of the parent.

- *Dividends paid to non-controlling interests of consolidated subsidiaries.* These dividends, which totaled €21.6 million in both 2010 and 2011, primarily include amounts paid to non-controlling interests in Eurapharma and CFAO Automotive subsidiaries, as well as the beverages subsidiary of CFAO Industries.

*10.3.3 Financing of working capital requirements*

The Group's working capital requirement (see Note 22 to the consolidated financial statements) at December 31, 2010 and December 31, 2011 amounted to €383.2 million and €397.0 million, respectively. The Group finances its working capital requirement mainly through cash flow from operating activities and, where appropriate, bank overdrafts and drawdowns on confirmed credit facilities. The Group manages its working capital requirement principally through the centralized process for placing orders with suppliers via the central purchasing offices. This process allows the Group to manage inventory levels according to the forecast demand for its products, and to carefully monitor payments to manufacturers and the collection of accounts receivable (see the breakdown below in section 10.4.1.2 ''Change in working capital requirement'').

In line with its approach to managing working capital requirement, the Group manages inventory levels through its centralized process for placing orders with suppliers. In the CFAO Automotive and Eurapharma divisions, the Group stocks some of the products it distributes in dedicated permanent or temporary storage facilities. In the CFAO Automotive division, the Group seeks to maintain a minimum level of inventory that takes into account the forecast demand for vehicles. Given delivery lead times in this business, there can be time lags between the moment a decision is made to reduce vehicle inventory levels and the point at which inventory levels are actually reduced. In the Eurapharma division, the Group's inventory levels are determined in part by regulatory requirements in terms of minimum inventories (see section 6.6.1 ''Pharmaceutical operations'' of this Reference Document). In the CFAO Industries business, the Group manages its inventory levels based on the forecast demand for its products. In the CFAO Technologies business, the Group principally works on the basis of customer orders.

*10.3.4 Financing of non-current assets*

Non-current assets are comprised of (i) goodwill (€126.3 million at December 31, 2010 and €149.4 million at December 31, 2011) mainly relating to CFAO Automotive and Eurapharma; and (ii) other intangible assets (€26.0 million at December 31, 2010 and €31.5 million at December 31, 2011), mainly relating to trademarks, leasehold rights, concessions, licenses and software. Non-current assets also include property, plant and equipment representing €279.0 million at December 31, 2010 and €319.6 million at December 31, 2011. At end-2011, this item included land, buildings, fixtures and fittings for €169.4 million, and technical equipment, IT equipment and other property, plant and equipment and assets in progress for €150.1 million. Investments in associates (€25.7 million at end-2011) and non-current financial assets (€41.9 million at end-2011) are also included in non-current assets. Non-current financial assets include non-consolidated investments that are not of strategic importance to the Group's core activities.

*10.3.5 Contractual obligations*

The table below reflects the Group's contractual commitments and obligations at December 31, 2011, excluding commitments related to employee benefits and short-term loans, which are described in Note 25 ''Employee benefits'' and Note 28 ''Borrowings'' to the consolidated financial statements in Chapter 20 ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of this Reference Document.

| | **Payments due by period** | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **Less than one year** | **One to five years** | **More than five years** | **2011** | **2010** |
| Non-current borrowings | 0.0 | 93.5 | 0.0 | **93.5** | 99.0 |
| Operating lease agreements | 25.1 | 39.4 | 18.9 | **83.4** | 56.4 |
| Binding purchase commitments | 217.9 | 0.0 | 0.0 | **217.9** | 183.9 |
| **Total commitments given** | **243.0** | **132.9** | **18.9** | **394.8** | **339.3** |

Apart from the long-term borrowings and debt described above, the Group's contractual obligations include:

- *Binding purchase commitments.* This category principally includes non-cancelable purchase commitments made to suppliers by the Group's central purchasing offices.

- *Operating lease commitments.* Contractual obligations shown under ''Operating leases'' represent minimum future lease payments under operating leases during the period that cannot be canceled by the lessee. These mainly include non-cancelable rental payments in respect of stores, head offices and administrative offices. The rental charge amounted to €29.5 million in 2011. Commitments relating to non-cancelable rental payments totaled €83.4 million at December 31, 2011.

*10.3.6 Other commitments given*

The following table summarizes the other main commitments given by the Group for the periods indicated (for more information, see Note 33.2.4 ''Other commitments'' to the consolidated financial statements in Chapter 20 ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'' of this Reference Document).

| | **Payments due by period** | | | | |
|---|---|---|---|---|---|
| **(in € millions)** | **Less than one year** | **One to five years** | **More than five years** | **Dec. 31, 2011** | **Dec. 31, 2010** |
| Bank guarantees | 10.4 | | 0.1 | **10.4** | 9.3 |
| Rent guarantees, property guarantees | 7.3 | 0.0 | 0.0 | **7.4** | 7.9 |
| Tax guarantees | | | | **0.0** | 1.5 |
| Customs securities | 50.6 | 1.6 | | **52.2** | 36.0 |
| Other commitments | 600.5 | 18.4 | 3.4 | **622.4** | 403.5 |
| **Total commitments given** | **668.9** | **20.0** | **3.5** | **692.3** | **458.1** |

*Commitments given do not include commitments related to intragroup debts.*

''Other commitments'' mainly relate to guarantees given by the Group to banks in the context of bank guarantees provided to suppliers for the payment of orders and invoices. Payment terms granted to the Group's central purchasing offices by suppliers are sometimes covered by bank guarantees in favor of suppliers on behalf of the Group's central purchasing offices. This practice involves a number of the Group's divisions and in particular CFAO Automotive.

''Bank guarantees'' relate to exceptional guarantees covering periods of less than one year given by CFAO to banks that have provided credit facilities for its subsidiaries.

The main guarantees given by the Group in the context of previous asset sales are summarized in Note 33 ''Contingent liabilities, contractual commitments not recognized and other contingencies'' to the consolidated financial statements included in Chapter 20 of this Reference Document.

To the best of the Group's knowledge, there are no other commitments given or contingent liabilities, other than those described in Note 33 to the consolidated financial statements and in section 10.3 of this Reference Document.

## 10.4 Analysis of cash flows

The following table sets out the Group's cash flows for the periods indicated.

| (in € millions) | 2011 | 2010 |
|---|---|---|
| **Net cash from operating activities** | **241.0** | **231.0** |
| **Net cash used in investing activities** | **(89.9)** | **(66.6)** |
| **Net cash used in financing activities** | **(120.7)** | **(162.6)** |
| Impact of exchange rate variations | **(0.2)** | (4.5) |
| Impact of treasury shares | **(3.3)** | (0.7) |
| Other movements | **(0.1)** | (0.9) |
| **Net increase (decrease) in cash and cash equivalents** | **26.7** | **(4.2)** |

*10.4.1 Net cash from operating activities*

Net cash from operating activities can be broken down as follows for the periods indicated.

| (in € millions) | 2011 | 2010 |
|---|---|---|
| **Net income** | **170.6** | **140.3** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | **48.5** | 43.1 |
| Proceeds on disposal of leasing fleets (amendment to IAS 16) | **1.5** | 2.1 |
| Other non-cash income and expenses | **(9.0)** | (1.3) |
| **Cash flow from operating activities** | **211.6** | **184.2** |
| Interest paid/received | **29.4** | 26.6 |
| Dividends received | **(1.2)** | (1.0) |
| Net income tax payable | **74.5** | 64.5 |
| **Cash flow from operating activities before tax, dividends and interest** | **314.4** | **274.3** |
| Change in working capital requirement | **0.8** | 17.1 |
| Income tax paid | **(74.2)** | **(60.4)** |
| **Net cash from operating activities** | **241.0** | **231.0** |

Net cash from operating activities amounted to €241.0 million in 2011 compared to €231.0 million in 2010. The €10 million increase in this caption reflects a €40.1 million increase in cash flow from operating activities before tax, dividends and interest. However the Group did not benefit from as significant a decrease in working capital requirement as it did in 2010.

*10.4.1.1 Cash flow from operating activities before tax, dividends and interest*

Cash flow from operating activities before tax, dividends and interest totaled €314.4 million in 2011 compared to €274.3 million in 2010.

*10.4.1.2 Change in working capital requirement*

The Group seeks to optimize working capital by managing its inventory through its central purchasing offices, which carefully monitor orders with suppliers. As a percentage of revenue, working capital fell from 14.3% in 2010 to 12.7% in 2011. Inventories as a percentage of revenue improved, falling from 27.8% at end-2010 to 26.5% at December 31, 2011. Trade payables as a percentage of revenue remained stable at 21.4% at end-2011 versus 21.3% at end-2010. Trade receivables were also stable as a percentage of revenue, at 13.8% at end-2011 compared to 13.7% at end-2010. Overall, working capital as a percentage of revenue improved, helping to stem the increase in cash used in operations despite the robust growth in business.

*10.4.2 Net cash used in investing activities*

Net cash used in investing activities includes (i) purchases and disposals of property, plant and equipment (net operating investments); (ii) purchases and disposals of subsidiaries, net of cash acquired or transferred; (iii) purchases and disposals of other financial assets; and (iv) interest and dividends received (net financial investments). Investing activities resulted in net cash outflows of €66.6 million and €89.9 million in 2010 and 2011, respectively (see Note 32.3 to the consolidated financial statements, in Chapter 20 of this Reference Document).

| (in € millions) | 2011 | 2010 |
|---|---|---|
| Purchases of leasing fleets (amendment to IAS 16) | **(10.7)** | (9.0) |
| Other purchases of property, plant and equipment and intangible assets | **(63.4)** | (60.4) |
| Proceeds from disposals of property, plant and equipment and intangible assets | **4.1** | 8.3 |
| Acquisitions of subsidiaries, net of cash acquired | **(18.8)** | (15.2) |
| Proceeds from disposals of subsidiaries, net of cash transferred | **(2.4)** | 8.7 |
| Purchases of other financial assets | **(11.8)** | (14.0) |
| Proceeds from sales of other financial assets | **10.8** | 13.1 |
| Interest and dividends received | **2.2** | 1.8 |
| **Net cash used in investing activities** | **(89.9)** | **(66.7)** |

*10.4.2.1 Net operating investments*

The table below shows the breakdown of net operating investments for the fiscal years indicated.

| (in € millions) | CFAO Automotive | Eurapharma | CFAO Industries, Equipment & Services | CFAO Industries | CFAO Technologies | CFAO Holding & other | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2011** | | | | | | | |
| Purchases of leasing fleets (amendment to IAS 16) | | | 10.7 | | | | **10.7** |
| Other purchases of property, plant and equipment and intangible assets, gross | 21.8 | 6.8 | 34.2 | | | 0.5 | **63.4** |
| Proceeds from disposals of property, plant and equipment and intangible assets, gross | | | | | | | (4.1) |
| **Net operating investments** | | | | | | | **70.0** |
| **As of December 31, 2010** | | | | | | | |
| Purchases of leasing fleets (amendment to IAS 16) | 9.0 | | | | | | **9.0** |
| Other purchases of property, plant and equipment and intangible assets, gross | 22.6 | 7.4 | | 28.8 | 0.9 | 0.6 | **60.3** |
| Proceeds from disposals of property, plant and equipment and intangible assets, gross | | | | | | | (8.3) |
| **Net operating investments** | | | | | | | **61.1** |

Net operating investments amounted to €70.0 million in 2011, and gross operating investments (i.e., acquisitions of property, plant and equipment) totaled €74.1 million. Of this amount, €24.8 million was used to increase the production capacity of Brasseries du Congo in the Industries business, and €21.8 million was used to finance investments by CFAO Automotive in dealerships and showrooms. Proceeds from disposals of property, plant and equipment during 2011 totaled €4.1 million and concerned disposals of non-strategic assets.

*10.4.2.2 Net financial investments*

Net financial investments can be broken down as follows for the fiscal years indicated.

| (in € millions) | 2011 | 2010 |
|---|---|---|
| Acquisitions of subsidiaries, net of cash acquired | **(18.8)** | (15.2) |
| Proceeds from disposals of subsidiaries, net of cash transferred | **(2.4)** | 8.7 |
| Purchases of other financial assets | **(11.8)** | (14.0) |
| Proceeds from sales of other financial assets | **10.8** | 13.1 |
| Interest and dividends received | **2.2** | 1.8 |
| **Net financial investments** | **(19.9)** | **(5.6)** |

Net financial investments, i.e., acquisitions of subsidiaries (net of cash acquired), net of proceeds from disposals of subsidiaries (net of cash transferred), plus purchases of other financial assets net of proceeds from sales of other financial assets, plus interest and dividends received, resulted in net cash outflows of €19.9 million in 2011 and €5.6 million in 2010.

*10.4.3 Net cash used in financing activities*

Net cash used in financing activities can be broken down as follows for the fiscal years indicated.

| (in € millions) | 2011 | 2010 |
|---|---|---|
| Share capital increase/decrease | **(0.5)** | 0.5 |
| Dividends paid to owners of the parent company | **(50.6)** | (48.0) |
| Dividends paid to non-controlling interests | **(21.6)** | (21.6) |
| Issuance of debt | **31.5** | 12.2 |
| Repayment of debt | **(49.0)** | (78.6) |
| Increase/decrease in other borrowings | | |
| Interest paid and equivalent | **(30.5)** | (27.0) |
| **Net cash used in financing activities** | **(120.7)** | **(162.6)** |

Financing activities as shown above resulted in net cash outflows of €120.7 million in 2011 and €162.6 million in 2010. The main uses of cash for financing activities in 2011 were:

- the payment of dividends by the parent company, for €50.6 million;
- interest paid and equivalent, totaling €30.5 million;
- the payment of dividends to non-controlling interests in consolidated subsidiaries, for a total amount of €21.6 million;
- the repayment of loans and other borrowings, for €49 million.

*10.4.4 Free operating cash flow*

The following table sets out changes in free operating cash flow for the fiscal years indicated. Free operating cash flow is equal to cash flow from operating activities less net operating investments.

| (in € millions) | 2011 | 2010 |
|---|---|---|
| **Net income** | **170.6** | **140.3** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | **48.5** | 43.1 |
| Proceeds on disposal of leasing fleets (amendment to IAS 16) | **1.5** | 2.1 |
| Other non-cash income and expenses | **(9.0)** | (1.3) |
| **Cash flow from operating activities** | **211.6** | **184.2** |
| Interest paid/received | **29.4** | 26.6 |
| Dividends received | **(1.2)** | (1.0) |
| Net income tax payable | **74.5** | 64.5 |
| **Cash flow from operating activities before tax, dividends and interest** | **314.4** | **274.3** |
| Change in working capital requirement | **0.8** | 17.1 |
| Income tax paid | **(74.2)** | (60.4) |
| **Net cash from operating activities** | **241.0** | **231.0** |
| Purchases of leasing fleets (amendment to IAS 16) | **(10.7)** | (9.0) |
| Other purchases of property, plant and equipment and intangible assets | **(63.4)** | (60.4) |
| Proceeds from disposals of property, plant and equipment and intangible assets | **4.1** | 8.3 |
| **Free operating cash flow** | **171.0** | **169.9** |

Free operating cash flow amounted to €169.9 million in 2010 and €171.0 million in 2011. Cash flow from operating activities before tax, dividends and interests improved, but there was no improvement in working capital in absolute terms, unlike in 2010 (see sections 10.4.1 ''Net cash from operating activities'' and 10.4.2.1 ''Net operating investments'').

*10.4.5 Change in net debt*

The change in net debt between December 31, 2010 and December 31, 2011 can be analyzed as follows:

| (in € millions) | 2011 | 2010 |
|---|---|---|
| **Net debt at January 1** | **(200.5)** | **(262.0)** |
| Free operating cash flow(1) | **171.0** | 169.9 |
| Interest paid net of dividends received | **(28.3)** | (25.2) |
| Acquisitions and disposals of subsidiaries, net of cash acquired or transferred | **(21.1)** | (6.5) |
| Purchases and sales of other financial assets (net) | **(1.0)** | (0.9) |
| Dividends paid | **(72.2)** | (69.6) |
| Other(2) | **(39.8)** | (6.2) |
| **Net debt at December 31** | **(192.0)** | **(200.5)** |

(1) *Further information on the calculation of free operating cash flow is provided above in section 10.4.4 ''Free operating cash flow''.*

(2) *This refers to the sum of share capital increases and decreases, the impact of exchange rate fluctuations on net debt and other movements in net debt. At end-2011, this item chiefly comprises borrowings and debt arising on changes in the scope of consolidation relating to Almameto and Propharmal, as well as the liability relating to the minority put on Almameto for a value of around €12 million.*

The year-on-year decrease in net debt at December 31, 2011 is mainly attributable to the robust growth in business which increased cash flow from operating activities and free operating cash flow. Dividends paid in 2011 remained stable compared to 2010. Overall, operating cash flow funded the acquisitions carried out in the period and net debt fell.

# CHAPTER 11 – RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Due to the nature of its business, the Group does not conduct any significant research and development activities. In addition, the Group holds few patents and licenses.

The Group owns the CFAO trademark as well as several other trademarks developed within the scope of the business activities of its divisions, such as CFAO Technologies and, for its rental services business, SPLV, which are registered with the OAPI (African Intellectual Property Organization). In the CFAO Industries, Equipment & Services division, Brasseries du Congo, the Group's beverage subsidiary, benefits from several licensing agreements related to the beverage brands that it markets, which are either:

- directly owned by the Group, such as the Ngok and Primus beer brand names, which are owned by Capstone Corporation and which are the subject of a promise to sell, relating to 50% of the brands, granted to the Heineken group; or
- owned by the Group's partners, such as certain beer brand names of the Heineken group (Maltina, Turbo King) and certain beverage brand names of the Coca-Cola group. For these brand names, licensing agreements may either be signed directly by Brasseries du Congo, or by one of the Group's central purchasing offices, before being sub-licensed to Brasseries du Congo.

The Group also owns the Laborex brand name, which is used by Eurapharma's wholesale-resale subsidiaries in Africa and was first registered with the OAPI on May 2, 1991.

In general, the Group's policy is to protect the brands and trademarks it holds in the countries in which it has operations and where this is required to carry on its business activities.

# CHAPTER 12 – TREND INFORMATION AND OBJECTIVES

## 12.1 Trends and recent developments

The Group's operating environment in early 2012 is marked by the continuation of the positive momentum on African markets observed in 2011. The International Monetary Fund (IMF) confirmed the positive outlook for Africa with growth rates predicted as 5.2% and 5.3% in 2012 and 2013 respectively, the world's highest after China and India.

However, there is still considerable uncertainty surrounding the vitality of the world economy in 2012, and a downturn could indirectly affect Africa and the French overseas territories.

The recent trends and outlook for each division in 2012 are the following:

The positive momentum of CFAO Automotive observed in 2011 is set to continue on markets in Sub-Saharan Africa with a positive outlook in Côte d'Ivoire and a ramp-up of new brands in East Africa. The Group has set performance improvement objectives in Nigeria and Morocco. More moderate growth is expected in the French overseas territories. Truck sales are expected to continue on an upward trend in 2012. As part of the improvement of the after-sales service, the new logistics system for spare parts with central inventories will be rolled out in 2012. The value of the yen in 2012 is impossible to predict and, as the division's main purchasing currency, will continue to have a direct impact on gross profit. As part of its internal forecasts, the Group assumes that the yen will remain close to the average observed in 2011 (euro/yen average in 2011: 111.0, January 2012: 99.3, February 2012: 103.8 – source: ECB).

The growth of Eurapharma's sales in Africa is set to continue in 2012 with the development of local manufacturing in Algeria and the implementation of several key projects to expand production capacity in French-speaking Africa. With the aim of expanding its offering, Eurapharma acquired Actidom in early 2012, a company specialized in the distribution, promotion and marketing of pharmaceutical products in the French overseas territories. In 2011, Actidom posted revenue of around ten million euros.

Regarding CFAO Industries, Equipment & Services, the Group expects both the pace of growth at CFAO Industries and the strong booking momentum at CFAO Technologies to carry over into 2012. The new equipment distribution and rental services businesses are set to gather pace in 2012.

The Group does not wish to make any projections regarding revenue, recurring operating margin and free operating cash flow in 2012.

## 12.2 Medium-term outlook

The Group confirms the growth potential of its current businesses. It reaffirms the need to maintain geographic and business diversity, and confirms the place of specialized distribution as its core business. The Group is actively exploring opportunities for acquisition and/or creation of new business lines in specialized distribution (B2B) and (B2C).

Medium-term outlook for the Group's businesses:

### Automotive

The emergence of new consumers is a key growth driver for automotive markets in Africa. It is linked to the gradual rise of a middle class with increased purchasing power. The Group plans to bolster its position in English-speaking Africa, the Maghreb and the French overseas territories, to continue strengthening its brand portfolio and to step up the contribution of after-sale services.

Eurapharma

Consumption of pharmaceutical products in Africa remains at a low level and the Group believes that Eurapharma has major growth potential in Africa. Eurapharma plans to round out its network in Africa in new territories, strengthen its logistic and storage capacities, step up the development of its new sales channels through clinics and NGOs and seize consolidation opportunities in the French overseas territories.

Industries, Equipment & Services

Industries: The continuation of industrial businesses (beverages and plastic products) within the Group has been confirmed; sustained growth during the period may be boosted by targeted acquisitions.

Technologies: In 2011 the division's activities were refocused around the products and IT solutions segments and the significant growth potential of these activities has been confirmed. The Group is also considering strategic partnerships.

Equipment: The Group intends to continue developing specialized structures dedicated to the sale and maintenance of construction machinery and agricultural equipment in order to meet the growing demand of African markets more effectively.

Rental services: Reorganized in 2011, the vehicle and equipment rental services business supports the development of the Automotive and Equipment divisions through Loxea, a new brand created in 2011 by CFAO.

Overall, the Group confirms the objectives set out in its 2009 Reference Document and specified in 2011 in its 2010 Reference Document:

- annual average revenue growth of around 10% during the period 2010 to 2013;
- a recurring operating margin in line with the levels observed over the last ten years and at a level that will rely heavily on that of the Automotive division, which remains itself highly dependent on the exchange rates of purchasing currencies;
- operating investments that could return to a level between 1.0% and 1.3% of revenue in 2012 (excluding specific investments described in section 5.2.3 of Chapter 5 of this Reference Document).

The Group also intends to pursue its efforts to optimize its working capital requirements and continues to envisage an annual dividend pay-out ratio of approximately 40% to 60% of attributable net income for the year. The Group has adhered to this dividend policy since its IPO.

The objectives set forth above do not constitute forecasts or estimates of the Group's future profits, but relate to its strategic orientation and business plan. These objectives are based on data, assumptions and estimates that the Group considers to be reasonable. These data, assumptions and estimates may change as a result of uncertainties related to, among other things, the economic, financial, competitive and regulatory environment.

In addition, the occurrence of one or more of the risks described in Chapter 4 ''Risk factors'' and particularly section 4.1 ''Risks relating to the business and regulatory environment'', could negatively affect the Group's business, results, financial position or prospects, and hence undermine its ability to meet the objectives set forth in this chapter. The Group can give no assurance or provide any guarantee that the objectives set forth in the chapter will be met.

## CHAPTER 13 – PROFIT FORECASTS OR ESTIMATES

CFAO has decided not to include any profit forecasts or estimates in this Reference Document.

# CHAPTER 14 – ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT

## 14.1 Information concerning members of the Management Board and Supervisory Board

CFAO was a *société anonyme* with a Board of Directors until October 5, 2009 when the Board of Directors was replaced by a Management Board and a Supervisory Board.

A summary of the main provisions of the Company's by-laws and the internal rules relating to the Company's Management and Supervisory Boards and specialized committees of the Supervisory Board – including those relating to their operation and powers – is included in Chapters 16 ''Board practices'' and 21.2 ''Memorandum of association and by-laws''.

### *14.1.1 Management Board*

Since October 5, 2009, the Management Board has comprised the following members:

| Name | Appointment date | Expiration date of term of office | Number of shares held in the Company |
|---|---|---|---|
| **Chairman** | | | |
| Richard Bielle | October 5, 2009 | October 5, 2012 | 150 |
| **Other members** | | | |
| Olivier Marzloff | October 5, 2009 | October 5, 2012 | 150 |
| Jean-Yves Mazon | October 5, 2009 | October 5, 2012 | 150 |

The Supervisory Board appointed a fourth member of the Management Board, Alain Pécheur, on March 19, 2012. Alain Pécheur's term of office will expire on the same date as those of the other members of the Management Board, i.e., October 5, 2012. As of the publication date of this Reference Document, Alain Pécheur held 150 CFAO shares.

The positions and functions held by members of the Management Board during the previous fiscal year are set out below:

| Name | Principal position within the Company | Current positions and functions(**) | Other positions and functions held within the past five years(*) |
|---|---|---|---|
| Richard Bielle<br>49 years old<br>Date of first appointment:<br>October 5, 2009 | Chairman of the Management Board | *In the CFAO Group:*<br>Chairman of the Board of Directors of Ménard Automobiles (New Caledonia)<br>Chairman of the Board of Directors of Diamal (Algeria)<br>Chairman and CEO of Intermotors (New Caledonia)<br>Permanent representative of Gerefi on the Board of Directors of SEP, permanent representative of Mercure Consult on the Board of Directors of Eurapharma and permanent representative of Cotafi on the Board of Directors of Prestige Motors (New Caledonia)<br>Director of DT Dobie Kenya, CFAO Motors Tanzania and Alliance Autos Nigeria | None |

| Name | Principal position within the Company | Current positions and functions(**) | Other positions and functions held within the past five years(*) |
| --- | --- | --- | --- |
| Olivier Marzloff<br>53 years old<br>Date of first appointment:<br>October 5, 2009 | Member of the Management Board and Corporate Secretary | *In the CFAO Group:*<br>Chairman and CEO of SFCE<br>Permanent representative of Domafi on the Board of Directors of Alios Finance<br>Permanent representative of HDS on the Board of Directors of SFCE<br>Legal manager (*gérant*) of CFAO Technologies, Cotafi, Domafi, Gerefi, Sevragim, Holdinter and HDS<br>Permanent representative of SECA on the Board of Directors of Eurapharma | Director of United Retail Group Inc., United Retail Group Inc., Redcats USA Management Service, Redcats USA, LP<br>Director, Treasurer and Secretary of Avenue Giftcards, Inc., The Sportsman's Guide, Inc., Avenue, Inc., B.N.Y Service Corp., Cloudwalkers, Inc., Guide Outdoors.com, Inc., TGW Management Services, Inc., The Golf Warehouse, Inc., The Sportsman's Guide Outlet, TSG Management Services, Inc., United Distribution Services, United Retail Holding Corp., United Retail Logistics Operat, United Retail, Inc., VLP Corporation, Jessica London, Inc., Redcats USA, Inc.<br>Director Board Redcats (USA) LLC<br>Trustee Administration BL Finance Company |
| Jean-Yves Mazon<br>62 years old<br>Date of first appointment:<br>October 5, 2009 | Member of the Management Board | *In the CFAO Group:*<br>Chairman and CEO, and director of Eurapharma and Tahiti Pharm<br>Chairman of the Board of Directors and director of Soredip (Reunion)<br>Director of Sopharma (French Antilles), E.P.DIS, Promo Pharma (Benin), Somaphar (Madagascar), Uniphart (Togo), SPG (French Guiana)<br>Director and permanent representative of Serom on the Board of Laborex Sénégal, Pharmagabon, Copharmed (Côte d'Ivoire), Laborex Cameroun, Laborex Congo, Laborex Mali, Laborex Guinée, Laborex Burkina (Burkina Faso), Laborex Niger<br>Permanent representative of Serom on the Board of Laborex Tchad<br>Legal manager of SECA, Continental Pharmaceutique<br>Permanent representative of Eurapharma on the Management and Supervisory Committee of Laborex Saint-Martin, on the Supervisory Board of Ressourcethica, on the Management and Supervisory Committee of Société Pharmaceutique des Caraïbes Director and permanent representative of Eurapharma on the Boards of OCDP and Eurapharma Distribution SPA (Algeria) and Chairman of the Board of Directors of Eurapharma Distribution SPA (Algeria) Chairman of the Board of Directors of CFAO Technologies (Mali)<br>Director of Gokals Laborex Limited (Ghana), Laborex Kenya Limited, E.P.DIS Kenya Limited, Laborex Tanzania Limited, Laborex Uganda Limited, East Pharm LTD (Mauritius)<br>Chairman and CEO and director of Propharmal (Algeria) since July 28, 2011<br>In charge of the liquidation of People Wireless Africa<br>*Functions outside the CFAO Group:*<br>French Foreign Trade Consultant (*Conseiller du Commerce Extérieur de la France*) | None |

(*) *Other than the positions held in a subsidiary of CFAO.*

(**) *For companies not domiciled in France and those whose company name does not indicate the country of domicile, this information is indicated in parentheses.*

In accordance with the Company's by-laws, each member of the Management Board must hold at least 150 shares in the Company. The Company's registered office is the business address of the members of the Management Board.

Richard Bielle, Chairman of the Management Board – A graduate of the Ecole Supérieure de Commerce de Paris, he began his career in the financial sector. In 1988, he joined Renault Trucks where he held various financial management positions. In 1997, he joined ING Barings as Senior Manager in charge of project financing and then CFAO in 1999 as Development Director for the Automotive division's operations. He became CFAO's head of finance in 2002 and then Chief Operating Officer of CFAO Automotive in 2005. He was appointed Chairman of the Management Board on October 5, 2009 and was head of operations and development for the Group's Automotive division until September 2010. A Chief Operating Officer of the Automotive division and a Director Development for the Group were appointed in 2010, allowing Richard Bielle to devote all of his time to his duties as Chairman of the Management Board.

Olivier Marzloff, member of the Management Board – Olivier Marzloff graduated from ISG with a degree in finance and accounting (DESCF). He began his career as a Manager in the audit practice of PricewaterhouseCoopers. In 1994, he joined PPR as head of the group's internal auditing department and then joined Pinault Distribution as Chief Financial Officer. He was appointed Corporate Secretary of Pinault Bois et Matériaux (PBM) in 1998, and continued to hold this position after PBM was acquired by the British group Wolseley in 2003. He returned to PPR in May 2004 as Executive Vice President and Chief Financial Officer of Redcats USA in New York. He joined CFAO on June 30, 2008 as Corporate Secretary (*Secrétaire général*) in charge of the financial communication, investor relations, legal, tax, insurance, IT and audit departments. He became a member of the Management Board on October 5, 2009.

Jean-Yves Mazon, member of the Management Board – Jean-Yves Mazon began his career in Africa. He held various management positions in Côte d'Ivoire for the Entreprise Minière et Chimique group as well as in Nigeria as Managing Director of SCOA Nigeria Ltd. From 1996 (the year that CFAO acquired Eurapharma), he was legal manager (*gérant*) and then Chairman and Chief Executive Officer of Eurapharma. In September 2002, he was appointed Deputy Chief Executive Officer of CFAO. He was appointed to the Management Board on October 5, 2009 and still serves as Chairman and Chief Executive Officer of the Group's Eurapharma division. In January 2012, it was announced that Jean-Marc Leccia, who is a member of the Group's Executive Committee in charge of Eurapharma's businesses in English- and Portuguese-speaking Africa and Algeria, will take over from Jean-Yves Mazon as Chairman and Chief Executive Officer of Eurapharma. Jean-Yves Mazon will serve as member of the CFAO Management Board until the expiration of his term of office.

The Supervisory Board has appointed a fourth member of the Management Board, Alain Pécheur, whose resume is below.

Alain Pécheur, member of the Management Board – 43 years old, Alain Pécheur is a graduate of the ESG and also holds an Executive MBA from HEC. He began his career at the Pinault SA group before joining CFAO in 1992 as an auditor and then as a financial controller. In 1998, he was appointed Internal Audit Manager and he later became the Corporate Secretary of the purchasing office. In 2002, he became the Head of Financial Services of CFAO and, in 2005, he joined CFAO Automotive as Chief Financial Officer. He has held the position of Chief Financial Officer of CFAO since March 2009.

The terms of office currently held by Alain Pécheur at the CFAO Group are as follows:

- Permanent representative of Holdinter on the board of CFAO Motors Maroc; of Gerefi on the boards of SFCE and CFAO Motors Mali; and of Cotafi on the boards of CFAO Motors Mauritanie and Alios Finance;
- Director of Capstone Corporation Limited (Mauritius), Capstone International Limited (Mauritius), Eurafric Trading Company Limited (UK), and Massilia Holdings Ltd (UK);
- Legal manager of Mercure Consult, and legal manager of Serom.

### *14.1.2 Supervisory Board*

In 2011, the Supervisory Board comprised the following members:

| Name | Appointment date | Expiration date of term of office | Number of shares held in the Company |
|---|---|---|---|
| **Chairman** | | | |
| Alain Viry | October 5, 2009 | Date of the Annual General Meeting to be held in 2013 | 250 |
| **Vice Chairman** | | | |
| François-Henri Pinault | October 5, 2009 | Date of the Annual General Meeting to be held in 2013 | 250 |
| **Members** | | | |
| Jean-François Palus | October 5, 2009 | Date of the Annual General Meeting to be held in 2012 | 250 |
| Pierre Guénant | November 16, 2009 | Date of the Annual General Meeting to be held in 2015 | 250 |
| Nathalie Delapalme | May 17, 2010 | Date of the Annual General Meeting to be held in 2014 | 250 |
| Jean-Charles Pauze(1) | February 8, 2011 | Date of the Annual General Meeting to be held in 2012 | 250 |
| Cheick Modibo Diarra(2) | November 16, 2009 | May 20, 2011 | 250 |
| Alexandre Vilgrain | November 16, 2009 | January 25, 2011 | 250 |

(1) *Jean-Charles Pauze was provisionally appointed by the Supervisory Board to replace Alexandre Vilgrain who resigned. His appointment was approved by the Annual General Meeting of May 20, 2011.*

(2) *Cheick Modibo Diarra's term of office expired on May 20, 2011 and was not renewed.*

The members of the Supervisory Board hold the following positions:

| Name | Principal position within the Company in 2011 | Current positions and functions held in other companies[1] | Other positions and functions held within the past five years (other than those held in a subsidiary of CFAO) |
|---|---|---|---|
| Alain Viry<br>63 years old<br>Date of first appointment:<br>October 5, 2009 | Chairman of the Supervisory Board<br>Chairman of the Nomination Committee and the Sustainable Development Committee | *Positions in the CFAO Group*:<br>Chairman of the Board of Directors of Bavaria Motors Algérie Spa and E.P.DIS France SA<br>Permanent representative of Serom on the Board of Directors of Eurapharma<br>Director of DT Dobie Kenya<br>Director of Tridecon until May 31, 2010<br>*Positions outside the CFAO Group*:<br>Director of CIAN (French Council of Investors in Africa)<br>*Functions:*<br>Vice Chairman of the Africa Committee of Medef International<br>Chairman of the Sida-Entreprises Association | Chairman and CEO of CFAO SA<br>Member of the Executive Committee of PPR<br>Non-voting director (*censeur*) on the Board of Directors of PPR<br>Legal manager of Alisfloh<br>Legal manager of SCI Viry-Young and SCI Viry-Young Bolivar |
| François-Henri Pinault<br>49 years old<br>Date of first appointment:<br>October 5, 2009 | Vice Chairman of the Supervisory Board<br>Chairman of the Compensation Committee | *Positions outside the CFAO Group:*<br>*In the PPR group:*<br>Chairman and CEO of PPR<br>Vice Chairman of the Supervisory Board of Boucheron Holding SAS<br>Director of Fnac SA<br>Member of the Supervisory Board of Yves Saint-Laurent SAS<br>Director of Sapardis SE<br>Deputy Chairman of the Administrative Board of Puma SE (Germany)<br>Chairman of the Supervisory Board of Gucci Group N.V. (the Netherlands)<br>Chairman of the Board of Directors of Sowind Group (Switzerland)<br>Member of the Board of Directors of Volcom Inc. (USA)<br>*At the level of the PPR group's majority shareholder:*<br>Legal manager of Financière Pinault<br>Chairman of the Board of Directors of Artemis<br>Member of the Management Board of SC Château Latour<br>Board member of Christie's International Plc (United Kingdom)<br>*Outside the PPR group:*<br>Director of Bouygues SA<br>Director of Soft Computing | Chairman of the Supervisory Board of Puma AG (Germany) (from June 2007 to July 2011)<br>Vice Chairman of the Board of Directors of Sowind Group (Switzerland) (from June 2008 to July 2011)<br>Chairman and CEO of Redcats SA (from December 2008 to April 2009)<br>Director of Tennessee (from 2001 to November 2009) |
| Pierre Guénant<br>61 years old<br>Date of first appointment:<br>November 16, 2009 | Member of the Supervisory Board<br>Member of the Nominations Committee, the Audit Committee and the Sustainable Development Committee[3] | *Positions outside the CFAO Group*:<br>Joint legal manager of PGA Holding Sarl<br>Member of the Supervisory Board of Assystem SA;<br>Member of the Supervisory Board of Advini<br>Director of Icare SA and Icare Assurance SA | Chairman of the Supervisory Board of PGA SA |

| **Name** | **Principal position within the Company in 2011** | **Current positions and functions held in other companies**[1] | **Other positions and functions held within the past five years (other than those held in a subsidiary of CFAO)** |
|---|---|---|---|
| Jean-François Palus<br>50 years old<br>Date of first appointment:<br>October 5, 2009 | Member of the Supervisory Board<br>Chairman of the Audit Committee | *Positions outside the CFAO Group*<br>*In the PPR group:*<br>Director and Deputy CEO of PPR<br>Director of Fnac SA<br>Director of Caumartin Participations<br>Member of the Supervisory Board of Yves Saint-Laurent SAS<br>Chairman and CEO of Sapardis SE<br>Permanent representative of PPR on the Board of Directors of Redcats SA<br>Permanent representative of Sapardis SE in the management of Zinia (*société civile*)<br>Member of the Administrative Board of Puma SE (Germany)<br>Member of the Supervisory Board of Gucci Group N.V. (the Netherlands)<br>Member of the Board of Directors of PPR Americas Inc. and Volcom Inc. (USA)<br>Director of Gucci Luxembourg SA (Luxembourg)<br>Chairman of the Board of Directors of LGI SA (Switzerland) | Director of Conforama Holding (from April 2006 to March 2011)<br>Member of the Supervisory Board of Puma AG (Germany) (from June 2007 to July 2011)<br>Chief Executive Officer of Sapardis (from January to February 2008)<br>Chairman and CEO of PPR Club de Développement (from June 2006 to 2009)<br>Chairman of Redcats International (from December 2008 to April 2009)<br>Director of PPR Luxembourg (from April 2006 to 2010)<br>Representative of Sapardis in the management of Conseil et Assistance (from December 2007 to December 2008)<br>Representative of Sapardis in the management of Zinnia (*société civile*) (from February 2008 to December 2009) |
| Nathalie Delapalme<br>55 years old<br>Date of first appointment:<br>May 17, 2010 | Member of the Supervisory Board<br>Member of the Nominations Committee and the Sustainable Development Committee | *Positions outside the CFAO Group:*<br>Board member and Director of the Mo Ibrahim Foundation<br>Director of Fondation Pierre Fabre, Fondation Elle and non-governmental organization Agrisud<br>Director of Maurel & Prom, company listed on NYSE Euronext Paris and Maurel & Prom Nigeria | Inspector General of Finance (2007-2010)<br>Advisor to the Ministry of Foreign Affairs on Africa (2002-2007) |
| Jean-Charles Pauze<br>64 years old<br>Date of first appointment:<br>February 8, 2011 | Member of the Supervisory Board<br>Member of the Audit Committee, the Nominations Committee and the Sustainable Development Committee[3] | *Positions outside the CFAO Group:*<br>Chairman of the Board of Directors of Europcar (since February 13, 2012)<br>*Other positions held:*<br>Director of Redcats SA and CFP | Chairman of the Management Board of Rexel SA, company listed on NYSE Euronext Paris (until February 2012)<br>Director of Rexel France<br>Chairman of Rexel North America, Inc.<br>Manager (*Geschäftsführer*) of Rexel GmbH<br>Director and Chairman of Rexel Holdings USA Corp., Director of Rexel Senate Limited, Chairman of the Supervisory Board of Hagemeyer, Manager of Rexel Deutschland Elektrofachgrosshandel GmbH, Galatea Einhund ertvierzigste Vermögensverwaltungs GmbH and Rexel Central Europe Holding GmbH<br>Director of Rexel, Inc., General Supply & Services, Inc., Rexel Belgium SA<br>Chairman of Rexdir SAS<br>Chairman and CEO of Rexel Distribution<br>Director of Discodis |
| Cheick Modibo Diarra<br>59 years old<br>Date of first appointment:<br>November 16, 2009 | Member of the Supervisory Board<br>Member of the Compensation Committee and the Sustainable Development Committee | *Positions outside the CFAO Group*:<br>Chairman (non executive) of Microsoft for Africa and the Middle East<br>Chairman/founder of the Pathfinder Foundation for Education and Development<br>Director of Harmony Mining | Chairman of the Board of Directors of Ecobank-Mali<br>Member of the Board of Directors of Ecobank Transnational Incorporated<br>Member of the Supervisory Board of the Fondation pour l'innovation politique |

| Name | Principal position within the Company in 2011 | Current positions and functions held in other companies[(1)] | Other positions and functions held within the past five years (other than those held in a subsidiary of CFAO) |
|---|---|---|---|
| Alexandre Vilgrain[(2)]<br>55 years old<br>Date of first appointment: November 16, 2009 | Member of the Supervisory Board<br>Member of the Nominations Committee and the Audit Committee | *Positions outside the CFAO Group:*<br>Chairman and CEO of SOMDIAA<br>Permanent representative of SOMDIAA on the Board of SOMINFOR<br>Director of SECRIA<br>Chairman and CEO of Conetrage<br>Chairman of the Board of Directors of Fromentiers de France<br>Director of Sonopros<br>Chairman and CEO of Alexandre Vilgrain Holding<br>Chairman of CIAN (French Council of Investors in Africa)<br>Director of Maurel & Prom, Maurel & Prom Nigeria, Care France, Société Gabonaise SMAG, Société Sucrière du Cameroun (SOSUCAM), SUCAF CI (Côte d'Ivoire), Compagnie Sucrière du Tchad (CST), Food Research Corporation (USA)<br>Chairman and CEO of Saris-Congo and SGMC (Cameroon) | Director of COGEDAL (Reunion)<br>Representative of SOMDIAA as non-voting director on the Board of Directors<br>Permanent representative of COGEDAL on the Board of PETRIGEL (Reunion)<br>Legal manager of Fromimo |

(1) *The principal position held appears at the top of the list.*

(2) *Alexandre Vilgrain resigned from his position as member of the Supervisory Board and of the Committees on January 25, 2011.*

(3) *Pierre Guénant was appointed member of the Sustainable Development Committee and Jean-Charles Pauze was appointed member of the Compensation Committee following the expiration of Cheick Modibo Diarra's term of office on May 20, 2011.*

In 2011, Nathalie Delapalme and Messrs. Cheick Modibo Diarra, Pierre Guénant and Alexandre Vilgrain were considered to be independent members within the meaning of the AFEP-MEDEF Corporate Governance Code (see Chapter 16). Considering their careers and their experience as Chief Executive Officers (see below), Pierre Guénant and Alexandre Vilgrain, members of the Audit Committee in 2011, are both recognized for their financial and accounting expertise.

Alexandre Vilgrain resigned from his positions in January 2011. He was replaced by Jean-Charles Pauze, who the Company also recognizes as an independent member of the Board. Mr. Pauze, Chairman of the Rexel Group since 2002, also has solid experience as a Chief Executive Officer, particularly of a listed company, Rexel.

Cheick Modibo Diarra's term of office expired in May 2011 and was not renewed. Accordingly, there are now three independent Supervisory Board members.

In accordance with the Company's by-laws, each member of the Supervisory Board must hold at least 250 shares in the Company. The Company's registered office is the business address of the members of the Supervisory Board.

Alain Viry, Chairman of the Supervisory Board – Alain Viry is a graduate of the Institut d'Etudes Politiques (IEP) in Paris. He also holds a law degree and a diploma from the Institut de Haute Finance. He began his career as a financial analyst at the Banque de Suez et de l'Union des Mines (which later became Indosuez) in 1974. Four years later, he joined Havas as assistant to the finance director before joining CDME (Compagnie de Distribution de Matériel Electrique) as director of finance and business development in 1981. In 1991, he was appointed international director (Europe and North America) of CDME, which became Rexel in 1993. In April 1994, he was appointed Chairman of the US company Rexel Inc. In May 1997, he was appointed Chairman and Chief Executive Officer of CFAO and then Chairman of the Supervisory Board on October 5, 2009.

François-Henri Pinault, Vice Chairman of the Supervisory Board – François-Henri Pinault is a graduate of HEC. In 1987, he joined the Pinault group, where he held various responsibilities within the main subsidiaries of the PPR group. After starting as a salesman at the Evreux branch of Pinault Distribution, a subsidiary specialized in the import and distribution of wood, in 1988 he created the company's central purchasing unit, which he managed until September 1989.

He was also Chief Executive Officer of France Bois Industries, the industrial company of the Pinault group. He managed the 14 plants of this subsidiary until December 1990 when he was appointed Chairman of Pinault Distribution. In 1993, he took on more responsibilities as Chairman of CFAO and member of the Managing Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and Chief Executive Officer of Fnac, a position he held until February 2000. He was then appointed Deputy Chief Executive Officer of Pinault Printemps Redoute in charge of developing the group's Internet activities. François-Henri Pinault has been a member of Bouygues SA's Board of Directors since December 1998. In 2000, he became joint legal manager of Financière Pinault. In 2003, he was appointed Chairman of the Artemis group. In 2005, he was appointed Chairman of the Management Board and Chairman and Chief Executive Officer of PPR.

After serving as Chairman of the Executive Board of PPR (from March 21, 2005 to May 19, 2005), Vice Chairman of the Supervisory Board (from May 22, 2003 to March 21, 2005) and member of the Supervisory Board (from January 17, 2001), he was appointed Chairman and Chief Executive Officer of PPR on May 19, 2005. Following the close of the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, PPR's Board of Directors renewed his term of office as Chairman and Chief Executive Officer for the term of his directorship, i.e., until the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2012.

François-Henri Pinault served as Chairman of CFAO between 1993 and 1997. He was appointed Vice Chairman of the Supervisory Board on October 5, 2009.

Pierre Guénant, member of the Supervisory Board – Pierre Guénant, a graduate of Ecole Supérieure de Commerce de Paris (ESCP), founded the PGA group and expanded it across Europe, turning it from a French automotive concession into the leader on the automotive distribution market in France, the Netherlands, Poland and Greece. As Chairman of PGA Holding, he is also involved in the distribution of equipment for public construction works and in investment funds. He began his career with the Jacobs/Jacques Vabre group before joining the Heuliez group as head of sales and director. Pierre Guénant is also Chairman of Ouest Atlantique, France's western regional development agency, and a board member of Assystem and Advini.

Jean-François Palus, member of the Supervisory Board – Jean-François Palus, a graduate of HEC, began his career in 1985 at Arthur Andersen as an auditor and financial consultant. Before joining Artemis in 2001 as corporate officer and director, he spent ten years with PPR. He held the positions of Deputy Chief Financial Officer of Pinault SA's timber operations (1991-1993), Group Financial Control Director (1993-1997), Store Manager of Fnac (1997-1998) and Corporate Secretary and member of Conforama's Executive Board (1998-2001).

He became head of mergers and acquisitions for PPR with François-Henri Pinault, Chairman and Chief Executive Officer of the group, in March 2005. He was Chief Financial Officer for PPR between December 2005 and January 2012 and has held the position of Deputy Chief Executive Officer since February 26, 2008. Following the close of the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, the Board of Directors of PPR renewed his term of office as Chief Executive Officer for a term of four years.

Jean-François Palus has been a board member of PPR since May 7, 2009. His term of office will expire at the close of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

He was a member of CFAO's Board of Directors from April 25, 2006 to October 5, 2009, when he became a member of the Supervisory Board.

Nathalie Delapalme, member of the Supervisory Board – Nathalie Delapalme is a graduate of the Institut d'Etudes Politiques de Paris, and holds a post-graduate diploma in applied economics (DEA). She began her career as a macroeconomic research analyst at the Fondation Nationale des Sciences Politiques (Foundation for Political Sciences). She then served as administrator (*administrateur*) at the French Senate from 1984 to 1995, first within the economics unit and then on the Finance Committee and was an advisor of the Senate from 1997 to 2002. She was also deputy chief of staff of the French Minister for Cooperation from 1995 to 1997, and advisor on Africa to the French Minister of Foreign Affairs from 2002 to 2007. Before joining CFAO in May 2010, she served as Inspector General of Finance for the French Ministry of Economy and Finance (May 2007-May 2010). Since June 2010, she is Director of Research and Public Policies at the Mo Ibrahim Foundation in London. In recent years, Nathalie Delapalme has published several articles on Africa and relations between Europe and Africa, particularly in the publication Commentaire. She belongs to the editorial committee of the latter and is also a member of Le Siècle, an exclusive French debate club.

Jean-Charles Pauze, member of the Supervisory Board – Born in 1947, Jean-Charles Pauze graduated from IDN-EC Lille with an engineering degree. He also holds an MBA from INSEAD. He began his career with Total in 1971 before joining the Alfa Laval group in France in 1974 where he held several positions. He served as Chief Executive Officer of Alfa Laval Industrie from 1981 until 1984 when he was appointed Chief Executive Officer of the group's German subsidiary Bran & Luebbe. Two years later, he joined the Strafor Facom group as Chairman and Chief Executive Officer of Clestra-Hausermann. In 1991, he became Chairman and Chief Executive Officer of Steelcase Strafor. In 1998, Jean-Charles Pauze joined the PPR group and was appointed Chairman of the Management Board of Guilbert, the European leader in office furniture and stationery, and then of the Rexel Group. In February 2004, PPR sold its controlling stake in Rexel. Jean-Charles Pauze continues to hold his management position. Rexel is a global leader in the distribution of electrical equipment and is listed on Euronext Paris. He served as Chairman of the Management Board until February 2012.

He has been the Chairman of the Board of Directors of Europcar since February 13, 2012.

Dr Cheick Modibo Diarra, member of the Supervisory Board – Cheick Modibo Diarra, an astrophysicist from Mali, is currently Chairman (non executive) of Microsoft for Africa and the Middle East. Previously, he worked as an interplanetary navigator for NASA where he supervised five missions (Magellan, Ulysses, Galileo, Mars Observer and Pathfinder). In 1999, he founded the Pathfinder Foundation for Education and Development, followed by the African Virtual University in 2002.

Cheick Modibo Diarra is a Goodwill Ambassador for Science and Technologies at UNESCO and member of the Millennium Commission for Africa. He is a director of Harmony Mining Company and was Chairman of the Board of Directors of Ecobank Mali and director of Ecobank International Corp. until 2009.

Alexandre Vilgrain, member of the Supervisory Board until January 25, 2011 – Alexandre Vilgrain joined his family agro-industrial group in 1979 and took on numerous responsibilities in the group's subsidiaries in France, Africa and in the Indian Ocean. In Asia, he founded and then floated Delifrance Asia with a network of French-style café-bakeries and then took over from his father, Jean-Louis Vilgrain, as Chairman and Chief Executive Officer of SOMDIAA in 1995. He is a director of the SOMDIAA group's subsidiaries and also holds various positions in other companies. He notably represented SOMDIAA as non-voting director on the Board of Directors of Proparco for almost ten years and was appointed as Chairman of CIAN, the French Council of Investors in Africa, in 2009. The SOMDIAA group (which generated revenue of €400 million in 2010), a leading economic player in Africa's agro-food industry, has over 50 years' experience in dealing primarily with sugar, flour, but also in farming and food-processing technologies (animal feed, cotton, poultry farming, oilseed farming).

#### *14.1.3 Statements concerning the members of the Management and Supervisory Boards*

To the best of CFAO's knowledge, there are no family ties between the members of the Management and Supervisory Boards.

To the best of CFAO's knowledge, within the last five years, no member of the Management Board or Supervisory Board has been: (i) convicted of fraud, (ii) associated with any bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including relevant professional organizations) or (iv) disqualified by a court from acting as member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer.

## 14.2 Conflicts of interest

To the best of CFAO's knowledge, there are no potential conflicts of interest between the duties of members of the Management Board or the Supervisory Board and CFAO and their private interests and/or other duties, with the exception of what is mentioned below.

François-Henri Pinault and Jean-François Palus, who are currently members of CFAO's Supervisory Board, hold various positions within the governing and management bodies of the companies of the PPR group, CFAO's main shareholder. Alain Viry, Chairman of the Supervisory Board, is the beneficiary of a defined benefit pension package from PPR. Certain agreements are currently in force or have been in force between the PPR group and the CFAO Group. These agreements are described in Chapter 19 ''Related-party transactions'' of this Reference Document.

Alexandre Vilgrain, a member of the Supervisory Board until January 2011, chose to resign from this position due to a potential conflict of interest between the CFAO Group and SOMDIAA, in light of partnerships entered into by the latter.

Cheick Modibo Diarra, a member of the Supervisory Board whose term of office expired in May 2011, decided not to renew his term of office as member of the Supervisory Board of CFAO in view of other personal commitments taken which could interfere with the term of office.

As of today, there is no service agreement entered into between the members of the Management or Supervisory Boards and CFAO or one of its subsidiaries resulting in a personal benefit for this member. Employment contracts between certain members of the Management Board and CFAO and other benefits granted to said members are described in Chapter 15 ''Compensation and benefits'' and Chapter 19 ''Related-party transactions'' of this Reference Document.

The independent Supervisory Board members (see above) were not appointed pursuant to an arrangement or agreement entered into with the Company's main shareholders, clients, suppliers or other parties.

To the best of CFAO's knowledge, no loans or guarantees have been granted or set up in favor of members of the Management Board or the Supervisory Board, and the Company does not use any assets that belong either directly or indirectly to members of the Management Board or the Supervisory Board or to members of their family.

The members of the Management Board have agreed to the restrictions on the disposal of their CFAO shares, as described in Chapter 15 ''Compensation and benefits'' of this Reference Document, beneath tables 6 and 8.

# CHAPTER 15 – COMPENSATION AND BENEFITS

## 15.1 Compensation of corporate officers (*mandataires sociaux*)

In 2011, the Management Board comprised three members: Richard Bielle (Chairman), Olivier Marzloff and Jean-Yves Mazon. Alain Pécheur was appointed as the fourth member of the Management Board in March 2012 (see Chapter 14 of this Reference Document for further information on the members of the Management Board).

The principles and rules followed by the Company's Supervisory Board when setting the compensation and benefits of all kinds granted to corporate officers are described in the Report by the Chairman of the Supervisory Board set out in section 16.1 of this Reference Document. Compensation and benefits granted to corporate officers are presented in the tables below in accordance with the December 2008 AFEP-MEDEF Corporate Governance Code, and backed by the recommendation of the French financial markets authority (*Autorité des marchés financiers* – AMF) dated December 22, 2008. This recommendation was reiterated in AMF Recommendation 2012-02 on corporate governance and compensation of corporate officers dated February 9, 2012.

**Table 1 – Summary of compensation, stock options and shares allocated to each executive corporate officer (*dirigeant mandataire social*)**

The table below summarizes compensation payable to Management Board members with respect to the last two fiscal years. It includes compensation and benefits of all kinds payable by (i) CFAO, (ii) the companies controlled, within the meaning of Article L.233-16 of the French Commercial Code (*Code de commerce*), by CFAO, (iii) the companies controlled, within the meaning of Article L.233-16 of the French Commercial Code, by the company or companies that control CFAO, and (iv) the company or companies that control CFAO, within the meaning of said article.

The compensation listed below for 2010 includes extraordinary compensation, which explains the considerable difference between compensation in 2010 and 2011. Additional information is provided in Table 2 below.

| In euros | 2010 | 2011 |
|---|---|---|
| **Richard Bielle, Chairman of the Management Board** | | |
| Compensation payable for the year (see Table 2) | 1,565,200 | 1,007,447 |
| Value of stock options granted during the year(1) | 459,986 | N/A |
| Value of performance shares granted during the year | N/A | 187,761 |
| **Olivier Marzloff, member of the Management Board** | | |
| Compensation payable for the year (see Table 2) | 959,629 | 433,946 |
| Value of stock options granted during the year(1) | 209,084 | N/A |
| Value of performance shares granted during the year | N/A | 87,960 |
| **Jean-Yves Mazon, member of the Management Board** | | |
| Compensation payable for the year (see Table 2) | 1,138,356 | 496,479 |
| Value of stock options granted during the year(1) | 209,084 | N/A |
| Value of performance shares granted during the year | N/A | 91,160 |

(1) *Stock options are valued in accordance with the IFRS 2 method applied in the consolidated financial statements (before allocation of costs)*

**Table 2 – Summary of compensation payable and paid to each executive corporate officer**

The table below presents a breakdown of compensation payable and compensation paid to each executive corporate officer for the last two years.

| | 2010 | | 2011 | |
|---|---|---|---|---|
| **Gross compensation (in euros)** | **Amounts payable** | **Amounts paid** | **Amounts payable** | **Amounts paid** |
| **Richard Bielle, Chairman of the Management Board** | | | | |
| Fixed compensation(1) | 508,834 | 511,334 | 560,000 | 560,000 |
| Variable compensation(2) | 286,342 | 115,923 | 428,736 | 286,342 |
| Extraordinary compensation(5) | 762,000 | 762,000 | N/A | N/A |
| Benefits in kind(3) | 8,024 | 8,024 | 18,711 | 18,711 |
| Total | 1,565,200 | 1,397,281 | 1,007,447 | 865,053 |
| **Olivier Marzloff, member of the Management Board** | | | | |
| Fixed compensation(1) | 275,000 | 277,500 | 290,000 | 290,000 |
| Variable compensation(2) | 116,520 | 59,267 | 140,784 | 116,520 |
| Extraordinary compensation(5) | 565,000 | 565,000 | N/A | N/A |
| Benefits in kind(3) | 3,109 | 3,109 | 3,162 | 3,162 |
| Total | 959,629 | 904,876 | 433,946 | 409,682 |
| **Jean-Yves Mazon, member of the Management Board** | | | | |
| Fixed compensation(1) | 280,000 | 281,250 | 300,000 | 300,000 |
| Variable compensation(2) | 120,917 | 99,990 | 168,154 | 120,917 |
| Extraordinary compensation(5) | 712,000 | 712,000 | N/A | N/A |
| Attendance fees(4) | 21,587 | 21,587 | 24,025 | 24,025 |
| Benefits in kind(3) | 3,852 | 3,852 | 4,300 | 4,300 |
| Total | 1,138,356 | 1,118,679 | 496,479 | 449,242 |

(1) *Fixed compensation includes compensation under the employment contract and compensation for duties as Management Board member amounting to €10,000 each for Jean-Yves Mazon and Olivier Marzloff (€5,000 for Jean-Yves Mazon in 2010). The fixed compensation payable for duties as Management Board member in 2009 was paid in 2010 on a prorata basis for the time during which they exercised these duties. The time-lag in making the payment explains the difference between the amounts payable and the amounts paid.*

(2) *In 2010 and 2011 Richard Bielle and Olivier Marzloff also received compensation under the 2009 and 2010 profit-sharing agreement, just like other employees. For Richard Bielle and Olivier Marzloff these payments amounted to €17,618 in 2010 and €15,765 and €10,509 respectively in 2011. Given that Richard Bielle's employment contract was suspended in September 2010, he received his profit-sharing compensation on a prorata basis in 2011. Jean-Yves Mazon received profit-sharing compensation of €12,879 for 2011 in respect of 2010.*

(3) *Company car, and for Richard Bielle an executive unemployment insurance policy.*

(4) *Attendance fees paid by subsidiaries of the Group.*

(5) *Bonus relating to actions carried out in connection with the Company's IPO and the consequent reorganization.*

Variable compensation for 2010 was calculated exclusively on the basis of the achievement of financial objectives: when objectives were exactly met, the variable portion of compensation could amount to 50% of the fixed portion for Richard Bielle, and 40% of the fixed portion for Olivier Marzloff and Jean-Yves Mazon. The variable portion was set based on the achievement of objectives relating to (i) recurring operating margin for 80% and (ii) free operating cash flow for 20%. Variable compensation was only payable if objectives were met by at least 90%. If objectives were exceeded, the variable compensation was capped at 150% of the amount due when the objectives were exactly met.

Variable compensation for 2011 was calculated on the basis of financial criteria linked to Group recurring operating income and Group free operating cash flow, in the same proportions as 2010. For Richard Bielle, these Group financial criteria were used exclusively.

For Jean-Yves Mazon, these financial criteria were used for one-third of his variable compensation. Financial criteria specific to Eurapharma (amounts of attributable net income and free operating cash flow) were also used for one-third of variable compensation. Non-financial criteria were used to determine the final one-third of variable compensation, comprising specific objectives validated by the Supervisory Board. For Olivier Marzloff, two-thirds of his variable compensation is based on the achievement of Group financial criteria, the other third being based on non-financial criteria in the form of specific objectives validated by the Supervisory Board.

For confidentiality reasons, the level of objectives which must be achieved to meet each of the financial and non-financial performance conditions stated above cannot be disclosed to the public. However, the level of achievement of these performance conditions was reviewed in detail by the Supervisory Board on March 19, 2012, at its meeting held to set the variable compensation for 2011.

When objectives were exactly met, in 2011 the variable portion of compensation was equal to 60% of the fixed portion for Richard Bielle, and 45% of the fixed portion for Olivier Marzloff and Jean-Yves Mazon. Variable compensation is only payable if objectives are met by at least 90%. If financial objectives are exceeded, the variable compensation is capped at 150% of the amount due when the objectives are exactly met.

***Compensation for 2012***

Based on the recommendation of the Compensation Committee, the Supervisory Board meeting of March 19, 2012 set the amount of fixed compensation to be paid to members of the Management Board for 2012 as well as the criteria for determining the variable portion of their compensation.

Fixed compensation for the members of the Management Board in 2012 was set at the level of fixed compensation for 2011, plus 2.5%, i.e.: €574,000 for Richard Bielle, €287,000 for Olivier Marzloff and €297,250 for Jean-Yves Mazon. Olivier Marzloff and Jean-Yves Mazon will each receive yearly compensation of €10,000 for their duties as members of the Management Board. Alain Pécheur was appointed as the fourth member of the Management Board in March 2012. His compensation for 2012 was also set by the Supervisory Board, on advice from the Compensation Committee, at €250,000. Alain Pécheur will also receive annual compensation of €10,000 in respect of his term of office as a member of the Management Board.

In 2012, variable compensation for members of the Management Board will be set exclusively on the basis of financial criteria for Richard Bielle and on the basis of financial and non-financial criteria for the three other members of the Management Board, as follows:

If the objectives are met, variable compensation in 2012 could represent 60% of the fixed compensation of Richard Bielle, and 45% of the fixed compensation of the three other members of the Management Board. Variable compensation is only payable in respect of financial objectives if they are met by at least 90%, in which case, 75% of the variable compensation is payable. If financial objectives are exceeded, variable compensation is capped at 150% of the amount due when the objectives are exactly met. As regards the financial objectives applicable at the Eurapharma division, variable compensation is calculated on a proportional basis according to the level of achievement of the objectives, and is capped at 200%.

The variable portion is set according to financial criteria calculated at Group level, based on the achievement of objectives relating to (i) recurring operating margin for 80% and (ii) free operating cash flow for 20%.

For Olivier Marzloff and Alain Pécheur, two-thirds of their variable compensation (i.e., 30%) is based on financial criteria and the remaining third (i.e., 15%) is based on the achievement of non-financial objectives relating to their duties as, respectively, Corporate Secretary and Chief Financial Officer of CFAO. For Jean-Yves Mazon, one third of his variable compensation (i.e., 15%) is based on Group financial criteria, one-third on financial criteria relating to the results of Eurapharma (i.e., 15%), the division he supervises, and the remaining third (i.e., 15%) on the achievement of non-financial objectives relating to his duties as Chief Executive Officer of Eurapharma. The financial objectives relating to the results of Eurapharma concern the levels of Eurapharma's attributable net income/ROCE and free operating cash flow.

For confidentiality reasons, the level of objectives which must be achieved to meet each of the performance conditions stated above cannot be disclosed to the public.

Benefits in kind are the same as those received by Management Board members in 2011.

**Table 3 – Attendance fees and other compensation paid to members of the Supervisory Board**

The Ordinary and Extraordinary Shareholders' Meeting of October 5, 2009 adopted a governance structure with a Supervisory Board and a Management Board to replace the previous structure with a Board of Directors. The Meeting appointed the first members of the Supervisory Board on that date. Attendance fees payable to members of the Supervisory Board for 2009 were paid in 2010 on a prorata basis, and those payable for 2010 and 2011 were paid in 2011. Henceforth, CFAO will pay the attendance fees for the year in question at the end of said year, without any time-lag.

For the readers' convenience, the following table provides information in respect of the reporting year and the year of payment.

| Non-executive corporate officers | Amounts paid during 2010 (including attendance fees payable in respect of 2009) (in euros) | Amounts paid during 2011 (including attendance fees payable in respect of 2010) (in euros) | Attendance fees payable in respect of 2011 (in euros) |
|---|---|---|---|
| **Alain Viry** | | | |
| Attendance fees | 18,925 | 80,000 | 80,000 |
| Other compensation[1] | 222,580 | 180,000 | |
| Extraordinary compensation[2] | 833,000 | N/A | |
| Benefits in kind[4] | 4,745 | 5,023 | |
| **François-Henri Pinault** | | | |
| Attendance fees | 11,828 | 32,857 | 38,571 |
| **Jean-François Palus** | | | |
| Attendance fees | 11,828 | 44,286 | 50,000 |
| **Cheick Modibo Diarra[6]** | | | |
| Attendance fees | 3,226 | 42,286 | 11,111 |
| **Pierre Guénant** | | | |
| Attendance fees | 3,548 | 46,161 | 53,333 |
| **Alexandre Vilgrain[5]** | | | |
| Attendance fees | 3,548 | 44,676 | 4,167 |
| **Nathalie Delapalme[3]** | | | |
| Attendance fees | N/A | 31,250 | 50,000 |
| **Jean-Charles Pauze[7]** | | | |
| Attendance fees | N/A | N/A | 47,381 |

*The above amounts are gross amounts, i.e., net of social contributions and net of withholding tax for the Board members who are not resident for tax purposes in France.*

(1) *Alain Viry was not paid compensation until 2010 for his duties as Chairman of the Supervisory Board during the last three months of 2009 (as from his appointment).*

(2) *Extraordinary bonus in respect of the Company's IPO.*

(3) *Nathalie Delapalme was appointed as a member of the Supervisory Board on May 17, 2010.*

(4) *Company car.*

(5) *Alexandre Vilgrain resigned from his position as a member of the Supervisory Board on January 25, 2011.*

(6) *Cheick Modibo Diarra's term of office ended on May 20, 2011 and was not renewed.*

(7) *Jean-Charles Pauze was appointed to the Board on February 8, 2011.*

Since the Company's IPO in 2009, the overall amount of attendance fees has remained the same, at €390,000. There are no plans to change this amount in 2012.

This amount is allocated to the members of the Supervisory Board based on the following rule: there is a fixed amount set for the attendance fees allocated to each member of the Supervisory Board, and the Supervisory Board may decide to reduce these amounts based on effective meeting attendance. The annual amounts are €60,000 for Alain Viry, Chairman, and €40,000 for each of the other members of the Supervisory Board for their respective duties, plus €10,000 for the chairmanship of each committee and €5,000 for membership on each of the Board's specialized committees.

Attendance fees actually paid in respect of 2010 and 2011 amounted to €321,516 and €334,563 respectively. They were calculated for each member of the Supervisory Board by applying the attendance rate to the fixed amounts described above, the attendance rate being calculated on a mathematical basis taking account of the ratio of meetings attended to the total number of meetings held, including meetings scheduled in advance and meetings called on an exceptional basis.

**Table 4 – Stock subscription or purchase options granted by CFAO to its executive corporate officers**

No stock subscription or purchase options were granted by CFAO to its executive corporate officers in 2011.

**Table 5 – Stock options exercised during the year by each executive corporate officer**

The Company's first stock option plan was set up on January 4, 2010. Since this date, no options have been exercised by executive corporate officers.

**Table 6 – Performance shares allocated to each corporate officer**

| Beneficiaries | Plan date | Shares granted during the year | Value | Acquisition date | Vesting date | Performance conditions |
|---|---|---|---|---|---|---|
| Richard Bielle | July 18, 2011 | 9,213 | €187,961 | July 18, 2013 | July 18, 2015 | See below |
| Olivier Marzloff | July 18, 2011 | 4,316 | €87,960 | July 18, 2013 | July 18, 2015 | See below |
| Jean-Yves Mazon | July 18, 2011 | 4,473 | €91,160 | July 18, 2013 | July 18, 2015 | See below |
| TOTAL | | 18,002 | | | | |

The performance condition provided for in respect of the performance share plan of July 18, 2011 is based on the CFAO share price compared with the SBF 120 price.

If the CFAO share price is equal to or greater than the SBF 120 price at the end of the two-year vesting period, 100% of the shares granted will vest. If the CFAO share price is lower than the SBF 120 price the number of shares acquired will be reduced accordingly. This performance condition is the same for all beneficiaries of the performance share plan. There are 606 beneficiaries in total, including the three executive corporate officers, and an overall amount of 172,203 shares have been granted. As a fraction of share capital, the amount granted to each corporate officer is 0.007% for Jean-Yves Mazon and Olivier Marzloff and 0.015% for Richard Bielle.

The members of the Management Board who receive performance shares are obliged, until the end of their office, to keep a number of shares corresponding to at least 20% of the net acquisition gain (at the standard rate, as if the shares had been disposed of immediately). The Supervisory Board considered this commitment to keep shares to be a mechanism equivalent to the AFEP-MEDEF recommendation that the allocation of performance shares be conditional on the purchase of a set number of shares at the time the performance shares vest, and that it is not currently necessary to create an additional purchase obligation.

Pursuant to the law of December 3, 2008 on income from employment, in 2011 the Group implemented a specific profit-sharing agreement within the UES consisting of CFAO, SFCE and Sevragim. This agreement is based on the progressive distribution of income in accordance with the achievement of financial objectives within the scope of the agreement. Since 2010, a specific profit-sharing agreement has been in place within the companies of the pharmaceutical business in mainland France. The agreement concerns Continental Pharmaceutique, Eurapharma and EPDIS.

An initial performance share plan was implemented in December 2010, involving 97,400 shares granted to 592 beneficiaries. None of the corporate officers benefited from this plan. This was an extraordinary plan in the sense that it aimed to reward the Group's key employees who had not received stock options immediately following the IPO. This initial plan is subject to the same performance condition as described above.

The second performance share plan implemented in July 2011 falls within the scope of a more long-term profit-sharing policy aimed at rewarding and retaining key employees of the CFAO Group.

This policy is likely to be renewed in 2012 with a further performance share plan aimed at a number of beneficiaries on a par with the 2011 plan, subject to identical performance conditions that CFAO considered sufficiently demanding and whose achievement is easily verifiable. CFAO's share awards in 2012 and in future periods will take place in the same period of the year as in 2011 (i.e., June/July) to the extent that this is technically and legally possible.

Shares granted under the two performance share plans in force will be existing shares and do not therefore lead to any potential dilution of the share capital.

**Table 7 – Performance shares which became available in 2011**

As the first CFAO performance shares were granted in 2011, no shares became available in 2011.

**Table 8 – Stock options granted in the past**

**Information on stock subscription or purchase options**

| | |
|---|---|
| Date of General Meeting | November 16, 2009 |
| Date of Management Board meeting | January 4, 2010 |
| Total number of shares which may be subscribed or purchased | 1,350,000 |
| o/w the number of shares which may be subscribed or purchased by corporate officers: | 285,000 |
| • Richard Bielle | 110,000 |
| • Olivier Marzloff | 50,000 |
| • Jean-Yves Mazon | 50,000 |
| • Alain Viry(1) | 75,000 |
| Total number of beneficiaries | 237 |
| Exercise date | January 4, 2014 |
| Expiration date | January 4, 2018 |
| Subscription or purchase price | €26(3) |
| Terms and conditions for exercising rights | Right to exercise one quarter of vested options at each anniversary date on the condition that the performance criteria outlined below are met(2). |
| Number of shares subscribed at December 31, 2011 | 1,500 |
| Cumulative number of canceled or void stock subscription or purchase options(4) | 407,719 |
| Stock subscription options outstanding at year-end | 940,781 |

(1) *For his duties as Chairman of the Board of Directors of EPDIS France.*

(2) *75% of the stock options are subject to performance conditions related to the achievement of certain levels of the CFAO Group's recurring operating profit margin and free operating cash flow. If these conditions are not met, only 25% of the stock options will be exercisable.*

(3) *The subscription price includes a discount corresponding to the Company's IPO price in 2009, and the IPO documents stated that the stock options would be granted at this price.*

(4) *Certain subscription options became null and void due to the non-achievement of a performance condition stipulated at the time the stock options were granted (25% of the options initially awarded), or were canceled due to the employee leaving the Group.*

As a fraction of share capital, the amount granted to each of the Management Board members in the event that they exercise all subscription options granted is 0.08% for Jean-Yves Mazon and Olivier Marzloff and 0.18% for Richard Bielle.

Each member of the Management Board is obliged, until the end of their office, to keep a number of shares corresponding to at least 20% of the net acquisition gain.

All the beneficiaries of stock options are subject to the same performance conditions. Thus, three-quarters of the stock options granted to each beneficiary are subject to performance conditions relating to the CFAO Group's recurring operating profit margin and free operating cash flow. Consequently, financial thresholds have been set below which the options may not be exercised and above which they may be exercised in whole or in part. The level of objectives that must be achieved to meet the performance conditions has been precisely calculated, but for confidentiality reasons cannot be disclosed to the public. The remaining quarter of the options granted is not subject to performance conditions, but to a condition of presence within the Group.

The potential dilution in the event that all subscription options granted to date were to be exercised is approximately 1.5% of the share capital.

It should be pointed out that the CFAO Group's internal rules require that beneficiaries of stock options, who are considered as permanent insiders of CFAO within the meaning of French stock market regulations, do not exercise options or sell shares thus obtained (''exercise-sale'') during so called ''closed periods'' before publication of CFAO's periodic financial information. These periods vary between three and six weeks according to the dates of publication. The members of the Management Board are subject to this rule.

**Table 9 – Stock options granted during the year to the ten largest grantees among the Company's non-corporate officers**

No stock options were granted during 2011

**Table 10 – Employment contracts and indemnities**

| | Employment contract | | Supplementary pension plan | | Indemnities or benefits as a result of the termination or change of position(4) | | Indemnities related to a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes(2) | No | Yes(5) | No | Yes | No |
| Richard Bielle, Chairman of the Management Board(1) | ✓ | | ✓ | | ✓ | | | ✓ |
| Olivier Marzloff, member of the Management Board | ✓ | | ✓ | | | ✓ | | ✓ |
| Jean-Yves Mazon, member of the Management Board(3) | ✓ | | ✓ | | | ✓ | | ✓ |

(1) *Richard Bielle's employment contract, which was initially entered into on February 8, 1999, was suspended on September 1, 2010. The reason for the simultaneous holding of the suspended employment contract and the office as Chairman is presented in section 16.1, II ''Principles and rules approved to determine the compensation of corporate officers'' of this Reference Document.*

(2) *Based on their employment contracts with the Company, Olivier Marzloff and Jean-Yves Mazon benefit from a defined contribution pension plan for which the contributions at the rate of approximately 4% are entirely covered by the Company, as is the case for the members of the Group's Executive Committee. Richard Bielle benefited from this plan on the same basis and has continued to benefit on the basis of his corporate officer position since the suspension of his employment contract. Section 15.2 below sets out the expense recognized in connection with the pension plans for the three members of the Management Board.*

(3) *Jean-Yves Mazon has had an employment contract with CFAO since March 8, 2010.*

(4) *Excluding any severance payments payable in the event of termination of the employment contract pursuant to legal provisions or the relevant collective bargaining agreement.*

(5) *Termination indemnities are described below.*

From his appointment as Chairman of the Management Board in October 2009 and until September 1, 2010, Richard Bielle continued to hold his previous employment duties within the CFAO Automotive division, due to his unique technical expertise within the Group in this business. At the time of the Company's flotation, it was considered that this simultaneous holding of employment duties and the position as Chairman did not contradict the objectives of the AFEP-MEDEF Corporate Governance Code, i.e., the protection of the Company's and shareholders' interests.

However, based on the plans for the CFAO Group's development, a decision was made that Richard Bielle should henceforth dedicate his work time first and foremost to his role as corporate officer. As such, the Supervisory Board decided to suspend his employment contract for the length of his term of office as Chairman. Compensation related to this contract was reallocated to his corporate officer position, and the objectives used to determine the variable portion of his compensation did not change.

As Richard Bielle's employment contract was suspended and given his age and the fact that he is not entitled to retirement benefits in the near future, the Company's Supervisory Board, which met on August 30, 2010, decided to grant him termination indemnities, within the scope of his corporate office, should he be forced to leave his position as a result of a change in control of the Company or a change in strategy, which previously fell under Richard Bielle's responsibility, regardless of whether this change in strategy is the result of a change in control.

This termination indemnity would depend on and be adjusted in accordance with the following three performance conditions:

- Growth in consolidated revenue, excluding the acquisition of new lines of business or the sale of existing lines of business, exceeding on average 5% per year between 2010 and the fiscal year preceding the year of departure (all dates inclusive);
- A ratio of net operating income to capital employed exceeding the consolidated weighted average cost of capital (WACC) over the entire period between January 1, 2010 and the end of the fiscal year preceding the year of departure (all dates inclusive);
- CFAO share performance exceeding 85% of the performance of the SBF 120 over the entire period between the day the shares were first listed and the end of the fiscal year preceding the year of departure (all dates inclusive).

Richard Bielle would have the right to receive (i) 100% of his termination indemnity if all the performance criteria described above were exactly met, (ii) 66% of his termination indemnity if two of the performance criteria described above were met, and (iii) 33% of his termination indemnity if only one of the performance criteria described above was met.

These performance conditions may be reviewed by the Supervisory Board in accordance with changes in circumstances and the economic environment.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the maximum amount of this indemnity must not exceed twice the amount of Richard Bielle's last annual gross target compensation (fixed compensation and variable compensation when objectives are exactly met) for his duties as Chairman at the date of his departure. In the event that Richard Bielle's employment contract is terminated by the Company during the six-month period following the end of his term of office as Chairman, the total amount of dismissal indemnities payable to Richard Bielle, pursuant to legal provisions, a settlement agreement or the applicable collective bargaining agreement, and the amount of the termination indemnity payable to him in respect of the end of his term of office must not exceed two years of annual gross target compensation. Where applicable, the indemnities payable to him in respect of his corporate office may be reduced proportionally so that the total amount does not exceed this maximum limit. In the event that Richard Bielle had already received indemnities in respect of his corporate office, he would have to repay the corresponding amount.

This maximum limit does not include any damages that Richard Bielle could claim owing to the circumstances of his departure.

In the event that his term of office as Chairman ends followed by the termination of this employment contract, Richard Bielle may not, under certain conditions relating to the length of suspension of his employment contract and the date of termination of the contract, be eligible for the unemployment benefits available to employees or may only benefit from a very short indemnity period with respect to his number of years of service within the Company. Consequently, the Supervisory Board also authorized the Company to subscribe, in the name and on behalf of Richard Bielle, to an executive unemployment insurance policy with Garantie Sociale des Chefs et Dirigeants d'Entreprise.

## 15.2 Total amounts set aside or recognized for retirement or similar benefits

The Company has not set aside any provisions for the payment of pension, retirement or other similar benefits for its corporate officers. In 2011, it recognized an expense of €29,696 in connection with the defined contribution pension plans for Richard Bielle, Olivier Marzloff and Jean-Yves Mazon.

## 15.3 Securities transactions carried out by the Company's corporate officers

In accordance with Article 233-26 of the General Regulation of the AMF, shareholders must be informed of all acquisitions, sales, subscriptions and exchanges of the securities of CFAO carried out by members of the Management Board or the Supervisory Board of the Company.

To the best of CFAO's knowledge, the only share transaction during the year concerned Jean-Charles Pauze, member of the Supervisory Board appointed in February 2011, who purchased 250 shares for a total amount of €7,321 on February 14, 2011, in order to bring his shareholding to the minimum number of shares as stipulated in the by-laws.

# CHAPTER 16 – BOARD PRACTICES

**Cross-reference table**

The cross-reference table below identifies in this chapter the information required by Annex I of European Regulation (EC) 809/2004 implementing European Directive 2003/71/EC known as the ''Prospectus Directive''.

| European Regulation Nomenclature | | Section(s) of this Reference Document |
|---|---|---|
| 16.1 | Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office | 14.1 |
| 16.2 | Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries | 14.2 |
| 16.3 | Information about the issuer's Audit Committee and Compensation Committee | 16.1 – I |
| 16.4 | Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime | 16.1 – Introduction |

## 16.1 Report by the Chairman of the Supervisory Board to the Shareholders' Meeting on Corporate Governance and Internal Control for 2011

The purpose of this report is to present an overview of the composition, organization and operation of the Supervisory Board, as well as the internal control and risk management procedures implemented by CFAO (''CFAO'' or ''the Company'') and its subsidiaries (''the Group'').

This report has been drawn up in accordance with Article L.225-68 of the French Commercial Code (*Code de commerce*) and the recommendations made by the French financial markets authority (*Autorité des marchés financiers* – AMF), in particular in its December 13, 2011 report on corporate governance and management remuneration.

The Chairman of the Supervisory Board tasked the departments responsible for internal audit, finance and legal affairs with the responsibility of conducting the work to prepare this report, which was then reviewed by the Audit Committee and approved by CFAO's Supervisory Board on March 19, 2012.

With regard to its corporate governance structure, CFAO, which has been listed on Euronext Paris (Compartment A) since December 3, 2009, has decided to follow the recommendations for listed companies set out in the December 2008 Corporate Governance Code of the AFEP (*Association Française des Entreprises Privées*) and the MEDEF (*Mouvement des Entreprises de France*) that is available on the MEDEF's website (www.medef.fr), as amended on April 19, 2010 by a recommendation on the representation of women on boards. The provisions of this Code (''the AFEP-MEDEF Code'') that are not applied by CFAO will be specified in this report.

As regards internal control, the Company's administrative and supervisory bodies have delegated to the Company's management the task of implementing internal control procedures in order to ensure a true and fair presentation of the accounts and obtain reasonable assurance of the representation of the assets, liabilities and possible risks of any kind that may prevent the Company from achieving its objectives. As a basis, CFAO used the Reference Framework for risk management and internal control systems proposed by the AMF on July 22, 2010, to describe such systems within the Company.

## I. SUPERVISORY BOARD AND COMMITTEES

*A. Supervisory Board*

- **Composition**

There were seven members on the Supervisory Board in 2011: Alain Viry (Chairman), François-Henri Pinault (Vice Chairman), Jean-François Palus, Alexandre Vilgrain, Pierre Guénant, Cheick Modibo Diarra and Nathalie Delapalme. Alexandre Vilgrain was replaced by Jean-Charles Pauze on February 8, 2011. Cheick Modibo Diarra's term of office ended during the Annual General Meeting of May 20, 2011 and was not renewed, at his request.

There were four independent members, who thus represented more than half of the members of the Board until May 20, 2011: Nathalie Delapalme, Alexandre Vilgrain (succeeded by Jean-Charles Pauze), Pierre Guénant and Cheick Modibo Diarra. The independence of these members is reviewed each year by the Nomination Committee, followed by the Supervisory Board which acts on the recommendations of the latter, before the Company's annual report is published.

The term of office of members of the Supervisory Board lasts four years. However, the lengths of the terms of office of the first Board members appointed in October 2009, when the governance structure with Supervisory and Management Boards was adopted, are different (two, three and four years), so that the renewals of their terms of office are staggered in accordance with the recommendations of the AFEP-MEDEF Code.

Finally, in accordance with the provisions of the French law dated January 27, 2011 on professional equality and the balanced representation of women and men on boards of directors and supervisory boards, amending in particular Article L.225-68 of the French Commercial Code, pursuant to which this report has been drawn up, the principle of balanced representation of women and men will be applied for the Board in accordance with applicable law. The Board will comply with these provisions before the legal time limit, although it is impossible to define the exact timeline as identifying suitable candidates depends on several criteria. It should also be noted that since 2010 the Company has complied with the recommendations of the AFEP-MEDEF Code regarding the representation of women, and that a woman, Nathalie Delapalme, joined the Board and the Nomination and Sustainable Development Committees in May 2010.

All the information on the composition of the Supervisory Board is provided in Chapter 14 of this document.

- **Operation**

The Supervisory Board's rules of operation are set out in the internal rules that were adopted on October 5, 2009. Based on these internal rules, the Board puts in place continuous controls over the management of the Company by the Management Board, in accordance with the applicable legal provisions, the Company's by-laws and the internal rules of the Board and of its committees. Throughout the year, the Board carries out controls and verifications as it deems appropriate and may ask to receive any documents that it may need to complete its work.

In particular, at the end of each half year, the Supervisory Board verifies and controls the interim and annual statutory and consolidated financial statements prepared by the Management Board. Each year at the Ordinary Shareholders' Meeting, the Supervisory Board presents a report with its observations on the management report of the Management Board as well as the statutory and consolidated financial statements for the last fiscal year.

The Management Board provides the Supervisory Board with information on a regular basis about the Group's management objectives and the results of these objectives, as well as policies regarding capital expenditure, controlling risk exposure and human resources management, and how these policies have been implemented within the Group. The Supervisory Board is called on, as needed, by the Management Board for any extraordinary situations.

The Supervisory Board's internal rules also set out the obligations of Board members as described in section 17 ''Deontology for Directors'' of the AFEP-MEDEF Code. In particular, each member must own at least 250 CFAO shares. The Supervisory Board's internal rules also stipulate that its members may ask to receive special training related to the Company's business activities, that they may obtain information as needed or call on the members of the Management Board or the CFAO Group's key senior managers. Finally, members of the Board may generally obtain information on a continuous regular basis on the Company's results, activities and developments.

The Supervisory Board's internal rules set out the procedures for Board meetings. Thus, the Supervisory Board is convened – by any means, even verbally – by the Chairman, or if the Chairman is unable to do so, by the Vice Chairman. However, the Chairman must convene the Supervisory Board when at least one member of the Management Board or at least one-third of the members of the Supervisory Board gives him a written request to do so, and such meeting must be convened within fifteen days of receipt of this request. If no such meeting is convened, those requesting the meeting may convene the meeting themselves, indicating the agenda for the meeting.

The Supervisory Board meets at least once every three months, in particular to review the quarterly business review that must be presented by the Management Board after it is reviewed by the Audit Committee, as well as to verify and control the documents and information provided by the Management Board, and at any other time based on the interest of the Company. The length and frequency of meetings must be such that they allow for in-depth review and discussion of the topics within the purview of the Supervisory Board.

Board meetings are chaired by the Chairman or, in his absence, by the Vice Chairman. In the absence of both the Chairman and the Vice Chairman, meetings are chaired by a member appointed by the Board. Members are deemed present at Board meetings when they participate in meetings by video conference or other means of telecommunications that allow them to be identified and that ensure actual participation, in accordance with the applicable laws and regulations.

The Supervisory Board's internal rules set out the procedures for assessing the operation of the Supervisory Board. Thus, once a year, the Supervisory Board must, after reviewing the Nomination Committee's report, devote one point on its agenda to assessing its operating procedures, verifying that the important issues are properly prepared and discussed by the Supervisory Board, and assessing the actual contribution of each member to the Supervisory Board's work with regard to his expertise and his involvement.

Based on the Nomination Committee's report, a formal assessment must be conducted by the Board every three years. This may be carried out under the direction of an independent Supervisory Board member, and if necessary, with the assistance of an independent consultant. Under the same conditions and based on the same frequency, the Supervisory Board assesses the operating procedures of the permanent committees established within the Board. The annual report informs shareholders of the assessments carried out and any possible follow-up that is necessary.

In October 2011, the Supervisory Board analyzed how it operates and how its committees operate. This analysis showed that the permanent information provided to the Board had been improved and was satisfactory. In terms of areas of improvement of its operation, it was decided that the Board would hold a ''strategy'' meeting once a year with the participation of the divisional managers, with a view to optimizing discussion on strategic issues. Finally, the Supervisory Board reviewed the way in which work is shared out among the various boards at the start of the year to enable meetings to run more smoothly.

In 2011, the Board met seven times with an average attendance rate of 90% and an average meeting time of two hours. In particular, the Board reviewed the annual and interim financial statements, as well as the annual management report and the interim report, reviewed the content of the quarterly financial information, as well as the compensation and performance shares awarded to corporate officers, and reviewed the Company's medium-term strategic plan.

Four specialized committees assist the Board: the Audit Committee, the Compensation Committee, the Nomination Committee and the Sustainable Development Committee.

### *B. Audit Committee*

As regards the composition and operation of the Audit Committee, CFAO complies with the recommendations of the AMF's July 22, 2010 working group report on audit committees.

- **Composition**

The members of the Audit Committee in 2011 were Jean-François Palus, who chaired the Committee, and Pierre Guénant and Alexandre Vilgrain, the latter being replaced by Jean-Charles Pauze in February 2011. Pierre Guénant and Jean-Charles Pauze are independent Board members and bring rich and extensive business management experience to the Company, not to mention significant expertise in financial and accounting matters.

- **Operation**

The Audit Committee ensures the follow-up of questions relating to the preparation and auditing of accounting and financial information in order to facilitate the Supervisory Board's control and review thereof. To this end, the Audit Committee is primarily responsible for monitoring: (i) the preparation process for financial information; (ii) the effectiveness of internal control, internal audit and risk management systems related to financial and accounting information; (iii) the audit by the Statutory Auditors of the statutory and consolidated financial statements; and (iv) the independence of the Statutory Auditors.

The Audit Committee's internal rules stipulate that it has the means that it deems necessary at its disposal to carry out its responsibilities. In particular, the Audit Committee can call on, even without the presence of the Company's management, the expertise of the Internal Audit Director or Finance Director, as well as the Statutory Auditors, and if necessary, audit firms or other experts of its choice. The Committee may also contact members of the Management Board after informing the Chairman of the Supervisory Board. The Committee is sent important documents that fall within its purview (documents from financial analysts, summaries of audit work performed and any additional research needed).

The Audit Committee's review of the annual and interim financial statements includes a report by management on the main points of the results and the accounting options used, a report by the Statutory Auditors on the conclusions of their work, as well as a report by the Finance Department to the Committee on the Group's risk exposure and material off-balance sheet commitments (off-balance sheet commitments for 2011, including, in particular, off-balance sheet commitments related to the syndicated credit facility put in place by the Company, are described in Note 33 ''Contingent liabilities, contractual commitments not recognized and other contingencies'' to the consolidated financial statements). The Company also strives, as far as possible, to comply with the two-day deadline for reviewing the financial statements before they are reviewed by the Board, and does its utmost to submit the documents to be reviewed to the Committee members well in advance so that they can perform their analysis under the best possible conditions.

In 2011, the Audit Committee met six times with an average attendance rate of 89% and an average meeting time of 2 hours and 40 minutes. It met in particular to review the annual and interim financial statements, the related reports, the quarterly business review from the Management Board to the Supervisory Board and the documents relating to financial information.

*C. Compensation Committee*

- **Composition**

A Compensation Committee was created in October 2009, when the Company adopted a governance structure with a Supervisory Board and a Management Board. In 2011, the members of this Committee were François-Henri Pinault, who also chaired the Committee, and Cheick Modibo Diarra and Pierre Guénant, who are independent members of the Board. Cheick Modibo Diarra's term of office as member of the Board ended in May 2011. He therefore stepped down as member of the Compensation Committee as of this date, and was replaced on the Committee by Jean-Charles Pauze, who is also an independent member of the Board.

- **Operation**

The Compensation Committee primarily assists the Supervisory Board in establishing and periodically assessing the compensation and benefits of the executive corporate officers and senior executives of the Company, including any deferred benefits and/or severance pay for voluntary or compulsory departures. To this end, the Compensation Committee is primarily responsible for: (i) reviewing and proposing to the Supervisory Board all of the various components of and conditions for the compensation of members of the Management Board and the key senior managers of the CFAO Group, and (ii) examining and proposing to the Supervisory Board the method for allocating directors' fees.

In 2011, the Compensation Committee met twice with an average attendance rate of 83% and an average meeting time of 1 hour. In particular, it decided on the variable compensation of the members of the Management Board for 2010, based on set criteria. It also decided on the fixed compensation of the Chairman and members of the Supervisory Board for 2011, and authorized performance shares to be awarded to members of the Board.

### *D. Nomination Committee*

- **Composition**

A Nomination Committee was set up in October 2009, when the Company adopted a governance structure with a Supervisory Board and a Management Board. In 2011, the members of the Committee were Alain Viry, who chaired the Committee, and Nathalie Delapalme and Alexandre Vilgrain, who are independent members of the Board. Alexandre Vilgrain, who resigned, was replaced by Jean-Charles Pauze in February 2011. Jean-Charles Pauze is also an independent member of the Board.

- **Operation**

The Nomination Committee assists the Supervisory Board in appointing individuals to the Company's management and supervisory bodies. To this end, the Nomination Committee is primarily responsible for: (i) proposing appointments to the Supervisory Board, the Management Board and the various committees, and (ii) assessing the independence of the members of the Supervisory Board each year.

In 2011, the Nomination Committee met twice with an average attendance rate of 100% and an average meeting time of 1 hour and 20 minutes. It met in particular at the beginning of 2011 to review and confirm the independence of the members of the Supervisory Board who are deemed independent. It also reviewed the appointment and succession plans within the management and supervisory bodies, as well as within the Group's Executive Committee. Finally, the Nomination Committee assessed how the Board and its Committees operate and issued opinions on possible areas of improvement to the Board members in October 2011 (see section A ''Supervisory Board'' above).

### *E. Sustainable Development Committee*

- **Composition**

In late 2009, the Supervisory Board decided to create a Sustainable Development Committee, which, like the Board's other committees, has its own set of internal rules. In 2011, the members of the Committee were Alain Viry, who chaired the Committee, and two independent Board members, Nathalie Delapalme and Cheick Modibo Diarra. Cheick Modibo Diarra's term of office ended in May 2011 and he was replaced on the Sustainable Development Committee by Pierre Guénant, who is also an independent member of the Supervisory Board. Thus, in accordance with its internal rules, the Committee is still made up of three members, including at least two independent members.

- **Operation**

The Sustainable Development Committee assists the Company in designing, implementing and ensuring proper corporate governance in light of its recent IPO, its autonomy vis-à-vis the PPR group, its inherent obligations of disclosure and transparency, as well as its ethical goals and the CFAO Group's principles and practices as regards corporate social responsibility.

In 2011, the Sustainable Development Committee met twice with an attendance rate of 100% and an average meeting time of 1 hour and 40 minutes. It met in particular to review the corporate governance report, employee information and environmental information included in the Company's annual report, and to review the various options being considered by management for the creation of a compliance program, including the appointment of a compliance officer within the Group.

## II. PRINCIPLES AND RULES APPROVED TO DETERMINE THE COMPENSATION OF CORPORATE OFFICERS

The Group's compensation policy is designed to attract and retain qualified and experienced employees in order to help make the Company successful and enable it to achieve, first and foremost, its commercial objectives. As regards the compensation policy for its corporate officers (*mandataires sociaux*), the Company intends to adhere to the recommendations of the AFEP-MEDEF Code, with certain exceptions mentioned below.

As such, it should be noted that Richard Bielle, Chairman of the Management Board, retained his employment contract with the Company until August 31, 2010, at which time his contract was suspended. Based on the plans for the CFAO Group's development, a decision was made that Richard Bielle should leave his technical duties and henceforth dedicate his work time first and foremost to his role as a corporate officer. As such, the Supervisory Board decided to suspend his employment contract for the length of his term of office as Chairman. Compensation related to this contract was reallocated to his corporate office, and the objectives used to determine the variable portion of his compensation did not change.

Although the AFEP-MEDEF Code recommends that the Chairman of the Management Board's employment contract should be terminated, the Supervisory Board believed there was just reason to suspend his contract in view of Richard Bielle's number of years of service within the CFAO Group (13 years).

It should also be noted that the initial stock option plan implemented since the Company's stock market listing provides for a performance condition related to the exercise of three-quarters (but not all, as recommended by the AFEP-MEDEF Code) of the options to be granted (see below).

In this regard, since the Company has a main shareholder that is represented on the Supervisory Board, the management believed that the terms and conditions of the stock option plan mentioned above would not contradict the objectives of the Code, i.e., the protection of the Company's and shareholders' interests.

Although the AFEP-MEDEF Code recommends that the allocation of performance shares be conditional on the purchase of a set number of shares by senior managers, at the time the performance shares vest, the Supervisory Board considered such a mechanism equivalent to the obligation for executives to keep part of their performance shares beyond the vesting date and that it was therefore not necessary to create an additional purchase obligation. Members of CFAO's Management Board who receive performance shares are thus obliged, until the end of their office, to keep a number of shares corresponding to at least 20% of the net acquisition gain.

- Compensation

The annual compensation of each member of the Management Board includes a fixed portion and a variable portion. In 2011, the Supervisory Board decided that the variable portion of compensation would be based on the achievement of objectives set each year by the Supervisory Board. These would include financial objectives linked to levels of Group recurring operating income and Group free operating cash flow, as well as financial objectives specific to Eurapharma for Jean-Yves Mazon, and qualitative objectives for Olivier Marzloff and Jean-Yves Mazon in their respective capacities as head of a functional division and head of an operating division.

The variable portions for 2011 and the criteria for determining the variable portion for 2012 are presented in Chapter 15 of the 2011 Reference Document forming part of the Company's management report. In 2011, two Management Board members received profit-sharing in respect of their employment contract. Members of the Management Board also receive customary benefits in kind as presented in Chapter 15 of the 2011 Reference Document.

The Company's Supervisory Board also allocated gross annual fixed compensation of €180,000 to Alain Viry, in his capacity as Chairman of the Supervisory Board and throughout the length of his term of office. In this role Alain Viry has a special duty, which involves publicly representing the CFAO Group, particularly with governments, institutions and major clients.

Members of the Supervisory Board receive attendance fees, and the Chairman of the Supervisory Board receives fixed compensation for his duties. There is a fixed amount set for the attendance fees allocated to each member of the Supervisory Board, and the Supervisory Board may decide to reduce these amounts based on effective meeting attendance. The annual amounts are €60,000 for Alain Viry and €40,000 for each of the other members of the

Supervisory Board for their duties, plus €10,000 for the chairmanship of each committee and €5,000 for membership on each of the Board's specialized committees. The amounts of attendance fees paid in 2011 are provided in Chapter 15.

- Termination indemnities for the Chairman of the Management Board

As Richard Bielle's employment contract was suspended and given his age (49 years old) and the fact that he is not entitled to retirement benefits in the near future, in 2010, the Company's Supervisory Board decided to grant him termination indemnities, within the scope of his corporate office, should he be forced to leave his position as a result of a change in control of the Company or a change in strategy, which previously fell under Richard Bielle's responsibility, regardless of whether this change in strategy is the result of a change in control. The termination indemnities were granted in accordance with the recommendations of the AFEP-MEDEF Code regarding severance pay. They are detailed in Chapter 15 of the 2011 Reference Document forming part of the Company's management report.

- Supplementary defined contribution pension plan

It should be noted that Richard Bielle, Olivier Marzloff and Jean-Yves Mazon, who are members of the Company's Management Board, benefit, based on their employment contracts, from a funded pension plan for which contributions are entirely covered by the Company, as is the case for members of the Group's Executive Committee. Richard Bielle has continued to benefit from this supplementary defined contribution pension plan (Article 83) since his employment contract was suspended in August 2010.

- Stock subscription options and performance shares

The extraordinary stock option plan put in place by the Company in January 2010 relates specifically to the reorganization plan and the Company's IPO. Therefore, this plan does not reflect, neither in terms of the number of beneficiaries nor in terms of the number of options granted, the Company's future stock option policy. The Company believes that the proportion of subscription options that are not subject to performance conditions compared with those that are subject to such conditions is fair in light of the beneficiaries' efforts in connection with the above mentioned reorganization plan. The details of this stock option plan are presented in Chapters 15 and 17 of the 2011 Reference Document forming part of the Company's management report.

The two performance share plans implemented in 2010 and 2011 are subject to performance conditions. Only the 2011 plan includes members of the Management Board as beneficiaries. These plans are described in Chapter 15 of the 2011 Reference Document forming part of the Company's management report [in section 15.1, below table 6].

The internal rules of the Company's Compensation Committee also stipulate that members of the Management Board must refrain from hedging the risks related to their stock options or performance shares.

Furthermore, the Supervisory Board decided to require members of the Management Board to comply with a lock-up period for their shares resulting from exercising subscription options or performance shares. These obligations are described in Chapter 15 of the 2011 Reference Document forming part of the Company's management report [in section 15.1, table 6].

## III. LIMITATIONS IMPOSED ON THE POWERS OF THE MANAGEMENT BOARD

CFAO's by-laws stipulate that, in addition to the transactions that require the Supervisory Board's prior authorization under applicable legislation and regulations, the following decisions of the Management Board also require such approval:

i. transactions that may substantially affect the CFAO Group's strategy, financial structure or business scope;

ii. issuances of securities, regardless of their nature, that may modify the Company's share capital structure;

iii. the following transactions, if they exceed an amount determined by the Supervisory Board:

    - any investment in any company formed or to be formed, any investment in the formation of any company, group or organization, any subscription to any issuance of shares, securities or bonds;

- any exchanges, with or without set-off, involving assets, shares or securities, any acquisitions of buildings or other property, any acquisition or transfer, by any means, of any receivables.

The Supervisory Board's internal rules stipulate that it must ensure that sufficient information is provided in order for the Supervisory Board to approve any strategic transaction or any significant transaction that is not within the strategy announced by the Group.

The Supervisory Board of the Company set a €20 million threshold above which the transactions described in point (iii) above must receive prior authorization. This amount is set as an annual ceiling per transaction.

The Supervisory Board set a ceiling of €20 million above which the Management Board must obtain prior authorization from the Supervisory Board for: (i) commitments in the form of guarantees, bonds, endorsements or other sureties, however, the prior authorization or limitation of amount will not apply to guarantees, bonds, endorsements for the benefit of tax or customs authorities, and (ii) transfer transactions (total or partial) of real property or investments.

## IV. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IMPLEMENTED BY THE COMPANY

The description of CFAO's system is based on the general principles set out by the AMF in its Reference Framework published in 2007 and updated in 2010.

This description is broken down as follows: (1) General framework, (2) Components of the system and (3) Players.

### *IV.1. General framework for the system implemented by the Company*

#### *A. Definition of the system*

Risk management and internal control involve a continuous process overseen by the Management Board under the supervision of the Supervisory Board. This process is implemented by all employees at all levels of the organization.

The risk management and internal control system is made up of a combination of resources, behaviors, procedures and actions that help:

- keep risk exposure at a level that is acceptable for the Company;
- ensure oversight of its activities, make its operations effective and allow efficient use of its resources.

#### *B. Scope of the system*

The system applies to all of the consolidated companies covering all divisions (CFAO Automotive, Eurapharma, CFAO Industries, Equipment and Services), including the holding company.

It is the product of the various improvements in risk management and internal control made by CFAO to oversee its operations within its subsidiaries. The system has been strengthened considerably since 2003 and takes into account the changes that came with the French Financial Security Act (*Loi de Sécurité Financière*) and the AMF's Reference Framework, which was published in 2007 and updated in 2010.

#### *C. Objectives of the system*

The system implemented helps:

(1) anticipate risks affecting the Company;

(2) preserve the Company's assets;

(3) make decision-making and operating processes more secure, particularly those concerning the safeguarding of assets;

(4) ensure application of the instructions and strategic plans set by the Management Board by using tools and procedures that allow employees to understand what is expected of them and assess the effectiveness of the controls performed;

(5) ensure that operating managers are aware of the inherent risks of the activities for which they are responsible and train them rigorously to apply the controls set out;

(6) ensure that financial information is reliable and that it complies with applicable laws, regulations and accounting principles in force.

*D. Limits of the system*

Handling risks involves implementing controls to eliminate or reduce the probability that these risks will occur and/or their financial impact. No matter how well it is applied, the system implemented cannot, however, alone guarantee absolute control over internal processes and full achievement of objectives.

The process for handling risks is subject, like any other process, to limits related to:

- uncertainties resulting from the environment;
- internal problems resulting from human or technical failures;
- collusion among several individuals with a view to making controls fail;
- the cost of internal control itself if it is deemed too costly to maintain.

*IV.2. Components of the system implemented*

*A. Organization*

CFAO is a holding company with no operating activity of its own. Most operations are conducted via subsidiaries, which own most of the assets to be protected and generate practically all the cash flow to be safeguarded.

The Company's organizational and internal control framework was designed taking into account the specific way that CFAO operates. The organization implemented is based on:

- the granting of powers and responsibilities necessary for the smooth running of operations carried out by the various subsidiaries within their respective scopes;
- the separation of roles in order to ensure better control of activities;
- a definition of roles and responsibilities of the players involved in risk management and internal control;
- the internal communication of relevant and reliable management information that can be used to enable everyone to carry out their responsibilities.

**i. Management Board and departments reporting to the Management Board**

The Supervisory Board and the Management Board have been the Company's governing bodies since October 5, 2009.

The Management Board is assisted by an Executive Committee made up of 20 members, including the Chairman of the Management Board, the key senior operating managers (chief executives of the divisions and heads of business lines and geographic areas), and functional department heads (Development, Human Resources, Finance and the Corporate Secretary). The Executive Committee meets on a monthly basis to discuss ongoing business, major projects underway and any new issues to be dealt with.

The collegial Management Board controls the production of the statutory and consolidated financial statements in accordance with accounting standards and regulations. The Tax and Legal Affairs, Internal Audit, Investor Relations and IT Departments report directly to the Corporate Secretary, who is a member of the Management Board. The IT Department implements the resources to ensure that the tools are adapted to the organization's current objectives and that they are designed so that they can handle its future objectives. The Finance Department reports to the Chief Financial Officer, who is also a member of the Management Board.

The Human Resources Department, which reports directly to the Management Board, leads and oversees the human resources policy for compensation, training, recruiting and career development. The internal control process is based on (i) selecting skilled employees, offering them opportunities for continuous training and personal development, and (ii) assessing individual performance, including performance related to achieving internal control objectives.

#### ii. Divisions and business line departments

The Group currently has three divisions and operates, as follows, in 34 countries, including 31 African countries, and seven French overseas territories:

- **CFAO Automotive**, which is made up of four business lines that are organized geographically, operates in 30 countries located in the Maghreb (Algeria, Morocco) and Sub-Saharan Africa, as well as in four French overseas territories and Mauritius. The division has also had a network of dealerships in Vietnam since 2007.
- **Eurapharma** (which is a separate business line) currently operates in 20 African countries and seven French overseas territories (Guadeloupe, French Guiana, Martinique, New Caledonia, French Polynesia, Reunion and Saint Martin) as a major importer/distributor of pharmaceutical products.
- **CFAO Industries, Equipment & Services** (which is a separate business line) currently operates in 10 countries and consists of industrial activities (beverages and various light industrial activities), equipment (materials, machinery, elevator installation and maintenance) and services (short- and long-term vehicle rental, engineering and IT solutions).

Each business line director has a finance director or a business controller who reports to him/her and who is responsible for continuously ensuring the quality of the management and control of the subsidiaries within his/her remit. These responsibilities include, in particular, managing the budget process, supervising monthly budget control, overseeing the production of reports from the business lines and ensuring the quality of internal control.

#### iii. Subsidiaries

The Company holds direct and indirect interests in over 140 subsidiaries operating mainly in French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa, the Maghreb, the French overseas territories, Mauritius, Vietnam and mainland France. The Company has primarily two types of subsidiaries: central purchasing offices and distribution subsidiaries.

- **Central purchasing offices –** The Company has central purchasing offices in France and Mauritius. Central purchasing offices are used to pool and centralize the direct purchases of the distribution subsidiaries. Centralizing purchasing offers a means to control volume and purchasing terms for subsidiaries, and is also used to centralize the management of foreign exchange risks for supplies.

  Oversight by the business line departments for orders from distribution subsidiaries strengthens these control procedures.
- **Distribution subsidiaries –** The Company operates through distribution subsidiaries spanning 34 countries, including 31 African countries and seven French overseas territories.

### *B. Principles and values*

The Group's principles and values with regard to internal control and business ethics, that guide the Group's business culture and that all senior managers and employees are asked to demonstrate in their professional behavior every day, are expressed and communicated in the form of two documents: CFAO's Internal Control Charter and Code of Business Conduct.

The Charter reflects CFAO's desire to require a personal commitment from all managers in carrying out their day-to-day controls. This Charter includes specific sanctions if the necessary means to achieve a satisfactory internal control environment are not implemented by management.

The CFAO Group applied PPR's Code of Business Conduct until its IPO and then disseminated its own Code in 2010. The Code is available on the CFAO website (www.cfaogroup.com) under the headings Sustainable Development/Code of Business Conduct. All of the employees from these subsidiaries have received detailed information about the content of this Code.

This Code reaffirms the principles and values that must guide the CFAO Group's employees every day as they conduct business, by making reference to standards as regards ethics, social and environmental responsibility, and corporate governance. In particular, as regards efforts to prevent insider trading, CFAO has put in place measures to protect sensitive information by establishing periods during which employees who have access to privileged information must refrain from trading in Company shares.

### *C. Risk management process*

#### *1) Identifying and analyzing the main risks*

Each year, the Company submits risk mapping for the main risks to which it is exposed to the Audit Committee. The main categories of risks that may have an impact on the Company's performance are described in Chapter 4 of the management report constituting the same chapter of the 2011 Reference Document.

- risks relating to the economic and regulatory environment;
- risks relating to the Group's business;
- risks relating to the Group;
- market risks.

#### *2) Processing risks and link with internal control*

The actions undertaken by the Company to process the risks identified are provided in Chapter 4 of the Reference Document mentioned above. Specifically, the Group's exposure to foreign exchange risks is described in this Chapter, as well as in Note 29.2 ''Exposure to foreign exchange risk'' to the consolidated financial statements. This Chapter also presents the measures taken by the Company to manage or limit these risks whenever possible.

Risks affecting the consolidated subsidiaries (for all business activities) where most of the Company's transactions take place are processed using specific control procedures that are integrated into the following operating processes:

- investment decisions and monitoring assets;
- purchasing decisions and monitoring trade payables;
- monitoring inventories, transported goods and costs of sales;
- monitoring work in progress (workshops and sites);
- sales decisions and monitoring trade receivables (credit and collection);
- monitoring cash and bank transactions;
- validating pay and monitoring employee benefits;
- accounting entry of transactions and monitoring monthly account closing;
- monitoring access to IT applications and data protection and hardware.

### *D. Internal control procedures*

#### *1) Control procedures: documentation and communication*

#### ***i. Internal Control Self-Evaluation Guide***

All of the Company's key control points are included in an Internal Control Self-Evaluation Guide, which is a common reference for all of the operating subsidiaries.

This Guide defines more than 300 internal controls covering all of the subsidiaries' activities. It is available online for all of the Company's subsidiaries and is used for training purposes. It is an essential tool for communicating control procedures within the Company.

It is presented as a questionnaire presenting risk assessment alongside solutions provided by the control system. The standards set out are listed in order of the level of the risk involved. Fifty of these standards are categorized as ''Key Standards'', which must be applied. This Guide is used to help employees with the annual self-evaluation carried out by the subsidiaries (see IV.2.F). Each employee involved has the information needed so that the risk management and internal control system operates properly and is monitored continuously given the objectives assigned to him/her.

***ii. Other achievements***

In 2011, the documentation of the Company's internal control procedures was enhanced by the following measures:

- Creation of an information kit summarizing the ''Key Standards'' for control evaluated in the Group's assessment program (Internal Control Improvement Plan ([PACI] – see section E.2 below). This kit contains a simplified plan aimed essentially at start-up activities which, because of their light organizational structure, may be faced with practical difficulties when implementing their controls. It thus rounds out the Internal Control Self-Evaluation Guide.
- Drafting of detailed internal control information regarding the application of ''Key Standards'' for control within the management systems environment of CFAO Automotive (Incadea and Autoline). This information is aimed at the subsidiaries' operating management and enhances the Internal Control Self-Evaluation Guide by enabling controls to be carried out via the information systems.

Information about these measures was disseminated and/or published on CFAO's intranet site to ensure improved communication with the operating teams.

*2) Internal control procedures relating to the preparation and processing of financial information*

Using the organization of the management accounting function, the Company has implemented a system that is used internally to communicate relevant and reliable information that can be used to enable everyone to carry out their responsibilities in a timely manner. Procedures for budgets, reporting and the preparation of annual and interim consolidated financial statements that are specific to CFAO have existed since the Company's IPO in 2009. Monthly reporting from subsidiaries is sent every month (on the sixth business day of the following month) to the finance directors or business controllers of the business lines and to the Company's Consolidation Department.

Management meetings are organized every month by the Chairman of the Management Board with each division, between the eleventh and fifteenth business day of the following month. The Corporate Secretary, Finance Director, Reporting Director, business line director and his/her finance director/business controller participate in this meeting, during which the management of the business line presents the changes in the business activities and results of the subsidiaries under his/her responsibility. The highlights and the main operating events of the month are also presented at these meetings.

The annual and interim consolidated financial statements are drawn up based on reporting plus specific notes to the financial statements.

Financial information that must be published each quarter is reviewed by the Audit Committee and the Supervisory Board during a meeting or a conference call that is scheduled in advance.

*E. Assessing internal control and monitoring action plans*

*1) Subsidiary ''Internal Control Self-Evaluation Guide'' questionnaire*

The Company has implemented a self-evaluation questionnaire based on the Internal Control Self-Evaluation Guide, which is accessible online for all subsidiaries. Every year, the subsidiaries carry out a self-evaluation based on the 300 points from the questionnaire. This exercise is one of the key tools of the risk management and internal control system within the Company.

*2) ''Internal Control Improvement Plan'' (PACI) and monitoring subsidiary action plans*

This plan involves all of the business lines. The objective of this plan is to build on the various actions previously implemented in order to ensure continuous improvement of internal control and risk management.

The Plan focuses on assessing on an annual basis, for all of the subsidiaries, the extent to which the ''Key Standards'' of the ''Internal Control Self-Evaluation Guide'' are applied and reflect the specificities of each of the business lines. The assessment is conducted by the Statutory Auditors of each subsidiary based on a questionnaire prepared by Internal Audit. This strategy makes it possible to:

- instantly and independently identify any discrepancies that exist between the key control set out and its actual performance;
- map out remaining areas for caution (by business activity, geographic area, subsidiary and type of problem);
- define for each business line the action plans that aim to correct the discrepancies identified, divided into four categories of problems: ''controls not performed'', ''insufficient records for controls performed'', ''frequency of controls not respected'', ''separation of tasks not respected''.

The results of the evaluation and the primary action plans are presented to the Audit Monitoring Committee that ensures that the corrective measures taken are effective.

*3) Internal audit assignments and action plan monitoring*

***i. Internal audit assignments in the annual audit plan***

The assignments in the audit plan are presented and approved during the Audit Monitoring Committee meetings. The objective is to review all of the operating subsidiaries at least once every two years. A total of 44 assignments were carried out in 2011 for all business activities combined.

Management of the subsidiaries audited systematically makes remarks on the audit reports. The reports are then sent to the Chairman of the Management Board, the Corporate Secretary, the Finance Director, the division and business line directors, as well as the Chief Executive Officer and the Finance Director of the subsidiary. After the final presentation of the conclusions and once a collective decision has been made on the action required, the subsidiaries are responsible for making sure that they quickly correct any weaknesses identified based on an established timetable.

***ii. Monitoring action plans***

The operating subsidiaries are responsible for monitoring implementation of the action plans. The Internal Audit Department carries out a remote control at regular milestones during implementation, in coordination with the business lines: on a general basis, twice a year, within at least six months of the audit assignment, and on a one-time, targeted basis for action plans that require prompt implementation in light of the financial or organizational challenges.

*F. Control training and risk awareness program*

The ''Business Under Control'' training and awareness program developed by Internal Audit has two distinct complementary modules.

***i. ''Business Under Control – Module 1''***

This module is designed to improve understanding of key controls by linking them to accounting and financial mechanisms and the Group's operating processes. Launched in 2008, the module focuses on the following main topics:

– becoming familiar with the main points of CFAO's financial reporting, underscoring the main objectives and the requirements in terms of reliability for the Group's reporting;

- knowing how to apply the fundamental controls that are integrated into the operating processes, notably the 50 ''Key Standards'' described in the Internal Control Guide.

Module 1 is offered twice a year in France for new managers to the Group or those who want to refresh their knowledge of CFAO's ''Key Standards'' for control. To date, some 120 operating managers have taken part in this training module.

***ii. "Business Under Control – Module 2"***

Implemented in 2005, this module is primarily for managers who have a good command of control standards. It is designed to raise awareness among the operating managers of subsidiaries of the challenges of day-to-day risk prevention. Information is also provided on corporate governance and tax risk management matters. The sessions focus on:

- sharing knowledge about any issues experienced by CFAO and applying what has been learned to the risk involved;
- identifying the risk areas in each operating process and highlighting the best practices in order to deal with these risks;
- highlighting fundamental controls that must be carried out and that require the personal involvement of each manager.

Module 2 is generally offered twice a year in Africa. To date, some 270 operating managers have taken part in this training module.

*IV.3. Players involved in risk management and internal control*

Everyone – from the Company's governing bodies to all of its employees – is involved in risk management and internal control.

*A. Management Board and Supervisory Board*

Under the supervision of the Supervisory Board, the Management Board is responsible for overseeing the risk management and internal control process and monitoring the process in order to preserve its integrity and effectiveness. The Management Board is responsible in particular for initiating any corrective measures that may be necessary to correct the issues identified and stay within the limits of acceptable risk. It also ensures that these actions are carried out successfully and within the allotted time.

*B. Audit Committee*

The Supervisory Board is assisted by an Audit Committee, the majority of whose members are independent. The Audit Committee ensures the follow-up of questions related to the preparation and auditing of accounting and financial information. To this end, the Audit Committee ensures the quality of the risk management and internal control process applied in particular to financial and accounting information.

*C. Internal Audit*

The Internal Audit Department reports to the Corporate Secretary. Within the scope of its work, it is responsible for assessing how the risk management and internal control system operates, monitoring the system on a regular basis and making any recommendations to improve it.

It also helps raise awareness of risks and train all operating managers on carrying out controls, without, however, being involved in the day-to-day implementation of the system.

Within the scope of the audit program approved by the Management Board, Internal Audit: (i) provides Executive Management of the subsidiary with a regular assessment of the level of assurance provided by the internal control system implemented by operating managers, (ii) makes recommendations to make the system more efficient,

(iii) identifies and communicates best practices. As of the date hereof, the Internal Audit Department is made up of a director and six auditors.

#### D. *The Internal Audit Monitoring Committee*

This Committee is made up of the Management Board, the Finance Director and the Internal Audit Director. At the end of each half-year, the internal auditors are asked to present, to members of the Committee and business line directors, a summary of the internal audit work carried out over the past half-year. The audit program for the next half-year is validated during this meeting.

The Committee also seeks to monitor the financial impact of any possible shortcomings and to validate the progress of action programs established to prevent such problems. It is responsible for establishing the action plans to be implemented to improve internal control.

#### E. *Operating subsidiaries and business line departments*

The management of each subsidiary ensures that the risk management and internal control procedures described in the Internal Control Guide are applied. Each operating manager is responsible for ensuring that risk exposure is in line with the guidelines set out by the relevant business line departments. The quality and effectiveness of the controls performed in the operating subsidiaries is then reviewed by the management of the business lines during internal audit assignments and the presentation of the results of the assessment of the ''Internal Control Improvement Plan'' (see section IV.2. E above).

#### F. *Statutory audit engagements*

The Statutory Auditors give an independent opinion with a view to ensuring that the accounts, results and financial statements intended for shareholders and third parties provide a true and fair view. They also present any observations on the internal control procedures relating to the preparation and processing of financial and accounting information.

They are required to present any weaknesses found in these procedures that could have a material impact on the financial statements or any other financial information. As such, they have complete and unrestricted access to all transactions, documents, people and physical assets that they may deem useful to carry out their engagement. However, it should be noted that the Statutory Auditors' engagement does not discharge Executive Management and all of the Company's employees from their responsibility with regard to implementing and maintaining a reliable and effective internal control system.

## V. OTHER INFORMATION REQUIRED UNDER ARTICLE L.225-68 OF THE FRENCH COMMERCIAL CODE

### V.1. *Special terms and conditions for shareholder participation in General Meetings*

Shareholders participate in General Meetings in accordance with applicable legal provisions and Article 13 of the Company's by-laws. More specifically, any shareholder is entitled to participate in shareholders' meetings and decisions either personally or through an authorized representative, regardless of the number of shares held, in accordance with the conditions stipulated in the relevant article of the by-laws.

### V.2. *Publication of information provided for under Article L.225-100-3 of the French Commercial Code (information on factors likely to have an impact in the event of a takeover bid)*

The information referred to under Article L.225-100-3 of the French Commercial Code is set out in Chapter 10 ''Capital resources,'' Chapter 14 ''Administrative, management and supervisory bodies and executive management'', Chapter 18 ''Principal shareholders'', Chapter 7 ''Organizational structure'', section 7.2.3.4 under the subsection ''CFAO Industries'', and Chapter 22 ''Material contracts'' of the 2011 Reference Document forming part of the Company's management report.

This Reference Document is available on the AMF's website (www.amf-france.org) and CFAO's website (www.cfaogroup.com). CFAO issues a press release specifying the availability and terms of access to the Reference Document.

Alain Viry
Chairman of the Supervisory Board

Sèvres, March 19, 2012

## 16.2 Statutory Auditors' report on the report prepared by the Chairman of the CFAO Supervisory Board on internal control and corporate governance

**Statutory Auditors' report, prepared in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the CFAO Supervisory Board**

For the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standard applicable in France.*

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To the Shareholders,

In our capacity as Statutory Auditors of CFAO and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-68 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-68 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

**Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information**

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;

– obtaining an understanding of the work involved in the preparation of this information and the existing documentation;

– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-68 of the French Commercial Code.

**Other information**

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-68 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 22, 2012
The Statutory Auditors

| | |
|---|---|
| KPMG Audit<br>*A division of KPMG SA* | Deloitte & Associés |
| Hervé Chopin | Alain Penanguer |

## 16.3 Observations of the Supervisory Board on the Management Report and on the financial statements for 2011

After verification and control of the parent company and consolidated financial statements for 2011 adopted by the Management Board, and in accordance with Article L.225-68 paragraph 6 of the French Commercial Code, the Supervisory Board of CFAO indicates that it has no observations to make regarding these financial statements or the management report prepared by the Management Board, which were presented to the Supervisory Board at its meetings on February 17 and March 19, 2012 after examination by the Audit Committee.

For the Supervisory Board

Alain Viry
Chairman

# CHAPTER 17 – EMPLOYEES

## 17.1 Employee information

*17.1.1 Number of employees and analysis of workforce*

As of December 31, 2011, the Group had 10,100 employees in 35 countries, compared with 9,278 as of December 31, 2010 and 9,400 as of December 31, 2009. The increase in 2011 is primarily due to changes in the scope of consolidation, including the acquisition of automobile distribution businesses in Reunion, French Guiana, Zambia and Vietnam, the acquisition of a pharmaceutical manufacturing plant in Algeria and the consolidation of Almameto in New Caledonia (see section 7.2.4. ''Acquisitions and divestitures over the past three years'').

The table below gives a breakdown of the Group's employees by geographic area and division as of December 31, 2011, 2010 and 2009, as well as a breakdown between expatriates and local employees.

| | Number of employees as of December 31 | | |
|---|---|---|---|
| | **2009** | **2010** | **2011** |
| **Total number of employees** | **9,400** | **9,278** | **10,100** |
| *Expatriates* | 224 | 239 | 260 |
| *Local employees* | 9,176 | 9,039 | 9,840 |
| **By geographic area** | | | |
| **Mainland France *(local employees only)*** | **340** | **352** | **359** |
| **French Overseas Territories and Other** | **827** | **852** | **1,336** |
| *Expatriates* | 2 | 2 | 3 |
| *Local employees* | 825 | 850 | 1,333 |
| **Maghreb** | **1,338** | **958** | **1,199** |
| *Expatriates* | 22 | 27 | 29 |
| *Local employees* | 1,316 | 931 | 1,170 |
| **French-speaking Sub-Saharan Africa** | **4,504** | **4,663** | **4,747** |
| *Expatriates* | 134 | 145 | 156 |
| *Local employees* | 4,370 | 4,518 | 4,591 |
| **English- and Portuguese-speaking Sub-Saharan Africa** | **2,391** | **2,453** | **2,459** |
| *Expatriates* | 66 | 65 | 72 |
| *Local employees* | 2,325 | 2,388 | 2,387 |

| | Number of employees as of December 31 | | |
|---|---|---|---|
| | **2009** | **2010** | **2011** |
| **By division** | | | |
| **CFAO Automotive** | **4,994** | **5,144** | **5,625** |
| *Expatriates* | 161 | 171 | 182 |
| *Local employees* | 4,833 | 4,973 | 5,443 |
| **Eurapharma** | **1,411** | **1,452** | **1,790** |
| *Expatriates* | 19 | 21 | 25 |
| *Local employees* | 1,392 | 1,431 | 1,765 |
| **CFAO Industries, Equipment & Services*** | **2,869** | **2,548** | **2,487** |
| *Expatriates* | 44 | 47 | 52 |
| *Local employees* | 2,825 | 2,501 | 2,435 |
| *CFAO Industries & Equipment* | 1,926 | 1,616 | 1,976 |
| *Expatriates* | 16 | 19 | 30 |
| *Local employees* | 1,910 | 1,597 | 1,946 |
| *CFAO Technologies* | 943 | 932 | 511 |
| *Expatriates* | 28 | 28 | 22 |
| *Local employees* | 915 | 904 | 489 |
| **Other** | **126** | **134** | **198** |
| *Expatriates* | 0 | 0 | 1 |
| *Local employees* | 126 | 134 | 197 |

* *The figures for this new division have been broadly restated for year-on-year comparison purposes.*

At end-2011, 20.24% of the Group's employees were women, compared with 19.6% at end-2010 and 18.29% at end-2010. The Group employs 1,668 managers, 20.26% of which are women.

As of December 31, 2011, 47% of the Group's workforce was employed in French-speaking Sub-Saharan Africa, 24.3% in English- and Portuguese-speaking Sub-Saharan Africa, 11.9% in the Maghreb and 13.2% in the French overseas territories. In 2011, 55.7% of the Group's workforce was employed by CFAO Automotive, 24.6% by CFAO Industries, Equipment & Services and 17.7% by Eurapharma.

As of December 31, 2011, approximately 60% of the Group's expatriates were employed in French-speaking Sub-Saharan Africa, 27% in English- and Portuguese-speaking Sub-Saharan Africa and 11% in the Maghreb. In 2011, the majority of the Group's expatriates (approximately 70%) were employed by CFAO Automotive. Moreover, the geographic origin of the Group's expatriates continues to change due to the expansion of the Group's geographic scope and the expatriate policy offering international mobility opportunities to employees of all nationalities. At end-2011, the Company employed expatriates of 27 different nationalities (compared with 18 different nationalities in 2010), including 71.6% from the eurozone (compared with 76% in 2010), 15% from Africa (11% in 2010), 6.9% from the United Kingdom and 6.5% from the rest of the world.

A significant number of employment contracts within the Group are permanent contracts. However, the Group also uses fixed-term contracts when appropriate. As of December 31, 2011:

- 9,356 individuals (i.e., 92.63% of the total workforce) were employed under permanent employment contracts;
- 744 employees (i.e., 7.37% of the total workforce) were employed under fixed-term contracts.

In 2011, the Group hired 1,109 individuals under permanent contracts (including 66 employees on internal mobility within the Group) and 725 under fixed-term contracts, compared with 1,105 and 704 respectively in 2010. 1,732 employees left the Group in 2011, including 1,025 permanent employees. The three main reasons for the departure of these employees were resignation (51%), dismissal (36%) and retirement (10%). The Group did not encounter any particular problems hiring people in 2011. Entities consolidated for the first time during the year added 720 employees to the Group's headcount.

In 2011, CFAO SA and its French subsidiaries did not have to implement any collective layoffs, redeploy or rehire staff, or provide staff with assistance to find alternative employment. The Group had to temporarily lay off workers in Côte d'Ivoire in 2011, due to the temporary closure of several sites during the crisis there. In all, 6,659 temporary layoff days were recorded for the Côte d'Ivoire subsidiaries.

The table below presents changes between 2009 and 2011 in the age of employees with permanent employment contracts.

| Age of employees | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| **Under 25** | 230 | 2.7% | 219 | 2.5% | 238 | 2.5% |
| **25 to 29** | 1,274 | 14.9% | 1,376 | 16.0% | 1,578 | 16.9% |
| **30 to 39** | 3,283 | 38.3% | 3,249 | 37.7% | 3,549 | 37.9% |
| **40 to 49** | 2,493 | 29.1% | 2,448 | 28.4% | 2,537 | 27.1% |
| **50 to 54** | 882 | 10.3% | 894 | 10.4% | 955 | 10.2% |
| **55 to 59** | 355 | 4.1% | 379 | 4.4% | 435 | 4.6% |
| **60 and over** | 56 | 0.7% | 59 | 0.7% | 64 | 0.7% |

In terms of health and safety, the index of accident frequency in the workplace stood at 9.32 in 2011, compared with 14.08 in 2010 and 20.75 in 2009. This index measures the number of accidents per 1,000 employees. Tragically, there was one fatal road accident in the Group in 2011, in Cameroon.

Outside the scope of French law, many of the Group's subsidiaries in French-speaking countries, particularly the industrial businesses, have a health and safety or similar committee.

*17.1.2 Work time*

The legal work time in France is 35 hours per week, compared with an average of 40 hours per week in the other geographic areas.

In 2011, 29 employees in France (mainland France and the French overseas territories) had a permanent part-time contract and employees in CFAO's French subsidiaries clocked up a total of 22,293 overtime hours, mainly in the operating activities division in the French overseas territories (CFAO Automotive and Eurapharma).

The absenteeism rate was 1.66% in 2011, versus 1.74% in 2010 and 1.45% in 2009. Absences were primarily due to illness, maternity leave, and workplace and commuting accidents.

*17.1.3 Training*

The Group's total training expenditure was stable in 2011 compared to 2010, amounting to approximately €2.760 million, representing an increase of 25% on the 2009 figure. A total of 91,860 hours of training was provided to 3,031 employees in 2011, corresponding to an average of 30 hours per person. The ''Total number of training hours'' indicator increased by 19% in line with the 8.8% increase in workforce.

| | 2011 figures | | | | |
|---|---|---|---|---|---|
| **By geographic area** | **Mainland France** | **French Overseas Territories and Other** | **Maghreb** | **French-speaking Sub-Saharan Africa** | **English- and Portuguese-speaking Sub-Saharan Africa** |
| Total training expenditure (in euros) | 377,090 | 474,592 | 342,039 | 1,184,143 | 382,957 |
| Number of employees trained | 196 | 470 | 645 | 1,067 | 653 |
| *Managers* | 147 | 80 | 105 | 175 | 120 |
| *Non-managers* | 49 | 390 | 540 | 892 | 533 |
| Total number of training hours | 3,869 | 10,415 | 18,507 | 44,781 | 14,288 |
| Average duration of training (hours) | 20 | 22 | 29 | 42 | 22 |

| **By division*** | **CFAO Automotive** | **Eurapharma** | **CFAO Industries, Equipment & Services** |
|---|---|---|---|
| Total training expenditure (in euros) | 1,465,184 | 300,472 | 854,733 |
| Number of employees trained | 1,947 | 216 | 777 |
| *Managers* | 345 | 92 | 138 |
| *Non-managers* | 1,602 | 124 | 639 |
| Total number of training hours | 55,343 | 4,144 | 29,134 |
| Average duration of training (hours) | 28 | 19 | 37 |

* *Training figures for the parent company and central purchasing offices have been combined by geographic area, but not by division.*

The Group kept the same training principles in 2011 as in 2010 with the aim of supporting employees in performing their duties, encouraging their professional development and anticipating the need for new skills.

The Group's training programs principally focus on:

- Seminars for managers to strengthen management techniques and tools and encourage personal development;
- Seminars on internal control (Business Under Control 1 and 2) for managers and non-managers, intended to improve and strengthen the Group's internal control techniques and procedures and raise employee awareness of these matters;
- Training sessions on the prevention of risks to health and safety in the workplace; and
- Individual training sessions on an as-needed basis depending on the specific needs of the various businesses.

In order to prepare and support prospective Chief Executive Officers of its subsidiaries, the Group has implemented an assessment tool intended to evaluate the key skills required for the position. Each prospective Chief Executive Officer follows a specific development program based on its own needs.

*17.1.4 Employee relations*

Representative bodies have been set up for employees within each subsidiary of the Group in accordance with applicable legislation in each country. The way that these representative bodies act varies significantly by country, depending on local legislation.

In mainland France, the Group has two workers' committees, one for the Unit of Economic and Employee Interest (*Unité Économique et Sociale* – UES) which includes the employees of CFAO, CFAO Automotive and CFAO Industries, Equipment & Services (composed of five employee representatives), and the other representing the employees of Continental Pharmaceutique (composed of four employee representatives).

In 2011, the company-wide agreements signed in mainland France related to employee savings plans and mandatory annual negotiations and those signed in the French overseas departments related primarily to mandatory annual negotiations.

*17.1.5 Compensation and employee benefits*

In 2011, the Group's total payroll was at €151,482,276 (excluding social security contributions), 12% higher than in 2010, notably due to an 8.8% increase in workforce. In France (mainland France and the French overseas territories), payroll totaled €57,491,000 (excluding social security contributions), compared with €48,674,640 in 2010, and employer social security contributions totaled €31,402,548.

In 2011, the Group stepped up its health care coverage systems in Africa for all permanent employees and their families. From January 1, 2012, employees qualify for 75% basic minimum coverage of their health care expenses. Diseases such as HIV, STDs and malaria are fully covered. Employees working for subsidiaries that provided coverage in excess of the above-mentioned basic minimum will retain their previous coverage, coverage and ceilings being tailored to the practices in place in each country.

The project was implemented in four key stages: (i) an appraisal was carried out of existing practices in late 2010, (ii) the basic minimum coverage was decided on, (iii) partners were chosen (brokers and health care centers in accordance with health care quality in particular) and (iv) insurers were selected. For 80% of the Group's subsidiaries (Africa, Madagascar, Vietnam and Mauritius) the coverage is higher than that previously provided.

This system makes CFAO one of the rare players in Africa to provide this type of coverage for both executive and non-executive employees and their families. Approximately 8,000 employees are covered by the system, and some 40,000 people taking into account family members.

*17.1.6 Profit-sharing agreements and incentive plans*

*Profit-sharing agreements (accords de participation)*

In mainland France, a new profit-sharing agreement was entered into within the UES comprising the employees of CFAO, SFCE and Sevragim. This agreement is based on the achievement of actual results by the entity and replaces the existing incentive plan.

For the employees of the pharmaceutical businesses in mainland France (Continental Pharmaceutique, Epdis and Eurapharma), no amendments were made to the specific Group profit-sharing agreement entered into in 2010.

The table below sets out the amounts paid by CFAO to the Group's employees in mainland France in 2009, 2010 and 2011 in connection with profit-sharing agreements and incentive plans (in euros):

| | **Payments made during the fiscal year** | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| Profit-sharing agreements | 3,288,214 | 2,709,289 | 3,273,010 |
| Incentive plans | N/A | 383,941 | 280,022 |

The 2011 figures relate to the financial statements for the year ended December 31, 2011, which will be submitted to the shareholders for approval in May 2012.

*Employee savings and similar plans*

Employee savings plan

The employee savings plans set up in France include socially responsible investment funds.

An employee savings plan is a group savings arrangement that offers employees of those companies that participate in the plan the possibility of building up a securities portfolio with the help of their employer. Employees' entitlements under an incentive plan or a profit-sharing agreement may be paid into this plan, as well as voluntary payments. Funds invested in an employee savings plan are locked up for five years, unless they are released in one of the early-release cases permitted by applicable law.

Collective intercompany retirement savings plan

In early 2008, CFAO implemented a collective intercompany retirement savings plan for all companies in mainland France. This plan is similar to an employee savings plan that offers employees of participating companies the ability to build up, with the guidance of their employer, a portfolio of securities that will, except in the event of an early release, only be available upon the employee's retirement.

These funds may be managed in one of two ways, as chosen by beneficiaries: (i) guided management if beneficiaries prefer their savings to be managed by a financial institution; (ii) free management if they prefer to make their own investment decisions.

CFAO makes complementary contributions to the collective intercompany retirement savings plan. The maximum annual contribution varies between €1,500 and €4,500, depending on CFAO's results. It matches the amounts deposited in connection with profit-sharing plans, incentive plans and voluntary payments up to €1,000. Above this threshold it contributes 50% of the amount of voluntary payments, within the limit of the maximum annual amount.

### *17.1.7 Employment and integration of disabled workers*

In 2011, the Group wished to underscore the strong momentum of its initiatives in terms of the employment of disabled persons. The Group took part in the first trade fair dedicated to the disabled sector, held in Paris on November 8 and 9, 2011, and during which it met partners with which it already works, in particular in the areas of paper recycling and document printing.

A round table was organized to enable the various divisions to share positive experiences and develop new ideas for working with this sector.

In 2011, a partnership was entered into between CFAO and a company specializing in the recruitment of disabled workers.

### *17.1.8 Social initiatives (''*Œuvres sociales*'')*

In 2011, the two workers' committees in mainland France were allocated a budget of €146,855 to cover operating costs and social initiatives, unchanged on 2010.

### *17.1.9 Subcontracting*

The Group does not systematically subcontract work. It does, however, occasionally employ temporary staff owing to the seasonal nature of certain activities.

Owing to the nature of its distribution business, CFAO does not generally subcontract this work, although it may do so from time to time.

When using the services of subcontractors and in its dealings with its suppliers, the Group aims to remain very vigilant as to the social and environmental conditions in which they work.

CFAO's Code of Business Conduct is designed to remind employees of the importance of the common core values that the Group upholds in its business activities, and constitutes a reference framework for the performance of the Group's activities and assignments on an everyday basis. The code is broken down into three main themes: respect for the individual, respect for Company property and respect for trade regulations, with reference to the main principles of the International Labour Organization conventions.

#### *17.1.10 Territorial impact of activities in terms of employment and regional development*

The goal of CFAO and its subsidiaries is to create links with business and management schools in Africa in order to provide for the needs of staff trained in these areas in the future. CFAO is involved in the work of the CIAN social committee (French Council of Investors in Africa), which reflects on ways of improving the social policy of companies in Africa.

#### *17.1.11 Social responsibility*

In 2011, relations were established with 85 schools (compared with 76 in 2010) selected to evenly represent all of the activities and geographical areas in which the Group is present. The Group took on 1,164 interns in 2011.

N.B. The information contained in this report named ''social indicators'' relates to the companies within the Group's scope of consolidation. This information is consolidated in a core application. Consistency controls are run during the data entry and consolidation phases. The relevance of social indicators can be limited, mainly due to the lack of harmonization between national and international legislation in relation to certain types of indicators.

## 17.2 Shareholdings and stock options held by corporate officers

The amount of capital held by members of the Management Board and the Supervisory Board is set out in Chapter 18 of this Reference Document. The number of shares held by each member is set out in Chapter 14 of this Reference Document in section 14.1 ''Information concerning members of the Management Board and Supervisory Board''.

The Group's executive corporate officers receive stock subscription options and performance shares, as described in Chapter 15 of this Reference Document regarding compensation. The stock option subscription and performance share plans concerned 237 and 606 employees respectively.

## 17.3 Employee shareholding agreements

Following the IPO, a stock option plan was implemented in January 2010, in favor of 237 employees. This stock option plan is described in Chapter 15, table 8.

Two performance share plans were then implemented in December 2010 and July 2011. These two plans are described in Chapter 15, table 6.

# CHAPTER 18 – PRINCIPAL SHAREHOLDERS

## 18.1 Shareholder base

The table below lists CFAO's shareholders as of December 31, 2009, 2010 and 2011, determined based on the threshold crossings declared by those dates.

| | December 31, 2011 | | | | December 31, 2010 | | | | December 31, 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders** | **Number of shares** | **Number of voting rights** | **Percentage of share capital** | **Percentage of voting rights** | **Number of shares** | **Number of voting rights** | **Percentage of share capital** | **Percentage of voting rights** | **Number of shares and voting rights** | **Percentage of share capital and voting rights** |
| Discodis SAS(1) | 25,828,998 | 25,828,998 | 41.98% | 42.09% | 25,828,998 | 25,828,998 | 41.98% | 41.98% | 25,828,998 | 41.98% |
| Sapardis SA(1) | 2,442 | 2,442 | 0.004% | 0.004% | 2,442 | 2,442 | 0.004% | 0.004% | 2,442 | 0.004% |
| Prodistri SA(2) | 2,442 | 2,442 | 0.004% | 0.004% | 2,442 | 2,442 | 0.004% | 0.004% | 2,442 | 0.004% |
| ***Total PPR Group*** | ***25,833,882*** | ***25,833,882*** | ***41.99%*** | ***42.09*** | ***25,833,882*** | ***25,833,882*** | ***41.99%*** | ***41.99%*** | ***25,833,882*** | ***41.99%*** |
| Management and Supervisory Boards(3) | 1,950 | 1,950 | 0.003% | 0.003% | 2,200 | 2,200 | 0.003% | 0.003% | 2,200 | 0.003% |
| OppenheimerFunds Inc. | 4,598,548 | 4,598,548 | 7.47% | 7.49% | 4,011,234 | 4,011,234 | 6.52% | 6.52% | | |
| Lazard AM LLC | 3,389,463 | 3,389,463 | 5.51% | 5.52% | 3,389,463 | 3,389,463 | 5.51% | 5.51% | | |
| Artio GM LLC | 1,842,693 | 1,842,693 | 2.99% | 3% | 3,341,162 | 3,341,162 | 5.43% | 5.43% | | |
| M&G Investments | 2,212,554 | 2,212,554 | 3.6% | 3.61% | | | | | | |
| Treasury shares(4) | 155,300 | – | 0.25% | – | 20,700 | – | 0.03% | –% | | |
| Public | 23,491,470 | 23,491,470 | 38.18% | 38.28% | 24,927,219 | 24,927,219 | 40.52% | 40.53% | 35,688,528 | 58% |
| **Total** | **61,525,860** | **61,370,560** | **100%** | **100%** | **61,525,860** | **61,505,160** | **100%** | **100%** | **61,524,360** | **100%** |

(1) *Companies wholly-owned by PPR.*

(2) *Company 99.96%-owned by PPR.*

(3) *Members of the Management Board and of the Supervisory Board.*

(4) *Treasury shares correspond to the number of shares held under the liquidity agreement and to the number of shares held including those repurchased by CFAO under the repurchase program.*

The total number of voting rights shown on the CFAO website is different from the number indicated in the table above. The number published by CFAO on its website is the number of gross voting rights, based on all shares including those stripped of voting rights, in accordance with Article 223-11 of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF). This number is used as a denominator to calculate the percentage of share capital and voting rights held by shareholders for regulatory purposes.

For consistency purposes, the total number of voting rights shown in the table above is the net number of voting rights (not including shares stripped of voting rights), or voting rights which can be exercised at the Shareholders' Meeting.

Until its IPO in December 2009, CFAO was 99.94%-owned by PPR SA through three of its subsidiaries Discodis SAS, Sapardis SA and Prodistri SA; the remaining 0.06% of the share capital and voting rights were held by minority shareholders. Following the IPO of CFAO, these three companies more than 99.9%-owned by PPR only held 41.99% of the share capital and voting rights (not including treasury shares).

In 2011, US fund Artio Global Management LLC, holding shares on behalf of its clients, informed CFAO that it had crossed below the threshold of 5% of the share capital and that it had progressively decreased its interest to 2.99% of the capital in December 2011. In January 2012, Artio Global Management informed CFAO that it held 1.94% of the share capital as of January 24, 2012.

Since December 31, 2010, US company OppenheimerFunds, Inc, holding shares on behalf of its clients, informed CFAO that it had increased its interest in the Company, reaching 7.47% of the share capital in June 2011. This percentage has not changed since.

On March 8, 2012, UK-based investment management firm Baillie Gifford & Co notified CFAO that it had crossed a shareholding threshold. Accordingly, at March 5, 2012, Baillie Gifford & Co held 1,864,949 CFAO shares, or 3.03% of the share capital.

Taking into account the declarations relating to threshold crossings that the shareholders have the obligation to make, to CFAO's knowledge no shareholder other than those indicated above owned directly or indirectly 3.0% or more of the share capital or of the voting rights as of March 26, 2012.

The by-laws of the Company provide that any shareholder who owns directly or indirectly a number of shares representing more than 3% of the share capital or of the voting rights, and each supplementary 0.5% fraction including above the legal declaration thresholds, must notify the Company, within four days from the threshold crossing. The obligation to notify the Company is also applicable for downward threshold crossings.

As of February 16, 2012, 25,956,122 CFAO shares are held in registered form (i.e., 42.19% of the share capital), and give the right to the same number of voting rights.

A shareholder identification study was carried out on June 30, 2011 at the request of CFAO. This study made it possible to estimate the percentage of shares held per category of shareholder at that date as follows:

| | |
|---|---|
| Companies more than 99.9%-held by PPR | 42.0% |
| Institutional investors, USA | 24.7% |
| Institutional investors, UK | 12.7% |
| Institutional investors, France | 12.1% |
| Institutional investors, Europe and rest of the world | 5.8% |
| Other | 2.7% |

This information is approximate and may not correspond to the shareholding distribution amongst these different categories as of the date of this Reference Document.

Pursuant to Article L.225-102 of the French Commercial Code (*Code de commerce*), it is indicated that no CFAO shares are held by employees under a collective management scheme (through the Group's employee savings plans (PEE) in mainland France).

## 18.2 Voting rights

Each share gives the right to a vote at the Shareholders' Meeting. There are no double voting rights attached to the shares of the Company, and the principal shareholders of the Company do not hold different voting rights.

## 18.3 Principal shareholders

PPR SA (''PPR'') is indirectly CFAO's principal shareholder with, as of February 16, 2012, 41.99% of the shares and voting rights. As of December 31, 2011, Groupe Artémis held 40.6% of the capital and 55.1% of the voting rights of PPR. Groupe Artémis is wholly-owned by Financière Pinault, which is in turn controlled by the Pinault family.

PPR is a French *société anonyme* (joint stock corporation) listed on the Eurolist of Euronext Paris and included in the CAC 40 index. This entity assumes the management of the PPR group. Created in 1963 by François Pinault, the PPR group is one of the leading international players in the distribution and luxury sectors, with brands such as Redcats, Fnac, Gucci, Bottega Veneta, Boucheron and YSL Couture. For information, PPR's annual report is available on the websites of the AMF (http://www.amf-france.org) and PPR (http://www.ppr.com).

No other shareholder holds shares or voting rights equivalent to or greater than PPR's interest in CFAO. The required quorum to hold a Shareholders' Meeting is one fifth of the shares with voting rights, the decisions being taken by majority of the votes cast by the shareholders present or represented.

As PPR owns more than one third but less than half of the shares and voting rights of CFAO, under French company law, PPR may not increase its percentage by more than 2% of the total number of shares or voting rights of the Company in less than twelve consecutive months, unless it launches a tender offer on all the equity securities issued by CFAO.

PPR is not a member of CFAO's Supervisory Board. As of the registration date of this Reference Document, two members of this Board are executive corporate officers of PPR.

The Supervisory Board is composed of six members, three of whom are independent members according to the criteria of the French Corporate Governance Code (referred to as the ''AFEP-MEDEF Code''); the Chairman of the Supervisory Board is the former Chairman of the Board of Directors of the Company before the Company changed its governance structure. In order for decisions of the Supervisory Board to be valid, the presence of at least half of its members is required, and decisions are taken at the majority of votes of members attending the meeting, it being specified that the Chairman of the meeting has a casting vote in case of equality of votes.

## 18.4 Shareholder agreements

CFAO has no knowledge of shareholders' agreements or other arrangements between its shareholders. The Company is not party to any agreement which could result in a change in its shareholder base, and has no knowledge of the existence of such an agreement.

# CHAPTER 19 – RELATED-PARTY TRANSACTIONS

Parties related to the CFAO Group include its main shareholder PPR, associates, its key managers and close members of their family. Parties related to CFAO also include CFAO's subsidiaries; however, transactions between the parent company and its fully consolidated subsidiaries and between these subsidiaries are eliminated in the consolidated financial statements.

## 19.1 Transactions with the PPR group

The CFAO Group was party to various agreements with entities within the PPR group. These agreements were applied until CFAO's IPO in December 2009, subsequent to which these agreements were terminated, either immediately or a few months later. The agreements concerned are the following:

- *Cash pooling agreement:* PPR Finance, a subsidiary of PPR, and CFAO entered into a cash pooling agreement on December 19, 2006 for an unlimited term. The purpose of this agreement was to implement a common cash management policy among the various PPR group companies. CFAO also established a cash pooling arrangement within certain of its subsidiaries that has remained in place following the listing of CFAO's shares on the Eurolist of Euronext Paris. The cash pooling agreement with PPR Finance was terminated after CFAO's IPO in December 2009, and the amount of advances granted under this agreement by PPR Finance to CFAO was reimbursed.

- *Service agreement:* On September 28, 1995, PPR and CFAO entered into a service agreement that was terminated after CFAO's IPO. Further to CFAO's IPO in December 2009, this agreement was automatically terminated. Pursuant to this agreement, PPR provided certain financial, legal, tax, human resources and business development consulting services (including complex transaction support services), the supply of development opportunities, as well as new business and cost reduction solutions. The management fees paid to PPR described chiefly in Chapter 3 of this Reference Document, were paid within the scope of this contract.

- *Tax consolidation agreement:* On December 5, 2002, CFAO and PPR entered into a tax consolidation agreement that defined CFAO's share of the various taxes for which PPR was solely liable in its capacity as head of the tax group. Following CFAO's IPO, this agreement was automatically terminated and a consolidated tax group was formed in France for the fiscal year 2010 between CFAO and French subsidiaries of which it holds at least 95% of the share capital. The creation of this consolidated tax group resulted in tax consolidation agreements between CFAO and the other entities in the group which have been in effect since January 1, 2010.

- *Agreement relating to foreign exchange and derivative transactions:* In December 2007, PPR Finance and CFAO entered into a framework agreement relating to foreign exchange and derivative transactions, the purpose of which is to define the standard conditions in the Group's contracts with PPR to hedge against exchange rate fluctuations. In the second half of 2010, the Group began to enter into its own currency hedging contracts directly with banks without using PPR as an intermediary. The Group continued to benefit from the hedging agreements already entered into with PPR as well as the services of PPR's hedging office until October 31, 2010. There are no longer at CFAO any pending hedging transactions entered into via PPR.

- *Agreement with Buyco:* On January 1, 2002, CFAO and Buyco entered into a purchase and supply agreement. Buyco is a wholly-owned subsidiary of PPR that acts as agent for other wholly-owned PPR subsidiaries in order to consolidate purchases of certain categories of products and services. For CFAO, this primarily concerns freight. The amounts charged by Buyco under this agreement are not material at Group level. As PPR no longer controls CFAO, this agreement was terminated in 2010.

- *Sublease agreement for the Group's registered office:* Furthermore, on November 13, 2006, CFAO entered into a sublease agreement for the commercial space occupied by CFAO's headquarters with Discodis, a subsidiary of the PPR group, as tenant. This sublease agreement will expire on December 31, 2014. Discodis entered into a sale-leaseback transaction for the property with Natixis Bail and Fructibail. This agreement was not terminated after the Company's IPO and is therefore still in effect.

- *Agreement relating to the sharing of the cost of the special IPO bonus:* Lastly, an agreement was entered into between Discodis and CFAO in 2010. The purpose of this agreement was the equal sharing between the two companies of the cost of the special bonus to be paid to approximately 20 directors and officers of CFAO who actively participated in the reorganization transactions which, following the Group's IPO, shall allow the Group to develop autonomously under the best conditions. These bonuses were paid in 2010. The amount charged by CFAO to Discodis in 2010 amounted to €2.406 million before employer social security contributions.

For more information, see Note 34 ''Transactions with related parties'' to the consolidated financial statements in this Reference Document.

## 19.2 Related-party agreements and commitments

**Agreements and commitments that remained in force in 2011**

The following agreements were entered into or the following commitments were made before 2011, and remained in force in 2011.

- *Agreement granting access to CFAO's commercial network to its subsidiary SFCE:* CFAO and SFCE entered into this agreement on March 17, 1997. The agreement provides for SFCE's payment of royalties to CFAO based on the volume of business generated by SCFE through CFAO's commercial network. This agreement is a related-party agreement which remained in effect in 2011.

- *Underwriting agreement between CFAO, Discodis, PPR and the underwriting banks within the framework of the Company's IPO:* the purpose of this agreement, which was entered into on December 2, 2009, was for the banks to underwrite the placement of the shares offered by the selling shareholder, Discodis. The banks concerned were BNP Paribas, Calyon, Goldman Sachs International, Société Générale, Lazard-Natixis, ABN AMRO Bank NV, HSBC France and UBS Limited.

- *Amendment to Richard Bielle's employment contract:* Richard Bielle's employment contract was suspended on September 1, 2010; the supplemental agreement suspending the contract constitutes a related-party agreement.

- *Measures taken by the Supervisory Board for the benefit of Richard Bielle:* The Supervisory Board decided in August 2010 to allocate an indemnity to Richard Bielle should he be forced to leave his position in order for him to benefit from an executive unemployment insurance policy taken out with Garantie Sociale des Chefs et Dirigeants d'Entreprise and to enable him to continue to benefit from the Company's supplemental executive retirement plan with respect to his corporate office (see Chapter 15 of this Reference Document for more information on the measures taken).

**Agreements entered into in 2011**

The members of the Management Board, Jean-Yves Mazon and Olivier Marzloff, have the only employment contracts, which bind them to CFAO, that were modified in 2011 to take into account the changes made to their fixed and variable compensation for 2011 (see Chapter 15 of this Reference Document for more information on the compensation and benefits of corporate officers).

These supplemental agreements, which fall within the scope of Article L.225-86 of the French Commercial Code (*Code de commerce*), were authorized in advance by the Supervisory Board and shall be submitted for approval at the Annual General Meeting called in 2012 to approve the 2011 financial statements.

For more information on related-party transactions see Note 34 to the consolidated financial statements.

**Statutory Auditors' special report on related-party agreements and commitments**

For the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of CFAO, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-58 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

## 1 AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

### 1.1 Agreements and commitments authorized during the year

In accordance with Article L.225-88 of the French Commercial Code, we were informed of the following agreements and commitments previously authorized by the Supervisory Board.

#### *1.1.1 Agreement entered into with Olivier Marzloff, member of the Management Board*

On February 18, 2011, the Supervisory Board authorized the amendment of the compensation package of Olivier Marzloff, who is an employee of CFAO in his position as Corporate Secretary and a corporate officer as a member of the Management Board.

Taking into account these changes, Oliver Marzloff's compensation for 2011 consisted of:

- fixed compensation of €290,000 including compensation due under his employment contract in the amount of €280,000 and compensation for his duties as Management Board member in the amount of €10,000;
- variable compensation calculated on the basis of the achievement of (i) financial objectives relating to recurring operating margin and free operating cash flow and (ii) non-financial objectives. His variable compensation amounted to €140,784 for 2011;
- a company car declared as a benefit in kind valued at €3,162 in 2011.

*1.1.2 Agreement entered into with Jean-Yves Mazon, member of the Management Board*

On February 18, 2011, the Supervisory Board authorized the amendment of the compensation package of Jean-Yves Mazon, who is both an employee of CFAO in his position as Chief Executive Officer of Eurapharma and a corporate officer as a member of the Management Board.

Taking into account these changes, Jean-Yves Mazon's compensation for 2011 consisted of:

- fixed compensation of €300,000 including compensation due under his employment contract in the amount of €290,000 and compensation for his duties as Management Board member in the amount of €10,000;
- variable compensation calculated on the basis of the achievement of (i) financial objectives relating to recurring operating margin and free operating cash flow and (ii) non-financial objectives. His variable compensation amounted to €168,154 for 2011;
- attendance fees paid by subsidiaries of the Group in the amount of €24,025;
- a company car declared as a benefit in kind valued at €4,300 in 2011.

## 1.2 Agreements and commitments authorized since the end of the reporting period

We were informed of the following agreements and commitments authorized since the end of the reporting period which had been previously authorized by the Supervisory Board.

*1.2.1 Agreement granting SFCE access to CFAO's commercial network*

Following a tax audit, the French tax authorities contested the basis for calculating the royalties paid by SFCE to CFAO for access to CFAO's commercial network (see section 2.1.1 for a description of the agreement).

In order to take into account the French tax authorities' position, Article 2 of the agreement was amended.

The agreement is now worded as follows: ''As consideration for the commitments under Article 1 above, SFCE will pay royalties to CFAO for access to the resources and activities of CFAO's network. These royalties will amount to 2.5% of the volume of business (revenue, excluding distribution costs, generated by SFCE as a trader and revenue generated by companies having entrusted their supplies to SFCE in its capacity as a *commissionaire* [undisclosed agent])''.

This amendment was authorized by the Supervisory Board on February 17, 2012. It has a retroactive effect as of January 1, 2012 and consequently applies to 2012 and beyond.

# 2 AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

## 2.1 Agreements implemented during the year

In accordance with Article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, were implemented during the year ended December 31, 2011.

*2.1.1 Agreement granting SFCE access to CFAO's commercial network*

Pursuant to the agreement signed on March 15, 1997 and authorized by the Board of Directors on March 3, 1997, SFCE paid royalties to CFAO for access to CFAO's commercial network. The royalties amounted to 2.5% of revenue, excluding distribution costs, generated by SCFE through CFAO's commercial network.

In the calculation base for the royalties, CFAO included the amount of revenue generated by SFCE as a trader and the volume of business generated as a *commissionnaire* without deducting the distribution costs in either case.

Following the tax audit in respect of 2005 and 2006, the French tax authorities adjusted the calculation base by excluding the volume of business generated on a commission-only basis and deducted the distribution costs.

In 2011, in order to comply with the tax authorities' adjustment, CFAO adjusted the amount of the royalties in respect of 2005 and 2006 by €3,412,574.

The royalties paid in respect of the current year were calculated on the basis of the agreement and amounted to €14,296,571.

CFAO recorded net revenue of €10,883,997 in its financial statements for the year ended December 31, 2011 in relation to this agreement, after deducting the adjustment made in respect of 2005 and 2006.

In order to add back the volume of business generated on a commission-only basis and the distribution costs into the calculation base, the agreement signed on March 15, 1997 was amended for and with effect from 2012, as indicated in section 1.2.1.

#### *2.1.2 Agreements entered into with Richard Bielle, Chairman of the Management Board*

Richard Bielle was both an employee of CFAO in his position as Development Director and a corporate officer in his position as Chairman of the Management Board until August 2010.

On August 30, 2010, the Supervisory Board authorized the suspension of Richard Bielle's employment contract with effect from September 1, 2010.

As of this date, Richard Bielle will be compensated exclusively for his duties as corporate officer and his compensation will no longer fall within the scope of related-party agreements.

Consequently, we are no longer required to present information relating to Richard Bielle's compensation in this report.

As consideration for the suspension of his employment contract, Richard Bielle was granted the following benefits as of September 1, 2010:

- Payment of contributions to the executive unemployment insurance policy with Garantie Sociale des Chefs d'entreprise (GSC).
- A commitment to pay him termination indemnities in the event of his removal from office. These indemnities would be limited to twice the amount of his target compensation and depend on and are adjusted in accordance with various performance conditions (revenue growth, profitability and CFAO share performance).

Contributions paid to GSC by CFAO in respect of 2011 amounted to €18,711 and were declared as a benefit in kind.

The suspension of Richard Bielle's employment contract and the commitment to pay termination indemnities remained in effect but did not generate any costs.

#### *2.1.3 Supplementary pension plan for the members of the Management Board who do not hold an employment contract*

At its meeting of August 30, 2010, the Supervisory Board extended the defined contribution pension plan in place within the Company to the members of the Management Board.

The contributions recorded in 2011 in relation to this agreement amounted to €29,696.

### 2.2 Agreements not implemented during the year

We were also informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force but were not implemented during the year.

*2.2.1 Underwriting agreement in the context of CFAO's IPO*

In the context of the planned listing of CFAO shares on the Euronext Paris market, an underwriting agreement was entered into between CFAO, Discodis (a subsidiary of PPR) and PPR, on the one hand, and a group of banks including BNP Paribas, Calyon, Goldman Sachs International and Société Générale Corporate & Investment, on the other hand.

The underwriting agreement was approved by CFAO's Supervisory Board on November 16, 2009. In 2010, no amount was recorded by CFAO under this agreement.

Paris La Défense and Neuilly-sur-Seine, March 22, 2012
The Statutory Auditors

KPMG Audit
*A department of KPMG SA*

Hervé Chopin
*Partner*

Deloitte & Associés

Alain Penanguer
*Partner*

# CHAPTER 20 – FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF CFAO

The consolidated and parent company financial statements presented herebelow will be submitted for the approval of CFAO's Annual General Meeting to be held on May 25, 2012.

## 20.1 Historic financial information

In compliance with Article 28 of European Regulation 809/2004 of the European Commission, this Reference Document incorporates by reference the consolidated financial statements for 2009 and 2010, as well as the corresponding Statutory Auditors' reports. These financial statements and reports are contained in the Reference Document filed on April 13, 2010 under number R.10-020 and in the Reference Document filed on April 8, 2011 under number R.11-007 (a translation of which into English is available of CFAO's website).

## 20.2 Pro forma financial information

N/A

## 20.3 Financial statements

*20.3.1 Consolidated financial statements*

## Consolidated financial statements for the year ended December 31, 2011

The comparative information for 2010 set out in this document is in compliance with the IFRS applicable at the closing date of the financial statements for 2011.

**NOTE**

In this report, ''Company'' refers to CFAO SA, parent company of the CFAO Group. ''Group'' refers to the Company, its consolidated subsidiaries and its interests in associates.

The Group's consolidated financial statements for the years ended December 31, 2011 and 2010 were prepared in accordance with the International Financial Reporting Standards (''IFRS'') and IFRIC interpretations adopted for use by the European Union and applicable as of December 31, 2011.

**Remark on the consolidated financial statements**

Modifications made to the consolidated financial statements between the version certified by the Statutory Auditors and this version in the Reference Document:

- Consolidated statement of changes in equity: Footnote, ''See Note 5'' replaced by ''See Note 7''
- Note 2.11 Income tax: ''the 2011 finance law'' replaced by ''the 2010 finance law''

- Note 3: ''the CFAO Group acquired the minority shareholders in Malagasy automotive distribution and rental companies...'' replaced by ''the CFAO Group acquired 51% of the shares that the Reunion-based Caillé group held in three Malagasy companies and one French company'' as well as ''the cost of acquiring the minority shareholdings...'' replaced by ''the cost of additional shares...''
- Note 11.3 Unrecognized deferred tax: ''Tax losses and tax credits not recognized as deferred tax assets amounted to €95.2 million'' replaced by ''Tax losses and tax credits not recognized as deferred tax assets amounted to €92.8 million''
- Note 25.3 Actuarial assumptions: title ''o/w Nigeria'' replaced by ''Total Nigeria''
- Note 28.1 Breakdown of borrowings by maturity: ''Net debt must not be more than double recurring EBITDA'' replaced by ''Net debt must not be more than double EBITDA''
- Note 32.3 Acquisitions and disposals of subsidiaries: ''acquisition of minority shareholdings in Madagascar'' replaced by ''acquisition of additional shares in companies in Madagascar''
- Note 36:

  Adding of E for Equity method in 2010 for PRESTIGE LEASE

  Adding of F for Full consolidation in 2010 for SALSABILA and SIAB

## CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

| (in € millions) | Notes | 31/12/2011 | 31/12/2010 |
|---|---|---|---|
| **Revenue** | 5.1 | **3,123.7** | **2,676.2** |
| Cost of sales | 5.2 | (2,418.2) | (2,062.5) |
| **Gross profit** | | **705.5** | **613.7** |
| Payroll expenses | 6 | (222.2) | (193.5) |
| Other recurring operating income and expenses | | (227.0) | (197.0) |
| **Recurring operating income** | 8 | **256.3** | **223.2** |
| Other non-recurring operating income and expenses | 9 | 9.8 | 10.0 |
| **Operating income** | | **266.1** | **233.2** |
| Cost of net debt | 10 | (26.4) | (22.3) |
| Other financial income and expenses | 10 | (3.1) | (4.2) |
| **Income before tax** | | **236.6** | **206.7** |
| Income tax | 11 | (68.9) | (69.0) |
| Share in earnings of associates | | 2.9 | 2.5 |
| **Net income from continuing operations** | | **170.6** | **140.3** |
| o/w attributable to owners of the parent | | 121.1 | 100.2 |
| o/w attributable to non-controlling interests | | 49.5 | 40.1 |
| **Net income of consolidated companies** | | **170.6** | **140.3** |
| Net income attributable to owners of the parent | | 121.1 | 100.2 |
| Net income attributable to non-controlling interests | | 49.5 | 40.1 |
| **Net income attributable to owners of the parent** | | **121.1** | **100.2** |
| Earnings per share (in €) | 12 | 1.97 | 1.63 |
| Fully diluted earnings per share (in €) | 12 | 1.97 | 1.63 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

| (in € millions) | Notes | 31/12/2011 | 31/12/2010 |
|---|---|---|---|
| **Net income** | | **170.6** | **140.3** |
| **Items recycled to income:** | | **(2.3)** | **3.1** |
| Foreign exchange gains and losses and other | | (2.3) | 3.1 |
| **Items not recycled to income:** | | **(1.1)** | **0.2** |
| Actuarial gains and losses[1] | | (1.1) | 0.2 |
| **Income and expenses recognized directly in equity** | 13 | **(3.4)** | **3.3** |
| **Total comprehensive income** | | **167.2** | **143.6** |
| o/w attributable to owners of the parent | | 117.9 | 104.9 |
| o/w attributable to non-controlling interests | | 49.3 | 38.6 |

(1) *Net of tax*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2011 AND 2010

### ASSETS

| (in € millions) | Notes | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| Goodwill | 14 | 149.4 | 126.3 |
| Other intangible assets | 15 | 31.5 | 26.0 |
| Property, plant and equipment | 16 | 319.6 | 279.0 |
| Investments in associates | 18 | 25.7 | 21.8 |
| Non-current financial assets | 19 | 41.9 | 42.9 |
| Deferred tax assets | 11.2 | 24.2 | 21.1 |
| Other non-current assets | | 0.1 | 0.1 |
| **Non-current assets** | | **592.4** | **517.2** |
| Inventories | 20 | 828.9 | 744.0 |
| Trade receivables | 21 | 430.2 | 367.5 |
| Current tax receivables | 11.2 | 15.4 | 13.9 |
| Other current financial assets | 29 | 26.8 | 10.6 |
| Other current assets | 22 | 169.7 | 132.1 |
| Cash and cash equivalents | 27 | 251.8 | 133.1 |
| **Current assets** | | **1,722.8** | **1,401.1** |
| **Total assets** | | **2,315.1** | **1,918.3** |

### EQUITY AND LIABILITIES

| (in € millions) | Notes | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| Share capital | 24 | 10.3 | 10.3 |
| Translation adjustments | | (17.4) | (15.2) |
| Treasury shares | | (4.0) | (0.7) |
| Other reserves | | 559.0 | 498.3 |
| **Equity attributable to owners of the parent** | **24** | **547.8** | **492.7** |
| Non-controlling interests | | 191.3 | 153.9 |
| **Total equity** | **24** | **739.1** | **646.7** |
| Non-current borrowings | 28 | 93.5 | 99.0 |
| Provisions for pensions and other post-employment benefits | 25 | 27.5 | 26.8 |
| Other provisions | 26 | 8.1 | 5.9 |
| Deferred tax liabilities | 11.2 | 2.1 | 1.1 |
| **Non-current liabilities** | | **131.1** | **132.9** |
| Current borrowings | 28 | 350.3 | 234.6 |
| Other current financial liabilities | 29 | 18.0 | 11.9 |
| Trade payables | 22 | 669.6 | 571.2 |
| Provisions for pensions and other post-employment benefits | 25 | 1.4 | 0.4 |
| Other provisions | 26 | 19.4 | 18.9 |
| Current tax liabilities | 11.2 | 35.9 | 33.0 |
| Other current liabilities | 22 | 350.4 | 268.7 |
| **Current liabilities** | | **1,445.0** | **1,138.8** |
| **Total equity and liabilities** | | **2,315.1** | **1,918.3** |

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

| (in € millions) | Notes | 31/12/2011 | 31/12/2010 |
|---|---|---|---|
| **Net income** | | **170.6** | **140.3** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | | 48.5 | 43.1 |
| Proceeds on disposal of leasing fleets (amendment to IAS 16) | | 1.5 | 2.1 |
| Other non-cash income and expenses | | (9.0) | (1.3) |
| **Cash flow from operating activities** | 32.1 | **211.6** | **184.2** |
| Interest paid/received | | 29.4 | 26.6 |
| Dividends received | | (1.2) | (1.0) |
| Net income tax payable | 11.1 | 74.5 | 64.5 |
| **Cash flow from operating activities before tax, dividends and interest** | | **314.4** | **274.3** |
| Change in working capital requirement | | 0.8 | 17.1 |
| Income tax paid | | (74.2) | (60.4) |
| **Net cash from operating activities** | | **241.0** | **231.0** |
| Purchases of leasing fleets (amendment to IAS 16) | 32.2 | (10.7) | (9.0) |
| Other purchases of property, plant and equipment and intangible assets | | (63.4) | (60.4) |
| Proceeds from disposals of property, plant and equipment and intangible assets | | 4.1 | 8.3 |
| *Total investments in property, plant and equipment* | | *(70.0)* | *(61.1)* |
| Acquisitions of subsidiaries, net of cash acquired | 32.3 | (18.8) | (15.2) |
| Proceeds from disposals of subsidiaries, net of cash transferred | 32.3 | (2.4) | 8.7 |
| Purchases of other financial assets | | (11.8) | (14.0) |
| Proceeds from sales of other financial assets | | 10.8 | 13.1 |
| Interest and dividends received | | 2.2 | 1.8 |
| *Total financial investments* | | *(19.9)* | *(5.6)* |
| **Net cash used in investing activities** | | **(89.9)** | **(66.6)** |
| Share capital increase/decrease | | (0.5) | 0.5 |
| Dividends paid to owners of the parent company | | (50.6) | (48.0) |
| Dividends paid to non-controlling interests | | (21.6) | (21.6) |
| Issuance of debt | 28 - 32.4 | 31.5 | 12.2 |
| Repayment of debt | 28 - 32.4 | (49.0) | (78.6) |
| Interest paid and equivalent | | (30.5) | (27.0) |
| **Net cash used in financing activities** | | **(120.7)** | **(162.6)** |
| Impact of exchange rate variations | | (0.2) | (4.5) |
| Impact of treasury shares | | (3.3) | (0.7) |
| Other movements | | (0.1) | (0.9) |
| **Net increase (decrease) in cash and cash equivalents** | | **26.7** | **(4.2)** |
| **Cash and cash equivalents net of bank overdrafts at beginning of year** | 32 | **(85.7)** | **(81.5)** |
| **Cash and cash equivalents net of bank overdrafts at end of year** | 32 | **(59.0)** | **(85.7)** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (in € millions) | Number of shares outstanding | Share capital | Cumulative translation adjustments and other | Other reserves and net income attributable to owners of the parent | Equity: Owners of the parent | Equity: Non-controlling interests | Equity: Total equity |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2009** | **61,524,360** | **10.3** | **(20.3)** | **443.5** | **433.5** | **137.5** | **570.9** |
| **Comprehensive income as of December 31, 2010** | | | **4.3** | **100.6** | **104.9** | **38.6** | **143.5** |
| Share capital increase/decrease | **1,500** (1) | | | 0.4 | **0.4** | | **0.4** |
| Treasury shares | **20,700** (2) | | | (0.7) | **(0.7)** | | **(0.7)** |
| Valuation of share-based payment | | | | 2.8 | **2.8** | | **2.8** |
| Dividends paid | | | | (48.0) | **(48.0)** | (20.3) | **(68.3)** |
| Changes in scope of consolidation | | | 0.7 | (0.9) | **(0.1)** | (1.9) | **(2.0)** |
| **As of December 31, 2010** | **61,505,160** | **10.3** | **(15.2)** | **497.7** | **492.7** | **154.0** | **646.7** |
| **Comprehensive income as of December 31, 2011** | | | **(2.5)** | **120.4** | **117.9** | **49.3** | **167.2** |
| Share capital increase/decrease | | | | | | (0.4) | **(0.4)** |
| Treasury shares | **155,300** (2) | | | (3.3) | **(3.3)** | | **(3.3)** |
| Valuation of share-based payment | | | | 3.7 | **3.7** | | **3.7** |
| Dividends paid | | | | (50.6) | **(50.6)** | (21.9) | **(72.5)** |
| Changes in scope of consolidation | | | 0.3 | (12.8) | **(12.5)** | 10.3 | **(2.3)** |
| **As of December 31, 2011** | **61,370,560** | **10.3** | **(17.4)** | **555.0** | **547.8** | **191.2** | **739.1** |

(1) *Subscription of 1,500 shares (see Note 7)*

(2) *Within the framework of the liquidity agreement and share buybacks for free share plans*

## Notes to the consolidated financial statements

# Notes to the consolidated financial statements for the years ended December 31, 2011 and 2010

## NOTE 1 INTRODUCTION

The CFAO Group, comprising CFAO SA (''the Company'') and its subsidiaries (together, ''the CFAO Group'' or ''the Group'') is one of the leading specialized retail brands in its key businesses in Africa and the French overseas territories. CFAO is a major player in the import and distribution of vehicles and pharmaceutical products, and related logistical services, as well as in certain industrial activities and technological services in Africa and the French overseas territories.

The Group currently has operations in France, 31 African countries, seven French overseas territories, Vietnam and Mauritius.

CFAO, the Group's parent company, is a *société anonyme* (joint-stock corporation) governed by a Supervisory Board and Management Board incorporated under French law, whose registered office is located at 18, rue Troyon, 92310 Sèvres, France. It is registered with the Nanterre Register of Commerce and Companies under the reference 552 056 152 RCS Nanterre. CFAO SA is bound by all regulations governing commercial companies in France, and particularly the provisions of the French Commercial Code (*Code de commerce*).

The CFAO Group prepared its first financial statements under IFRS for the year ended December 31, 2008.

The CFAO Group's consolidated financial statements were approved for issue by the Management Board on February 10, 2012 and are presented in euros. These consolidated financial statements will be presented to CFAO's General Shareholders' Meeting for approval.

## NOTE 2 ACCOUNTING POLICIES AND METHODS

### General principles and statement of compliance

The consolidated financial statements of the CFAO Group for the year ended December 31, 2011 were prepared in accordance with applicable international accounting standards adopted by the European Union and of mandatory application as of that date. These international standards comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

All accounting standards and guidance adopted by the European Union can be consulted on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias_en.htm.

### IFRS basis adopted

The standards, amendments and interpretations applicable for the first time in accounting periods beginning on or after January 1, 2011 had no material impact on the consolidated financial statements for the year ended December 31, 2011. These mainly included:

- IAS 24 revised – Related Party Disclosures;
- IFRIC 14 – Prepaid Voluntary Contributions;
- Annual Improvements to IFRSs issued in May 2010.

The Group has elected to early adopt the amendment to IAS 1 on the presentation of other comprehensive income by showing recyclables items separately from non-recyclable items in the income statement.

The impact of the application of IFRS 10, 11 and 12 on the consolidated financial statements has been assessed by the Group. These new standards have not yet been adopted by the European Union.

## 2.1. Basis of preparation of the consolidated financial statements

*2.1.1. Basis of measurement*

The consolidated financial statements are prepared based on the historical cost convention with the exception of certain financial assets and liabilities carried at fair value.

*2.1.2. Use of estimates and judgment*

The preparation of consolidated financial statements requires the use of estimates and assumptions by Group management that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the information disclosed in the accompanying notes. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the value and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill; the amount of contingency provisions and other provisions relating to operations; and assumptions underlying the calculation of obligations relating to employee benefits, deferred tax balances and derivatives. In particular, the Group uses discount rate assumptions based on market data to estimate the value of long-term assets and liabilities.

The main assumptions made by the Group are detailed in specific sections of the notes to the financial statements, in particular:

- Note 7 – Share-based payment
- Note 11 – Income tax
- Note 17 – Impairment tests on non-financial assets
- Note 20 – Inventories
- Note 21 – Trade receivables
- Note 25 – Employee benefits
- Note 26 – Provisions
- Note 29 – Exposure to foreign exchange, interest rate and credit risk
- Note 31 – Accounting classification and market value of financial instruments

*2.1.3. Statement of cash flows*

The Group's statement of cash flows is prepared in accordance with IAS 7 – Statement of Cash Flows, using the indirect method.

### 2.2. Consolidation principles

The consolidation is based on financial statements (or interim financial statements) drawn up for the 12-month periods ended December 31, 2011 and 2010 for all Group companies.

The consolidated financial statements include the financial statements of acquired companies as from the acquisition date or a date close to the acquisition date, and sold companies up until the date of disposal.

Subsidiaries

Subsidiaries are all entities over which the Group exercises control. Control is defined as the ability to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain economic benefit from its activities. This situation generally implies directly or indirectly holding more than 50% of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are taken into account in the assessment of control.

Subsidiaries are fully consolidated from the effective date of control.

Inter-company assets and liabilities and transactions between fully consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

Subsidiaries' accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at Group level.

Associates

Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy, without exercising control, and generally implies holding 20% to 50% of the voting rights.

Associates are accounted for using the equity method and are initially measured at cost, except when the associates were previously controlled by the Group in which case they are measured at fair value through the income statement as of the date control is lost. Subsequently, the Group's share in profits or losses of the associate attributable to owners of the parent is recognized in net income, and the Group's share in the associate's other comprehensive income is recognized on a separate line of the statement of comprehensive income, under other comprehensive income. If the Group's share in the losses of an associate equals or exceeds its investment in that associate, the Group no longer recognizes its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate.

Goodwill related to an associate is included in the carrying amount of the investment.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group's investment in these companies.

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognized using the purchase method.

Business combinations that took place prior to January 1, 2010 were recognized using the accounting principles used to prepare the financial statements for the year ended December 31, 2008.

Business combinations carried out after January 1, 2011 are recognized and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition cost) is measured at the fair value, at the date of exchange, of the assets transferred, equity interests issued and liabilities incurred by the acquirer. Identifiable assets and liabilities are measured at their fair value on the acquisition date. Costs directly attributable to the business combination are recognized in expenses.

The excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity is recognized as goodwill.

The Group elects to measure any non-controlling interests resulting from a business combination at fair value. In this case, goodwill is recognized on all of the identifiable assets and liabilities (full goodwill method).

Goodwill is determined at the date control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognized on any subsequent acquisition of non-controlling interests.

Acquisitions and/or disposals of non-controlling interests are recognized directly in consolidated equity.

If the consideration transferred is less than the Group's interest in the net assets (measured at fair value) of the acquired subsidiary, the difference is recognized directly in net income for the period.

The accounting for a business combination must be completed within 12 months of the acquisition date. This applies to the measurement of identifiable assets and liabilities, consideration transferred and non-controlling interests.

Put options granted to minority shareholders

The Group has undertaken to repurchase the non-controlling interests of shareholders of certain subsidiaries. The strike price of these put options may be set or determined according to a predefined calculation formula, and the options may be exercised at any time or on a specific date.

The revised IAS 27 – applied by the Group in its consolidated financial statements as of January 1, 2010 – prescribes the appropriate accounting treatment for acquisitions of additional shares in a subsidiary after control is obtained. As permitted by the French financial markets authority (*Autorité des marchés financiers* – AMF), the Group has decided to apply two different accounting methods to these put options, depending on whether they were granted before or after the date the revised standard first came into effect.

**Put options granted before January 1, 2010**

The Group uses its existing goodwill method for put options granted before January 1, 2010, whereby a financial liability is recorded for the put options granted to the minority shareholders of the entities concerned and the corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to purchase the non-controlling interests and the carrying amount of the reclassified non-controlling interests is recorded as goodwill.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, based on the fair value of shares potentially purchased if the strike price is linked to the fair value. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

**Put options granted after January 1, 2010**

The revised IAS 27 states that all equity transactions with non-controlling interests which do not result in a change in control must be recognized within equity. Consequently, the Group considers that put options granted after the effective date of the revised IAS 27 will impact consolidated equity.

The Group records a financial liability for the put options granted to the minority shareholders of the entities concerned and the corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to purchase the non-controlling interests and the carrying amount of the reclassified non-controlling interests is recorded as a deduction from equity.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, based on the fair value of shares potentially purchased if the strike price is linked to the fair value. Subsequent changes in the value of the commitment are recorded by an adjustment to equity.

**2.3. Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of each Group entity are valued using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in euros, which is the presentation currency.

Foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the end of each reporting period using the closing rate. Translation adjustments arising from the translation or the settlement of these items are recognized in income or expenses for the period.

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in other comprehensive income, the foreign exchange component is also recognized in other comprehensive income. Otherwise, the component is recognized in income or expenses for the period.

The treatment of foreign exchange rate hedges in the form of derivatives is described in the paragraph on derivative instruments in Note 2.8 – Financial assets and liabilities.

Translation of the financial statements of foreign subsidiaries

The results and financial statements of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- items recorded in the statement of financial position other than equity are translated at the exchange rate at the end of the reporting period;
- income and cash flow statement items are translated at the average exchange rate for the year, which in the absence of material fluctuations approximates the exchange rate at the transaction date;
- foreign exchange differences are recognized as translation adjustments in the statement of comprehensive income under "Other comprehensive income" and notably include gains and losses on foreign currency borrowings used to hedge foreign currency investments and on permanent advances to foreign subsidiaries.

Goodwill and fair value adjustments arising from a business combination with a foreign activity are recognized in the functional currency of the entity acquired. They are then translated at the closing exchange rate into the Group's presentation currency, and the resulting differences recognized in consolidated equity.

In 2010, the economy of the Democratic Republic of Congo became hyperinflationary. Insofar as the Group's investments in this country are not significant, the accounting treatment prescribed by IAS 29 has not been applied at December 31, 2011.

### 2.4. Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition date. Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the business.

### 2.5. Other intangible assets

Intangible assets acquired as part of a business combination, which are controlled by the Group and can be measured reliably, and which are separate or arise from contractual or other legal rights, are recognized separately from goodwill. These assets, in the same way as intangible assets acquired separately, are amortized over their useful life where this is finite and written down if their recoverable amount is less than their carrying amount. Software acquired as part of recurring operations is usually amortized over a period not exceeding 12 months.

Softwares developed in-house by the Group and meeting all the recognition criteria in IAS 38 are capitalized and amortized on a straight-line basis over its useful life, which is generally between three and five years.

### 2.6. Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses with the exception of land, which is presented at cost less impairment losses. The various components of property, plant and equipment are recognized separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate component, where necessary, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured. All other routine repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the purchase or production cost, less any residual value which is reviewed annually if considered material, over a period corresponding to the useful life of each asset category, i.e. 10 to 40 years for buildings and improvements to land and buildings, and 3 to 10 years for equipment.

Lease contracts

Agreements whose fulfillment depends on the use of one or more specific assets and which transfer the right to use the asset may be classified as lease contracts.

Lease contracts which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases.

Assets acquired under finance leases are recognized in property, plant and equipment against the corresponding debt recognized in borrowings for the same amount, at the lower of the fair value of the asset and the present value of minimum lease payments. The corresponding assets are depreciated over a useful life identical to that of property, plant and equipment acquired outright.

Deferred tax is recognized in respect of the capitalization of finance leases where appropriate.

Lease contracts that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognized in recurring operating expenses on a straight-line basis over the term of the lease.

Capital gains on the sale and leaseback of assets are recognized in full in income at the time of disposal when the lease qualifies as an operating lease and the transaction is performed at fair value.

The same accounting treatment is applied to agreements which, while not presenting the legal form of a lease contract, confer on the Group the right to use a specific asset in exchange for a payment or series of payments.

### 2.7. Asset impairment

Goodwill and intangible assets with an indefinite useful life, such as brands, and CGUs or groups of CGUs containing these items, are tested for impairment at least annually, during the second half of each reporting period.

An impairment test is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, and CGUs or groups of CGUs may be impaired. Such events or circumstances include material unfavorable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date.

Impairment tests seek to determine whether the recoverable amount of an asset, a CGU or a group of CGUs is less than its net carrying amount.

The recoverable amount of an asset, a CGU or a group of CGUs is the higher of its fair value less costs to sell and its value in use.

The value in use is determined based on future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset or CGU or group of CGUs. A pre-tax discount rate is applied to future cash flow projections, while a growth rate is used to extrapolate the cash flows to perpetuity.

Future cash flow projections are based on medium-term budgets and plans spanning a period of four years. To calculate value in use, a terminal value equal to the perpetual capitalization of a normative cash flow is added to the estimated future cash flows.

Fair value less costs to sell is the amount obtainable from the sale of an asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. These values are determined based on market data (comparison with amounts used in recent transactions).

When the recoverable value of an asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized in respect of the asset or group of assets.

For a CGU or group of CGUs, impairment is charged first to goodwill where appropriate, and recognized under ''Other non-recurring operating income and expenses'' in the income statement.

Impairment losses recognized in respect of property, plant and equipment and other intangible assets may be reversed at a later date up to the amount of the losses initially recognized, when the recoverable amount once again exceeds the carrying amount. Impairment losses in respect of goodwill may not be reversed.

**2.8. Financial assets and liabilities**

Financial assets

Pursuant to IAS 39, financial assets are classified within one of the following four categories:

- financial assets at fair value through the income statement;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment for the instrument. It is defined by the Group on the initial recognition date, based on the objective behind the asset's purchase. Purchases and sales of financial assets are recognized on the trade date, which is the date the Group is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

**1. Financial assets at fair value through the income statement**

These are financial assets held by the Group for short-term profit, or assets voluntarily classified in this category.

These assets are measured at fair value, with changes in fair value recognized in income.

**2. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not held for trading purposes or available for sale.

These assets are initially recognized at fair value and subsequently at amortized cost using the effective interest method. Short-term receivables without a stated interest rate are valued at the amount of the original invoice unless the effective interest rate has a material impact.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognized if the carrying amount exceeds the estimated recoverable amount.

Loans and receivables due from non-consolidated investments, other loans and receivables and trade receivables are included in this category and are presented in non-current financial assets, trade receivables and other non-current financial assets.

**3. Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets, other than loans or receivables, with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognized if the carrying amount exceeds the estimated recoverable amount.

Held-to-maturity investments are presented in non-current financial assets.

**4. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are not included in the aforementioned categories. Unrealized capital gains or losses are recognized in equity until the disposal of the assets. However, when there is a significant or prolonged decline in value of an available-for-sale asset, the unrealized capital loss is reclassified from equity to income for the period. Impairment losses recognized in respect of variable-income securities cannot be reversed through the income statement at the end of a subsequent reporting period.

For listed securities, fair value corresponds to a market price. For unlisted securities, fair value is determined by reference to recent transactions or using valuation techniques based on reliable and observable market data. However, when the fair value of a security cannot be reasonably estimated, it is recorded at historical cost. These assets are subject to impairment tests in order to assess whether they are recoverable.

This category mainly comprises non-consolidated investments and marketable securities that do not meet the other financial asset definitions. They are presented in non-current financial assets.

Financial liabilities

The valuation of financial liabilities depends on their IAS 39 classification. The Group recognizes all financial liabilities and particularly borrowings, trade payables and other liabilities, initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the carrying amount of a financial liability by discounting its estimated future cash flows until maturity or until the nearest date the price is reset to the market rate. The calculation includes transaction costs and any premiums and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial liability.

The carrying amount of financial liabilities that qualify as hedged items as part of a fair value hedging relationship and are valued at amortized cost, is adjusted with respect to the hedged risk.

Hedging relationships are described in the section below on derivative instruments.

Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognized immediately in expenses.

Derivative instruments

The Group uses various financial instruments to reduce its exposure to foreign exchange risk. These instruments are chiefly traded over the counter with banks.

Derivatives are recognized at fair value under other current or non-current assets and liabilities depending on their maturity. Changes in the fair value of these derivatives are always recorded in income.

Derivatives designated as hedging instruments are classified as fair value hedges (the Group does not classify any derivatives as cash flow or net investment hedges). A fair value hedge is used to hedge the risk of changes in the fair value of recognized assets or liabilities or a firm commitment not yet recognized that would impact consolidated net income. For fair value hedges, the hedged component of these items is measured at fair value. Fair value gains and losses are recorded in the income statement and offset, to the extent the hedge is effective, by matching fair value gains and losses on the hedging instrument.

Hedge accounting can only be applied if all the following conditions are met:

- there is a clearly identified, formalized and documented hedging relationship as of the date of inception;
- the effectiveness of the hedging relationship can be demonstrated on a prospective and retrospective basis. The results obtained must attain a confidence level of between 80% and 125%.

Cash and cash equivalents

The ''Cash and cash equivalents'' line item recorded on the assets side of the consolidated statement of financial position comprises cash, short-term investments and other liquid and readily convertible instruments with an insignificant risk of changes in value and a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts, are excluded from cash. Bank overdrafts are presented in borrowings on the liabilities side of the statement of financial position.

In the statement of cash flows, ''Cash and cash equivalents'' includes accrued interest receivable on assets presented in cash and cash equivalents and bank overdrafts. A schedule reconciling cash per the statement of cash flows and per the statement of financial position is provided in Note 32.

Definition of consolidated net debt

The concept of net debt used by the Group comprises gross debt including accrued interest less net cash as defined by French National Accounting Board (*Conseil National de la Comptabilité* – CNC) recommendation 2009-R. 03 dated July 2, 2009.

### 2.9. Share-based payment

The Group awards performance shares and stock options which constitute equity-settled share-based payment transactions. In accordance with IFRS 2 – ''Share-based Payment'', the fair value of the plans concerned – which corresponds to the fair value of the services rendered by the beneficiaries – is measured at the grant date.

The pricing models used for this measurement are described in Note 7. Subsequent to the grant date, the fair values recognized for the stock options or performance shares are amortized over the vesting period. The related expense is recorded in payroll expenses with an offsetting increase in equity.

### 2.10. Inventories

Inventories comprise goods for resale that are physically located at different stages of the supply chain, from suppliers through to end customers. They include:

- goods being transported between suppliers and subsidiaries or storage facilities managed by central purchasing offices;
- goods in stock at the subsidiaries or at the storage facilities managed by central purchasing offices.

Inventories comprise goods for resale as well as raw materials used by CFAO Industries in its production processes.

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining cost is adopted for inventories of a similar nature and use within the same entity. Inventories are valued on a first-in-first-out (FIFO) basis or at weighted average cost depending on the Group activity.

Interest expenses are excluded from inventories and expensed as finance costs in the year they are incurred.

The Group may write down inventory based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

### 2.11. Income tax

The income tax charge for the period comprises the current and deferred tax charge.

In France, the 2010 finance law introduced the Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). In line with similar taxes within the Group, the CVAE is treated as an income tax in application of IAS 12. Consequently, it is accounted for under ''Income tax''.

Deferred tax is calculated using the liability method on all temporary differences between the book value of assets and liabilities recorded in the consolidated statement of financial position and their tax value. The measurement of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position within non-current assets and liabilities.

A deferred tax asset is recognized on deductible temporary differences and for tax loss carry-forwards and tax credits to the extent that their future offset appears probable.

A deferred tax liability is recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.12. Provisions

Provisions for litigation and disputes, and miscellaneous contingencies and losses are recognized as soon as a present obligation arises from past events that is likely to result in an outflow of resources embodying economic benefits, and where the amount of the obligation can be reliably estimated.

Provisions also include costs arising as a result of labor or tax-related disputes. No provision is set aside for tax reassessments issued (or in the process of being issued) by the tax authorities if the Group considers that the reasons for the reassessment are unfounded, or that there is a reasonable chance it will be able to defend its position successfully in the dispute with the tax authorities. A restructuring provision is recognized when there is a formal and detailed restructuring plan and the plan has begun to be implemented or its main features have been announced before the end of the reporting period. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, payment in lieu of notice, etc.), work stoppages and compensation for breaches of contract with third parties.

Provisions maturing in more than one year are valued at the discounted amount representing the best estimate of the expense necessary to extinguish the present obligation at the end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

### 2.13. Post-employment benefits and other long-term employee benefits

The Group's companies grant various types of benefits to their employees depending on the laws and practices of each country.

Under defined contribution plans, the Group is not obliged to make additional payments over and above contributions already made to a fund if the fund does not have sufficient assets to cover the benefits corresponding to services rendered by personnel during the current period and prior periods. Contributions paid into these plans are expensed as incurred.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country where the plan is established. These plans, as well as the termination benefits, are valued by independent actuaries on an annual basis for the most significant plans and at regular intervals for the other plans. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Actuarial gains and losses are primarily due to changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences in respect of defined benefit plans are recognized immediately in other comprehensive income in accordance with the option offered by IAS 19, as revised in December 2004.

Past service cost – corresponding to the increase in an obligation following the introduction of a new plan or changes to an existing plan – is recognized on a straight-line basis over the average period until the benefits vest or is expensed immediately if the benefit entitlement has already vested.

Expenses relating to this type of plan are recognized in recurring operating income (service cost) and net finance costs (interest cost, expected return on plan assets). Curtailments, settlements and past service costs are recognized in recurring operating income or net finance costs according to their nature. The provision recognized in the statement of financial position corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets and non-amortized past service costs.

### 2.14. Revenue recognition

The Group derives the bulk of its revenue from the sale of vehicles, pharmaceutical products, equipment and consumer goods and related services.

Revenue is valued at the fair value of the consideration received for goods and services sold, royalties, licenses and operating subsidies granted, excluding taxes, net of rebates and discounts and after elimination of inter-company sales.

Sales of goods are recognized when a Group entity has transferred the risks and rewards incidental to ownership to the buyer (on delivery, other than in exceptional circumstances), when revenue can be reliably measured and when recovery is reasonably assured.

The amendment to IAS 16, which has been applied since January 1, 2010, sets out the recognition method for the sale of assets that were previously held for rental, where entities routinely carry out this type of transaction in the course of their ordinary activities. At the end of the lease, the asset concerned must be transferred to inventories and the proceeds from the sale recorded in revenue.

### 2.15. Operating income

Operating income comprises:

- Recurring operating income is an intermediate line item intended to facilitate understanding of the Group's operating performance.
- Other non-recurring operating income and expenses excluded from recurring operating income; which include:
  - impairment of goodwill and other intangible assets;
  - gains or losses on disposals of property, plant and equipment and intangible assets, or investments;
  - restructuring costs and costs relating to employee deployment measures;
  - non-recurring items corresponding to revenues and expenses that are unusual due to their frequency, nature or amount.

### 2.16. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of shares outstanding during the year.

In the case of material non-recurring items, earnings per share excluding non-recurring items are calculated by adjusting net income attributable to owners of the parent for non-recurring items net of taxes and non-controlling interests. Non-recurring items taken into account for this calculation correspond to all the items included under ''Other non-recurring operating income and expenses'' in the income statement.

Fully diluted earnings per share are calculated by adjusting net income attributable to owners of the parent and the number of outstanding shares for all instruments granting deferred access to the share capital of the Company whether issued by CFAO or one of its subsidiaries.

### 2.17. Operating segments

In accordance with IFRS 8 – ''Operating Segments'', segment information is reported on the same basis as used internally by the Chairman and/or other members of the Management Board – who are the Group's chief operating decision makers – for evaluating operating segment performance and deciding how to allocate resources to the segments.

In accordance with IFRS 8, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, and for which discrete financial information is available.

Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group's segments.

The segments presented are operating segments or groups of similar operating segments. Segment information has been changed to take into account the Group's new organization.

The Industries, Equipment & Services division encompasses the following four businesses:

- Industries: two breweries in the Republic of the Congo in partnership with Heineken and four plastic product manufacturing plants;
- Technologies: these activities were refocused in 2011 around IT products and solutions.
- Equipment: activities based around the distribution of generators and elevators, and the sale, installation and maintenance of construction and agricultural machinery, currently being organized in eight countries;
- Rental services: previously part of the Automotive division, will be strengthened to provide a platform for the expansion of the Equipment and Automotive businesses.

Segment reporting also includes the two other operating divisions, CFAO Automotive and Eurapharma.

The CFAO Holding and others division primarily includes the overhead costs of the registered office at Sèvres with all cross-divisional services which are not allocated to the operating divisions.

The management data used to assess operating segment performance is prepared in accordance with IFRS as applied by the Group for its consolidated financial statements.

The performance of each operating segment is measured based on recurring operating income, which is the method used by the Group's chief operating decision maker.

### 2.18. Non-current assets (or disposal groups) classified as held for sale

The CFAO Group did not have any non-current assets (or disposal groups) held for sale in 2011 or 2010.

The Group may be impacted by IFRS 5 – ''Non-current Assets Held for Sale and Discontinued Operations'', which requires the separate recognition and presentation of assets (or disposal groups) held for sale and operations discontinued, sold or to be sold.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured and recognized at the lower of their carrying amount and their fair value less the costs of disposal. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale. They are presented on separate lines in the consolidated statement of financial position, without restatement for previous periods.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered discontinued if their carrying amount will be recovered principally through continuing use rather than through a sale. Assets and liabilities arising from discontinued operations are not presented on separate lines in the Group's statement of financial position.

An operation discontinued, sold or to be sold is defined as a component of an entity that generates cash flows that can be clearly distinguished from the rest of the entity and represents a separate major line of business or geographical area of operations. Net income from these activities is presented under a separate income statement heading, ''Discontinued operations'', and is restated in the statement of cash flows.

### 2.19. Cost of sales

Cost of sales chiefly includes the cost of goods sold, measured at the net price charged by the supplier, plus all costs incurred to ensure that the products are made available in their end markets (freight, transit, customs duties and other import taxes, fees payable to agents and self-employed vendors). Cost of sales includes net additions to inventory impairment provisions, as well other valuation adjustments (inventory unable to be sold, theft, breakage, currency gains and losses affecting the related invoice, transportation insurance).

## NOTE 3 SCOPE OF CONSOLIDATION

The CFAO Group's consolidated financial statements for the year ended December 31, 2011 include the financial statements of the companies listed in Note 36.

The following changes in the scope of consolidation have occurred since January 1, 2011:

– In December 2010, CFAO entered into a shareholders' agreement with New Caledonian group Pentecost with a view to pooling their respective interests in the automobile distribution and civil engineering and mining equipment companies that they own in New Caledonia (the Ménard group for CFAO and Almameto for Pentecost). Upon completion of the share transfers, CFAO and the Pentecost group respectively own 74% and 26% of the shares in the new joint venture.

  In 2010, the companies of the Pentecost group that were accounted for by the CFAO Group using the equity method had a headcount of 186 and represented revenue of €106 million. In 2011, they contributed €98.7 million to consolidated revenue.

  The business combination, recorded on January 1, 2011, was measured at fair value based on an independent assessment. CFAO recognized the transaction as an acquisition of controlling interests in the Almameto group, leading to the revaluation of the Group's initial interest in accordance with the revised IFRS 3 (€8.2 million gain recorded in non-recurring operating income). As CFAO remains the controlling shareholder for the companies in the Ménard group, their historical value does not change.

  This transaction also generated goodwill in the amount of €16.4 million, determined using the ''full goodwill'' method.

  The Pentecost group was granted a put option on the remaining 26% non-controlling interests, accounted for under net debt.

- In January 2011, the CFAO Group consolidated Nissan Zimbabwe, a Nissan automobile distribution business in Zimbabwe. In 2011, this activity generated €25.8 million in revenue. In 2010, the third party turn over done by CFAO group with this company was €12.4 million. The first-time consolidation of Nissan Zimbabwe resulted in the recognition of €1.2 million in goodwill.
- At end-January 2011, the Commercial Court (*Tribunal de Commerce*) of Reunion authorized CFAO's takeover bid for the Citroën automobile import and distribution business owned by Foucque Automobile, which had been placed under court-ordered receivership. In 2011, this activity reported €42.7 million in revenue.

  In March 2011, the CFAO Group acquired Vehicle Center Zambia Ltd, a Ford automobile distribution business in Zambia. This company sold 397 new vehicles in 2010, generating revenue of €7.7 million. In 2011, this activity generated €13.2 million in revenue. This first-time consolidation resulted in the recognition of €0.6 million in goodwill.
- In June 2011, the CFAO Group acquired Lien A, an Audi automobile distribution business in Vietnam. CFAO already owned an Audi automobile import business in Vietnam. Lien A sold 216 new vehicles in 2010, generating revenue of €18.7 million. In 2011, this activity generated €32.1 million in revenue. In 2010, external revenue generated with this company amounted to €16.1 million.
- In December 2011, the CFAO Group acquired 51% of shares that the Reunion-based Caillé group held in three Malagasy companies and one French company. These companies operate in automotive distribution and rental activity. These entities represented full-year revenue of €21.1 million in 2010. In 2011, these entities generated €20.6 million in revenue. As the transaction was not material at the level of the Group, these entities continued to be accounted for using the equity method at December 31, 2011, and the cost of acquiring additional shares was reclassified to investments in associates. The entities will be fully consolidated with effect from January 1, 2012.
- In July 2011, the CFAO Group acquired Propharmal, a pharmaceutical production business based in Algeria. Propharmal represented full-year revenue of €7.4 million in 2010. The Group does not have sufficient information to include the portion of Propharmal's business since the acquisition in the 2011 consolidated financial statements. The financial statements of Propharmal were fully consolidated at December 31, 2011.

The other changes in the Group's scope of consolidation did not have a material impact on the financial statements for the year.

## NOTE 4 OPERATING SEGMENTS

The policies applied to determine the operating segments presented comply with IFRS 8 and are set out in Note 2.17.

Information provided on operating segments is prepared in accordance with the same accounting rules as for the consolidated financial statements and set out in the notes thereto.

Charges to depreciation, amortization and provisions on non-current operating assets reflect net charges on intangible assets and property, plant and equipment recognized in recurring operating income.

Purchases of property, plant and equipment and intangible assets primarily correspond to gross asset purchases, including cash timing differences but excluding assets purchased under finance leases.

Non-current segment assets comprise goodwill, intangible assets, property, plant and equipment and other non-current assets.

Segment assets comprise non-current segment assets, inventories, trade receivables and other current assets.

Segment liabilities mainly include trade payables and other current liabilities.

### 4.1. Information by division

| (in € millions) | CFAO Automotive | Eurapharma | CFAO Industries, Equipment & Services | CFAO Holding & other | Eliminations | Total |
|---|---|---|---|---|---|---|
| **As of December 31, 2011** | | | | | | |
| Revenue | 1,984.4 | 864.7 | 418.8 | | (144.2) | **3,123.7** |
| – non-Group | 1,891.7 | 864.5 | 367.4 | 0.1 | | **3,123.7** |
| – Group | 92.7 | 0.2 | 51.4 | (0.1) | | **144.2** |
| **Recurring operating income** | **141.1** | **75.8** | **67.0** | **(27.6)** | | **256.3** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 21.3 | 5.3 | 21.3 | 0.6 | 0.0 | **48.5** |
| Other non-cash recurring operating income and expenses | (9.8) | 2.1 | 3.3 | (3.1) | (0.0) | **(7.5)** |
| Purchases of leasing fleets (amendment to IAS 16) | 3.1 | | 7.6 | | 0.0 | **10.7** |
| Other purchases of property, plant and equipment and intangible assets, gross | 21.9 | 6.8 | 34.2 | 0.5 | (0.0) | **63.4** |
| **Segment assets** | **1,158.7** | **458.1** | **329.4** | **(16.9)** | **(0.0)** | **1,929.3** |
| **Segment liabilities** | **654.3** | **246.5** | **110.1** | **9.1** | **(0.0)** | **1,020.0** |
| **As of December 31, 2010** | | | | | | |
| Revenue | 1,611.6 | 809.7 | 342.3 | | (87.3) | **2,676.2** |
| – non-Group | 1,527.4 | 809.6 | 339.1 | 0.1 | | **2,676.2** |
| – Group | 84.2 | 0.1 | 3.1 | (0.1) | | **87.3** |
| **Recurring operating income** | **117.5** | **71.4** | **59.7** | **(25.3)** | | **223.2** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 19.2 | 4.9 | 18.3 | 0.7 | (0.0) | **43.1** |
| Other non-cash recurring operating income and expenses | 0.2 | (0.9) | (0.7) | 2.3 | 0.0 | **0.9** |
| Purchases of leasing fleets (amendment to IAS 16) | 2.6 | | 6.4 | | (0.0) | **9.0** |
| Other purchases of property, plant and equipment and intangible assets, gross | 21.9 | 7.4 | 30.4 | 0.6 | 0.0 | **60.4** |
| **Segment assets** | **997.5** | **407.2** | **284.1** | **(14.1)** | **(0.0)** | **1,674.9** |
| **Segment liabilities** | **492.7** | **234.1** | **101.4** | **11.5** | **0.3** | **839.9** |

### 4.2. Information by geographic area

Information is presented by geographic area based on the geographic location of customers for revenue and the geographic location of assets for non-current segment assets, with the exception of data for France (export), which reflects export sales to customers outside the CFAO Group.

| (in € millions) | French-speaking Sub-Saharan Africa | English-speaking Sub-Saharan Africa | French Overseas Territories and Other | Maghreb | France (export) | Total |
|---|---|---|---|---|---|---|
| **As of December 31, 2011** | | | | | | |
| Revenue | 1,239.9 | 392.8 | 729.6 | 599.6 | 161.8 | **3,123.7** |
| Non-current segment assets | 225.5 | 51.1 | 87.7 | 88.8 | 47.5 | **500.5** |
| **As of December 31, 2010** | | | | | | |
| Revenue | 1,128.2 | 331.7 | 568.9 | 509.2 | 138.2 | **2,676.2** |
| Non-current segment assets | 205.9 | 46.4 | 58.1 | 70.4 | 50.6 | **431.4** |

### 4.3. Reconciliation of segment assets and liabilities

The reconciliation of total segment assets and non-current segment assets with total Group assets is as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Goodwill | 149.4 | 126.3 |
| Other intangible assets | 31.5 | 26.0 |
| Property, plant and equipment | 319.6 | 279.0 |
| Other non-current assets | 0.1 | 0.1 |
| **Non-current segment assets** | **500.5** | **431.4** |
| Inventories | 828.9 | 744.0 |
| Trade receivables | 430.2 | 367.5 |
| Other current assets | 169.7 | 132.1 |
| **Current segment assets** | **1,428.7** | **1,243.6** |
| **Segment assets** | **1,929.3** | **1,674.9** |
| Investments in associates | 25.7 | 21.8 |
| Non-current financial assets | 41.9 | 42.9 |
| Deferred tax assets | 24.2 | 21.1 |
| Current tax receivables | 15.4 | 13.9 |
| Other current financial assets | 26.8 | 10.6 |
| Cash and cash equivalents | 251.8 | 133.1 |
| **Total assets** | **2,315.1** | **1,918.3** |

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Trade payables | 669.6 | 571.2 |
| Other current liabilities | 350.4 | 268.7 |
| **Segment liabilities** | **1,020.0** | **839.9** |
| Total equity | 739.1 | 646.7 |
| Non-current borrowings | 93.5 | 99.0 |
| Non-current provisions for pensions and other post-employment benefits | 27.5 | 26.8 |
| Other non-current provisions | 8.1 | 5.9 |
| Other deferred tax liabilities | 2.1 | 1.1 |
| Current borrowings | 350.3 | 234.6 |
| Other current financial liabilities | 18.0 | 11.9 |
| Current provisions for pensions and other post-employment benefits | 1.4 | 0.4 |
| Other current provisions | 19.4 | 18.9 |
| Current tax liabilities | 35.9 | 33.0 |
| **Total equity and liabilities** | **2,315.1** | **1,918.3** |

## NOTE 5 REVENUE AND COST OF SALES

### 5.1 Revenue

| (in € millions) | 2011 | 2010 |
|---|---|---|
| Net sales of goods | 3,001.2 | 2,567.6 |
| Net sales of services | 117.0 | 103.0 |
| Other revenue | 5.5 | 5.6 |
| **Total** | **3,123.7** | **2,676.2** |

Sales for 2011 and 2010 can be broken down as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **CFAO Automotive** | **1,891.7** | **1,527.4** |
| Light vehicles | 1,278.5 | 1,033.4 |
| Used vehicles | 44.9 | 35.2 |
| Heavy trucks and industrial equipment | 287.0 | 224.5 |
| Services, spare parts and tires | 230.1 | 189.9 |
| Motorcycles and other | 51.1 | 44.4 |
| **Eurapharma** | **864.5** | **809.6** |
| Import-Wholesale-Resale | 678.0 | 648.5 |
| Pre-wholesale | 139.2 | 114.7 |
| Distribution agent | 43.9 | 43.1 |
| Other | 3.4 | 3.3 |
| **CFAO Industries, Equipment & Services** | **367.4** | **339.1** |
| Beverages | 186.7 | 155.6 |
| Plastics | 38.2 | 36.7 |
| Other | 4.3 | 17.8 |
| Machinery | 19.7 | 11.8 |
| Rental services | 18.7 | 16.0 |
| Elevators | 24.5 | 30.9 |
| Technologies | 75.3 | 70.3 |
| **Total** | **3,123.7** | **2,676.2** |

### 5.2 Cost of sales

Cost of sales can be analyzed as follows for 2011 and 2010:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Breakdown of cost of sales** | **(2,418.1)** | **(2,062.5)** |
| Purchases | (1,934.1) | (1,755.9) |
| Miscellaneous expenses | (443.8) | (354.7) |
| Damaged inventories/Inventory variances | (5.4) | (5.4) |
| Net additions to inventory allowances | 1.7 | 8.0 |
| Change in inventories | 19.3 | 87.2 |
| Cost of vehicle rentals | (13.3) | (11.4) |
| Other | (42.5) | (30.3) |

## NOTE 6 PAYROLL EXPENSES

Payroll expenses primarily include fixed and variable remuneration, social security charges, charges relating to employee profit-sharing and other incentives, training costs, and charges relating to employee benefits recognized in recurring operating income. Payroll expenses totaled €222.2 million in 2011 and €193.5 million in 2010.

The Group's average headcount on a full-time equivalent basis breaks down as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Average headcount** | **9,672** | **9,241** |
| **Headcount** | **10,100** | **9,278** |

| | Average headcount | Headcount |
|---|---|---|
| **As of January 1, 2011** | **9,241** | **9,278** |
| Changes on a constant scope basis | (40) | 162 |
| Impact of changes in scope of consolidation | 471 | 660 |
| **As of December 31, 2011** | **9,672** | **10,100** |

## NOTE 7 SHARE-BASED PAYMENT

On January 4, 2010 the Group set up a stock option plan for certain employees. On December 3, 2010 and July 18, 2011, the Group awarded performance shares to certain employees.

The Group recognizes its obligation as and when services are rendered by the beneficiaries, over the period from the grant date to the vesting date. The grant date is the date at which the Management Board approved the plans concerned and the plans were communicated to the beneficiaries.

Vested rights may only be exercised by beneficiaries at the end of a lock-in period, the length of which varies depending on the type of plan.

The characteristics of the plans are set out below:

| | 2010 Plan | 2010 Plan | 2011 Plan |
|---|---|---|---|
| **Stock option and performance share plan** | **Subscription options** | **Performance shares** | **Performance shares** |
| Grant date | 1/4/2010 | 12/3/2010 | 7/18/2011 |
| Expiration date | 1/4/2018 | 12/3/2014 | 7/18/2015 |
| Vesting of rights | 1/4/2014 | 12/3/2012 | 7/18/2013 |
| Number of beneficiaries | 239 | 600 | 606 |
| Number initially granted | 1,350,000 | 97,400 | 172,203 |
| Number outstanding as of December 31, 2010 | 1,338,000 | 97,400 | |
| Number forfeited in 2011 | 397,219 | 6,300 | 550 |
| Number exercised in 2011 | | 200 | |
| Number expired in 2011 | | | |
| Number outstanding as of December 31, 2011 | 940,781 | 90,900 | 171,653 |
| Number exercisable as of December 31, 2011 | | | |
| Strike price (in €) | 26.00 | N/A | N/A |
| Fair value at grant date (in €) | 4.18 | 22.96 | 20.38 |
| Weighted average price of options exercised (in €) | | | |

Vesting of the options awarded under the stock option plan is subject to the beneficiaries' presence within the Group and performance conditions. Options vest at a rate of 25% per full year of presence within the Group. Three-quarters of the stock options granted are subject to performance conditions related to the CFAO Group's recurring operating profit margin and free operating cash flow. At end-2011, one of the vesting conditions was not met, giving rise to the cancellation of one-quarter of the options.

Vesting of the shares awarded under the performance share plan is subject to the beneficiaries' presence within the Group and a performance condition in respect of the CFAO share compared to the SBF120 benchmark index.

In the event of retirement (under certain conditions), death or disability, the rights vest in full. In the event of resignation, dismissal for gross negligence or misconduct, or removal of a corporate officer, all rights are lost.

The fair value of the rights awarded to the beneficiaries was determined on the grant date of the plans.

For the stock option plan, a Black & Scholes model was used with a trinomial algorithm and exercise thresholds, which takes into account the number of potentially exercisable options at the end of the vesting period.

For the performance share plan, a Black & Scholes model was used with a Monte Carlo algorithm and two underlyings.

The exercise thresholds and probability assumptions used for the stock option plan are as follows:

| Threshold as a % of the strike price | Probability of exercise |
|---|---|
| 125% | 15% |
| 150% | 20% |
| 175% | 20% |
| 200% | 20% |

The main valuation assumptions are summarized below:

| Stock option and performance share plan | 2010 Plan Subscription options | 2010 Plan Performance shares | 2011 Plan Performance shares |
|---|---|---|---|
| Volatility | 35.00% | 37.00% | 34.00% |
| Risk-free interest rate | 3.35% | 1.56% | 1.92% |

The above volatility represents the weighted sum of the volatilities of each division, determined on the basis of benchmarks.

The dividends used for the valuation correspond to dividends estimated by CFAO in accordance with income forecasts and distribution policies.

The risk-free interest rate used was the Euribor swap rate at the grant date (the 8-year rate for the stock option plan and the 2-year rate for the performance share plan).

The total expense recognized in 2011 in respect of stock option and performance share plans was €3.7 million.

## NOTE 8 RECURRING OPERATING INCOME

Recurring operating income is the primary indicator of the Group's operating performance, and breaks down as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| CFAO Automotive | 141.1 | 117.5 |
| Eurapharma | 75.8 | 71.4 |
| CFAO Industries, Equipment & Services | 67.0 | 59.7 |
| Holding CFAO & other | (27.6) | (25.3) |
| **Recurring operating income** | **256.3** | **223.2** |

Net recurring charges to depreciation, amortization and provisions on non-current operating assets (mainly property, plant and equipment and intangible assets) included in recurring operating income amounted to €48.5 million in 2011 (€43.1 million in 2010).

## NOTE 9 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each division's financial performance. The net balance of this caption was income of €9.8 million in 2011 versus an expense of €10.0 million in 2010. Proceeds from disposals of investments mainly comprise the remeasurement of the minority shareholding in Almameto in accordance with the revised IFRS 3, further to the linkup in New Caledonia.

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Non-recurring operating income** | **9.8** | **10.5** |
| Net proceeds from the disposal of non-current operating assets | 1.5 | 3.9 |
| Net proceeds from the disposal of investments | 8.3 | 1.7 |
| Other | (0.0) | 4.9 |
| **Non-recurring operating expenses** | | **(0.5)** |
| Other | | (0.5) |
| **Total** | **9.8** | **10.0** |

## NOTE 10 FINANCIAL INCOME AND EXPENSES

This caption can be analyzed as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Cost of net debt** | **(26.4)** | **(22.3)** |
| Income from cash and cash equivalents | 1.0 | 0.7 |
| Finance costs at amortized cost | (27.4) | (22.9) |
| **Other financial income and expenses** | **(3.1)** | **(4.2)** |
| Gains and losses on fair value foreign exchange hedges[1] | 0.9 | (0.2) |
| Foreign exchange gains and losses | (1.0) | (0.7) |
| Dividends and interim dividends received | 1.2 | 1.0 |
| Impact of discounting assets and liabilities | (4.4) | (4.2) |
| Other finance costs | 0.3 | (0.1) |
| **Total** | **(29.6)** | **(26.5)** |

(1) *This item corresponds to the ineffective portion of fair value hedges.*

Finance costs carried at amortized cost mainly consist of interest on bank overdrafts.

The net impact on income of the ineffective portion of foreign exchange hedges was a positive €0.9 million.

Other financial expenses include discount costs.

## NOTE 11 INCOME TAX

### 11.1. Analysis of the income tax expense

*11.1.1. Income tax expense*

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Income before tax** | **236.6** | **206.7** |
| Taxes paid out of operating income | (74.5) | (64.5) |
| Other taxes payable not impacting operating cash flow | 4.2 | (2.8) |
| Income tax payable | (70.3) | (67.3) |
| Deferred tax income/(expense) | 1.4 | (1.7) |
| **Total tax expense** | **(68.9)** | **(69.0)** |
| **Effective tax rate** | **29.1%** | **33.4%** |

*11.1.2. Reconciliation of the tax rate*

| (as a % of pre-tax income) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Tax rate applicable in France** | **36.1%** | **34.4%** |
| Impact of taxation of foreign subsidiaries | (5.8%) | (3.5%) |
| **Theoretical tax rate** | **30.3%** | **30.9%** |
| Effect of items taxed at reduced rates | (0.2%) | (0.1%) |
| Other tax credits | (9.2%) | (8.8%) |
| Effect of permanent differences | 4.7% | 4.1% |
| Effect of unrecognized temporary differences | 0.8% | 1.7% |
| Effect of unrecognized tax losses carried forward | 0.4% | 2.0% |
| Effect of changes in tax rates | (0.2%) | 0.0% |
| Company value-added contribution (CVAE) | 1.1% | 1.1% |
| Other | 1.5% | 2.6% |
| **Effective tax rate** | **29.1%** | **33.4%** |

The income tax rate applicable in France is the standard rate of 33.33% subject to: (i) the social surtax of 3.3% and (ii) a one-off additional 5% levy voted in the 2011 finance act, both of which are applied to the standard rate, bringing the total to 36.10%.

*11.1.3. Recurring tax rate*

Excluding non-recurring items, the Group income tax rate for 2011 and 2010 was as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Income before tax | 236.6 | 206.7 |
| Non-recurring items | 9.8 | 10.0 |
| **Recurring income before tax** | **226.8** | **196.7** |
| Total tax expense | (68.9) | (69.0) |
| Total tax expense excluding CVAE | (66.4) | (66.8) |
| Tax on non-recurring items | (0.1) | (0.6) |
| **Total current tax expense excluding CVAE** | **(66.3)** | **(66.1)** |
| **Effective tax rate** | **29.1%** | **33.4%** |
| **Total current tax rate excluding CVAE** | **29.2%** | **33.6%** |

### 11.2. Movement in statement of financial position headings

*11.2.1. Net current tax liabilities*

| (in € millions) | Dec. 31, 2010 | Net income | Cash outflows relating to operating activities | Impact on changes in exchange rates | Changes in scope of consolidation | Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Current tax receivables | 13.9 | | | | | 15.4 |
| Current tax liabilities | (33.0) | | | | | (35.9) |
| **Net current tax liabilities** | **(19.0)** | **(74.5)** | **74.2** | **(0.4)** | **(0.7)** | **(20.4)** |

*11.2.2. Deferred tax*

| (in € millions) | Dec. 31, 2010 | Net income | Impact on changes in exchange rates | Changes in scope of consolidation | Other items recognized directly in equity | Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Intangible assets | 0.1 | (0.1) | | | | (0.0) |
| Property, plant and equipment | 0.1 | | | | | 0.1 |
| Other non-current assets | 0.3 | | | | | 0.3 |
| Other current assets | 9.4 | 0.6 | | | | 10.0 |
| Provisions for pensions and other post-employment benefits | 3.3 | | | | | 3.3 |
| Other provisions | 0.0 | 0.1 | | 0.2 | 0.4 | (0.0) |
| Other current liabilities | 6.1 | 1.1 | | 0.8 | | 8.1 |
| Recognized tax losses and tax credits | 0.7 | (0.2) | | | | 0.5 |
| **Net deferred tax assets (liabilities)** | **20.0** | **1.4** | **(0.0)** | **1.0** | **0.4** | **22.1** |
| Deferred tax assets | 21.1 | | | | | 24.2 |
| Deferred tax liabilities | (1.1) | | | | | (2.1) |
| **Deferred tax** | **20.0** | **1.4** | **(0.0)** | **1.0** | **0.4** | **22.1** |

### 11.3. Unrecognized deferred tax

Tax losses and tax credits not recognized as deferred tax assets amounted to €92.8 million at December 31, 2011 (€70.6 million at December 31, 2010).

Changes in unused tax losses and tax credits and the associated expiration schedule are set out below:

| (in € millions) | |
|---|---|
| **As of December 31, 2010** | **70.6** |
| Losses generated during the year | 9.8 |
| Losses utilized and time barred during the year | 4.0 |
| Effect of changes in scope of consolidation and exchange rate adjustments | 8.3 |
| **As of December 31, 2011** | **92.8** |
| **Ordinary tax loss carry-forwards** | **51.0** |
| Expiring in less than five years | 50.9 |
| Expiring in more than five years | 0.0 |
| **Indefinite tax loss carry-forwards** | **41.8** |
| **Total** | **92.8** |

## NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deducting the weighted average number of shares held by consolidated companies.

Fully diluted earnings per share are based on the weighted average number of shares as defined above for the calculation of basic earnings per share, plus the weighted average number of potentially dilutive ordinary shares.

In view of CFAO's average share price in 2011 of €27.71, the stock option plan described in Note 7 is non-materially dilutive at the reporting date.

**Earnings per share for 2011**

| (in € millions) | Consolidated Group |
|---|---|
| **Net income attributable to ordinary shareholders** | **121.1** |
| Weighted average number of ordinary shares outstanding | 61,525,860 |
| Weighted average number of treasury shares | (94,473) |
| **Weighted average number of ordinary shares** | **61,431,387** |
| **Basic earnings per share (in €)** | **1.97** |
| **Net income attributable to ordinary shareholders** | **121.1** |
| Stock subscription options | |
| Performance shares | |
| **Diluted net income attributable to owners of the parent** | **121.1** |
| Weighted average number of ordinary shares | 61,431,387 |
| Stock subscription options | 5,239 |
| Performance shares | 100,161 |
| **Weighted average number of diluted ordinary shares** | **61,536,788** |
| **Fully diluted earnings per share (in €)** | **1.97** |

**Earnings per share for 2010**

| (in € millions) | Consolidated Group |
|---|---|
| **Net income attributable to ordinary shareholders** | **100.2** |
| Weighted average number of ordinary shares outstanding | 61,525,860 |
| Weighted average number of treasury shares | (23,418) |
| **Weighted average number of ordinary shares** | **61,502,442** |
| **Basic earnings per share (in €)** | **1.63** |
| **Net income attributable to ordinary shareholders** | **100.2** |
| Stock subscription options | |
| Performance shares | |
| **Diluted net income attributable to owners of the parent** | **100.2** |
| Weighted average number of ordinary shares | 61,502,442 |
| Stock subscription options | 0 |
| Performance shares | 484 |
| **Weighted average number of diluted ordinary shares** | **61,502,926** |
| **Fully diluted earnings per share (in €)** | **1.63** |

## NOTE 13 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income include:

- gains and losses arising from translating the financial statements of a foreign operation;
- components relating to the measurement of employee benefit obligations (unrecognized surplus of pension plan assets and actuarial gains and losses on defined benefit plans).

These items can be analyzed as follows, before and after the tax effect:

| (in € millions) | Gross | Income tax | Net |
|---|---|---|---|
| Translation adjustments and other | 3.1 | | 3.1 |
| Unrecognized surplus of pension plan assets | | | |
| Actuarial gains and losses | (0.2) | 0.5 | 0.2 |
| **Other comprehensive income (expense) as of December 31, 2010** | **2.8** | **0.5** | **3.3** |
| Translation adjustments and other | (2.3) | | (2.3) |
| Unrecognized surplus of pension plan assets | | | |
| Actuarial gains and losses | (1.1) | (0.1) | (1.1) |
| **Other comprehensive income (expense) as of December 31, 2011** | **(3.3)** | **(0.1)** | **(3.4)** |

## NOTE 14 GOODWILL

| (in € millions) | Gross | Net |
|---|---|---|
| **Goodwill as of December 31, 2010** | **126.3** | **126.3** |
| Acquisitions | 22.5 | 22.5 |
| Translation adjustments | 0.1 | 0.1 |
| Other movements | 0.5 | 0.5 |
| **Goodwill as of December 31, 2011** | **149.4** | **149.4** |

All items of goodwill recognized in 2011 and 2010 were allocated to cash-generating units at the year-end. The CFAO Group's main CGUs are described in Note 17.

Goodwill concerns the acquisitions made by CFAO Automotive (chiefly the linkup with the Pentecost group in New Caledonia, and the acquisitions of Vehicle Center Zambia and Nissan Zimbabwe), and Eurapharma's acquisition of Algeria-based Propharmal.

The breakdown of the net amount of goodwill by division is as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| CFAO Automotive | 93.8 | 75.7 |
| Eurapharma | 37.1 | 32.0 |
| CFAO Industries, Equipment & Services | 18.5 | 18.6 |
| **Total** | **149.4** | **126.3** |

## NOTE 15 OTHER INTANGIBLE ASSETS

| (in € millions) | Other intangible assets |
|---|---|
| **Gross amount as of December 31, 2009** | **34.4** |
| Changes in scope of consolidation | (0.3) |
| Acquisitions | 6.8 |
| Other disposals | (0.3) |
| Translation adjustments | 0.1 |
| Other movements | (0.0) |
| **Gross amount as of December 31, 2010** | **40.7** |
| **Accumulated amortization and impairment as of December 31, 2009** | **(11.9)** |
| Changes in scope of consolidation | 0.2 |
| Other disposals | 0.2 |
| Amortization | (3.1) |
| Translation adjustments | (0.0) |
| Other movements | (0.0) |
| **Accumulated amortization and impairment as of December 31, 2010** | **(14.6)** |
| **Carrying amount as of December 31, 2009** | **22.6** |
| Changes in scope of consolidation | (0.2) |
| Acquisitions | 6.8 |
| Other disposals | (0.0) |
| Amortization | (3.1) |
| Translation adjustments | 0.1 |
| Other movements | (0.1) |
| **Carrying amount as of December 31, 2010** | **26.0** |

| (in € millions) | Other intangible assets |
|---|---|
| **Gross amount as of December 31, 2010** | **40.7** |
| Changes in scope of consolidation | 5.3 |
| Acquisitions | 4.4 |
| Other disposals | (0.3) |
| Translation adjustments | (0.1) |
| Other movements | (0.0) |
| **Gross amount as of December 31, 2011** | **50.0** |
| **Accumulated amortization and impairment as of December 31, 2010** | **(14.6)** |
| Changes in scope of consolidation | (0.2) |
| Other disposals | 0.1 |
| Amortization | (3.8) |
| Translation adjustments | (0.0) |
| Other movements | |
| **Accumulated amortization and impairment as of December 31, 2011** | **(18.5)** |
| **Carrying amount as of December 31, 2010** | **26.0** |
| Changes in scope of consolidation | 5.0 |
| Acquisitions | 4.4 |
| Other disposals | (0.1) |
| Amortization | (3.8) |
| Translation adjustments | (0.1) |
| Other movements | (0.0) |
| **Carrying amount as of December 31, 2011** | **31.5** |

The table below provides a breakdown of the net value of intangible assets by type as of December 31, 2011 and December 31, 2010:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Other intangible assets (net)** | **31.5** | **26.0** |
| Brands, leasehold rights, concessions, licenses and other | 24.6 | 16.9 |
| Purchased software | 6.6 | 7.0 |
| Intangible assets in progress | 0.3 | 2.2 |

Barring exceptional cases, brands and concessions have indefinite useful lives or are systematically renewed.

Purchased software is amortized over a period of five to seven years.

## NOTE 16 PROPERTY, PLANT AND EQUIPMENT

| (in € millions) | Land and buildings | Plant and equipment | Other PP&E | Total |
|---|---|---|---|---|
| **Gross amount as of December 31, 2009** | **165.1** | **248.6** | **69.0** | **482.7** |
| Changes in scope of consolidation | 0.5 | (9.0) | 0.8 | (7.8) |
| Acquisitions | 13.3 | 24.6 | 22.1 | 60.1 |
| Disposals | (2.5) | (12.1) | (5.0) | (19.6) |
| Translation adjustments | 0.6 | 1.5 | 0.9 | 3.0 |
| Other movements | 3.8 | 11.7 | (15.4) | 0.1 |
| **Gross amount as of December 31, 2010** | **180.8** | **265.3** | **72.4** | **518.5** |
| **Accumulated depreciation and impairment as of December 31, 2009** | **(53.3)** | **(134.5)** | **(32.2)** | **(219.9)** |
| Changes in scope of consolidation | 0.3 | 6.7 | (0.2) | 6.7 |
| Disposals | 1.1 | 9.2 | 4.3 | 14.6 |
| Depreciation | (6.1) | (26.2) | (7.6) | (39.9) |
| Impairment losses | | | | |
| Translation adjustments | (0.2) | (0.7) | (0.2) | (1.1) |
| Other movements | (0.0) | (0.1) | 0.1 | 0.0 |
| **Accumulated depreciation and impairment as of December 31, 2010** | **(58.2)** | **(145.5)** | **(35.8)** | **(239.5)** |
| **Carrying amount as of December 31, 2009** | **111.8** | **114.1** | **36.9** | **262.8** |
| Changes in scope of consolidation | 0.8 | (2.3) | 0.5 | (1.0) |
| Acquisitions | 13.3 | 24.6 | 22.1 | 60.1 |
| Disposals | (1.4) | (2.9) | (0.7) | (5.0) |
| Depreciation | (6.1) | (26.2) | (7.6) | (39.9) |
| Impairment losses | | | | |
| Translation adjustments | 0.4 | 0.8 | 0.7 | 1.9 |
| Other movements | 3.7 | 11.7 | (15.4) | 0.1 |
| **Carrying amount as of December 31, 2010** | **122.6** | **119.8** | **36.5** | **279.0** |
| o/w assets owned outright | 122.6 | 119.8 | 36.5 | **279.0** |
| o/w assets held under finance leases | | | | |

| (in € millions) | Land and buildings | Plant and equipment | Other PP&E | Total |
|---|---|---|---|---|
| **Gross amount as of December 31, 2010** | **180.8** | **265.3** | **72.4** | **518.5** |
| Changes in scope of consolidation | 15.1 | 21.5 | 1.7 | 38.3 |
| Acquisitions | 4.8 | 23.5 | 40.7 | 68.9 |
| Disposals | (1.3) | (11.5) | (6.3) | (19.1) |
| Translation adjustments | (1.2) | (0.9) | (0.2) | (2.3) |
| Other movements | 2.7 | 16.6 | (18.7) | 0.6 |
| **Gross amount as of December 31, 2011** | **200.9** | **314.5** | **89.6** | **605.0** |
| **Accumulated depreciation and impairment as of December 31, 2010** | **(58.2)** | **(145.5)** | **(35.8)** | **(239.5)** |
| Changes in scope of consolidation | (1.9) | (13.8) | (0.9) | (16.6) |
| Disposals | 1.1 | 8.6 | 5.2 | 14.9 |
| Depreciation | (6.4) | (30.1) | (7.9) | (44.4) |
| Impairment losses | | | | |
| Translation adjustments | 0.1 | 0.5 | 0.2 | 0.7 |
| Other movements | (0.2) | (0.4) | 0.1 | (0.5) |
| **Accumulated depreciation and impairment as of December 31, 2011** | **(65.5)** | **(180.7)** | **(39.2)** | **(285.4)** |
| **Carrying amount as of December 31, 2010** | **122.6** | **119.8** | **36.5** | **279.0** |
| Changes in scope of consolidation | 13.2 | 7.7 | 0.9 | 21.8 |
| Acquisitions | 4.8 | 23.5 | 40.7 | 68.9 |
| Disposals | (0.2) | (2.8) | (1.1) | (4.1) |
| Depreciation | (6.4) | (30.1) | (7.9) | (44.4) |
| Impairment losses | | | | |
| Translation adjustments | (1.1) | (0.4) | (0.1) | (1.6) |
| Other movements | 2.5 | 16.2 | (18.7) | 0.1 |
| **Carrying amount as of December 31, 2011** | **135.3** | **133.8** | **50.4** | **319.6** |
| o/w assets owned outright | 135.3 | 133.8 | 50.4 | **319.6** |
| o/w assets held under finance leases | | | | |

Charges to depreciation are recognized under ''Cost of sales'' and ''Other recurring operating income and expenses'' in the income statement.

The table below provides a breakdown of the net value of property, plant and equipment by type as of December 31, 2011 and December 31, 2010:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Property, plant and equipment (net)** | **319.6** | **279.0** |
| Land and buildings | 135.3 | 122.6 |
| Fixtures and fittings | 34.1 | 34.2 |
| Technical equipment | 93.6 | 79.8 |
| IT and telephony | 6.1 | 5.8 |
| Other property, plant and equipment | 19.3 | 18.3 |
| Property, plant and equipment in progress | 31.1 | 18.2 |

Construction in progress is reclassified to ''Land and buildings'' and ''Fixtures and fittings'' when construction work – mainly under concessions – is completed.

Other property, plant and equipment mainly include vehicles and office furniture.

**The useful lives of property, plant and equipment are as follows:**

| | |
|---|---|
| Owner improvements | 20 years |
| Leasehold improvements | remaining lease term |
| Improvements to land and buildings | 10 years |
| Technical equipment | 5 to 8 years |
| IT and telephony | 5 years |
| Vehicles | 5 years |
| Office equipment and furniture | 10 years |

## NOTE 17 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles governing the impairment of non-financial assets are set out in Note 2.7.

The main items of goodwill are broken down by division in Note 14.

### 17.1. Impairment losses recognized during the period

The impairment tests carried out in 2011 and 2010 did not identify any impairment losses in respect of intangible assets, property, plant and equipment or goodwill assigned to the various CGUs.

Based on the sensitivity analyses covering a variety of likely scenarios, no impairment losses need to be recognized in the Group's consolidated financial statements.

A material change in the discount rate and the perpetual growth rate would not give rise to the recognition of additional impairment for any of these divisions.

### 17.2. Assumptions underlying impairment tests

The pre-tax discount and perpetual growth rates applied to expected cash flows in connection with the economic assumptions and forecast operating conditions retained by the Group were as follows:

| | Discount rate | | Perpetual growth rate | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| CFAO Automotive | 14.2% | 12.4% | 3.0% | 3.0% |
| Eurapharma | 13.2% | 11.4% | 3.0% | 3.0% |
| CFAO Industries, Equipment & Services | 13.9% | NA | 3.0% | 3.0% |

The discount rates are calculated using the weighted average cost of capital (WACC) method.

No impairment losses would have been recognized in the Group's consolidated financial statements if the same discount rate had been used in 2010 and 2011.

### 17.3. Impairment tests on major items

The recoverable amounts of the CFAO Automotive, Eurapharma, CFAO Industries, Equipment & Services CGUs were determined on the basis of their value in use. Value in use is determined with respect to projected estimated future cash flows, taking into account the time value and specific risks associated with the CGU. Estimated future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalization of a normative annual cash flow is added to the estimated future cash flows.

## NOTE 18 INVESTMENTS IN ASSOCIATES

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Carrying amount of investments in associates | 25.7 | 21.8 |

The table below shows the main associates and the earnings of these associates for the periods presented:

| | | Share in earnings (losses) | |
|---|---|---|---|
| (in € millions) | % interest | Dec. 31, 2011 | Dec. 31, 2010 |
| LA SEIGNEURIE OCEAN INDIEN | 49.00% | 0.7 | 0.4 |
| COMPAGNIE EQUATORIALE DES PEINTURES | 24.19% | 0.4 | 0.6 |
| SOCIMEX | 49.00% | 0.4 | 0.3 |
| OFFICE CALENDONIEN DE DISTRIBUTION | 33.11% | 0.3 | 0.2 |
| PROPHARMED INTERNATIONAL | 34.87% | 0.3 | (0.1) |
| LOCAUTO | 36.27% | 0.3 | 0.3 |

## NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Non-consolidated investments | 5.6 | 8.7 |
| Loans and receivables | 29.3 | 30.3 |
| Deposits and guarantees | 4.6 | 2.6 |
| Other | 2.4 | 1.2 |
| **Total** | **41.9** | **42.9** |

## NOTE 20 INVENTORIES

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Commercial inventories | 842.0 | 750.2 |
| Industrial inventories | 25.7 | 25.7 |
| **Gross amount** | **867.6** | **775.9** |
| Allowances | (38.8) | (31.9) |
| **Carrying amount** | **828.9** | **744.0** |

| Movements in allowances | 2011 | 2010 |
|---|---|---|
| As of January 1 | (31.9) | (38.8) |
| Net reversals/(charges) | 0.0 | 7.9 |
| *o/w gross charges to inventory allowances* | *(6.7)* | *(5.1)* |
| *o/w reversals of inventory allowances* | *6.7* | *13.0* |
| Changes in scope of consolidation | (7.0) | (0.5) |
| Translation adjustments | 0.2 | (0.5) |
| **As of December 31** | **(38.8)** | **(31.9)** |

Inventories comprise goods for resale that are physically located at different stages of the supply chain, from suppliers through to end customers. They include:

- goods being transported between suppliers and subsidiaries or storage facilities managed by central purchasing offices;
- goods in stock at the subsidiaries or at the storage facilities managed by central purchasing offices.

Inventories comprise goods for resale as well as raw materials used by CFAO Industries in its production processes.

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Net inventories by nature** | | |
| Raw materials | 20.7 | 22.0 |
| Finished goods and in-progress inventories | 5.0 | 3.7 |
| Inventories held for resale | 540.6 | 503.6 |
| Commercial inventories in transit | 257.8 | 216.3 |
| Other commercial inventories | 43.6 | 30.2 |
| **Gross inventories** | **867.6** | **775.9** |
| Inventory allowances | (38.8) | (31.9) |
| **Net inventories** | **828.9** | **744.0** |

## NOTE 21 TRADE RECEIVABLES

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Trade receivables | 526.0 | 459.2 |
| Allowances | (95.9) | (91.7) |
| **Carrying amount** | **430.2** | **367.5** |

| Movements in allowances | 31/12/2011 | 31/12/2010 |
|---|---|---|
| As of January 1 | (91.7) | (97.4) |
| Net reversals | (1.6) | 3.7 |
| Changes in scope of consolidation | (2.7) | 2.5 |
| Translation adjustments | 0.1 | (0.4) |
| **As of December 31** | **(95.9)** | **(91.7)** |

Provisions for impairment of trade receivables are calculated based on the likelihood of recovering the receivables concerned. As of December 31, 2011 and 2011, trade receivables broke down by age as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Receivables not past due | 283.4 | 263.4 |
| Less than one month past due | 77.1 | 44.9 |
| One to six months past due | 86.0 | 63.2 |
| More than six months past due | 79.6 | 87.6 |
| Allowance for doubtful receivables | (95.9) | (91.7) |
| **Carrying amount** | **430.2** | **367.5** |

## NOTE 22 WORKING CAPITAL REQUIREMENT

| (in € millions) | Dec. 31, 2010 | Working capital cash flows | Other cash flows | Changes in scope of consolidation | Translation adjustments and other | Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Inventories | 744.0 | 54.9 | | 31.9 | (1.9) | 828.9 |
| Trade receivables | 367.5 | 45.0 | 0.1 | 17.7 | (0.1) | 430.2 |
| Other current financial assets and liabilities | (1.4) | 10.2 | | 0.1 | (0.0) | 8.8 |
| Current tax receivables/payables | (19.0) | (0.3) | | (0.7) | (0.4) | (20.4) |
| Trade payables | (571.2) | (79.0) | | (19.5) | 0.1 | (669.6) |
| Other current assets and liabilities | (136.7) | (30.9) | 0.1 | (12.7) | (0.6) | (180.7) |
| **Working capital requirement** | **383.2** | **(0.2)** | **0.2** | **16.8** | **(2.9)** | **397.1** |

Other current assets and liabilities consist mainly of tax and social security receivables and payables (excluding corporate income tax), amounts receivable from suppliers and payable to customers, and other operating receivables and payables.

Given the broad geographic and industry base of CFAO Group customers, the Group's exposure to customer default would not have a material impact on its business, financial position or assets.

## NOTE 23 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets are primarily comprised of derivative financial instruments (see Note 29).

## NOTE 24 EQUITY

Share capital amounted to €10,254,310 as of December 31, 2011, comprising 61,525,860 fully paid-up shares.

The Management Board will submit a recommendation to the Ordinary Shareholders' Meeting called to approve the 2011 financial statements to pay a dividend in respect of 2011 corresponding to €0.86 per share and €52.9 million in total.

The dividend paid in respect of 2010 amounted to €0.82 per share.

## NOTE 25 EMPLOYEE BENEFITS

In accordance with the laws and practices in each country, Group employees receive long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits take the form of defined contribution or defined benefit plans.

Under defined contribution plans, the Group is not obliged to make any additional payments beyond contributions already made. Contributions to these plans are expensed as incurred.

An actuarial valuation of defined benefit plans is carried out by independent experts. These benefits primarily concern termination payments and long-service bonuses in France, and final salary type supplementary pension plans, mainly in the United Kingdom.

The Group has no obligation with respect to medical costs.

### 25.1. Changes during the year

Changes in the present value of the obligation in respect of defined benefit plans are shown below:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Present value of obligation as of January 1** | **96.6** | **88.7** |
| Current service cost | 2.0 | 1.6 |
| Contributions paid by beneficiaries | | 0.0 |
| Interest cost | 4.7 | 4.3 |
| Benefits paid | (7.1) | (6.6) |
| Past service cost | (0.3) | |
| Actuarial gains and losses | (7.0) | 13.7 |
| Curtailments and settlements | (0.1) | (7.2) |
| Other movements | 0.6 | (0.3) |
| Exchange differences | 1.5 | 2.5 |
| **Present value of obligation as of December 31** | **90.9** | **96.6** |

As of December 31, 2011, the present value of the obligation amounted to €90.9 million (€96.6 million as of end-2010), and related to fully or partially funded plans.

The breakdown in the present value of the obligation by type of plan as of December 31 was as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Retirement bonuses | 24.6 | 22.6 |
| Long-service awards | 4.2 | 4.1 |
| Supplementary plans – United Kingdom | 60.1 | 67.8 |
| Supplementary plans – Other countries | 2.1 | 2.1 |
| **Present value of obligation as of December 31** | **90.9** | **96.6** |

Changes in the fair value of defined benefit plan assets are shown below:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Fair value of defined benefit plan assets as of January 1** | **81.0** | **64.4** |
| Contributions paid by employer | 2.4 | 1.9 |
| Contributions paid by beneficiaries | | 0.0 |
| Expected return on plan assets | 4.7 | 3.9 |
| Benefits paid | (7.1) | (6.6) |
| Actuarial gains and losses | (3.4) | 16.5 |
| Other movements | | |
| Exchange differences | 2.1 | 1.0 |
| **Fair value of defined benefit plan assets as of December 31** | **79.6** | **81.0** |

Funded defined benefit plan assets broke down as follows as of December 31, 2011:

- insurance policies accounted for 68.1% of the total fair value of plan assets (71.2% as of end-2010);
- equity instruments accounted for 11.8% (12.2% as of end-2010);
- debt instruments accounted for 11.6% (6.9% as of end-2010);
- other assets accounted for 8.5% (9.7% as of end-2010).

The reconciliation of statement of financial position data with the projected benefit obligation in respect of defined benefit plans breaks down as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Present value of obligation | 90.9 | 96.6 |
| Fair value of defined benefit plan assets | 79.6 | (81.0) |
| **Funding shortfall/(surplus)** | **11.4** | **15.7** |
| Unrecognized past service cost | (0.3) | (0.2) |
| Amount not recognized in assets | 17.8 | 11.8 |
| **Provisions recognized in the statement of financial position** | **28.9** | **27.3** |
| o/w provisions – continuing operations | 28.9 | 27.3 |
| Experience adjustments on plan liabilities | (7.7%) | 5.1% |
| Experience adjustments on plan assets | 4.3% | 25.9% |

### 25.2. Expenses recognized

#### Defined benefit plans

The total expense for defined benefit plans in 2011 was €1.3 million (nil in 2010), breaking down as follows:

| (in € millions) | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Current service cost | 2.0 | 1.6 |
| Interest cost | 4.7 | 4.3 |
| Expected return on plan assets | (4.7) | (3.9) |
| Actuarial gains/losses recognized in net income | (0.3) | (0.0) |
| Past service cost taken to net income | (0.4) | (0.4) |
| Curtailments and settlements | (0.1) | (1.5) |
| **Total expense** | **1.3** | **(0.0)** |
| o/w recognized in: operating expenses | 1.5 | (0.4) |
| net finance costs | (0.3) | 0.3 |

In accordance with the option provided under the revised version of IAS 19 issued in December 2004, the Group recognizes actuarial gains and losses on defined benefit plans directly in equity in the period. Actuarial gains and losses recognized in the income statement arise on long-service bonuses.

Actuarial gains and losses recognized in equity and income represented a negative net balance of €0.8 million in 2011 (versus a positive net balance of €0.3 million in 2010), including a negative €1.1 million recognized in equity.

Cumulative actuarial gains and losses recognized in equity since January 1, 2004 totaled €16.2 million as of December 31, 2011.

#### Defined contribution plans

An expense of €0.4 million was recognized in respect of defined contribution plans in 2011 (€0.4 million in 2010).

### 25.3. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's employee benefit obligations are as follows:

| | Total France | | | Total UK | | | Total Nigeria | | | Total other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2009 |
| Discount rate | 4.25% | 4.50% | 5.00% | 4.80% | 5.30% | 5.50% | 12.00% | 10.00% | 10.00% | 4.25% | 4.50% | 5.00% |
| Expected return on plan assets | N/A | N/A | 4.50% | 5.50% | 5.80% | 6.30% | 12.00% | 10.00% | 10.00% | 4.97% | 5.03% | 5.50% |
| Expected rate of increase in salaries | 3.00% | 3.00% | 2.00% | N/A | 4.20% | 4.20% | 10.00% | 10.00% | 10.00% | 3.00% | 3.00% | 2.00% |

The expected return on plan assets is determined for each fund on the basis of historical performance, current and long-term outlook and the asset allocation of the funds under management. These assumptions are reviewed annually based on changes in the allocation of funds under management and changes in long-term market expectations for each asset class managed.

## NOTE 26 PROVISIONS

| (in € millions) | Dec. 31, 2010 | Charge | Reversal (utilized provision) | Reversal (surplus provision) | Translation adjustments | Changes in scope of consolidation | Other | Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| Non-current provisions for restructuring | 0.4 | 0.0 | (0.1) | | | | | 0.3 |
| Non-current provisions for claims and litigation | 4.4 | 1.1 | (0.4) | (0.1) | (0.0) | | 0.1 | 5.0 |
| Other non-current provisions | 1.2 | 0.9 | | | (0.0) | 0.7 | | 2.7 |
| **Other non-current provisions for contingencies and losses** | **5.9** | **2.0** | **(0.5)** | **(0.1)** | **(0.0)** | **0.7** | **0.1** | **8.1** |
| Current provisions for restructuring | 0.4 | 0.2 | | | | | | 0.6 |
| Current provisions for claims and litigation | 2.9 | 5.0 | (0.9) | (0.0) | 0.0 | | | 7.0 |
| Other current provisions | 15.7 | 8.6 | (4.2) | (9.7) | (0.2) | 1.4 | (0.0) | 11.7 |
| **Other current provisions for contingencies and losses** | **18.9** | **13.9** | **(5.0)** | **(9.7)** | **(0.1)** | **1.4** | **(0.0)** | **19.4** |
| **Other provisions for contingencies and losses** | **24.9** | **15.9** | **(5.5)** | **(9.8)** | **(0.2)** | **2.1** | **0.1** | **27.5** |
| **Impact on income** | **(2.6)** | **(15.9)** | **5.5** | **9.8** | | | | **(0.6)** |
| – Impact on recurring operating income | 0.8 | (5.4) | 1.3 | 0.1 | | | | (4.0) |
| – Impact on other non-recurring operating income and expenses | (0.5) | (0.4) | 0.0 | | | | | (0.4) |
| – Impact on net finance costs | (0.2) | (0.7) | 0.2 | | | | | (0.5) |
| – Impact on income taxes | (2.7) | (9.4) | 4.0 | 9.7 | | | | 4.3 |

Provisions for claims and litigation mainly relate to claims brought by third parties in various countries. Other current provisions primarily cover risks relating to tax disputes for which the timing of payment is uncertain.

## NOTE 27 CASH AND CASH EQUIVALENTS

### 27.1. Breakdown by category

This item breaks down as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Cash | 249.7 | 130.5 |
| Cash equivalents | 2.1 | 2.6 |
| **Total** | **251.8** | **133.1** |

The €251.8 million in cash and cash equivalents includes €133.3 million (versus €48.4 million at end-2010) in surplus cash from the management of central purchasing accounts by CFAO Holding.

### 27.2. Breakdown by currency

| (in € millions) | Dec. 31, 2011 | % | Dec. 31, 2010 | % |
|---|---|---|---|---|
| Euro | 115.9 | 46.0% | 48.4 | 36.4% |
| CFA franc | 67.5 | 26.8% | 50.3 | 37.8% |
| US dollar | 28.9 | 11.5% | 13.5 | 10.1% |
| Algerian dinar | 8.0 | 3.2% | 4.2 | 3.2% |
| Malawian kwacha | 7.7 | 3.1% | 5.2 | 3.9% |
| Nigerian naira | 3.9 | 1.5% | 2.3 | 1.7% |
| CFP franc | 3.1 | 1.2% | 0.3 | 0.2% |
| Zambian kwacha | 2.9 | 1.1% | 0.0 | 0.0% |
| Vietnamese dong | 2.8 | 1.1% | 1.9 | 1.4% |
| Kenyan shilling | 1.4 | 0.6% | 0.9 | 0.6% |
| Moroccan dirham | 1.2 | 0.5% | 0.5 | 0.3% |
| South African rand | 0.2 | 0.1% | 0.0 | 0.0% |
| Pound sterling | 0.2 | 0.1% | 0.0 | 0.0% |
| Swiss franc | 0.0 | 0.0% | 0.0 | 0.0% |
| Other currencies | 8.1 | 3.2% | 5.6 | 4.2% |
| **Total** | **251.8** | | **133.1** | |

For the purposes of capital control or economic reasons, certain countries in which the Group operates place restrictions on the exchange of local currency for foreign currency and the transfer of funds abroad.

## NOTE 28 BORROWINGS

### 28.1. Breakdown of borrowings by maturity

| (in € millions) | Dec. 31, 2010 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **99.0** | | **5.6** | **92.4** | **0.6** | **0.3** | |
| Confirmed lines of credit | 90.0 | | | 90.0 | | | |
| Other bank borrowings | 7.2 | | 5.3 | 1.6 | 0.2 | | |
| Employee profit-sharing | 1.8 | | 0.3 | 0.7 | 0.4 | 0.3 | |
| Other borrowings | 0.0 | | 0.0 | | | | |
| **Current borrowings** | **235.0** | **235.0** | | | | | |
| Confirmed lines of credit | 1.6 | 1.6 | | | | | |
| Other bank borrowings | 8.1 | 8.1 | | | | | |
| Employee profit-sharing | 0.4 | 0.4 | | | | | |
| Bank overdrafts | 218.9 | 218.9 | | | | | |
| Other borrowings | 5.7 | 5.7 | | | | | |
| **Total** | **333.6** | **235.0** | **5.6** | **92.4** | **0.6** | **0.3** | |
| **%** | | **70.3%** | **1.7%** | **27.7%** | **0.2%** | **0.1%** | |

| (in € millions) | Dec. 31, 2011 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **93.5** | | **9.5** | **78.8** | **4.8** | **0.4** | |
| Confirmed lines of credit | 60.0 | | | 60.0 | | | |
| Other bank borrowings | 19.7 | | 8.8 | 6.5 | 4.4 | | |
| Employee profit-sharing | 1.9 | | 0.7 | 0.5 | 0.3 | 0.4 | |
| Other borrowings | 11.9 | | 0.0 | 11.9 | | | |
| **Current borrowings** | **350.3** | **350.3** | | | | | |
| Confirmed lines of credit | 15.0 | 15.0 | | | | | |
| Other bank borrowings | 11.8 | 11.8 | | | | | |
| Employee profit-sharing | 0.3 | 0.3 | | | | | |
| Bank overdrafts | 310.6 | 310.6 | | | | | |
| Other borrowings | 13.0 | 13.0 | | | | | |
| **Total** | **443.8** | **350.3** | **9.5** | **78.8** | **4.8** | **0.4** | |
| **%** | | **78.9%** | **2.2%** | **17.8%** | **1.1%** | **0.1%** | |

As of December 31, 2011, all gross borrowings were recognized at amortized cost based on the effective interest rate.

Non-current borrowings mainly include the €60 million drawdown on the syndicated facility out of a total confirmed credit line of €300 million. This facility was classified within non-current confirmed lines of credit in light of its three-year term (initial maturity: December 7, 2012 extended to December 9, 2013 by way of an agreement with the banking pool signed on November 5, 2011, and then to December 9, 2014 by way of an agreement signed on November 2, 2011).

Drawdowns on the syndicated facility are subject to financial covenants triggering prepayments if they are not complied with. There are three covenants:

- Net debt must not be more than double EBITDA (see Note 30).

  EBITDA is defined as recurring operating income plus depreciation, amortization and provisions for non-recurring operating assets recognized in recurring operating income.

  (EBITDA is not a financial measure defined under IFRS. It should not be taken as a substitute for operating income, net income or cash flows, nor should it be treated as a measure of liquidity. EBITDA may be calculated differently by other companies with businesses that are similar to or different from that of the Group. Accordingly, the EBITDA calculated by the Group may not be comparable to that calculated by other issuers.)

- Gross borrowings of subsidiaries must not exceed 90% of consolidated gross borrowings.
- The other off-balance sheet commitments given by the Group entities to third parties (see Note 33.2.4) must not exceed 1.2 times the average trade payables for the period under consideration and the preceding six-month period. At December 31, 2011 the ratio came to less than 1.

As of December 31, 2011, the Group complied with these three covenants.

Accrued interest is recorded in ‘‘Other borrowings’’.

Borrowings with a maturity of more than one year represented 21.1% of total gross borrowings as of December 31, 2011 (29.7% as of December 31, 2010).

### 28.2. Breakdown by repayment currency

| (in € millions) | Dec. 31, 2010 | Non-current borrowings | Current borrowings | % | Dec. 31, 2009 |
|---|---|---|---|---|---|
| Euro | **113.4** | 91.9 | 21.5 | 35.0% | 175.5 |
| CFA franc | **108.7** | 5.2 | 103.5 | 32.6% | 97.4 |
| Moroccan dirham | **33.3** | 1.8 | 31.5 | 10.0% | 39.2 |
| Algerian dinar | **49.8** | 0.0 | 49.8 | 15.0% | 39.7 |
| CFP franc | **8.4** | 0.0 | 8.3 | 2.5% | 8.6 |
| Nigerian naira | **10.9** | 0.0 | 10.9 | 3.3% | 9.1 |
| Kenyan shilling | **1.9** | 0.0 | 1.9 | 0.6% | 7.2 |
| Japanese yen | **0.0** | 0.0 | 0.0 | 0.0% | 3.9 |
| US dollar | **0.9** | 0.0 | 0.9 | 0.3% | 2.5 |
| Ghanaian cedi | **2.0** | 0.0 | 2.0 | 0.6% | 2.4 |
| Other currencies | **4.4** | 0.0 | 5.0 | 1.3% | 4.4 |
| **Total** | **333.6** | **99.0** | **235.0** | | **389.8** |

| (in € millions) | Dec. 31, 2011 | Non-current borrowings | Current borrowings | % | Dec. 31, 2010 |
|---|---|---|---|---|---|
| Euro | **106.2** | 73.8 | 32.4 | 23.9% | 113.4 |
| CFA franc | **155.4** | 4.4 | 150.9 | 35.0% | 108.7 |
| Moroccan dirham | **40.6** | 0.0 | 40.6 | 9.2% | 33.3 |
| Algerian dinar | **64.1** | 12.6 | 51.4 | 14.4% | 49.8 |
| CFP franc | **17.3** | 2.6 | 14.7 | 3.9% | 8.4 |
| Nigerian naira | **29.8** | 0.0 | 29.8 | 6.7% | 10.9 |
| Kenyan shilling | **3.6** | 0.0 | 3.6 | 0.8% | 1.9 |
| Japanese yen | **2.2** | 0.0 | 2.2 | 0.5% | 0.0 |
| US dollar | **8.5** | 0.0 | 8.5 | 1.9% | 0.9 |
| Ghanaian cedi | **1.0** | 0.0 | 1.0 | 0.2% | 2.0 |
| Other currencies | **15.2** | 0.0 | 15.2 | 3.4% | 4.4 |
| **Total** | **443.8** | **93.5** | **350.3** | | **333.6** |

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

### 28.3. Breakdown of gross borrowings by category

CFAO Group gross borrowings break down as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Confirmed lines of credit | 75.0 | 91.6 |
| Other bank borrowings | 31.5 | 15.2 |
| Obligations under finance leases | | |
| Employee profit-sharing | 2.3 | 2.2 |
| Bank overdrafts | 310.6 | 218.9 |
| Other borrowings | 25.0 | 5.7 |
| **Total** | **443.8** | **333.6** |

Group borrowings primarily consist of the syndicated facility (''Confirmed lines of credit'') and bank overdrafts.

### 28.4. Main bank borrowings

*28.4.1. Breakdown of main bank borrowings*

The Group has the following main bank borrowings:

***Borrowings contracted by CFAO and subsidiaries***

*in € millions*

| Par value | Issue interest rate | Effective interest rate | Issue date | Maturity | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| 3.9 | 4.75% fixed | 5.04% | 7/1/2010 | 5/30/2016 | **3.0** | |
| 5.0 | 7.00% fixed | 7.00% | 2/28/2008 | 11/28/2012 | **1.1** | 2.1 |
| 6.6 | 5.14% fixed | 5.14% | 3/4/2009 | 12/31/2012 | **1.8** | 3.5 |
| 5.3 | 7.25% fixed | 7.25% | 1/25/2009 | 12/25/2013 | **2.4** | 3.5 |
| 3.0 | 6.25% fixed | 6.36% | 6/21/2009 | 5/21/2012 | **0.5** | 1.5 |

These borrowings were contracted by subsidiaries outside the eurozone, mainly in CFA francs.

## NOTE 29 EXPOSURE TO FOREIGN EXCHANGE, INTEREST RATE AND CREDIT RISK

The Group uses derivative financial instruments to manage its exposure to foreign exchange risk. It has no cash flow or net investment hedges.

### 29.1. Exposure to interest rate risk

The CFAO Group does not use any financial instruments to manage the interest rate risk arising on its assets and liabilities.

The Group's exposure to interest rate risk is presented below:

| | Fixed rate | | Floating rate | | Total | |
|---|---|---|---|---|---|---|
| **(in € millions)** | **Dec. 31, 2011** | **Dec. 31, 2010** | **Dec. 31, 2011** | **Dec. 31, 2010** | **Dec. 31, 2011** | **Dec. 31, 2010** |
| Loans and receivables | 7.7 | 17.7 | | | 7.7 | 17.7 |
| Cash and cash equivalents | 251.8 | 133.1 | | | 251.8 | 133.1 |
| **Financial assets** | **259.5** | **150.8** | | | **259.5** | **150.8** |
| Other borrowings | 311.9 | 222.0 | 132.0 | 111.6 | 443.8 | 333.6 |
| **Financial liabilities** | **311.9** | **222.0** | **132.0** | **111.6** | **443.8** | **333.6** |

Debt contracted by subsidiaries is denominated in local currency and is at fixed rates.

In 2011, as in 2010, interest rate risk arose solely on the floating-rate syndicated loan denominated in euros.

- Fixed-rate financial assets and liabilities exposed to the risk of a change in value:

| | | 2010 maturities | | |
|---|---|---|---|---|
| **(in € millions)** | **2010** | **Less than one year** | **One to five years** | **More than five years** |
| Loans and receivables | 17.7 | 17.7 | | |
| Cash and cash equivalents | 133.1 | 133.1 | | |
| **Fixed-rate financial assets** | **150.8** | 150.8 | | |
| Other borrowings | 222.0 | 213.1 | 8.9 | |
| **Fixed-rate financial liabilities** | **222.0** | 213.1 | 8.9 | |

| | | 2011 maturities | | |
|---|---|---|---|---|
| **(in € millions)** | **2011** | **Less than one year** | **One to five years** | **More than five years** |
| Loans and receivables | 7.7 | 7.7 | | |
| Cash and cash equivalents | 251.8 | 251.8 | | |
| **Fixed-rate financial assets** | **259.5** | 259.5 | | |
| Other borrowings | 311.9 | 292.7 | 19.1 | |
| **Fixed-rate financial liabilities** | **311.9** | 292.7 | 19.1 | |

- Floating-rate financial assets and liabilities exposed to the risk of a change in value:

| | | 2010 maturities | | |
|---|---|---|---|---|
| **(in € millions)** | **2010** | **Less than one year** | **One to five years** | **More than five years** |
| Loans and receivables<br>Cash and cash equivalents | | | | |
| **Floating-rate financial assets** | | | | |
| Other borrowings | 111.6 | 21.5 | 90.1 | |
| **Floating-rate financial liabilities** | **111.6** | 21.5 | 90.1 | |

| | | 2011 maturities | | |
|---|---|---|---|---|
| **(in € millions)** | **2011** | **Less than one year** | **One to five years** | **More than five years** |
| Loans and receivables<br>Cash and cash equivalents | | | | |
| **Floating-rate financial assets** | | | | |
| Other borrowings | 132.0 | 57.6 | 74.4 | |
| **Floating-rate financial liabilities** | **132.0** | 57.6 | 74.4 | |

The breakdown of gross borrowings by type of interest rate is shown below:

| **(in € millions)** | **Dec. 31, 2010** | **Fixed-rate** | **Floating-rate** |
|---|---|---|---|
| **Gross borrowings** | **333.6** | **222.0** | **111.6** |
| % | | 66.6% | 33.4% |

| **(in € millions)** | **Dec. 31, 2011** | **Fixed-rate** | **Floating-rate** |
|---|---|---|---|
| **Gross borrowings** | **443.8** | **311.9** | **132.0** |
| % | | 70.3% | 29.7% |

**Analysis of sensitivity to interest rate risk**

In light of the Group's fixed/floating rate mix, a sudden 100 basis point increase or decrease in interest rates based on average monthly debt would have had a full-year impact of €3.1 million on pre-tax consolidated net income in 2011, compared with an impact of €3.8 million in 2010.

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

### 29.2. Exposure to foreign exchange risk

The outstanding notional amounts of instruments used by the CFAO Group to manage its foreign exchange risk were as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Currency forwards and currency swaps | 265.5 | 143.3 |
| **Total** | **265.5** | **143.3** |

The Group primarily uses forward currency contracts to hedge commercial import/export risks and financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.

Since 2010, the Group's local subsidiaries (mainly in Morocco, Kenya and Nigeria) have entered into and recorded forward purchase contracts in their accounts. As of December 31, 2011, outstanding notional amounts under these agreements totaled €65.4 million.

These derivative financial instruments were analyzed with respect to IAS 39 hedge accounting eligibility criteria. As of December 31, 2011 and 2010, derivative instruments documented as hedges were as follows:

| (in € millions) | Dec. 31, 2010 | Japanese yen | US dollar | Euro | Other |
|---|---|---|---|---|---|
| **Fair value hedges** | | | | | |
| Forward purchases and forward purchase swaps | **392.9** | 141.2 | 202.4 | 46.4 | 2.8 |
| Forward sales and forward sale swaps | **(249.6)** | (5.1) | (245.0) | | (0.1) |
| Total | **143.3** | 136.1 | (41.9) | 46.4 | 2.8 |

| (in € millions) | Dec. 31, 2011 | Japanese yen | US dollar | Euro | Other |
|---|---|---|---|---|---|
| **Fair value hedges** | | | | | |
| Forward purchases and forward purchase swaps | **511.0** | 171.1 | 292.3 | 43.4 | 4.2 |
| Forward sales and forward sale swaps | **(245.4)** | (3.7) | (241.4) | | (0.4) |
| Total | **265.5** | 167.4 | 50.9 | 43.4 | 3.8 |

The "Other" column mainly reflects transactions carried out in South African rand and pounds sterling.

Foreign exchange derivatives are recognized in the statement of financial position at their market value as of the end of the reporting period.

As of December 31, 2011, the exposure to foreign exchange risk on the statement of financial position was as follows:

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **CENTRAL PURCHASING OFFICES** | | | | | | |
| Central purchasing receivables | 115.2 | | 113.5 | 1.6 | 0.0 | 139.5 |
| Central purchasing payables | 231.6 | | 165.5 | 65.9 | 0.2 | 211.5 |
| **Gross exposure in the statement of financial position – central purchasing** | **(116.5)** | **0.0** | **(52.0)** | **(65.0)** | **(0.1)** | **(72.0)** |
| Customer orders | 133.1 | | 130.6 | 2.2 | 0.2 | 109.2 |
| Supplier orders | 217.9 | | 107.8 | 106.6 | 3.4 | 127.6 |
| **Projected gross exposure – central purchasing** | **(84.8)** | **0.0** | **22.8** | **(104.4)** | **(3.2)** | **(18.4)** |
| **Gross exposure before hedging – central purchasing** | **(201.3)** | **0.0** | **(29.2)** | **(168.7)** | **(3.3)** | **(90.4)** |
| Hedging instruments – central purchasing | 200.2 | | 30.0 | 167.4 | 2.7 | 86.1 |
| **Net exposure after hedging – central purchasing** | **(1.1)** | **0.0** | **0.8** | **(1.3)** | **(0.6)** | **(5.0)** |

CFAO's central purchasing offices hedge the foreign exchange risk arising on the statement of financial position (trade receivables/payables) and on forecast transactions (confirmed supplier and customer orders) with respect to their reporting currency (euro).

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)** | | | | | | |
| ***Subsidiaries that use hedging instruments*** | | | | | | |
| Receivables due to subsidiaries hedging foreign exchange risk | | | | | | |
| Payables owed by subsidiaries hedging foreign exchange risk[(1)] | **65.4** | 43.4 | 20.9 | | 1.1 | **57.5** |
| **Gross exposure in the statement of financial position** | **(65.4)** | **(43.4)** | **(20.9)** | **0.0** | **(1.1)** | **(57.5)** |
| Gross projected exposure of subsidiaries hedging foreign exchange risk | **0.0** | | | | | **0.0** |
| **Gross exposure before hedging** | **(65.4)** | **(43.4)** | **(20.9)** | **0.0** | **(1.1)** | **(57.5)** |
| Hedges set up by subsidiaries | 65.4 | 43.4 | 20.9 | | 1.1 | 57.2 |
| **Net exposure after hedging of foreign exchange risk by subsidiaries** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **(0.3)** |

(1) *including €18 million in borrowings from the parent company*

Certain subsidiaries may use financial instruments to hedge the foreign exchange risk between their debt in US dollars or euros and their reporting currency (Moroccan dirhams, Kenyan shillings, Mauritian rupees and Nigerian naira).

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)** | | | | | | |
| ***Subsidiaries that do not use hedging instruments*** | | | | | | |
| Receivables due to subsidiaries | **19.0** | 3.2 | 15.4 | 0.0 | 0.4 | **7.5** |
| Payables owed by subsidiaries | **158.0** | 141.0 | 15.5 | 1.5 | 0.0 | **40.9** |
| Cash | **29.2** | 2.8 | 25.2 | 0.8 | 0.3 | **12.1** |
| Borrowings | **16.2** | 1.1 | 12.2 | 2.2 | 0.8 | **9.3** |
| **Gross exposure in the statement of financial position** | **(126.1)** | **(136.0)** | **13.0** | **(2.9)** | **(0.1)** | **(30.6)** |
| 10% depreciation in local currency | (12.6) | (13.6) | 1.3 | (0.3) | 0.0 | (3.1) |

Subsidiaries excluding central purchasing offices that do not use foreign exchange hedging instruments owing to regulatory constraints are exposed to the risk of changes in the value of their reporting currency against operating and financial receivables and payables denominated in euros or US dollars.

The above table does not include the exposure of euro-denominated assets and liabilities of subsidiaries in the CFA zone, since the exchange rate of this currency is fixed against the euro. These items amounted to €83.3 million as of December 31, 2011.

The following table summarizes the Group's net consolidated position:

| (in € millions) | Dec. 31, 2011 | Euro | US dollar | Japanese yen | Other | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| **CFAO Group** | | | | | | |
| Receivables | 134.2 | 3.2 | 128.9 | 1.6 | 0.4 | 147.0 |
| Payables | 520.3 | 249.7 | 201.9 | 67.5 | 1.3 | 409.1 |
| Cash | 29.3 | 2.9 | 25.2 | 0.8 | 0.3 | 12.1 |
| Borrowings | 34.2 | 19.1 | 12.2 | 2.2 | 0.8 | 9.3 |
| **Gross exposure in the statement of financial position** | **(391.1)** | **(262.7)** | **(59.9)** | **(67.2)** | **(1.3)** | **(259.2)** |
| Customer orders | 133.1 | 0.0 | 130.6 | 2.2 | 0.2 | 109.2 |
| Supplier orders | 217.9 | 0.0 | 107.8 | 106.6 | 3.4 | 127.6 |
| **Projected gross exposure** | **(84.8)** | **0.0** | **22.8** | **(104.4)** | **(3.2)** | **(18.4)** |
| **Gross exposure before hedging** | **(476.0)** | **(262.7)** | **(37.1)** | **(171.7)** | **(4.5)** | **(277.7)** |
| Hedging instruments | 265.5 | 43.4 | 50.9 | 167.4 | 3.8 | 143.3 |
| **Net exposure after hedging** | **(210.4)** | **(219.3)** | **13.8** | **(4.2)** | **(0.7)** | **(134.4)** |

**Analysis of sensitivity to foreign exchange risk**

Based on year-end market data, the negative impact of a sudden 10% increase in the exchange rate of unhedged purchasing currencies against local currencies (excluding the CFA franc) would have been €12.6 million in 2011.

This analysis excludes the impacts of translating the financial statements of each Group entity into the Group's presentation currency (euro).

The sensitivity analysis assumes that all other market variables remain unchanged.

### 29.3. Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to foreign exchange risk arising in the normal course of business. All transactions involving derivatives are carried out over the counter.

As of December 31, 2011, the Group's main counterparty was Société Générale.

### 29.4. Derivative instruments at market value

As of December 31, 2011 and 2010, and in accordance with IAS 39, the market values of derivative financial instruments were recognized in assets under ''Other current financial assets'' and in liabilities under ''Other current financial liabilities''.

The fair values of foreign exchange derivatives were recognized in other current financial assets or liabilities.

| (in € millions) | Dec. 31, 2011 | Interest rate risk | Foreign exchange risk | Other market risks | Dec. 31, 2010 |
|---|---|---|---|---|---|
| **Derivative assets** | **25.9** | | **25.9** | | **10.2** |
| **Non-current** | | | | | |
| **Current** | **25.9** | | 25.9 | | 10.2 |
| Fair value hedges | **25.9** | | 25.9 | | 10.2 |
| **Derivative liabilities** | **14.3** | | **14.3** | | **8.4** |
| **Non-current** | | | | | |
| **Current** | **14.3** | | 14.3 | | 8.4 |
| Fair value hedges | **14.3** | | 14.3 | | 8.4 |
| **Total** | **11.6** | | **11.6** | | **1.8** |

### 29.5. Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by CFAO, using Group financial reporting procedures.

The analysis below covers contractual commitments regarding borrowings and trade payables, including interest due.

Forecast cash flows relating to interest payable are included in ''Other borrowings'' and calculated up to the contractual maturity of the borrowings to which they relate. Floating-rate interest payable at future dates is fixed based on the interest rate at the end of the reporting period.

The future cash flows presented have not been discounted.

| | Dec. 31, 2010 | | | | |
|---|---|---|---|---|---|
| (in € millions) | Carrying amount | Cash flow | Less than one year | One to five years | More than five years |
| **Non-derivative financial instruments** | | | | | |
| Other borrowings | 333.6 | (334.8) | (235.4) | (99.4) | |
| Trade payables | 571.2 | (571.2) | (571.2) | | |
| **Total** | **904.8** | **(906.0)** | **(806.6)** | **(99.4)** | |

| (in € millions) | Dec. 31, 2011 Carrying amount | Cash flow | Less than one year | One to five years | More than five years |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Other borrowings | 443.8 | (444.5) | (350.8) | (93.7) | |
| Trade payables | 669.6 | (669.6) | (669.6) | | |
| **Total** | **1,113.4** | **(1,114.1)** | **(1,020.4)** | **(93.7)** | |

## NOTE 30 NET DEBT

Group net debt breaks down as follows:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Gross borrowings | (443.8) | (333.6) |
| Cash | 251.8 | 133.1 |
| **Net debt** | **(192.0)** | **(200.5)** |

## NOTE 31 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

The basis of measurement for financial instruments and their market values as of December 31, 2011 are presented below:

| (in € millions) | Dec. 31, 2010 Carrying amount | Market value | Available-for-sale assets | Loans and receivables | Amortized cost | Derivatives qualifying for hedge accounting |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Non-current financial assets | 42.9 | 42.9 | 8.7 | 30.3 | 3.9 | |
| **Current assets** | | | | | | |
| Trade receivables | 367.5 | 367.5 | | | 367.5 | |
| Other current financial assets | 10.6 | 10.6 | | | 0.4 | 10.2 |
| Cash and cash equivalents | 133.1 | 133.1 | | | 133.1 | |
| **Non-current liabilities** | | | | | | |
| Non-current borrowings | 99.0 | 99.0 | | | 99.0 | |
| **Current liabilities** | | | | | | |
| Current borrowings | 234.6 | 234.6 | | | 234.6 | |
| Other current financial liabilities | 11.9 | 11.9 | | | 3.6 | 8.4 |
| Trade payables | 571.2 | 571.2 | | | 571.2 | |

| (in € millions) | Dec. 31, 2011 Carrying amount | Dec. 31, 2011 Market value | Available-for-sale assets | Loans and receivables | Amortized cost | Derivatives qualifying for hedge accounting |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Non-current financial assets | 41.9 | 41.9 | 5.6 | 29.3 | 6.9 | |
| **Current assets** | | | | | | |
| Trade receivables | 430.2 | 430.2 | | | 430.2 | |
| Other current financial assets | 26.8 | 26.8 | | | 0.9 | 25.9 |
| Cash and cash equivalents | 251.8 | 251.8 | | | 251.8 | |
| **Non-current liabilities** | | | | | | |
| Non-current borrowings | 93.5 | 93.5 | | | 93.5 | |
| **Current liabilities** | | | | | | |
| Current borrowings | 350.3 | 350.3 | | | 350.3 | |
| Other current financial liabilities | 18.0 | 18.0 | | | 3.7 | 14.3 |
| Trade payables | 669.6 | 669.6 | | | 669.6 | |

Assets and liabilities recognized at fair value are measured as follows:

Level 1: prices quoted in an active market

Where available, prices quoted in an active market are used as the preferred method for determining market value. No instruments were included in level 1 of the fair value hierarchy as of December 31, 2011.

Level 2: internal models using valuation techniques drawing on observable market inputs

These techniques are based on standard mathematical calculations incorporating observable market inputs such as futures prices, yield curves, etc. Most derivatives traded on markets are measured based on models commonly used by market practitioners in pricing these financial instruments.

Level 3: internal models based on non-observable inputs

The fair values used to determine the instruments' carrying amounts represent reasonable estimates of their market values. This method chiefly concerns non-current financial assets. Non-current financial assets are described in Note 19.

No changes were made to the methods used to measure the fair values of financial assets and liabilities in 2011.

## NOTE 32 NOTES TO THE STATEMENT OF CASH FLOWS

As of December 31, 2011, cash and cash equivalents net of bank overdrafts and cash current accounts with a credit balance stood at a negative €59.0 million, representing total cash and cash equivalents as shown in the statement of cash flows.

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Cash and cash equivalents as reported in the statement of financial position** | **251.8** | **133.1** |
| Bank overdrafts | (310.6) | (218.9) |
| Cash current accounts with a credit balance | (0.3) | (0.0) |
| **Cash and cash equivalents as reported in the statement of cash flows** | **(59.0)** | **(85.7)** |

### 32.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows for 2011 and 2010:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Net income from continuing operations** | **170.6** | **140.3** |
| Gains/(losses) on asset disposals, net of tax | (9.8) | (5.6) |
| Deferred tax | (1.4) | 1.7 |
| Share in earnings/(losses) of associates | (2.9) | (2.5) |
| Dividends received from associates | 1.8 | 1.6 |
| Other non-cash income and expenses | 53.4 | 48.8 |
| **Cash flow from operating activities** | **211.6** | **184.2** |

### 32.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totaled €74.1 million in 2011, versus €69.3 million in 2010.

### 32.3. Acquisitions and disposals of subsidiaries

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Acquisitions of subsidiaries, net of cash acquired | (18.8) | (15.2) |
| Proceeds from disposals of subsidiaries, net of cash transferred | (2.4) | 8.4 |
| **Total** | **(21.1)** | **(6.8)** |

In 2011, acquisitions of subsidiaries primarily concerned CFAO Automotive (Citroën vehicle distributor in Reunion, Vehicle Center Zambia Ltd in Zambia, Lien A in Vietnam, and acquisitions of additional shares in companies in Madagascar) and Eurapharma (Algeria-based Propharmal).

In 2010, acquisitions of subsidiaries primarily concerned SIAB, an importer and distributor of vehicles in the Moroccan market. Disposals of subsidiaries during the year related to the sale of the Group's wooden crates business in Morocco.

### 32.4. Debt issues and redemptions

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Issuance of debt | 31.5 | 12.2 |
| Repayment of debt | (49.0) | (78.6) |
| Increase/decrease in other borrowings | (17.5) | (66.4) |

## NOTE 33 CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS NOT RECOGNIZED AND OTHER CONTINGENCIES

### 33.1. Commitments given following asset disposals

The main vendor warranties given by the Group on the sale of companies are summarized below:

| Disposals | Vendor warranties |
|---|---|
| **June 2009**<br>Sale of Dil Maltex to Heineken | Guarantee on 2008 accounts capped at €6.2 million, expiring on December 31, 2013. Guarantee on pension fund uncapped and unlimited. |
| **September 2010**<br>Sale of Fantasia, Comamussy and Sud Participations | Guarantee on compliance of provisions related to income tax, VAT and customs duties, capped at €7.3 million, expiring on September 8, 2015. |

In addition to the vendor warranties described above, vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

### 33.2. Other commitments given

*33.2.1. Contractual obligations*

The table below shows all of the Group's contractual commitments and obligations, excluding employee benefit obligations presented in the preceding notes.

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| (in € millions) | Less than one year | One to five years | More than five years | Dec. 31, 2011 | Dec. 31, 2010 |
| Non-current borrowings | 0.0 | 93.5 | 0.0 | 93.5 | 99.0 |
| Operating lease agreements | 25.1 | 39.4 | 18.9 | 83.4 | 56.4 |
| Binding purchase commitments | 217.9 | 0.0 | 0.0 | 217.9 | 183.9 |
| **Total commitments given** | **243.0** | **132.9** | **18.9** | **394.8** | **339.3** |

Binding purchase commitments consist mainly of commitments undertaken with regard to suppliers.

***Operating leases***

Contractual obligations presented under ''Operating lease agreements'' represents future minimum lease payments under operating leases for the period, which cannot be canceled by the lessee. These mainly include non-cancelable rental payments in respect of showrooms, logistics hubs and other buildings (headquarters and administrative offices).

The rental charge in respect of minimum lease payments amounted to €29.5 million in 2011 (versus €22.7 million in 2010). There was no charge for contingent payments either in 2011 or 2010.

*33.2.2. Guarantees and other collateral*

Guarantees and other collateral granted by the Group break down as follows:

| (in € millions) | Pledge start date | Pledge expiration date | Amount of assets pledged at Dec. 31, 2011 | Carrying amount in the statement of financial position | Corresponding % | Amount of assets pledged at Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| Intangible assets | | | **1.3** | | | **1.3** |
| | 1/9/2004 | 12/17/2017 | 0.8 | 0.0 | | 0.8 |
| | 6/5/2007 | 3/20/2017 | 0.6 | 0.1 | | 0.6 |
| Property, plant and equipment | | | **4.3** | | | **4.2** |
| | 10/31/2011 | 10/30/2012 | 1.7 | 1.5 | 113.2% | 1.8 |
| | | | 0.5 | 17.2 | 2.6% | 0.4 |
| | 6/30/2009 | 6/30/2012 | 1.7 | 2.0 | 84.5% | 1.6 |
| | 5/12/2011 | 5/12/2012 | 0.2 | 1.3 | 16.2% | |
| Non-current financial assets | | | | | | |
| **Total non-current assets pledged as collateral** | | | **5.6** | **22.1** | **25.4%** | **5.6** |
| Inventories | 11/22/2011 | 11/21/2012 | 0.6 | | | 0.6 |
| Trade receivables | | | 0.0 | | | 0.0 |
| **Total current assets pledged as collateral** | | | **0.6** | | | **0.6** |

*33.2.3. Individual training entitlement*

Pursuant to French Law no. 2004-391 of May 4, 2004 on vocational training, all employees of the Group's French companies receive a 20-hour training credit each year, which can be accumulated over six years and is capped at 120 hours. Any training courses followed within the framework of this training entitlement are deducted from the number of training hours accumulated.

The total unused cumulative training entitlement accrued by employees represented 75,950 hours as of December 31, 2011 (57,074 hours as of December 31, 2010).

*33.2.4. Other commitments*

Other commitments break down as follows:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| (in € millions) | Less than one year | One to five years | More than five years | Dec. 31, 2011 | Dec. 31, 2010 |
| Confirmed lines of credit | | 300.0 | | 300.0 | 300.0 |
| Letters of credit | 2.8 | | | 2.8 | 4.3 |
| Discounted notes not yet due | 4.5 | | | 4.5 | 3.2 |
| Sale of receivables – other programs | | | | 0.0 | 0.0 |
| Other guarantees received | 3.8 | 8.3 | 27.8 | 39.8 | 39.1 |
| **Total commitments received** | **11.1** | **308.3** | **27.8** | **347.2** | **346.5** |
| Bank guarantees | 10.4 | | 0.1 | 10.4 | 9.3 |
| Rent guarantees, property guarantees | 7.3 | 0.0 | 0.0 | 7.4 | 7.9 |
| Tax guarantees | | | | 0.0 | 1.5 |
| Customs securities | 50.6 | 1.6 | | 52.2 | 36.0 |
| Other commitments | 600.5 | 18.4 | 3.4 | 622.4 | 403.5 |
| **Total commitments given** | **668.9** | **20.0** | **3.5** | **692.3** | **458.1** |

Other commitments relate mainly to letters of credit provided on behalf of suppliers, in order to guarantee the Group's compliance with its contractual obligations.

The confirmed credit line commitment reflects the amount of the syndicated loan, on which €60.0 million had been drawn down as of December 31, 2011.

To the best of the Group's knowledge, there are no other significant commitments given or contingent liabilities.

*33.2.5. Other guarantees given*

CFAO has given a guarantee to four banks mainly regarding the representations made in the various documents prepared in connection with its stock market listing (offering circular and prospectus).

### 33.3. Dependence on patents, licenses and supply contracts

The Group is not significantly dependent on any patents, licenses or supply contracts.

However, a significant portion of CFAO's product range is geared to several ''strategic'' suppliers. Generally speaking, the Group's distribution activities require it to enter into short- and medium-term agreements. In light of the number of suppliers and the volumes purchased, the Group considers that it is significantly dependent on its main suppliers.

### 33.4. Litigation

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel. According to the Group's legal counsel, no litigation currently in progress is likely to have a material impact on normal or foreseeable operations or the planned development of the Group or any of its subsidiaries. The Group believes there is no known litigation likely to have a potential material impact on its net assets, activity or financial position that is not adequately covered by provisions recorded at the end of the reporting period.

No litigation that the Company considers as well grounded, taken alone, is material for the Company or the Group.

No litigation or arbitration that the Company considers as well grounded, taken alone, has had in the recent past or is likely to have a material impact on the financial position, the activity or the results of the Company or of the Group.

## NOTE 34 TRANSACTIONS WITH RELATED PARTIES

### 34.1. Party exercising significant influence over the Group

Up until December 4, 2009, CFAO was controlled by Discodis, which in turn is wholly-owned by PPR. Discodis owned 99.93% of CFAO's capital and 99.93% of its voting rights up to that date.

On December 4, 2009, Discodis sold a 57.94% interest in CFAO in connection with CFAO's initial public offering.

In 2011, there was no material change in the type of transactions carried out with related parties compared with 2010.

In 2010, a dividend of €20.2 million was paid to Discodis in respect of 2009.

In 2011, a dividend of €21.2 million was paid to Discodis in respect of 2010.

CFAO subleases its registered office in Sèvres, France, from Discodis.

### 34.2. Associates

In the normal course of business, the Group enters into transactions with associates on an arm's length basis.

The main transactions with associates are summarized in the following table:

| (in € millions) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Non-current loans and receivables due from non-consolidated investments | 3.2 | 2.9 |
| Trade receivables | 16.5 | 14.8 |
| Other current assets | | |
| Other current liabilities | 12.3 | 12.8 |
| Sales of goods and services | 16.7 | 12.4 |

### 34.3. Management remuneration

The table below shows remuneration paid to members of the Management Board and Executive Committee:

| (in € millions) | 2011 | 2010 |
|---|---|---|
| Short-term benefits | 9.2 | 7.2 |
| Post-employment benefits | 1.7 | 2.1 |
| Other long-term benefits | 0 | 0 |
| Share-based payment | 1.0 | 2.3 |
| Total | 11.9 | 11.5 |

Short-term benefits relate to amounts recognized during the year and include employer taxes.

The Executive Committee comprised 20 members at December 31, 2010 and 2011.

## NOTE 35 SUBSEQUENT EVENTS

No subsequent events had a material impact on the consolidated financial statements for the year ended December 31, 2011.

## NOTE 36 LIST OF CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2011

The list of Group subsidiaries is as follows:

| | | |
|---|---|---|
| Consolidation method | Full consolidation | F |
| | Equity method | E |

| Companies | % interest Dec. 31, 2011 | | Dec. 31, 2010 | |
|---|---|---|---|---|
| **CFAO** | **Parent company** | | | |
| CFAO | F | 100.00 | F | 100.00 |
| **France** | | | | |
| CIDER-ACDM | E | 34.87 | E | 34.87 |
| CONTINENTAL PHARMACEUTIQUE | F | 83.12 | F | 83.03 |
| COTAFI | F | 100.00 | F | 100.00 |
| PROPHARMED France (formerly DEPHI) | E | 34.87 | E | 34.87 |
| DOMAFI | F | 100.00 | F | 100.00 |
| EPDIS | F | 99.68 | F | 99.68 |
| EP HEALTHCARE SERVICES | F | 100.00 | | |
| ETHICA | E | 34.89 | E | 34.89 |
| EURAPHARMA | F | 99.68 | F | 99.68 |
| GEREFI | F | 100.00 | F | 100.00 |
| HDS | F | 100.00 | F | 100.00 |
| ALIOS FINANCE (formerly HOLDEFI) | E | 24.27 | E | 24.27 |
| HOLDINTER | F | 100.00 | F | 100.00 |
| HOLDINTER AND CIE | F | 100.00 | F | 100.00 |
| PROMOTION DT | E | 34.87 | E | 34.87 |
| SECA | F | 99.69 | F | 99.69 |
| SEI | F | 100.00 | F | 100.00 |
| SEP | E | 49.00 | E | 49.00 |
| SEROM | F | 99.90 | F | 99.90 |
| SEVRAFI | F | 100.00 | F | 100.00 |
| SFCE | F | 100.00 | F | 100.00 |
| **United Kingdom** | | | | |
| EURAFRIC TRADING | F | 100.00 | F | 100.00 |
| MASSILIA HOLDING LTD | F | 100.00 | F | 100.00 |
| **Switzerland** | | | | |
| PROPHARMED INTERNATIONAL (formerly CIDER PROMOTION INTERNATIONAL) | E | 34.87 | E | 34.87 |
| VECOPHARM | F | 69.68 | F | 59.71 |
| EURALAB | F | 99.66 | F | 99.66 |
| **French overseas departments and territories** | | | | |
| ALMAMETO (New Caledonia) | F | 74.00 | E | 50.00 |
| ANTILLES PHARM (French Antilles) | E | 54.82 | E | 54.82 |
| CMM (Reunion) | F | 98.28 | F | 98.28 |
| CMR (Reunion) | F | 100.00 | | |
| CP HOLDING (New Caledonia) | F | 74.00 | | |
| EPDEP (French Antilles) | F | 83.12 | F | 83.03 |
| EPDEP (Reunion) | F | 83.12 | F | 83.03 |
| INTERMOTORS (New Caledonia) | F | 74.26 | F | 99.99 |
| LABOREX SAINT MARTIN (French Antilles) | F | 73.89 | F | 73.89 |
| LOCAUTO (New Caledonia) | E | 36.27 | E | 49.00 |
| MENARD AUTOMOBILE (New Caledonia) | F | 74.01 | F | 100.00 |
| NCCIE (Guiana) | F | 100.00 | F | 100.00 |
| NEW CALEDONIA MOTORS (New Caledonia) | F | 74.00 | E | 50.00 |
| O.C.D.P. (New Caledonia) | E | 33.11 | E | 33.11 |
| PRESTIGE AUTO SERVICE (French Polynesia) | F | 100.00 | F | 100.00 |
| PRESTIGE MOTORS (New Caledonia) | F | 74.01 | F | 100.00 |
| PRESTIGE LEASE | E | 36.26 | E | 49.00 |
| RP PHARM (Reunion) | E | 24.42 | E | 24.42 |
| SAPAS (New Caledonia) | F | 74.00 | | |
| SCI DU BAIN LOTI (French Polynesia) | F | 100.00 | F | 100.00 |

| Companies | % interest Dec. 31, 2011 | | Dec. 31, 2010 | |
|---|---|---|---|---|
| SEIGNEURIE OCEAN INDIEN (Reunion) | E | 49.00 | E | 49.00 |
| SOCIETE PHARMACEUTIQUE DES CARAIBES (French Antilles) | F | 81.74 | F | 81.74 |
| SOREDIP (Reunion) | F | 67.29 | F | 67.29 |
| SPA (French Antilles) | F | 47.86 | F | 47.86 |
| SPG (French Guiana) | F | 55.61 | F | 55.61 |
| PERFORMANCE AUTO (French Polynesia) | F | 100.00 | F | 100.00 |
| TAHITI PHARM (French Polynesia) | F | 88.68 | F | 88.68 |
| **Algeria** | | | | |
| ALBM/CFAO TECHNO | F | 99.84 | F | 99.84 |
| ASIAN HALL ALGERIE | F | 100.00 | F | 99.99 |
| BAVARIA MOTORS ALGERIE | F | 100.00 | F | 100.00 |
| DIAMAL | F | 60.00 | F | 60.00 |
| EPDIS ALGERIE | F | 59.81 | F | 59.81 |
| PROPHARMAL | F | 49.00 | | |
| **Angola** | | | | |
| PHARMA ANGOLA | F | 94.66 | F | 94.66 |
| SONCAR | F | 79.00 | F | 79.00 |
| **Benin** | | | | |
| CFAO MOTORS BENIN | F | 99.27 | F | 99.27 |
| PROMOPHARMA | F | 50.83 | F | 50.83 |
| **Burkina Faso** | | | | |
| CFAO MOTORS BURKINA | F | 73.09 | F | 73.09 |
| CFAO TECHNOLOGIES BURKINA | F | 100.00 | F | 99.99 |
| LABOREX BURKINA | F | 86.33 | F | 86.72 |
| SIFA | F | 58.71 | F | 58.71 |
| **Cameroon** | | | | |
| CAMI | F | 67.41 | F | 67.41 |
| COMPAGNIE EQUATORIALE DES PEINTURES | E | 24.19 | E | 24.19 |
| CFAO TECHNOLOGIES CAMEROUN | F | 89.19 | F | 89.19 |
| ICRAFON | F | 52.01 | F | 52.01 |
| LABOREX CAMEROUN | F | 65.31 | F | 64.68 |
| SOCADA | F | 100.00 | F | 100.00 |
| SPLV CAMEROUN | F | 100.00 | F | 100.00 |
| SUPERDOLL | E | 45.00 | E | 45.00 |
| **Central African Republic** | | | | |
| CFAO MOTORS RCA | F | 100.00 | F | 100.00 |
| **Congo** | | | | |
| BRASSERIES DU CONGO | F | 50.00 | F | 50.00 |
| CFAO CONGO | F | 100.00 | F | 100.00 |
| LABOREX CONGO | F | 76.08 | F | 75.32 |
| **Côte d'Ivoire** | | | | |
| CFAO COTE D'IVOIRE | F | 96.38 | F | 96.38 |
| CFAO TECHNOLOGIES CI LTD | F | 100.00 | F | 100.00 |
| CIDP | F | 100.00 | F | 100.00 |
| COPHARMED | F | 59.62 | F | 59.07 |
| MIPA | F | 100.00 | F | 100.00 |
| SARI | F | 89.77 | F | 89.77 |
| CFAO EQUIPEMENT CI | F | 100.00 | F | 100.00 |
| **Egypt** | | | | |
| SICEP | E | 30.77 | E | 30.77 |

| | % interest | | | |
|---|---|---|---|---|
| **Companies** | **Dec. 31, 2011** | | **Dec. 31, 2010** | |
| **Gabon** | | | | |
| CFAO MOTORS GABON (formerly CFAO GABON) | F | 96.87 | F | 96.87 |
| CFAO TECHNOLOGIES GABON | F | 100.00 | F | 100.00 |
| KIA GABON | F | 100.00 | | |
| SOCIETE PHARMACEUTIQUE GABONAISE | F | 51.85 | F | 50.11 |
| CFAO EQUIPEMENT GABON | F | 100.00 | F | 100.00 |
| **Gambia** | | | | |
| CFAO (GAMBIA) LIMITED | F | 78.98 | F | 78.98 |
| **Ghana** | | | | |
| CFAO GHANA | F | 93.99 | F | 88.21 |
| CFAO GHANA EQUIPMENT | F | 100.00 | | |
| CFAO RETAIL | F | 88.21 | F | 88.21 |
| GOKALS LABOREX GHANA | F | 54.83 | F | 54.83 |
| PENS & PLASTICS | F | 100.00 | F | 100.00 |
| **Guinea-Bissau** | | | | |
| CFAO GUINEE BISSAU | F | 100.00 | F | 100.00 |
| **Guinea-Conakry** | | | | |
| CFAO GUINEE | F | 100.00 | F | 100.00 |
| LABOREX GUINEE | F | 71.66 | F | 71.66 |
| **Equatorial Guinea** | | | | |
| CFAO MOTORS GUINEE EQUATORIALE (formerly SEGAMI) | F | 100.00 | F | 100.00 |
| **Mauritius** | | | | |
| BA2 MAURICE | F | 99.68 | | |
| CAPSTONE CORPORATION | F | 100.00 | F | 100.00 |
| CAPSTONE INTERNATIONAL | F | 60.00 | F | 60.00 |
| ELDO MOTORS | F | 100.00 | F | 100.00 |
| ELDO MOTORS INTERNATIONAL | F | 100.00 | F | 100.00 |
| INTERCONTINENTAL PHARM | F | 54.83 | F | 54.83 |
| IMC | F | 100.00 | F | 100.00 |
| MASCAREIGNE DE PARTICIPATION | E | 48.99 | E | 48.99 |
| **Kenya** | | | | |
| DT DOBIE KENYA | F | 100.00 | F | 100.00 |
| EPDIS KENYA Limited | F | 99.68 | F | 99.68 |
| LABOREX KENYA | F | 99.68 | F | 99.68 |
| CICA MOTORS KENYA LIMITED | F | 100.00 | F | 100.00 |
| **Madagascar** | | | | |
| AUSTRAL AUTO | E | 48.98 | E | 48.98 |
| NAUTIC ILES | E | 24.01 | E | 24.01 |
| SICAM | E | 27.39 | E | 27.39 |
| SIGM | E | 48.93 | E | 48.93 |
| SIRH | E | 49.00 | E | 49.00 |
| SME | E | 48.50 | E | 48.50 |
| SOCIMEX | E | 49.00 | E | 49.00 |
| SOMADA | E | 27.43 | E | 27.43 |
| SOMAPHAR | F | 89.02 | F | 89.02 |
| **Malawi** | | | | |
| CFAO MALAWI LIMITED | F | 100.00 | F | 100.00 |
| CICA MOTORS MALAWI | F | 100.00 | | |
| **Mali** | | | | |
| CFAO MOTORS MALI | F | 90.00 | F | 90.00 |
| CFAO TECHNOLOGIES MALI | F | 100.00 | F | 100.00 |
| IMACY | F | 100.00 | F | 100.00 |
| LABOREX MALI | F | 56.11 | F | 56.11 |

| Companies | % interest Dec. 31, 2011 | | Dec. 31, 2010 | |
|---|---|---|---|---|
| **Morocco** | | | | |
| ASIAN HALL MAROC | F | 100.00 | F | 99.99 |
| CFAO MOTORS MAROC | F | 100.00 | F | 100.00 |
| SALSABILA | F | 100.00 | F | 100.00 |
| SIAB | F | 100.00 | F | 100.00 |
| DIMAC | F | 100.00 | F | 100.00 |
| **Mauritania** | | | | |
| CFAO MOTORS MAURITANIE | F | 100.00 | F | 100.00 |
| LABOREX MAURITANIE | F | 99.41 | F | 98.68 |
| **Niger** | | | | |
| CFAO MOTORS NIGER | F | 99.85 | F | 99.85 |
| LABOREX NIGER | F | 68.33 | F | 68.33 |
| **Nigeria** | | | | |
| ALLIANCE AUTO NIGERIA | F | 99.99 | F | 99.99 |
| ASIAN HALL CICA NIGERIA | F | 97.58 | F | 97.58 |
| CFAO GENERAL IMPORT | E | 46.29 | E | 46.29 |
| CFAO TECHNO NIGERIA LTD | F | 100.00 | F | 100.00 |
| CFAO MOTORS NIGERIA | F | 100.00 | F | 100.00 |
| CFAO NIGERIA | F | 100.00 | F | 100.00 |
| CFAO TRUCKS & TYRES NIGERIA LTD | F | 100.00 | F | 100.00 |
| NIGERIAN BALL POINT PEN INDUSTRIES LTD | F | 94.46 | F | 94.46 |
| SOFITAM | F | 100.00 | F | 100.00 |
| **Uganda** | | | | |
| LABOREX OUGANDA | F | 99.68 | F | 99.68 |
| CFAO MOTORS OUGANDA | F | 100.00 | | |
| **Democratic Republic of Congo** | | | | |
| CFAO MOTORS RDC | F | 100.00 | F | 100.00 |
| **Sao Tomé** | | | | |
| CFAO MOTORS STP | F | 100.00 | F | 100.00 |
| **Senegal** | | | | |
| CFAO SENEGAL | F | 89.70 | F | 89.70 |
| CFAO SENEGAL EQUIPMENT | F | 100.00 | | |
| CFAO TECHNOLOGIES SENEGAL | F | 100.00 | F | 100.00 |
| LABOREX SENEGAL | F | 59.98 | F | 59.98 |
| PM II | F | 100.00 | F | 100.00 |
| **Tanzania** | | | | |
| DT DOBIE TANZANIA | F | 100.00 | F | 100.00 |
| LABOREX TANZANIE | F | 99.63 | F | 99.63 |
| **Chad** | | | | |
| CFAO MOTORS TCHAD | F | 97.99 | F | 97.42 |
| LABOREX TCHAD | F | 53.27 | F | 55.24 |
| **Togo** | | | | |
| CFAO MOTORS TOGO | F | 69.72 | F | 69.72 |
| TOGO UNIPHART | F | 62.82 | F | 62.82 |
| **Zambia** | | | | |
| CFAO ZAMBIA LTD | F | 100.00 | F | 100.00 |
| VEHICLE CENTER ZAMBIA | F | 100.00 | | |
| **China** | | | | |
| OPEN ASIA EQUIPMENT LTD | F | 100.00 | F | 100.00 |
| **Vietnam** | | | | |
| AUTOMOTIVE ASIA | F | 100.00 | F | 100.00 |
| LIEN A | F | 80.00 | | |
| OPENASIA HEAVY EQUIPMENT LTD | F | 100.00 | F | 100.00 |
| **Zimbabwe** | | | | |
| NISSAN ZIMBABWE | F | 75.00 | | |

### *20.3.2 Parent company financial statements*

**Presentation of the parent company financial statements and the measurement methods used**

The parent company financial statements for the year ended December 31, 2011, have been prepared and presented in accordance with the provisions of the French accounting law of April 30, 1983, and the implementing decree of November 29, 1983. In accordance with Article L.232-6 of the French Commercial Code, the parent company financial statements have been prepared using the same accounting rules and measurement methods as for 2010.

**Results of operations of the parent company**

CFAO SA is a holding company and does not carry on any operating activities. Net operating income came in at €0.57 million in 2011 compared to €4.72 million in 2010, primarily due to a decrease of approximately 12% in operating income and a progression in operating expenses.

Net financial income fell 31% year on year, from €88.95 million in 2010 to €61.28 million. This item comprises dividends received from associates and investments amounting to €88 million. Consequently, net recurring income decreased by 34%.

Net non-recurring income for 2011 came in at €22.32 million compared to €2.4 million in 2010 and mainly reflects the proceeds from the disposal of equity investments by CFAO Automotive in New Caledonia. Net income for 2011 (after tax and employee profit-sharing) edged down to €84.03 million from €95.14 million one year earlier.

As of end-2011, cash and cash equivalents and marketable securities stood at €84.02 million versus €29.9 million at the end of 2010.

Trade payables amounted to €0.53 million at December 31, 2011 (compared to €0.68 million at December 31, 2010). All trade payables have maturities of less than 60 days at December 31, 2011 (as at December 31, 2010). This information is provided in accordance with the provisions of Article L.441-6-1 of the French Commercial Code.

**Remark on the parent company financial statements**

Modifications made to the parent company financial statements between the version certified by the Statutory Auditors and this version in the Reference Document:

- Note 2.7 Shareholders' equity: deletion of ''with a par value of €0.17 each, this value was of €1 in 2008 and was divided by 6 in 2009''
- Note 2.18 Subsidiaries and investments:

  ''SPLV CI'' replaced by ''CFAO EQUIPEMENT CI''

  ''SPLV GABON'' replaced by ''CFAO EQUIPEMENT GABON''

## BALANCE SHEET AT DECEMBER 31, 2011 AND DECEMBER 31, 2010

### ASSETS

| (in € thousands) | Notes | Dec. 31, 2011 Gross | Dec. 31, 2011 Depreciation, amortization and provisions | Dec. 31, 2011 Net | Dec. 31, 2010 Net |
|---|---|---|---|---|---|
| Intangible assets | 2.1 | 2,802 | 2,233 | 569 | 479 |
| Property, plant and equipment | 2.2 | 2,617 | 2,081 | 536 | 655 |
| Equity investments | 2.3 | 365,593 | 111,307 | 254,286 | 231,341 |
| Other investments | 2.3 | 647 | 580 | 67 | 67 |
| Receivables due from investments | 2.4 | 20,953 | 9,547 | 11,406 | 12,166 |
| Other financial fixed assets | 2.5 | 142 | 102 | 40 | 40 |
| **Non-current assets** | | **392,754** | **125,850** | **266,904** | **244,748** |
| Trade receivables | 2.6.1 | 806 | 783 | 23 | 9 |
| Other receivables | 2.6.2 | 42,552 | 1,629 | 40,923 | 50,541 |
| Marketable securities and cash and cash equivalents | 2.6.3 | 84,024 | 0 | 84,024 | 29,935 |
| Prepayments and other accruals | 2.6.4 | 2,114 | 0 | 2,114 | 3,425 |
| **Current assets** | 2.6 | **129,496** | **2,412** | **127,084** | **83,910** |
| **Total assets** | | **522,250** | **128,262** | **393,988** | **328,658** |

### EQUITY AND LIABILITIES

| (in € thousands) | Notes | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| Share capital | | 10,254 | 10,254 |
| Legal reserves | | 1,850 | 1,850 |
| Additional paid-in capital | | 39 | 39 |
| General reserve | | – | – |
| Unavailable reserve | | 5,976 | 5,976 |
| Retained earnings | | 73,319 | 28,632 |
| **Net income for the year** | | **84,029** | **95,138** |
| **Shareholders' equity** | 2.7 | **175,467** | **141,889** |
| **Provisions for contingencies and losses** | 2.8 | **10,256** | **11,647** |
| Borrowings | | 60,636 | 90,079 |
| Trade payables | | 534 | 678 |
| Other payables | | 144,474 | 81,135 |
| Deferred income and other accruals | | 2,621 | 3,230 |
| **Liabilities** | 2.9 | **208,265** | **175,122** |
| **Total equity and liabilities** | | **393,988** | **328,658** |

## INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

| (in € thousands) | Notes | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| | | – | – |
| Other income | | 24,916 | 27,884 |
| **Operating income** | | **24,916** | **27,884** |
| Payroll expenses | | (12,702) | (12,104) |
| Other operating expenses | | (11,277) | (10,624) |
| Net charges to depreciation and amortization | | (368) | (437) |
| Net charges to provisions | | – | (1) |
| **Operating expenses** | | **(24,347)** | **(23,166)** |
| **Net operating income** | 2.12 | **569** | **4,718** |
| **Net financial income** | 2.13 | **61,281** | **88,949** |
| **Net recurring income** | | **61,850** | **93,667** |
| **Net non-recurring income** | 2.14 | **22,323** | **2,396** |
| Employee profit-sharing | | (798) | (787) |
| Income tax | | 654 | (138) |
| **Net income for the year** | | **84,029** | **95,138** |

# Notes to the parent company financial statements of CFAO SA for the years ended December 31, 2011 and 2010

The accompanying notes are an integral part of the 2011 financial statements.

**2011 HIGHLIGHTS**

In 2011, employer contributions were recognized for €218.0k in respect of the performance share plan implemented by CFAO.

## NOTE 1 BASIS OF MEASUREMENT AND PRESENTATION

The financial statements for the year ended December 31, 2011 have been prepared in accordance with the provisions of the French Commercial Code (*Code de commerce*) and the French General Chart of Accounts.

CFAO has applied CRC Regulation 2000-06 since January 1, 2002. The application of this regulation had no effect on opening shareholders' equity.

The entry into force of CRC Regulations 2004-06, 2003-07 and 2002-10 did not have a material impact on the financial statements.

### 1.1. Property, plant and equipment and intangible assets

Intangible assets are measured at purchase cost or contribution value, and are amortized over the statutory amortization period or their effective useful lives, whichever is shorter.

Intangible assets mainly comprise software, which is amortized on a straight-line basis over three years.

Property, plant and equipment are recorded in the balance sheet at purchase cost.

Fixed assets other than land are depreciated on a straight-line basis over their probable useful lives. The depreciation rates used vary between 5% and 25%.

### 1.2. Long-term investments

Equity investments and loans are measured on an entity-by-entity basis by comparing the historical cost of the items with the corresponding share in consolidated equity and the outlook of the company concerned. Where applicable, impairment provisions are recognized to reduce the value of equity investments. Unrealized gains are not recognized.

### 1.3. Receivables and payables

Receivables and payables are recognized at face value. Provisions for impairment of receivables are recorded when there is a risk of non-collection.

### 1.4. Foreign currency transactions

Transactions denominated in foreign currency are recognized at the exchange rate in force at the transaction date or at the hedging rate. Foreign currency receivables and payables outstanding at year-end on unhedged transactions are recognized and measured at the closing exchange rate.

### 1.5. Related parties

In view of the Group's structure, all fully consolidated entities are considered ''related parties'' in the notes below.

## NOTE 2 NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

### 2.1. Intangible assets

Intangible assets mainly include IT-related expenses for €2,736.7k. Accumulated amortization recognized in respect of these items at December 31, 2011 amounted to €2,178.3k.

### 2.2. Property, plant and equipment

Property, plant and equipment mainly includes IT equipment and furniture for €1,767.0k, and fixtures and fittings at the Company's head office at 18, rue Troyon for €845.4k. At December 31, 2011, accumulated depreciation recognized in respect of these items amounted to €1,592.1k and €475.7k, respectively.

### 2.3. Equity investments and other investments

| (in € thousands) | Gross | Provisions | Net |
|---|---|---|---|
| At December 31, 2010 | 325,722.8 | (94,315.2) | 231,407.6 |
| Disposals and restructurings | (27,397.4) | – | (27,397.4) |
| Acquisitions/Capital increase | 67,914.3 | – | 67,914.3 |
| Charges to provisions for the year | – | (21,851.5) | (21,851.5) |
| Reversals from provisions for the year | – | 4,279.7 | 4,279.7 |
| **At December 31, 2011** | **366,239.7** | **(111,887.0)** | **254,352.7** |

| Main movements in equity investments (in € thousands) | | |
|---|---|---|
| NCCIE | Capital increase | 2,000.0 |
| ALBM | Capital increase | 874.7 |
| Splv Cameroun | Capital increase | 1,524.5 |
| Cfao Motors STP | Capital increase | 366.3 |
| CPS Holding | Acquisition | 36,117.6 |
| Vehicule Center Zambia | Acquisition | 4,238.8 |
| CMR | Acquisition | 2,000.0 |
| Groupe Madagascar | Acquisition | 7,005.0 |
| Cfao Ghana | Acquisition | 255.1 |
| Cfao Motors Uganda Ltd | Incorporation | 378.2 |
| Cfao Ghana Equipement | Incorporation | 212.6 |
| SIAB | Adjustment of acquisition cost | (1,435.6) |
| CFAO (liquidity agreement) | Acquisition | 11,486.0 |
| CFAO (Plan AGA) | Acquisition | 2,826.1 |
| CFAO (liquidity agreement) | Disposal of shares | 10,977.8 |
| Sifa | Liquidation | (1,043.1) |
| Almameto | Contributed to CPS Holding | (1,497.9) |
| Menard Automobiles | Contributed to CPS Holding | (10,644.3) |
| New Caledonia Motors | Contributed to CPS Holding | (209.5) |
| Prestiges Motors | Contributed to CPS Holding | (2,401.2) |
| Nissan Zimbabwe | Disposal of shares | (563.9) |

**The main movements in provisions during the year were as follows:**

| Charges for the year (in € thousands) | |
|---|---|
| MIPA | 314.0 |
| SARI | 329.6 |
| CMM | 728.8 |
| CFAO Motors Maroc | 6,644.4 |
| Cica Motors Kenya Limited | 7,081.3 |
| ALBM Technologie Algérie | 874.7 |
| Openasia Equipement Ltd | 3,777.7 |
| Cfao Motors Uganda Ltd | 378.2 |
| Nissan Zimbabwe | 453.6 |
| Cfao Motors STP | 360.4 |

| Reversals for the year (in € thousands) | |
|---|---|
| Icrafon | 340.4 |
| CFAO Motors Tchad | 982.2 |
| SPLV Gabon | 296.4 |
| CFAO Guinée | 249.9 |
| Bavaria Motors Algerie | 421.2 |
| Prestiges Motors | 1,236.6 |
| Massilia | 282.7 |
| CFAO Centrafrique | 200.7 |

### 2.4. Receivables due from investments

| (in € thousands) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Related parties | 20,370.0 | 14,266.2 |
| Third parties | 583.1 | 583.1 |
| **Total, gross** | **20,953.1** | **14,849.3** |
| Impairment | (9,546.9) | (2,683.1) |
| **Net** | **11,406.2** | **12,166.2** |

Receivables due from investments break down as follows:

- €20,953.1k due in more than one year

Changes in receivables due from investments are attributable to CFAO Motors Maroc.

### 2.5. Other financial fixed assets

| | Dec. 31, 2011 | | | Dec. 31, 2010 |
|---|---|---|---|---|
| (in € thousands) | Gross | Provisions | Net | Net |
| Loans | 141.9 | (102.1) | 39.8 | 39.9 |
| Other | – | – | – | – |
| **Total** | **141.9** | **(102.1)** | **39.8** | **39.9** |

Loans to non-Group entities amounted to €136.9k at December 31, 2011.

Provisions recorded in respect of these loans at December 31, 2011 amounted to €102.1k and correspond to the impairment of loans granted under the statutory building aid program (*aide à la construction*).

### 2.6. Current assets

#### *2.6.1. Trade receivables*

| (in € thousands) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Third parties, gross | 805.8 | 792.2 |
| Provisions for third parties | (782.8) | (782.8) |
| **Total, gross** | **23.0** | **9.4** |

#### *2.6.2. Other receivables*

| (in € thousands) | 2011 | 2010 |
|---|---|---|
| Related parties | 36,838.7 | 43,724.1 |
| Third parties | 5,713.4 | 8,445.8 |
| **Total** | **42,552.1** | **52,169.9** |
| Provisions | (1,629.0) | (1,628.9) |
| **Total** | **40,923.1** | **50,541.0** |

Other receivables have maturities of less than one year and include current accounts, cash advances to subsidiaries and accrued income. The year-on-year decrease in this item is mainly due to cash advances to subsidiaries representing €10,650.8k.

#### *2.6.3. Cash and cash equivalents*

| (in € thousands) | 2011 | 2010 |
|---|---|---|
| Investments | 1,995.2 | 2,602.9 |
| Cash at bank and in hand | 82,028.4 | 27,331.6 |
| **Total** | **84,023.6** | **29,934.5** |

#### *2.6.4. Prepayments and other accruals*

| (in € thousands) | 2011 | 2010 |
|---|---|---|
| Prepaid expenses | 2,114.0 | 3,424.8 |
| Foreign exchange losses | – | – |
| **Total** | **2,114.0** | **3,424.8** |

Prepaid expenses comprise (i) an insurance premium with Gras Savoye for the first half of the subsequent year for €316.0k in 2010 and 2011; and (ii) expenses incurred on the syndicated credit facility and recognized against income over three years, in the amount of €2,683.3k in 2010 and €1,283.3k in 2011.

### 2.7. Shareholders' equity

Share capital amounted to €10,254,310 at December 31, 2011, comprising 61,525,860 fully paid-up shares.

Changes in shareholders' equity can be analyzed as follows:

| (in € thousands) | Dec. 31, 2010 | Capital increase | Net income | Appropriation of net income | Dec. 31, 2011 |
|---|---|---|---|---|---|
| Share capital | 10,254.4 | – | – | – | 10,254.4 |
| Additional paid-in capital | 38.7 | – | – | | 38.7 |
| Legal reserve | 1,850.3 | – | – | – | 1,850.3 |
| Merger premiums | – | – | – | – | – |
| Unavailable reserve | 5,975.7 | – | – | – | 5,975.7 |
| Retained earnings | 28,631.7 | – | – | 44,687.3 | 73,319.0 |
| Net income for the year | 95,138.5 | | 84,028.7 | (95,138.5) | 84,028.7 |
| Dividends | | – | – | 50,451.2 | |
| **Shareholders' Equity** | **141,889.3** | **0.0** | **84,028.7** | **0.0** | **175,466.8** |

Based on a constant number of shares, equity per share before dividend payouts increased from €2.31 at December 31, 2010 to €2.85 at December 31, 2011.

Based on net assets and a comparable number of shares, the value of the CFAO share rose from €5.3 at December 31, 2010 to €6.4 at December 31, 2011.

### 2.8. Provisions

| (in € thousands) | Amount at Dec. 31, 2010 | Charges[(1)] Operating | Charges[(1)] Financial | Charges[(1)] Non-recurring | Reversals (utilized provisions)[(1)] Operating | Reversals (utilized provisions)[(1)] Financial | Reversals (utilized provisions)[(1)] Non-recurring | Amount at Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| **PROVISIONS RECORDED UNDER ASSETS** | | | | | | | | |
| Loans | 2,848.5 | | 6,863.8 | | | 63.4 | | 9,648.9 |
| Equity portfolio | 94,315.2 | | 21,851.5 | | | 4,279.7 | – | 111,887.0 |
| Trade receivables | 782.8 | | | | – | | – | 782.8 |
| Other receivables | 1,628.9 | – | | | | | – | 1,628.9 |
| **Total provisions recorded under assets** | **99,575.4** | **0.0** | **28,715.3** | **–** | **0.0** | **4,343.1** | **0.0** | **123,947.6** |
| **PROVISIONS RECORDED UNDER LIABILITIES** | | | | | | | | |
| Contingencies and losses | 11,647.3 | 87.0 | 1,964.1 | | 45.8 | 3,396.5 | 0.0 | 10,256.1 |
| **Total** | **111,222.7** | **87.0** | **30,679.4** | **–** | **45.8** | **7,739.6** | **0.0** | **134,203.7** |

(1) *Income statement*

Provisions for contingencies and losses concern the following items:

| (in € thousands) | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| Restructuring costs | 0.0 | 0.0 |
| Negative equity of subsidiaries | 9,551.0 | 10,812.5 |
| Provisions for risks on disputes and other | 705.1 | 834.8 |
| **Total** | **10,256.1** | **11,647.3** |

The main movements in provisions for negative net equity of subsidiaries break down as follows:

| (in € thousands) | |
|---|---|
| Holdinter | 392.8 |
| Performance Tahiti | 884.0 |
| Holdinter & cie | 643.5 |
| Albm | (314.3) |
| Sevrafi | (2,862.3) |

Provisions for negative net equity of subsidiaries correspond to net negative equity adjusted for provisions recorded at the level of the consolidated Group.

### 2.9. Liabilities

*2.9.1. Maturity schedule of borrowings at December 31, 2011*

| (in € thousands) | Dec. 31, 2011 | Less than 1 year | 2 to 5 years |
|---|---|---|---|
| **BORROWINGS** | | | |
| Accrued interest | 9.4 | 9.4 | |
| Syndicated credit facility | 60,000.0 | | 60,000.0 |
| Other bank borrowings | 626.6 | 626.6 | |
| **Total** | **60,636.0** | **636.0** | **60,000.0** |
| **TRADE PAYABLES** | **534.1** | **534.1** | |
| **OTHER PAYABLES** | | | |
| Tax and employee-related liabilities | 8,006.9 | 8,006.9 | |
| Other liabilities | | | |
| – Related parties | 134,494.4 | 134,494.4 | |
| – Third parties | 1,973.9 | 1,973.9 | |
| Accrued expenses | 2,621.5 | 2,621.5 | |
| **Total** | **147,096.7** | **147,096.7** | **0.0** |
| **Grand Total** | **208,266.8** | **148,266.8** | **60,000.0** |

Other liabilities chiefly correspond to current accounts with subsidiaries.

Trade payables fall due in less than 60 days.

*2.9.2. Borrowings*

Movements in borrowings during the year can be analyzed as follows:

| (in € thousands) | Syndicated credit facility | Bank borrowings | Interest | Total |
|---|---|---|---|---|
| At December 31, 2010 | 90,000.0 | 2.5 | 76.9 | 90,079.4 |
| Repayment of borrowings | (30,000.0) | (2.5) | (76.9) | (30,079.4) |
| New borrowings | | 626.6 | 9.4 | 636.0 |
| **At December 31, 2011** | **60,000.0** | **626.6** | **9.4** | **60,636.0** |

The decrease in borrowings results from the repayment of a portion of the syndicated credit facility.

### 2.10. Income tax

At January 1, 2010, CFAO opted to file consolidated tax returns.

At December 31, 2011, tax consolidation led to an income tax saving totaling €722.9k in CFAO's financial statements.

### 2.11. Off-balance sheet commitments

| A) Off-balance sheet commitments (in € thousands) | Dec. 31, 2011 |
|---|---|
| **1 – Commitments given** | **150,343.4** |
| Endorsements and guarantees given on behalf of related parties | 123,928.0 |
| Miscellaneous endorsements and guarantees given | 24,590.0 |
| Retirement indemnities | 1,488.0 |
| Long-service awards | 337.4 |
| Individual training entitlement (accumulated hours) | 7,906 hours |
| **2 – Commitments received** | **246,667.3** |
| Undrawn confirmed lines of credit | 240,000.0 |
| Clawback clauses (return-to-profit) | 6,667.3 |

| B) Operating leases (in € thousands) | Dec. 31, 2011 |
|---|---|
| | **N/A** |

### 2.12. Net operating income

*2.12.1. Other income*

Other income corresponds to support and administration expenses invoiced to CFAO SA subsidiaries.

*2.12.1. Other operating expenses*

Other operating expenses mainly include audit and consulting fees (€2,579.2k), rental and related expenses (€1,238.7k), external IT costs (€1,608.8k), taxes and levies other than on income (€1,149.3k), and travel expenses (€833k).

### 2.13. Net financial income

| (in € thousands) | 2011 | 2010 |
|---|---|---|
| Income from investments | 87,976.4 | 103,548.5 |
| Other interest and similar income | 2,430.4 | 1,348.0 |
| Translation gains | 547.2 | 781.2 |
| Reversals of provisions for equity investments, loans, risks and other (see Note 2.8) | 7,739.6 | 8,703.1 |
| Interest and similar expense | (6,656.6) | (5,903.7) |
| Translation losses | (76.6) | (795.1) |
| Charges to provisions for investments and other (see Note 2.8) | (30,679.4) | (18,732.7) |
| **Total** | **61,281.0** | **88,949.3** |

*2.13.1. Income from investments*

Income from investments consists of dividends received from entities in the investment portfolio. The main items are shown below:

| (in € thousands) | 2011 |
|---|---|
| Brasseries du Congo | 7,587.6 |
| Eurapharma | 29,955.8 |
| CAMI | 1,996.3 |
| Capstone | 15,502.1 |
| CFAO Motors Burkina | 1,086.9 |
| Cfao Congo | 690.3 |
| CFAO CI | 1,613.7 |
| CIDP | 1,755.9 |
| Cfao Motors Benin | 960.4 |
| Cfao Motors Mali | 516.2 |
| NCCIE | 1,062.8 |
| SFCE | 17,767.4 |
| Seigneurie Ocean Indien | 733.7 |
| CFAO Togo | 652.1 |
| Dobie Tanzanie | 1,644.2 |
| CFAO Sénégal | 678.1 |
| Dobie Kenya | 866.2 |
| Other | 2,906.7 |
| **Total** | **87,976.4** |

*2.13.2. Other interest and similar income*

| (in € thousands) | 2011 |
|---|---|
| Interest on investments | 15.2 |
| Interest on loans and current accounts with subsidiaries | 2,415.2 |
| **Total** | **2,430.4** |

*2.13.3. Reversals of provisions for equity investments, receivables and other*

| (in € thousands) | 2011 |
|---|---|
| Investments | 4,279.7 |
| Loans | 63.4 |
| Provisions for contingencies | 3,396.5 |
| **Total** | **7,739.6** |

Reversals of provisions for equity investments mainly concern the following entities:

| (in € thousands) | |
|---|---|
| Prestige Motors | 1,236.6 |
| Bavaria Motors Algerie | 421.1 |
| Cfao Motors Tchad | 982.2 |
| Splv Gabon | 296.4 |
| CFAO Guinée | 249.9 |
| Massilia | 282.7 |

Reversals of provisions for contingencies mainly concern the following entities:

| (in € thousands) | |
|---|---|
| Sevrafi | 2,862.3 |
| Albm | 314.3 |

*2.13.4. Charges to provisions for equity investments, receivables and other*

| (in € thousands) | 2011 |
|---|---|
| Investments | 21,851.5 |
| Loans | 6,863.8 |
| Provisions for contingencies | 1,964.1 |
| **Total** | **30,679.4** |

Charges to provisions for equity investments mainly concern the following entities:

| (in € thousands) | |
|---|---|
| CFAO Motors Maroc | 6,644.4 |
| Cica Kenya | 7,081.3 |
| Albm Algérie | 874.7 |
| CMM | 728.8 |
| Openasia Equipement Ltd | 3,777.7 |
| Nissan Zimbabwe | 453.6 |

Charges to provisions for loans concerns CFAO Motors Maroc to the extent of its net negative equity position.

### 2.14. Net non-recurring income

Net non-recurring income of €22,322.7k chiefly breaks down as follows:

| (in € thousands) | 2011 |
|---|---|
| Clawback clause (return-to-profit) | 929.9 |
| Disposals of equity investments | 21,758.6 |
| Charges to provisions for claims and litigation | (41.2) |
| Donations and patronage | (282.8) |
| Other | (41.8) |
| **Total** | **22,322.7** |

Gains and losses on disposals of equity investments mainly correspond to the following entities:

| (in € thousands) | |
|---|---|
| New Caledonia shares to CPH | 21,310.5 |
| Liquidation of Sifa | 501.3 |
| CFAO (liquidity agreement) | (83.9) |

### 2.15. Average headcount during the year

The average headcount was 89 during the year ended December 31, 2011. At that date, total headcount was 89, breaking down as 48 men and 41 women.

### 2.16. Compensation paid to members of the administrative and management bodies

Compensation paid to members of the Executive Committee by CFAO in 2011 amounted to €3,315,957.

### 2.17. Fees paid to the Statutory Auditors

| | Statutory Auditors – Deloitte and KPMG | | | |
|---|---|---|---|---|
| | Amount (excl. VAT) | | % | |
| **(in € thousands)** | **2011** | **2010** | **2011** | **2010** |
| Audit | | | | |
| Statutory audit, certification, review of parent company and consolidated financial statements | | | | |
| Deloitte | 164.0 | 161.0 | 50% | 50% |
| KPMG | 164.0 | 161.0 | 50% | 50% |
| Other audit-related services | | | | |
| Deloitte | 0.0 | 0.0 | 0% | 0% |
| **Sub-total** | **328.0** | **322.0** | **100%** | **100%** |
| **Other services** | | | | |
| Legal, tax and labor related services | | | | |
| Other | | | | |
| Deloitte | 0.0 | 0.0 | 0% | 0% |
| KPMG | 0.0 | 0.0 | 0% | 0% |
| **Sub-total** | **0.0** | **0.0** | **0%** | **0%** |
| **Total** | **328.0** | **322.0** | **100%** | **100%** |

## 2.18. Subsidiaries and investments

| Subsidiaries and investments | Currency | Share capital | Currency | Reserves and retained earnings before before income appropriation | % capital held | Carrying amount of shares Gross | Carrying amount of shares Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue (excl. VAT) | Last published net income (loss) | Dividends received by the Company in the year | At Dec. 31, 2011 Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A – Detailed information concerning subsidiaries and investments.** | | | | | | | | | | | | | |
| **1 – Subsidiaries (more than 50%-owned by CFAO)** | | | | | | | | | | | | | |
| ALBM<br>16, rue Payen – Hydra Algiers (Algeria) | DZD | 163,680,000 | DZD | (60,818,000) | 99.84 | 2,827,968 | 0 | 0 | | 10,899,860 | (419,325) | 0 | R/E: (63,260,000) |
| ALLIANCE MOTORS NIGERIA<br>2 & 4 Apapa Industrial Layout, Amuwo Odofin Lagos (Nigeria) | NGN | 130,000,000 | NGN | 1,346,249,000 | 99.99 | 1,502,271 | 1,502,271 | 0 | | 40,304,660 | (2,925,292) | 0 | |
| BAVARIA MOTORS ALGERIE<br>150, rue de Tripoli – Hussein Dey Algiers (Algeria) | DZD | 300,000,000 | DZD | (237,314,000) | 80.00 | 2,429,647 | 707,493 | 964 | | 37,204,949 | 19,497 | | R/E: (237,314,000) |
| CAMI – Cameroon Motors Industries<br>B.P 1217 – Douala (Cameroon) | XOF | 2,176,680,000 | XOF | 9,955,179,000 | 67.41 | 4,420,932 | 4,420,932 | 77,352 | | 89,116,741 | 4,231,758 | 1,996,338 | |
| CAPSTONE CORPORATE LTD<br>Jamalac Building Vieux Conseil Street – Port Louis (Mauritius) | EUR | 15,000,000 | EUR | 259,000 | 100.00 | 15,000,000 | 15,000,000 | 0 | | 374,063,000 | 20,931,000 | 15,502,096 | |
| CFAO BURKINA<br>Rue Patrice Lumumba – Ouagadougou (Burkina Faso) | XOF | 990,180,000 | XOF | 2,697,654,000 | 73.08 | 2,742,713 | 2,742,713 | 30,346 | | 37,435,070 | 1,629,226 | 1,086,885 | |
| CFAO CENTRAFRIQUE<br>Avenue du Tchad – Bangui (Central African Republic) | XOF | 550,000,000 | XOF | 264,115,000 | 99.99 | 3,607,107 | 1,336,730 | 13,681 | | 10,127,783 | 255,721 | 0 | |
| CFAO CONGO<br>BP 247 – Avenue Paul Doumer – Brazzaville (Congo) | XOF | 1,450,000,000 | XOF | 515,828,000 | 100.00 | 3,060,311 | 3,060,311 | | | 44,537,243 | 496,616 | 690,289 | |
| CFAO COTE D'IVOIRE<br>Rue pasteur Carrefour CHU de Treichville – Abidjan (Côte d'Ivoire) | XOF | 5,563,960,000 | XOF | 1,396,501,000 | 96.38 | 5,122,314 | 5,122,314 | | | 29,655,046 | 566,150 | 1,613,720 | |
| CFAO GABON<br>ZI D'Oloumi – BP 2181 – Libreville (Gabon) | XOF | 2,140,090,000 | XOF | 1,508,358,000 | 96.87 | 2,621,544 | 2,621,544 | 763,315 | | 63,519,343 | (2,407,408) | 0 | |
| CFAO GAMBIA Ltd<br>Mamadi Manyang Highway Kanifing Po Box 297 – Banjul (Gambia) | GMD | 4,180,000 | GMD | 8,810,000 | 78.95 | 567,945 | 41,941 | 31,272 | | 4,915,079 | (5,803) | 0 | |
| CFAO GHANA Ltd<br>House no. 8 (Formely house no. 714) High Street – Accra (Ghana) | GHS | 1,596,000 | GHS | 12,588,000 | 93.99 | 2,901,119 | 2,901,119 | 192,657 | | 47,868,712 | 2,963,473 | 0 | |
| CFAO EQUIPEMENT GHANA<br>6 Olublohum Road, Accra (Ghana) | GHS | 452,000 | GHS | 0 | 100.00 | 212,615 | 0 | 537,634 | | 867,810 | (181,922) | 0 | |
| CFAO GUINEE<br>6 ème Avenue BP 4400 – CONAKRY (Guinea-Conakry) | GNF | 3,001,000,000 | GNF | 1,119,734,000 | 100.00 | 589,996 | 589,996 | 0 | | 7,638,147 | 491,750 | 0 | |
| CFAO GUINEE BISSAU<br>avenue Pansau Batiment ORDMAG Guinea Bissau | XOF | 150,000,000 | XOF | (119,221,000) | 100.00 | 228,659 | 49,775 | 26,338 | | 2,040,757 | 47,104 | 0 | R/E: (119,221,000) |
| CFAO MALAWI<br>PO Box 49, Blantyre (Malawi) | MWK | 287,188,000 | MWK | 1,043,613,000 | 100.00 | 4,787,979 | 4,787,979 | 944,636 | | 19,068,792 | 1,492,014 | 241,738 | |
| CFAO MOTORS BENIN<br>BP 147 Cotonou (Benin) | XOF | 26,140,000 | XOF | 737,603,000 | 99.12 | 1,172,329 | 1,172,329 | 74,222 | | 14,116,279 | 1,200,399 | 960,401 | |
| CFAO MOTORS MALI<br>BP 1655 – Quinzambougou – Bamako (Mali) | XOF | 156,000,000 | XOF | 2,654,718,000 | 89.99 | 237,833 | 237,833 | 168,268 | | 32,935,785 | 932,764 | 516,206 | |
| CFAO MOTORS MAROC<br>15, rue Omar Slaoui – Casablanca (Morocco) | MAD | 284,468,000 | MAD | (26,797,000) | 100.00 | 29,984,241 | 0 | 20,431,629 | | 96,824,372 | (14,120,440) | 0 | R/E: (148,182,000) |
| CFAO MOTORS MAURITANIE<br>Nouakchott Mauritania | MRO | 1,172,880,000 | MRO | (26,797,000) | 100.00 | 3,207,718 | 1,761,469 | | | 3,817,194 | (176,490) | 0 | R/E: (445,258,000) |
| CFAO MOTORS RDC<br>6/8 Avenue du Lieutenant-Colonel Lukusa – Kinshasa (Dem. Rep. of Congo) | CDF | 106,207,000 | CDF | 8,899,918,000 | 99.00 | 218,808 | 218,808 | 547,570 | | 76,745,231 | 2,895,835 | 0 | |
| CFAO MOTORS TCHAD<br>BP 474 N'Djaména (Chad) | XOF | 1,750,000,000 | XOF | (294,910,000) | 97.99 | 3,245,592 | 3,078,563 | 14,652 | | 18,298,408 | 977,587 | 0 | R/E: (476,696,000) |
| CFAO MOTORS UGANDA<br>Plot 180, 6th Street – Industrial Area – Kampala (Uganda) | UGX | 1,291,000,000 | UGX | 0 | 100.00 | 378,220 | 0 | | | 0 | (194,079) | | |
| CFAO NIGER<br>Route de l'Aéroport – BP 204 – Niamey (Niger) | XOF | 847,280,000 | XOF | 755,123,000 | 99.85 | 130,021 | 130,021 | 9,215 | | 12,471,110 | 84,310 | 350,283 | |

| Subsidiaries and investments | Currency | Share capital | Currency | Reserves and retained earnings before before income appropriation | % capital held | Carrying amount of shares Gross | Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue (excl. VAT) | Last published net income (loss) | Dividends received by the Company in the year | At Dec. 31, 2011 Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CFAO NIGERIA Ltd<br>1, Davies Street – Lagos – (Nigeria) | NGN | 208,000,000 | NGN | 4,476,509,000 | 100.00 | 17,578,269 | 17,578,269 | 12,114 | | 814,589 | 812,596 | 0 | |
| CFAO SENEGAL<br>KM 2,5 Bd du Centenaire – BP 2631 – Dakar (Senegal) | XOF | 3,663,100,000 | XOF | 1,827,215,000 | 89.70 | 5,536,738 | 5,477,253 | 38,417 | | 46,591,399 | (1,698,959) | 678,149 | |
| CFAO SENEGAL EQUIPEMENT<br>KM 2,5 Bd du Centenaire – BP 2631 – Dakar (Senegal) | XOF | 790,000,000 | XOF | 0 | 99.70 | 15,199 | 15,199 | 12,957 | | 307,782 | (74,447) | | |
| CFAO TOGO<br>5 Av Tokmake, BP 332 – Lomé (Togo) | XOF | 1,061,455,000 | XOF | 722,735,000 | 69.72 | 2,569,692 | 2,499,732 | 0 | | 15,978,242 | 905,134 | 652,068 | |
| CFAO ZAMBIE<br>P.O.BOX 32665 – Lusaka (Zambia) | ZMK | 10,000,000 | ZMK | 29,523,242,000 | 99.99 | 1,855,838 | 1,855,838 | 115,687 | | 19,292,016 | 1,026,300 | 245,920 | |
| CICA MOTORS MALAWI<br>PO Box 467, Blantyre (Malawi) | MWK | 6,000,000 | MWK | 0 | 100.00 | 26,331 | 26,331 | | | 61,550 | 4,548 | | |
| CIDP Côte d'Ivoire<br>Carrefour CHU Treichville – 01 BP 21140 Abidjan (Côte d'Ivoire) | XOF | 500,000,000 | XOF | 687,505,000 | 99.99 | 1,371,950 | 1,371,950 | 0 | | 19,203,805 | 716,977 | 1,755,880 | |
| C.M.M – Compagnie Marseillaise de Madagascar<br>20, rue Lislet Geoffroy – Sainte Clotilde (Reunion) | EUR | 2,670,000 | EUR | 5,141,000 | 98.28 | 11,993,765 | 8,456,768 | 1,923 | | 106,669,000 | 543,000 | 129,258 | |
| CMR<br>18, rue Lislet Geoffroy – Sainte Clotilde (Reunion) | EUR | 2,000,000 | EUR | 0 | 100.00 | 2,000,000 | 2,000,000 | 7,060,377 | | 42,827,000 | (3,320,000) | | |
| CP HOLDING<br>216 rue Roger Gervelino, PK 5, Magenta – Nouméa (New Caledonia) | XPF | 5,824,080,000 | XPF | 0 | 74.00 | 36,117,633 | 36,117,633 | 0 | | 0 | 2,720,198 | | |
| DIAMAL<br>CW No 31, Les Annassers Bir Mourad Raïs – Algiers (Algeria) | DZD | 1,440,000,000 | DZD | (78,256,000) | 59.99 | 611,109 | 611,109 | 0 | | 323,196,082 | 1,897,587 | 0 | R/E: (155,256,000) |
| DIMAC<br>Aïn Sebaa Route No 110 KM 11,5 – Casablanca (Morocco) | MAD | 1,495,000 | MAD | 10,148,000 | 99.65 | 1,233,261 | 1,053,060 | 116,087 | | 5,924,099 | 30,581 | 0 | |
| DT DOBIE KENYA<br>P.O BOX 30160 Lusaka Road – Nairobi (Kenya) | KES | 35,000,000 | KES | 1,572,224,000 | 99.98 | 6,689,499 | 6,689,499 | 178,764 | | 59,200,548 | 2,103,516 | 866,232 | |
| DOMAFI<br>18 rue Troyon – 92310 Sèvres (France) | EUR | 79,200 | EUR | (657,200) | 100.00 | 363,674 | 0 | | | 0 | 47,000 | 0 | R/E: (668,000) |
| DT DOBIE TANZANIE<br>217/205 Nkrumah Gereziani Dar Es Sallam (Tanzania) | TZS | 991,195,000 | TZS | 10,456,317,000 | 100.00 | 1,535,791 | 1,535,791 | 68,456 | | 28,800,154 | 2,140,404 | 1,644,153 | |
| ELDOMOTORS<br>2nd Floor, Fairfax House, N° 21 Mgr Gonin Street Port Louis (Mauritius) | MUR | 11,137,000 | MUR | 459,000 | 100.00 | 344,706 | 344,706 | 31,200 | | 6,973,255 | 542,390 | | |
| Eurapharma<br>Le grand Launay 8 av paul doumer 76120 Le Grand Quevilly (France) | EUR | 2,799,750 | EUR | 19,125,250 | 99.68 | 26,339,853 | 26,339,853 | 0 | | 0 | 19,404,000 | 29,955,801 | |
| HOLDINTER SARL<br>18 rue Troyon – 92316 Sèvres Cedex (France) | EUR | 314,292 | EUR | (3,132,292) | 99.99 | 5,336,043 | 0 | | | 0 | (538,000) | | R/E: (3,174,000) |
| HOLDINTER ET CIE<br>18 rue Troyon – 92316 Sèvres Cédex (France) | EUR | 878,700 | EUR | (8,693,700) | 60.00 | 5,163,651 | 0 | 2,632,809 | | 0 | (1,562,000) | 0 | R/E: (8,694,000) |
| ICRAFON – Société Industrielle des Crayons et Fournitures<br>BP 2040 – ZI Bassa Magzi – Douala (Cameroon) | XOF | 2,000,000,000 | XOF | 1,408,313,000 | 52.01 | 3,484,961 | 2,542,134 | 0 | | 8,924,410 | 503,105 | 134,760 | |
| IMACY<br>BP 95 – Boulevard Cheik Zayed – Bamako (Mali) | XOF | 10,000,000 | XOF | 1,166,000 | 99.85 | 1,374,951 | 0 | | | 0 | (30,490) | 0 | R/E: (834,000) |
| I.M.C.<br>PO BOX 654 Bell Village – Motorway M2, Pailles (Mauritius) | MUR | 87,000,000 | MUR | 32,010,000 | 100.00 | 2,903,533 | 2,903,533 | 0 | | 13,354,951 | 744,138 | 204,478 | |
| KIA GABON<br>Zone industrielle d'Ouloumi – 2181 Libreville (Gabon) | XOF | 10,000,000 | XOF | 0 | 100.00 | 15,245 | 0 | 13,071 | | 1,989,758 | 123,822 | 0 | |
| LUSITANA LTDA<br>Rue Domao 11 São Tomé and Príncipe CP 605 | STD | 10,891,500,000 | STD | (2,735,556,000) | 99.00 | 946,785 | 0 | 15,322 | | 1,540,157 | (339,280) | | R/E: (2,735,556,000) |
| MASSILIA<br>Cunard Building Liverpool L3 IDS (United Kingdom) | GBP | 2,750,000 | GBP | 2,222,000 | 100.00 | 35,952,814 | 5,500,478 | | | 0 | (114,068) | 0 | |

| Subsidiaries and investments | Currency | Share capital | Currency | Reserves and retained earnings before before income appropriation | % capital held | Carrying amount of shares Gross | Carrying amount of shares Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue (excl. VAT) | Last published net income (loss) | Dividends received by the Company in the year | At Dec. 31, 2011 Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MIPA – Manufacture Ivoirienne des Plastiques Africains<br>ZI De Yopougon Banco Nord – Abidjan (Côte d'Ivoire) | XOF | 774,000,000 | XOF | (101,471,000) | 99.88 | 2,451,813 | 847,623 | 236,511 | | 6,708,411 | (188,929) | 0 | R/E: (1,155,706,000) |
| NCCIE – Nouveau Comptoir Caraïbe d'Importation et d'Exportation<br>PK 2, route de Baduel 97300 Cayenne (Guyana) | EUR | 2,036,000 | EUR | 1,055,000 | 99.99 | 4,005,561 | 4,005,561 | 201,399 | | 23,346,000 | 1,385,000 | 1,062,833 | |
| NISSAN ZIMBABWE PRIVATE LTD<br>Building 9, Arundel Office Park, Mount Pleasant HARARE (Zimbabwe) | USD | 0 | USD | 933,000 | 75.00 | 1,691,661 | 1,238,076 | 270 | | 25,875,126 | 1,154,620 | | |
| OPENASIA EQUIPMENT LTD<br>34/F, the lee gardens 33 hysan av causeway bay (Hong Kong) | USD | 1,000 | USD | 9,840,000 | 50.99 | 7,686,649 | 3,695,760 | | | 4,029,315 | (91,249) | 0 | |
| PENS AND PLASTICS LTD<br>Block XI Plot no 1, 2 RING RD – Accra (Ghana) | GHS | 2,518,000 | GHS | 1,922,000 | 100.00 | 1,788,135 | 1,788,135 | 21,000 | | 5,175,509 | 727,212 | 0 | |
| SARI<br>117 Boulevard de Marseille 01 bp 1327 Abidjan (Côte d'Ivoire) | XOF | 1,355,480,000 | XOF | 1,176,774,000 | 89.77 | 3,537,035 | 3,207,414 | 374 | | 23,215,811 | (803,367) | 415,844 | |
| CFAO GUINEE EQUATORIALE<br>BP 127 Bata (Equatorial Guinea) | XOF | 500,000,000 | XOF | 1,090,111,000 | 99.99 | 762,199 | 762,199 | 6,654 | | 16,862,143 | (772,915) | 293,341 | |
| SFCE – Société Française de Commerce Extérieur<br>18 rue Troyon – 92316 Sèvres Cédex (France) | EUR | 12,114,240 | EUR | 4,440,760 | 100.00 | 12,312,268 | 12,312,268 | | | 540,942,000 | 24,218,000 | 17,767,442 | |
| SIAB<br>166 Boulevard Moulay Ismaël Casablanca (Morocco) | MAD | 80,500,000 | MAD | (49,812,000) | 100.00 | 12,576,231 | 12,576,231 | 586,641 | | 44,256,010 | 365,195 | 0 | R/E: (52,089,000) |
| SOCADA<br>Boulevard du Général Leclerc – BP 4080 – Douala (Cameroon) | XOF | 2,600,000,000 | XOF | 128,023,000 | 100.00 | 2,439,184 | 2,439,184 | 143,125 | | 56,063,051 | 455,989 | 0 | R/E: (791,977,000) |
| CFAO EQUIPEMENT CI<br>Boulevard de Vridi 01 BP 2114 Abidjan 01 (Côte d'Ivoire) | XOF | 100,000,000 | XOF | 306,540,000 | 99.97 | 152,403 | 152,403 | 500,432 | | 2,105,640 | (159,469) | 0 | |
| CFAO EQUIPEMENT GABON<br>Boulevard de l'Indépendance BP 7661 – Libreville (Gabon) | XOF | 300,000,000 | XOF | 828,205,000 | 99.99 | 2,176,509 | 2,176,509 | 164,744 | | 14,368,477 | 195,796 | 0 | |
| SPLV CAMEROUN<br>Boulevard du Général Leclerc – BP 4080 – Douala (Cameroon) | XOF | 1,600,000,000 | XOF | (93,377,000) | 99.99 | 2,438,910 | 2,234,549 | 878,133 | | 3,326,372 | (763,346) | 0 | R/E: (93,377,000) |
| PERFORMANCE AUTOS<br>rue Paul Bernière BP 51564 Pirae (Tahiti) | XPF | 48,915,000 | XPF | (75,020,000) | 99.82 | 1,527,208 | 0 | 361,483 | | 5,795,742 | (951,541) | 0 | R/E: (149,771,000) |
| CICA MOTORS LIMITED (Tridecon)<br>Lusaka Road – Nairobi (Kenya) | KES | 2,700 | KES | 261,818,300 | 99.26 | 8,991,199 | 1,909,918 | | | 2,717,090 | (301,953) | 0 | |
| VEHICLE CENTER ZAMBIA LTD<br>1637 Malambo Road, Industrial Area – Lusaka (Zambia) | ZMK | 327,025,000 | ZMK | 23,027,615,000 | 100.00 | 4,238,785 | 4,238,785 | 200 | | 13,209,936 | 1,401,260 | 0 | |
| **2 – Investments (10% to 50%-owned by CFAO)** | | | | | | | | | | | | | |
| BRASSERIES DU CONGO<br>Rue Du Nouveau Port – BP 105 – Brazzaville (Congo) | XOF | 24,135,748,000 | XOF | 54,021,632,000 | 50.00 | 7,873,153 | 7,873,153 | | | 183,738,762 | 55,633,714 | 7,587,621 | |
| CEP – Compagnie Equatoriale des Peintures<br>Zone industrielle de Bassa – Douala (Cameroon) | XOF | 446,400,000 | XOF | 2,138,929,000 | 24.15 | 687,932 | 687,932 | 0 | | 18,011,766 | 1,802,665 | 390,270 | |
| ALIOS FINANCE<br>8 rue de Berry 75008 Paris (France) | EUR | 10,699,282 | EUR | 3,652,718 | 24.27 | 3,402,277 | 3,402,277 | 0 | | 0 | 0 | 165,254 | |
| SEIGNEURIE OCEAN INDIEN<br>Zac chemin Finette II – 97490 Sainte Clotilde (Reunion) | EUR | 508,200 | EUR | 4,193,800 | 48.97 | 653,496 | 653,496 | 0 | | 11,170,000 | 1,529,000 | 733,664 | |
| SEP – Société Européenne des Peaux<br>31 rue Jean Chatel – 97400 Saint Denis (Reunion) | EUR | 675,000 | EUR | 775,000 | 48.99 | 1,362,670 | 752,048 | 0 | | 0 | 0 | 0 | |

| Subsidiaries and investments | Currency | Share capital | Currency | Reserves and retained earnings before before income appropriation | % capital held | Carrying amount of shares Gross | Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue (excl. VAT) | Last published net income (loss) | Dividends received by the Company in the year | At Dec. 31, 2011 Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SICEP – Société Industrielle des Crayons et Plastiques<br>Al Ahram House Galaa Street – Cairo (Egypt) | EGP | 15,000,000 | EGP | 9,996,000 | 30.77 | 663,803 | 663,803 | 0 | | 0 | (350,905) | 0 | |
| SIGM<br>BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar) | MGA | 20,000,000 | MGA | 1,673,149,000 | 48.60 | 295,597 | 295,597 | 0 | | 390,434 | 150,189 | | |
| SIRH<br>BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar) | MGA | 20,000,000 | MGA | 12,122,000 | 48.70 | 149,124 | 5,550 | 0 | | 2,035 | 836 | 0 | |
| SOCIMEX<br>BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar) | MGA | 86,400,000 | MGA | 7,943,745,000 | 48.70 | 208,836 | 208,836 | 0 | | 7,541,717 | 748,024 | 0 | |
| SUPERDOLL<br>B.P 4382 – Douala (Cameroon) | XOF | 200,000,000 | XOF | (642,866,000) | 45.00 | 1,491,683 | 0 | 327,765 | | 0 | 0 | 0 | R/E: (662,866,000) |
| **B – General information concerning other subsidiaries and investments** | | | | | | | | | | | | | |
| **1 – Subsidiaries not listed in section A** | | | | | | | | | | | | | |
| a – French subsidiaries (all) | | | | | | 5,003,149 | 114,660 | 9,879,410 | | | | 0 | P/L: €3,681,207 |
| a – Non-French subsidiaries (all) | | | | | | 381,181 | 0 | 0 | | | | 0 | |
| **2 – Investments not listed in section A** | | | | | | | | | | | | | |
| a – French investments (all) | | | | | | 21,058 | 20,801 | 0 | | | | 0 | P/L: €1,353 |
| a – Non-French investments (all) | | | | | | 1,701,132 | 676,922 | 0 | | | | 306,004 | |

*NOTES*
*R/E: Retained earnings*
*P/L: Provision for loans*

| Exchange rate: 1 euro in foreign currency | At Dec. 31, 2011 Balance sheet | Average 2011 Income statement |
|---|---|---|
| AOA Angolan New Kwanza | 122.442 | 130.386 |
| CDF Congolese franc | 1,173.900 | 1,278.702 |
| DZD Algerian dinar | 106.597 | 102.221 |
| GBP Pound sterling | 0.835 | 0.868 |
| GHS Ghanaian cedi | 2.004 | 2.105 |
| GMD Gambian dalasi | 38.267 | 40.326 |
| GNF Guinean franc | 9,173.540 | 9,318.050 |
| KES Kenyan shilling | 110.060 | 123.602 |
| MAD Moroccan dirham | 11.110 | 11.249 |
| MGA Malagasy ariary | 2,912.140 | 2,830.781 |
| MUR Mauritian rupee | 38.235 | 40.045 |
| MWK Malawian kwacha | 212.238 | 218.361 |
| NGN Nigerian naira | 204.140 | 212.335 |
| STD Sao Tomé dobra | 24,500.000 | 24,500.000 |
| TZS Tanzanian shilling | 2,027.180 | 2,167.242 |
| UGX Ugandan shilling | 3,217.120 | 3,516.492 |
| USD US dollar | 1.294 | 1.392 |
| VND Vietnamese dong | 26,949.350 | 28,517.354 |
| XPF CFP franc | 119.332 | 119.332 |
| XOF CFA franc | 655.957 | 655.957 |
| ZMK Zambian kwacha | 6,620.940 | 6,802.115 |

*20.3.3 Five-year financial summary and other information*

**FIVE-YEAR FINANCIAL SUMMARY**

(Pursuant to Articles 133-135 and 148 of the decree of March 23, 1967 concerning commercial companies).

| (in € thousands) | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **INDICATORS** | | | | | |
| **1. SHARE CAPITAL AT YEAR-END (in thousands of euros)** | | | | | |
| Share capital | 10,254 | 10,254 | 10,254 | 10,254 | 10,254 |
| Number of shares outstanding | 10,254,060 | 10,254,060 | 61,524,360 | 61,525,860 | 61,525,860 |
| Number of bonds convertible into shares | | | | | |
| **2. RESULTS OF OPERATIONS (in thousands of euros)** | | | | | |
| Revenue (excl. VAT) | 26,158 | 26,375 | 26,178 | 27,884 | 24,916 |
| Net income before tax, depreciation, amortization and provisions | 64,725 | 75,849 | 78,871 | 84,175 | 106,724 |
| Income tax | 376 | (186) | (2) | 138 | 654 |
| Net income after tax, depreciation, amortization and provisions | 70,186 | 76,901 | 65,476 | 95,138 | 84,029 |
| Dividends paid | 49,937 | 180,676 | 77,111 | 47,989 | 50,451 |
| **3. PER SHARE DATA** | | | | | |
| Earnings per share after tax, but before depreciation, amortization and provisions | 6.28 | 7.42 | 1.28 | 1.37 | 1.75 |
| Earnings per share after tax, depreciation, amortization and provisions | 6.84 | 7.50 | 1.06 | 1.55 | 1.37 |
| **4. EMPLOYEE DATA** | | | | | |
| Number of employees | 86 | 89 | 84 | 91 | 89 |
| Total payroll (in thousands of euros) | 5,745 | 6,675 | 6,332 | 7,840 | 8,493 |
| Total employee benefits paid during the year (social security, donations, etc.) | 3,330 | 3,643 | 2,900 | 4,264 | 4,208 |

**TAX-DEDUCTIBLE DONATIONS, SPONSORSHIPS AND PATRONAGE**

| Humanitarian work (in euros) | |
|---|---|
| Ass.pays de la loire Cameroun donations | 20,000 |
| Unida donations | 1,500 |
| Sida Entreprises donations | 16,000 |
| Reunir donations | 50,000 |
| CFAO Solidarité donations | 50,000 |
| CNCCEF donations | 5,000 |
| Club santé Afrique donations | 100,000 |
| Fondation Chirac donations | 30,000 |

## 20.4 Verification of financial information

*20.4.1 Statutory Auditors' reports for 2011*

**Statutory Auditors' report on the parent company financial statements**

For the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.*

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

To the Shareholders,

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

- the audit of the accompanying financial statements of CFAO;
- the justification of our assessments;
- the specific verifications and information required by law.

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

### I. Opinion on the 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. 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 financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

### II. Justification of our assessments

Pursuant to the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of assessments, we hereby inform you that the assessments which we have performed covered the appropriateness of the accounting policies adopted and the reasonableness of material estimates made, in particular relating to the measurement of investments and provisions for contingencies and liabilities.

These assessments were made as part of our audit approach for the financial statements taken as a whole and therefore contributed to the opinion we formed in the first part of this report.

**III. Specific verifications and information**

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris La Défense and Neuilly-sur-Seine, March 22, 2012
The Statutory Auditors

| | |
|---|---|
| Deloitte & Associés | KPMG Audit<br>*A department of KPMG SA* |
| *Alain Penanguer* | *Hervé Chopin* |

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**Statutory Auditors' report on the consolidated financial statements**

For the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

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

To the Shareholders,

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

- the audit of the accompanying consolidated financial statements of CFAO;
- the justification of our assessments;

– the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. 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 give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- *Asset impairment*

The Company systematically carries out impairment tests at each year-end on goodwill, intangible assets with an indefinite useful life such as brands, and CGUs or groups of CGUs, in accordance with the methods described in Note 2.7 to the consolidated financial statements. We have examined the methods used to carry out these impairment tests as well as the corresponding cash flow forecasts and assumptions, and have verified that Note 17 to the consolidated financial statements provides appropriate disclosures.

- *Provisions*

The Company sets aside provisions for litigation as described in Note 2.12 to the consolidated financial statements.

Our work consisted in assessing the information and assumptions upon which these estimates were based and verifying the calculations made by the Company.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

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

Paris La Défense and Neuilly-sur-Seine, March 22, 2012
The Statutory Auditors

KPMG Audit
*A department of KPMG SA*

Hervé Chopin

Deloitte & Associés

Alain Penanguer

*20.4.2 Additional information verified by the Statutory Auditors*

The Statutory Auditors verified the related-party agreements entered into in 2011 or which remained in effect during 2011, and will issue a special report on these agreements to the Annual General Meeting. They also reviewed the report by the Chairman of the Supervisory Board on Corporate Governance and Internal Control and issued a related report which can be found in Chapter 16 of the Reference Document.

## 20.5 Date of the most recent financial information

The date of the most recent financial information is December 31, 2011.

## 20.6 Interim financial information

The Company has not published any interim financial information since the date of its most recent audited financial statements.

## 20.7 Dividend policy

The table below sets out the net per-share dividends paid by the Group over the course of the last three years:

| | Year in which dividends were paid | | |
|---|---|---|---|
| **In €** | **2009** | **2010** | **2011** |
| Net dividend per share | 7.52* | 0.78 | 0.82 |
| Fully eligible for the tax reduction of | 40% | 40% | 40% |

* *Since the number of shares outstanding increased six-fold in 2009, based on the current number of shares the dividend paid in 2009 would be €1.25.*

CFAO's dividend policy takes into account the Company's profits and losses, its financial position and the dividend policies of its main subsidiaries. The Group's aim is to pay out approximately 40% to 60% of the Group's attributable net income for the year. However, this aim is in no way an obligation for CFAO and the payment of future dividends will depend on the Group's objectives, its financial position and any other factor considered to be relevant by CFAO's Management Board.

At CFAO's Annual General Meeting to be held in 2012 to approve the 2011 financial statements, the shareholders will be asked to approve a dividend payment of €0.86 per share.

## 20.8 Litigation and arbitration

The Group may be involved in legal, administrative, or regulatory proceedings in the ordinary course of its business. The Group sets aside provisions for the probable costs of such litigation to CFAO or its subsidiaries. The following section only describes the most material proceedings and litigation to which the Group is party.

*20.8.1 Tax litigation*

- The Group company SFCE was subject to a tax adjustment (proposition made on December 15 and 16, 2008) corresponding to tax and penalties in the amount of €11,415,478, following a tax audit for the years 2005 and 2006. This tax adjustment relates mainly to the management fee paid to CFAO for the access to its distribution network. The French tax administration considered this management fee to be unjustified and disputed its tax deductibility. Regarding the procedure relating to the Group company SFCE, the French tax administration indicated in a meeting with the person in charge at the department level that it maintained its position. SFCE then referred the matter to the French national commission on direct taxes and sales tax (*Commission nationale des impôts directs et des taxes sur le chiffre d'affaires*). The commission's advisory opinion was communicated to the Company by the French tax administration at the end of 2011. The French tax administration complied with the opinion which ruled in favor of the cancellation of the adjustment. Consequently, the Company has abandoned its planned claim and settled the uncontested amount of the adjustment.

- The Group company Diamal is currently being audited by the Algerian tax administration (proposition of adjustment dated December 22, 2008) in connection with the payment of taxes of 741,709,586 Algerian dinars, or €7,166,789, for the fiscal years from 2004 to 2007. This tax audit relates to the accounting methods and the accounting treatment of certain transactions. The Group believes this tax adjustment is not justified and is in discussions with the Algerian tax administration to defend its arguments. The Company received the final tax deficiency notice in 2009 and has filed a claim with the Algerian tax administration to challenge the tax adjustment. This claim is still under review.

- The Group company CFAO Motors Maroc is currently being audited by the Moroccan tax administration in connection with the payment of taxes of 46,195,411 Moroccan dirhams, or €4,134,372 for the 2001 and 2002 fiscal years (proposition of adjustment dated December 18, 2006), and 87,302,211 Moroccan dirhams, or €7,813,327 for 2003 (proposition of adjustment dated December 4, 2007). The principal grounds for the tax adjustment related to the inconsistency between the revenues calculated by the Moroccan tax administration and those reported by CFAO Motors Maroc, as well as its disagreement concerning the preferential tax regime applied to an internal reorganization. This adjustment was subject to a judicial appeal by the Company. In accordance with the guarantee granted on March 28, 2003 by Financière Yacout to CFAO for 2001 and 2002, CFAO informed Financière Yacout of the tax adjustment concerning these years. The amount of this tax adjustment was settled during the year in accordance with a settlement agreement entered into with the Moroccan tax administration and the amount agreed in settlement was paid. Financière Yacout's guarantee was used to pay adjustments relating to the years covered by the guarantee. The Company's appeal was abandoned.

The total amount of the provisions set aside for tax litigation amounted to €14.5 million as of December 31, 2011.

*20.8.2 Civil and criminal litigation*

Starting in 1996, various minority shareholders of SCOA (which became CFAO following its merger with the latter in 1997) filed various claims in civil and criminal courts relating to certain reorganization transactions involving SCOA that were conducted between 1993 and 1996. The disputed transactions include SCOA's subscription in 1993 to the capital increase of two of its subsidiaries for a total amount of 337,000,000 francs (i.e., €51,375,318.80) paid up by offsetting against receivables, and the subsequent sale by SCOA for a token franc of its shares in these two subsidiaries.

- Regarding the criminal proceedings and to the best of CFAO's knowledge (CFAO not being party to any of these proceedings), Mr. Pouillet, certain entities that were related to him and another SCOA shareholder filed several criminal actions against persons unnamed and other named persons including CFAO, accusing SCOA of preparing falsified financial statements for 1992, 1993 and 1995, obstruction of justice, criminal association, circulating false or misleading financial information, insider trading and fraud. To the best of the Company's knowledge, these claims have not resulted in the investigation of CFAO or of its managers, nor have these individuals been called as assisted witnesses. Two dismissal orders have been issued in these cases. Certain other claims are still pending in court.

- Mr. Pouillet and/or his group and Mr. Poulet also filed several claims between 1997 and 2004 in civil courts:
  - On December 10, 1996 and September 22, 1997, Mr. Pouillet, the company GLP vins and Mr. Poulet filed proceedings against CFAO in the Commercial Court of Nanterre seeking to annul SCOA's Extraordinary Shareholders' Meetings of December 10, 1996 and September 22, 1997, which approved the merger with CFAO. These two proceedings were joined and are now before the Commercial Court of Versailles. The plaintiffs have requested a stay of proceedings pending the outcome of the criminal proceedings described above. In May 2011, the Court rescheduled hearings for this case.
  - On February 27, 2004, Mr. Pouillet and other plaintiffs filed proceedings against CFAO (and various other parties) before the Commercial Court of Paris seeking to cancel SCOA's reorganization transactions carried out between 1993 and June 1996 (including the capital increases and the sale of the two subsidiaries mentioned above). Mr. Pouillet is requesting the Court to order CFAO, certain of its shareholders and other defendants, jointly and severally, to pay the sum of €674,750,000 in damages as compensation for the loss of his investment in SCOA due to the reduction of capital to zero followed by the capital increase carried out in 1997 in which he did not participate, all of the unpaid dividends attributable to his former shares in SCOA and the non-pecuniary damage that he claims to have suffered. The case is still pending before the Commercial Court and no hearing date has been set. CFAO believes that Mr. Pouillet's claims have no merit.

The Group has not set aside any provisions with respect to the disputes between the Group and Mr. Pouillet.

At the filing date of this Reference Document, there is no other governmental, judicial or arbitration proceedings (including any proceedings of which CFAO is aware, that are pending or threatened) other than those described in this Chapter, that could have or have had in the past twelve months a material effect on the Group's or CFAO's financial position or profitability.

No litigation that the Company considers as well grounded, taken alone, is material for the Company or the Group. No litigation or arbitration that the Company considers as well grounded, taken alone, has had in the recent past or is likely to have a material impact on the financial position, the activity or the results of the Company or of the Group.

## 20.9 Significant changes in financial or trading position

To the best of CFAO's knowledge, at the filing date of this Reference Document, there have been no significant changes in the Group's financial or trading position since December 31, 2011, with the exception of the information set out in Chapter 12 ''Trend information and objectives''.

# CHAPTER 21 – ADDITIONAL INFORMATION

## 21.1 Share capital

### *21.1.1 Issued capital and authorized capital*

As of the date of this Reference Document, the share capital of the Company amounted to €10,254,310, divided into 61,525,860 fully paid-up shares. There is only one category of shares. The shares have no face value.

The Shareholders' Meetings held on November 16, 2009 and May 17, 2010 granted a number of financial authorizations to the Management Board, authorizing the Management Board to increase the share capital. These authorizations are still in effect and described in the table below.

| Summary of delegations to the Management Board | Term of validity | Use |
|---|---|---|
| *Shareholders' Meeting of May 17, 2010* | | |
| Delegation of authority to the Management Board to increase the share capital by issuing shares and/or securities giving access to the Company's share capital with preferential subscription rights, within the limit of €4 million (and within the limit of €5 million for all authorizations to increase the share capital) – *13th resolution* | Until July 16, 2012 | Not used |
| Delegation of authority to the Management Board to increase the share capital by issuing (without preferential subscription rights) shares and/or securities giving access to the Company's share capital, within the limit of €2 million (and within the limit of €5 million for all authorizations to increase the share capital), it being specified that the share issue price shall be at least equal to the legal minimum (as of today: the weighted average of share prices of the last three trading sessions before determination of the issue price minus 5%) – *14th resolution* | Until July 16, 2012 | Not used |
| Delegation of authority to the Management Board to increase the share capital by issuing (without preferential subscription rights) shares and/or securities giving access to the Company's share capital to qualified investors or a restricted circle of investors within the limit of €1 million (this amount being deducted from the limit of €2 million indicated in the previous resolution and from the limit of €5 million for all authorizations to increase the share capital), it being specified that the issue price shall be at least equal to the legal minimum (as of today: the weighted average of share prices of the last three trading sessions before determination of the issue price minus 5%) – *15th resolution* | Until July 16, 2012 | Not used |
| Authorization granted to the Management Board to increase the share capital, within the limit of 10% of the share capital (without preferential subscription rights) to compensate for contributions in kind involving capital shares or securities giving access to share capital (this amount being deducted from the €2 million limit indicated in the 14th resolution and from the amount of €5 million for all authorizations to increase the share capital) – *16th resolution* | Until July 16, 2012 | Not used |

| Summary of delegations to the Management Board | Term of validity | Use |
|---|---|---|
| Authorization granted to the Management Board to determine the issue price of shares, within the limit of 10% of the share capital per year, as part of a capital increase through the issue of shares, without preferential subscription rights, in such a manner that the issue price shall be at least equal to the minimum required for capital increases without preferential subscription rights, minus a supplementary discount of 10% maximum – *17th resolution* | Until July 16, 2012 | Not used |
| Delegation of authority to the Management Board to increase the share capital by capitalizing premiums, reserves, profits, or other, within the limit of €2 million (and within the limit of €5 million for all authorizations to increase the share capital) – *18th resolution* | Until July 16, 2012 | Not used |
| Delegation of authority to the Management Board to increase the number of shares to be issued in the case of a capital increase, with or without preferential subscription rights, within the legal limits (as of today: within 30 days of the end of the subscription period and within the limit of 15% of the initial issue), and within the limit of €5 million for all authorizations to increase the share capital – *19th resolution* | Until July 16, 2012 | Not used |

*21.1.2 Securities not representing capital*

As of the date of this Reference Document, the Company has not issued any securities which do not represent capital.

*21.1.3 Holding and repurchase of treasury shares*

As of December 31, 2011, CFAO held 155,300 of treasury shares repurchased as part of its repurchase program: 45,500 shares were held by a third party on its behalf under the liquidity agreement described below, and 109,800 shares were repurchased to be used for performance share awards.

As of the date of this Reference Document, CFAO held 109,800 treasury shares.

No CFAO shares are held by one of its subsidiaries or by a third party on behalf of CFAO (except under the liquidity agreement described below).

*a) Use of the repurchase authorizations granted by the shareholders in May 2010 and in May 2011*

*Authorizations granted by the Shareholders' Meeting*

The Shareholders' Meeting of May 17, 2010 authorized the Management Board to implement a share repurchase program, within the limits of 10% of the Company's share capital and a maximum purchase price of €39 per share.

This authorization was replaced by a new authorization granted to the Management Board by the Shareholders' Meeting of May 20, 2011. This authorizes the Board to repurchase shares from the Company, again within the limits of 10% of the Company's share capital. This authorization was granted for a period of 18 months and is still in effect.

The purposes of the repurchase program are the following:

- to implement any Company stock option or similar plan, in accordance with the provisions of the French Commercial Code (*Code de commerce*);

- to grant or transfer shares to employees to compensate their contribution to the Company's growth or as part of the implementation of any Company or Group savings plan (or any similar plan) in accordance with the regulations in force;
- to grant performance shares in accordance with the provisions of the French Commercial Code;
- to deliver shares upon the exercise of rights attached to securities giving access to the Company's share capital by redemption, conversion, exchange, presentation of a warrant or by any other means;
- to cancel all or part of the shares repurchased in this manner;
- to deliver shares (for exchange, payment or otherwise) in connection with external growth, merger, spin-off or contribution transactions;
- to organize the secondary market or the liquidity of the CFAO share through an investment services provider within the framework of a liquidity agreement in accordance with the professional code of conduct recognized by the AMF.

Purchases of shares in the Company are subject to the following limits:

- the number of shares that the Company may purchase during the term of the repurchase program shall not at any time exceed 10% of the shares that make up the Company's share capital, it being specified that this percentage applies to capital adjusted to take into account transactions that affect the capital subsequent to the Shareholders' Meeting of May 20, 2011 (for information, the number of shares at this date was 61,525,860); it is further specified that the number of shares purchased to be held and subsequently delivered within the framework of a merger, spin-off or contribution transaction shall not exceed 5% of the share capital;
- the number of shares held by the Company at any time must not exceed 10% of the shares that make up the Company's capital at such time.

The maximum purchase price per share is fixed at €42. The total amount allocated to the repurchase program shall not exceed €230 million.

*Use of the authorizations granted by the Shareholders' Meeting*

Liquidity agreement

In connection with these authorizations granted in 2010 and 2011, CFAO entered into a liquidity agreement with Crédit Agricole Cheuvreux, relating to the CFAO shares which are listed on the Eurolist of Euronext Paris, in accordance with the applicable regulations, independence rules and practices. In order to implement this agreement, the Company allocated €6 million to the liquidity account. No shares were contributed.

Within the framework of this agreement, in 2011, 413,431 shares were purchased at an average price of €27.78 and 388,631 shares were sold at an average price of €28.03.

As of March 31, 2012, 7,300 shares were held in the liquidity account.

In 2011, CFAO also purchased treasury shares.

Repurchase of shares by the Company

In 2011, under these authorizations, CFAO purchased 110,000 treasury shares at an average price of €25.67 per share for a total cost of €2,823,713. These shares were allocated to cover the Company's commitments relating to performance share awards.

Related transaction fees paid by CFAO amounted to €2,363.85, including VAT and commission.

In 2011, 200 shares were granted immediately to the heirs of a deceased beneficiary.

Following these transactions, as of December 31, 2011, CFAO held 109,800 shares representing 0.18% of the share capital.

In 2011 and up to the date of this Reference Document, CFAO did not use derivatives on treasury shares, nor did it purchase or sell treasury shares through the exercise or at the expiration of derivatives.

The Shareholders' Meeting of May 17, 2010 authorized the Management Board to reduce share capital by cancellation of shares so repurchased under the repurchase program, this authorization being valid until July 16, 2012. This authorization was not used.

The new share repurchase program, which will be submitted for approval at the Annual General Meeting on May 25, 2012, is described in section b) below.

*b) Description of the repurchase program submitted for approval at the next Annual General Meeting to be held in May 2012*

Pursuant to Article 241-2 of the AMF's General Regulations, this section provides a description of the share repurchase program that will be submitted for approval at the next Annual General Meeting on May 25, 2012.

Pursuant to Article L.225-209 of the French Commercial Code, the Management Board will propose that the Annual General Meeting authorize the Board to set up a new share repurchase program, such authorization terminating the current share repurchase program to replace it by a new one, under which the execution of the liquidity agreement mentioned in section a) above will be pursued.

As of March 31, 2012, CFAO held 109,800 treasury shares directly and 7,300 indirectly under the liquidity agreement entered into with Crédit Agricole Cheuvreux.

On the same date, all the 109,800 shares held were allocated to cover the Company's commitments relating to performance share awards decided in 2010 and 2011.

**Purposes of the repurchase program**

The purposes of the repurchase program are the following:

- to implement any Company stock option or similar plan, in accordance with the provisions of the French Commercial Code;
- to grant or transfer shares to employees to compensate their contribution to the Company's growth or as part of the implementation of any Company or Group savings plan (or any similar plan) in accordance with the regulations in force;
- to grant performance shares in accordance with the provisions of the French Commercial Code;
- to deliver shares upon the exercise of rights attached to securities giving access to the Company's share capital by redemption, conversion, exchange, presentation of a warrant or by any other means;
- to cancel all or part of the shares repurchased in this manner;
- to deliver shares (for exchange, payment or otherwise) in connection with external growth, merger, spin-off or contribution transactions, it being specified that the number of shared granted within this framework should not exceed 5% of the capital of the company;
- to organize the secondary market or the liquidity of the CFAO share through an investment services provider within the framework of a liquidity agreement in accordance with the professional code of conduct recognized by the AMF.

This program is also aimed at the implementation of any market practice accepted by the AMF, and generally, the execution of any other transaction in compliance with the applicable regulations. In such event, the Company will inform its shareholders through a press release.

**Maximum fraction of the share capital, maximum number and nature of the shares that the issuer intends to buy and the maximum purchase price**

Purchases of shares in the Company are subject to the following limits:

- the number of shares that the Company may purchase during the term of the repurchase program shall not at any time exceed 10% of the shares that make up the Company's share capital, it being specified that this percentage applies to capital adjusted to take into account transactions that affect the capital subsequent to the Shareholders' Meeting, i.e., as an indication, 61,525,860 shares as of the date of the present Shareholders' Meeting, it being specified that concerning shares bought within a liquidity contract, the number of shares considered for the purpose of the 10% limit is the net number of shares bought after the deduction of the number of shares sold during the authorization period;
- the number of shares held by the Company at any time shall not exceed 10% of the shares that make up the Company's share capital at such time. This percentage applies to a number of shares adjusted from changes that may occur after the present Shareholders' Meeting.

The shares which will be repurchased under this program are ordinary shares of the Company. The maximum purchase price per share shall be €42 and the total amount allocated to the repurchase program shall not exceed €230 million.

**Term of the repurchase program**

The repurchase authorization to be submitted for approval at the Shareholders' Meeting on May 25, 2012 would be granted for an 18-month period starting from that date, i.e., until November 24, 2013.

The Management Board's authorization to cancel, where appropriate, all or some of the shares repurchased under the repurchase program and to reduce the share capital accordingly will also be submitted for approval at the Shareholders' Meeting on May 25, 2012.

*21.1.4 Other securities giving access to the Company's share capital*

As of the date of this Reference Document, the Company had not issued any securities giving access to the Company's share capital; it should be noted that authorizations were granted to the Management Board by the Shareholders' Meeting to issue such securities in the future (see section 21.1.1 above).

The Company granted stock options in 2010 and performance shares in 2010 and 2011, which are described in Chapter 15 of this Reference Document.

*21.1.5 Terms and conditions governing any acquisition rights and/or obligations on authorized but unissued capital or undertaking to increase the capital*

Not applicable.

*21.1.6 Share capital of any member of the Group's companies which is subject to an option or an agreement to be put under option*

As some of the Group's subsidiaries are not wholly owned, agreements between shareholders exist that may provide for preemptive rights for shareholders in the event of a shareholder's sale of its interest, commitments to sell or disposal obligations. These various rights are mentioned in Chapter 7 of this Reference Document for the major subsidiaries of the Group, each of these subsidiaries being described in the above-mentioned chapter.

*21.1.7 Change in share capital*

There was no change in the Company's share capital between January 1, 2006 and December 2010. In December 2010, only 1,500 shares were issued due to the exercise of stock options by the heirs of a deceased beneficiary.

As of January 1, 2012, the share capital was equal to €10,254,310, divided into 61,525,860 shares. These figures have not changed since that date.

*21.1.8 Pledges, guarantees and other collateral*

As of February 22, 2012, no shares in registered form were pledged, and the Company had no knowledge of pledges on other shares comprising its capital. The shares held by CFAO in its subsidiaries are not pledged.

For further information on the pledges of the Group's assets and other collateral, see Note 33.2.2 ''Guarantees and other collateral'' to the consolidated financial statements.

## 21.2 Memorandum of association and by-laws

*21.2.1 Corporate purpose (Article 3 of the by-laws)*

The purposes of the Company are:

- the purchase, production, transport, importation, distribution, commercialization and sale of any goods or services, of any kind, for its own account or for the account of third parties and by any means;
- the purchase, construction, exploitation, management, lease or sale of any land, plant, warehouse, dealership site or other real estate assets;
- and, more generally, any commercial, financial, industrial, agricultural, securities or real estate transactions in direct or indirect relation with the above-mentioned activities or any other similar or related activities, or those likely to facilitate their operation and implementation.

To this effect, the Company may in particular create, purchase or exploit any designs, trademarks, models, patents or processes, acquire any stake or interest in any company or enterprise with any purpose, and may operate in any country, directly or indirectly, alone or through an association, a company or any other form of entity or enterprise.

*21.2.2 Administrative, management and supervisory bodies (Articles 10 and 11 of the by-laws)*

*21.2.2.1 Management Board (Article 10 of the by-laws)*

*Appointment of the members of the Management Board*

The Management Board, a collegial body, is composed of a minimum of two members and a maximum of seven members, appointed by the Supervisory Board, which designates one of them as Chairman. No member of the Management Board can be over 70. Any member of the Management Board in office who reaches an age exceeding this limit is deemed to have resigned, unless the Supervisory Board authorizes him or her to remain in his or her position until the expiration of his or her term of office. During his or her term of office, each member of the Management Board must own at least 150 registered shares of the Company, no later than three (3) months after his or her appointment.

The Management Board is appointed for a three-year term. In the event of vacancy due to death, resignation or removal from office, the Supervisory Board may replace the missing member in accordance with the legal conditions.

*Removal of members of the Management Board*

The members of the Management Board may be removed from office by the Shareholders' Meeting, as well as by the Supervisory Board.

*Deliberations of the Management Board*

A member of the Management Board may give a proxy to another member to represent him or her at a meeting of the Board, under the same conditions as for the Supervisory Board. For the validity of deliberations, the presence of at least half of the members of the Management Board is required. The decisions are made with a majority of the votes of present or represented members; in the event of a tied vote, the Chairman has the casting vote. The Management Board may adopt internal rules outlining its operating mode, including, as the case may be, attendance of meetings via videoconference or conference calls.

*Chairman of the Board – Executive Management*

The Chairman of the Board represents the Company in its relations with third parties. The Supervisory Board may grant the same power of representation to one or several members of the Management Board who are then referred to as ''Chief Executive Officer'' (*Directeur Général*). The Chairman and, as the case may be, the Chief Executive Officer(s) may delegate part of their powers, with or without powers of subdelegation, when they deem it appropriate, to any special representatives they may designate.

*Powers and duties of the Management Board*

Without prejudice to the powers of the Supervisory Board and to the decisions which shall be first approved by the Supervisory Board, the Management Board has the broadest powers with regards to third parties to act under any circumstances in the name of the Company within its corporate purpose, and subject to the powers expressly reserved to the shareholders. The Management Board may delegate part of its powers, with or without powers of subdelegation, when it deems it appropriate to any special representative it may designate.

In addition to the transactions which are expressly specified in the legal and regulatory provisions – guarantees, bonds and endorsements in favor of third parties, transfer of real property, total or partial transfer of investments and constitutions of other collateral – the Management Board may take certain actions or decisions only with the prior authorization of the Supervisory Board as mentioned in Chapter 16 of this Reference Document (section III ''Limitations imposed on the powers of the Management Board'').

*21.2.2.2 Supervisory Board (Article 11 of the by-laws and internal rules of the Supervisory Board)*

The provisions of the by-laws and of the internal rules of the Supervisory Board relating to the composition and the operation of the Board are described in Chapter 16 of this Reference Document in the Report by the Chairman of the Supervisory Board to the Shareholders' Meeting on Corporate Governance and Internal Control.

*21.2.3 Rights and restrictions attached to shares*

Each share entitles the holder to a share in the Company's assets, profits and liquidation dividend proportional to the fraction of the share capital the share represents.

In the case where it is necessary to own a certain number of shares to exercise any right, in particular upon exchange, conversion, regrouping or allocation of securities, or upon an increase or reduction of capital, a merger or any other transaction, if the number of securities held is lower than the number of securities required, the holder shall not any have any right against the Company; in this case, the shareholder is solely responsible for obtaining the required number of shares or a multiple of this required number, and the provisions of Article L.228-6 of the French Commercial Code shall apply to the fractional rights.

The ownership of one share automatically triggers compliance with the by-laws and the decisions of the Shareholders' Meetings. The shares are in registered form or in bearer form, at the option of the shareholders, except when otherwise required by law.

*21.2.4 Modification of shareholders' rights*

The modification of the rights attached to the shares shall be made in accordance with legal provisions.

### *21.2.5 Shareholders' Meetings*

*Notice and admission to the Shareholders' Meetings*

Shareholders' Meetings are convened and deliberate under the conditions provided for by the law and the by-laws. The meetings take place at the registered office or any other place indicated in the notice.

Any shareholder may attend these meetings, in person or by proxy, and in accordance with the legal provisions, upon proof of his or her identity and of his or her share ownership by registering these shares in his or her name or in the name of the intermediary registered for his or her account within the regulatory deadlines, either in the registered share accounts held by the Company, or in the bearer share accounts held by the authorized intermediary. The shareholders may, under the legal and regulatory provisions, send their proxy or voting form for the Shareholders' Meeting by post. The Management Board specifies in the notice the deadlines for sending the proxy and voting forms and may, if necessary, reduce the regulatory deadlines applicable for all shareholders.

*Quorum – vote – number of votes*

Upon decision of the Management Board published in the notice convening the Shareholders' Meeting, the shareholders attending the meeting by videoconference or by other means of telecommunication permitting their identification in accordance with the law and regulations shall be deemed present for the calculation of the quorum and of the majority.

The voting right attached to the shares is proportionate to the fraction of capital represented. Except for cases where the unanimity of shareholders is required, the voting right attached to a share is exercised by the beneficial owner (*usufruitier*) of the share at Ordinary Shareholders' Meetings and by the bare owner (*nu-propriétaire*) at Extraordinary Shareholders' Meetings, unless the *usufruitier* and the *nu-propriétaire* agree otherwise and jointly notify the Company at the latest five days before the meeting date.

Votes shall be cast at Shareholders' Meetings in accordance with the terms indicated by the Management Board in the notice.

*Chairman of Shareholders' Meetings*

The Shareholders' Meeting is chaired by the Chairman of the Supervisory Board, or in his absence, by the Vice-Chairman of the Supervisory Board, or in his absence, by a member of the Supervisory Board specially designated to this effect by the Supervisory Board.

### *21.2.6 Provisions of the by-laws likely to have an impact in the event of a change of control*

To the knowledge of the Company, the by-laws do not include any provision that could delay, defer or prevent a change in control of the Company.

### *21.2.7 Crossing of thresholds and identification of shareholders*

*Crossing of thresholds*

In addition to the thresholds provided for by law, any physical or legal person, acting alone or in concert with others, who directly or indirectly acquires a number of shares or voting rights representing more than 3% of the capital or voting rights, and then each supplementary fraction of 0.5% (even when above the legal thresholds) must inform the Company. The notice to the Company shall indicate the same information as the information required by the General Regulations of the AMF when a legal threshold is crossed, and shall be sent to the Company by registered letter with return receipt requested, within four trading days from the date the threshold was crossed. The obligation to notify the Company also applies when the shareholder's share, in capital or voting rights, falls below each of the above-mentioned thresholds for any reason. The sanctions provided by law in case the obligation to declare the crossing of legal thresholds is not respected also apply in case of non-declaration of the crossing of a threshold required by the by-laws, upon the request, which shall be mentioned in the minutes of the Shareholders' Meeting, of one or several shareholders holding at least 5% of the capital or the voting rights of the Company. Subject to the above-mentioned provisions, this obligation contained in the by-laws is governed by the same provisions as those governing the legal obligation, including as regards to the cases of legal assimilation provided for by legal and regulatory provisions.

*Identification of shareholders*

The Company is authorized to implement at any time the legal and regulatory provisions relating to identification of shareholders and identification of securities conferring immediately or in future, the right to vote at Shareholders' Meetings, in accordance with Articles L.228-1 to L.228-3-4 of the French Commercial Code.

*21.2.8 Special provisions governing changes in share capital*

The share capital of the Company may be increased or reduced by any means and in any manner authorized by the law. The Shareholders' Meeting may decide, in relation to any reduction of capital, that this reduction be realized in kind through the remittance of Company securities or assets, or by repurchase and cancellation, exchange, conversion of securities, with or without compensation in cash, or in any other manner, with the obligation for the shareholders, where applicable, to form a group to obtain a whole number of securities or assets or to be able to exercise a right.

## 21.3 Market information

CFAO has been listed on Compartment A of the Eurolist Paris since December 3, 2009 (ISIN code: FR0000060501). The CFAO share has been included in the SBF 120 index since March 22, 2010 and in the CAC Mid 60 index since March 21, 2011.

History of market prices (in €) and trading volumes of CFAO shares since December 3, 2009

| | Number of shares traded | Last trading price of the month | Highest market price of the month | Lowest market price of the month |
|---|---|---|---|---|
| Dec. 2009 | 6,784,974 | 28.67 | 28.67 | 26.13 |
| Jan. 2010 | 2,641,680 | 29.00 | 31.20 | 28.10 |
| Feb. 2010 | 1,465,848 | 28.23 | 29.90 | 27.16 |
| March 2010 | 3,268,802 | 27.59 | 30.00 | 29.54 |
| April 2010 | 3,959,181 | 26.00 | 29.25 | 24.00 |
| May 2010 | 2,547,053 | 23.93 | 26.30 | 25.72 |
| June 2010 | 2,602,954 | 22.17 | 24.00 | 22.51 |
| July 2010 | 1,849,468 | 23.47 | 24.85 | 24.23 |
| Aug. 2010 | 1,009,628 | 24.00 | 26.23 | 25.50 |
| Sept. 2010 | 2,262,233 | 29.20 | 29.78 | 29.18 |
| Oct. 2010 | 2,884,772 | 31.93 | 34.40 | 32.65 |
| Nov. 2010 | 1,185,671 | 30.38 | 32.98 | 29.53 |
| Dec. 2010 | 801,290 | 32.57 | 33.69 | 33.30 |
| Jan. 2011 | 1,787,409 | 26.80 | 33.50 | 27.63 |
| Feb. 2011 | 1,611,736 | 26.49 | 30.01 | 25.70 |
| March 2011 | 1,534,240 | 29.15 | 29.16 | 25.48 |
| April 2011 | 922,201 | 27.15 | 29.35 | 26.68 |
| May 2011 | 1,440,115 | 28.57 | 28.85 | 26.54 |
| June 2011 | 1,201,085 | 29.88 | 30.05 | 26.87 |
| July 2011 | 1,095,369 | 29.84 | 30.12 | 26.66 |
| Aug. 2011 | 1,048,966 | 28.60 | 30.69 | 25.26 |
| Sept. 2011 | 1,115,094 | 26.89 | 29.42 | 24.18 |
| Oct. 2011 | 976,008 | 28.00 | 29.53 | 25.48 |
| Nov. 2011 | 575,823 | 26.59 | 28.09 | 23.60 |
| Dec. 2011 | 651,901 | 26.18 | 27.49 | 24.52 |
| Jan. 2012 | 1,967,409 | 26.07 | 26.50 | 24.95 |
| Feb. 2012 | 1,533,944 | 29.50 | 30.45 | 25.90 |

*Source: NYSE Euronext*

# CHAPTER 22 – MATERIAL CONTRACTS

During the last two years, Group companies have been party to the following material contracts:

- The agreement dated December 6, 2010 between the Group and Toyota pertaining to the importation and distribution of vehicles in certain African countries;

- The agreements between the Group and Nissan for different territories in which the Group distributes its vehicles; and

- The agreement dated January 1, 2006 between the Group and General Motors pertaining to the importation and distribution of its vehicles in Algeria.

The aforementioned contracts are included due to the high volume of business that they represent. As already stated in Chapter 4 of this Reference Document, the Toyota, General Motors (including Chevrolet and Opel), and Nissan brands together represented approximately 29.9% and 29.4% of the Group's consolidated revenue in 2011 and 2010, respectively.

A description of these agreements is provided in section 6.5.1.3.4 ''Agreements with Automobile Manufacturers'' of the Reference Document (English translation of the *Document de base* in French) prepared in the context of the IPO of the Company and registered on October 7, 2009 by the AMF under number I.09-079, this paragraph being incorporated by reference in this Reference Document, as legally permitted. The Group's distribution contracts contain customary clauses for early termination or non-renewal, which mainly concern the Company's failure to fulfill certain obligations, such as its obligation to maintain the ownership structure and the management teams of certain Group entities.

- The Credit Facility Agreement for a €300 million revolving multicurrency syndicated credit facility entered into on December 7, 2009 with BNP Paribas, Calyon, Société Générale Corporate & Investment Banking, Natixis, HSBC France and The Royal Bank of Scotland. A description of this agreement is set out in Chapter 10 of this Reference Document under section 10.2.2.1 ''Outstanding borrowings at December 31, 2011''.

- The agreements entered into with the Heineken group regarding the Brasseries du Congo (operating breweries in Congo). A description of these agreements is contained in Chapter 7 of this Reference Document in the ''CFAO Industries'' paragraph of section 7.2.3.4 ''Distribution subsidiaries''. Brasseries du Congo generates around 70% of the Group's revenue in Congo, which in turn accounts for 8.3% of CFAO's consolidated revenue.

In the normal course of their business, Group companies may enter into other contracts that are deemed material in terms of revenue or geographical coverage.

# CHAPTER 23 – THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Non applicable.

# CHAPTER 24 – DOCUMENTS ON DISPLAY

CFAO's by-laws, minutes of Shareholders' Meetings and management reports to Shareholders' Meetings, Statutory Auditors' reports, historical financial information, and more generally, all documents provided or made available to shareholders in accordance with applicable law are available at the Company's registered office.

A certain number of documents relating to CFAO, in particular those constituting regulated information, may also be consulted on the Company's website (www.cfaogroup.com), as well as on the website of the French financial markets authority (*Autorité des marchés financiers* – AMF) (www.amf-france.org).

## 24.1 Financial communication

Sébastien Desarbres, Director of Investor Relations and Financial Communication, is in charge of financial communication for the Company.

To obtain documents published by the Company, as for all financial information, please contact Investor Relations by telephone on +33 (0)1 46 23 56 51, or by e-mail at ir@cfao.com.

## 24.2 Provisional timetable for the publication of financial information

- 2012 First-quarter revenue: May 3, 2012
- 2012 Half-year revenue and results: July 26, 2012
- 2012 Third-quarter revenue: October 30, 2012

## 24.3 2011 annual information document

The annual information document below has been prepared in accordance with Article L.451-1-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Article 222-7 of the AMF's General Regulations. The annual information document contains information published or made available to the public in accordance with applicable legal and regulatory provisions since January 1, 2011.

a) Financial and legal information

| Date | *(information available under Finance/Regulated Information on the CFAO website)* |
|---|---|
| March 20, 2012 | Alain Pécheur appointed as a member of the Management Board |
| February 23, 2012 | 2011 Annual results and 2011 Q4 revenue |
| January 19, 2012 | Eurapharma/Appointment of Jean-Marc Leccia |
| January 12, 2012 | Half-year report on the CFAO liquidity contract |
| December 2, 2011 | Share buyback |
| November 24, 2011 | Share buyback |
| October 27, 2011 | 2011 Third-quarter Revenue |
| October 3, 2011 | Share buyback |
| September 23, 2011 | Share buyback |
| September 15, 2011 | Share buyback |
| September 6, 2011 | Share buyback |
| August 16, 2011 | Share buyback |
| July 29, 2011 | Compensation of executive corporate officers |
| July 28, 2011 | Availability of the interim report for the first semester 2011 |
| July 28, 2011 | 2011 Interim Results |
| July 6, 2011 | Half-year report on the CFAO liquidity contract |
| June 24, 2011 | Share buyback |
| June 15, 2011 | Share buyback |
| May 20, 2011 | 2011 Annual Shareholders' Meeting |
| May 16, 2011 | Dividend payment date |
| May 2, 2011 | CFAO Annual Shareholders' Meeting – Notice of Meeting |
| May 2, 2011 | 2011 First-quarter revenue |
| April 8, 2011 | CFAO Annual Shareholders' Meeting, Preliminary Notice of Meeting |
| April 8, 2011 | Filing of the 2010 Reference Document |
| February 28, 2011 | 2010 Annual results and 2010 Q4 revenue |
| February 9, 2011 | Jean-Charles Pauze joins CFAO's Supervisory Board |
| January 28, 2011 | CFAO acquires the Citroën distribution business in Reunion |
| January 12, 2011 | CFAO has filed a takeover bid for the Reunion-based company Foucque Automobile |
| January 10, 2011 | Number of shares and voting rights as of December 31, 2010 |
| January 10, 2011 | Half-year report on the CFAO liquidity contract |

b) Published documents

| **Reports** | *(information available under Finance/Regulated Information on the CFAO website)* |
|---|---|
| July 28, 2011 | 2011 Half-year Financial Report |
| April 8, 2011 | Reference Document including the annual financial report and management report, filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 8, 2011, under number R. 11-007 |
| **Presentations** | *(information available under Finance/Regulated Information on the CFAO website)* |
| February 23, 2012 | 2011 Annual Results |
| October 27, 2011 | 2011 Third-quarter Revenue |
| July 28, 2011 | 2011 Interim Results |
| May 20, 2011 | 2011 Annual Shareholders' Meeting (presentation and result of vote) |
| May 2, 2011 | 2011 First-quarter revenue |
| February 28, 2011 | 2010 Annual results and 2010 Q4 revenue |

c) Publications in the bulletin of mandatory legal notices (BALO) and in newspapers

| **Date** | *(information available on the BALO website – www.journal-officiel.gouv.fr, in the Gazette du Palais or in Les Echos)* |
|---|---|
| February 24, 2012 | Notice of CFAO's 2011 Results published in *Les Echos* |
| July 29, 2011 | Notice of CFAO's 2011 Half-year results published in *Les Echos* |
| June 29, 2011 | Publication in the BALO confirming the approval of the statutory and consolidated financial statements as published and the proposal for the appropriation of net income by the Annual Shareholders' Meeting |
| May 2, 2011 | Notice convening the Annual Shareholders' Meeting to be held on May 20, 2011, published in the BALO |
| May 2, 2011 | Notice of the Annual Shareholders' Meeting to held on May 20, 2011 published in *Les Echos* |
| April 30, 2011 | Notice convening the Annual Shareholders' Meeting to held on May 20, 2011, published in the *Gazette du Palais* (Journal of legal notices) |
| April 8, 2011 | Notice of the Annual Shareholders' Meeting to be held on May 20, 2011, published in the BALO |
| March 1, 2011 | Notice of CFAO's 2010 Results published in *Les Echos* |

# CHAPTER 25 – INFORMATION ON EQUITY INTERESTS

Information regarding companies in which the Company owns a percentage of the share capital that is likely to have a material impact on the assessment of its assets and liabilities, financial position or results is provided in this Reference Document under Chapter 7 ''Organizational structure'', under Chapter 20 ''Financial information concerning the assets and liabilities, financial position and profits and losses of CFAO'', and in Note 36 to the consolidated financial statements. In addition, Note 18.2 to the parent company financial statements in Chapter 20 of the Reference Document contains information on the direct subsidiaries of CFAO SA.

The subsidiaries of the CFAO Group generating more than 10% of consolidated net income (attributable to owners of the parent) are SFCE, Brasseries du Congo and Capstone Corporation Ltd. SFCE and Capstone are central purchasing offices of the Group. Brasseries du Congo has an industrial activity which is the production of beverages in the Congo. These subsidiaries are described in Chapter 7 of this Reference Document.

The subsidiaries constituting the sub-group Eurapharma, under the joint stock corporation Eurapharma which is described in Chapter 7 of this Reference Document, represent more than 10% of attributable net income. The activity and the results of Eurapharma and of the sub-subsidiaries of which Eurapharma holds all or part of the capital are described in detail in Chapters 6 and 9 of this Reference Document, in the sections relating to the Group's pharmaceutical activities.