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
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 8, 2011 under number R.11-007, 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**).

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 Commission Regulation 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, 2009 and the related Statutory Auditors' reports on pages 196 to 287 (inclusive) of the 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 Reference Document in French for 2009, 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);
- the consolidated financial statements for the year ended December 31, 2008 and the related Statutory Auditors' report on pages 268 to 327 (inclusive) of the Registration Document (*Document de base*) in French, which was registered by the AMF on October 7, 2009 under number I.09-079 (these documents were on pages 235 to 310 of the English version of the Registration Document);
- the financial information on pages 141 to 207 (inclusive), and pages 46 to 48 (inclusive) of the abovementioned Registration Document in French (said financial information in the English version of the Registration Document were on pages 119 to 177 (''Operating and financial review'') and on pages 31 to 33 (''Investments'')), and on pages 41 to 43 (inclusive) of the securities note in French issued in the context of the Company's IPO (''Recent changes in the financial position and outlook''), approved by the AMF on November 16, 2009 under number 09-333.

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

** Countries in which the Group operates.*

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

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

** Countries in which the Group operates.*

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

	French Overseas Territories		
Overseas Departments and Regions	***Overseas Collectivities***	***Other French Overseas Territories***	***Other***
Guadeloupe*	French Polynesia*	New Caledonia*	Mauritius*
French Guiana*	Saint-Pierre and Miquelon	Clipperton	Vietnam*
Martinique*	Wallis and Futuna	French Southern and Antarctic Lands	Switzerland*
Reunion*	Mayotte		
	Saint-Martin*		
	Saint-Barthélémy		

** 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 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 prepared and 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.

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	CHAP. 17, SECTION 17.1.1
2.	ORGANIZATION OF WORK TIME	CHAP. 17, SECTION 17.1.2
3.	COMPENSATION, INCENTIVE PLANS, PROFIT-SHARING AGREEMENTS, EMPLOYEE SAVINGS PLANS AND GENDER EQUALITY IN THE WORKPLACE	CHAP. 17, SECTIONS 17.1.5 AND 17.1.6
4.	EMPLOYEE RELATIONS AND SUMMARY OF COLLECTIVE AGREEMENTS	CHAP. 17, SECTION 17.1.4
5.	HEALTH AND SAFETY CONDITIONS	CHAP. 17, SECTION 17.1.1
6.	TRAINING	CHAP. 17, SECTION 17.1.3
7.	EMPLOYMENT AND INTEGRATION OF DISABLED WORKERS	CHAP. 17, SECTION 17.1.7
8.	SOCIAL INITIATIVES	CHAP. 17, SECTION 17.1.8
9.	EXTENT OF SUBCONTRACTING	CHAP. 17, SECTION 17.1.9
10.	TERRITORIAL IMPACT OF ACTIVITIES IN TERMS OF EMPLOYMENT AND REGIONAL DEVELOPMENT	CHAP. 17, SECTION 17.1.10
11.	RELATIONS WITH ASSOCIATIONS AND EDUCATIONAL INSTITUTIONS	CHAP. 17, SECTION 17.1.11 CHAP. 6, SECTION 6.7.1
	ARTICLE R. 225-105 OF THE FRENCH COMMERCIAL CODE	
1.	CONSUMPTION OF WATER RESOURCES, RAW MATERIALS AND ENERGY	CHAP. 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	CHAP. 6, SECTIONS 6.7.2.1 AND 6.7.2.2 f)
3.	ENVIRONMENTAL EVALUATION AND CERTIFICATION MEASURES TAKEN	NOT APPLICABLE
4.	MEASURES TAKEN TO ENSURE THAT THE COMPANY'S ACTIVITIES COMPLY WITH LEGISLATIVE AND REGULATORY PROVISIONS IN FORCE RELATING TO ENVIRONMENTAL PROTECTION	CHAP. 6, SECTION 6.7.2
5.	EXPENDITURE INCURRED TO PREVENT THE COMPANY'S ACTIVITIES FROM HAVING A NEGATIVE IMPACT ON THE ENVIRONMENT	NOT APPLICABLE
6.	TRAINING AND INFORMATION RELATING TO THE ENVIRONMENT	NOT APPLICABLE
7.	AMOUNT OF PROVISIONS AND GUARANTEES SET ASIDE FOR ENVIRONMENTAL RISKS	NOT APPLICABLE
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	NOT APPLICABLE
9.	OBJECTIVES ASSIGNED TO OVERSEAS SUBSIDIARIES IN RELATION TO POINTS 1 TO 6 ABOVE	CHAP. 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 8, 2011

''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 IPO of the Company 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 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 IPO of the Company 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 which will be held to approve the financial statements for the fiscal year ending on December 31, 2014.

Fees of the Statutory Auditors for 2009 and 2010

In thousands of euros	DELOITTE Amount (before tax) 2010	DELOITTE Amount (before tax) 2009	DELOITTE % 2010	DELOITTE % 2009	KPMG Amount (before tax) 2010	KPMG Amount (before tax) 2009	KPMG % 2010	KPMG % 2009
Audit • Audit opinion, certification, review of statutory and consolidated financial statements								
Issuer (CFAO SA)	161	130	15%	8%	161	90	22%	10%
Fully consolidated subsidiaries	812	776	78%	49%	547	521	74%	58%
• Other audit-related services								
Issuer (CFAO SA)	0	574[1]	0%	36%	0	130[1]	0%	15%
Fully consolidated subsidiaries	–	–	–	–	–	–	–	–
Sub-total	973	1,480	93%	93%	708	741	96%	83%
Other services provided to fully consolidated subsidiaries								
• Legal, tax, employment-related	68	110	7%	7%	28	150	4%	17%
Sub-total	68	110	7%	7%	28	150	4%	17%
Total	**1,041**	**1,590**	**100%**	**100%**	**737**	**891**	**100%**	**100%**

(1) *Fees in connection with the IPO of the issuer in December 2009*

CHAPTER 3 – SELECTED FINANCIAL INFORMATION

The following tables present consolidated financial information by division for the income statement and other Group operating information. Financial information for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 has been extracted from the audited consolidated financial statements prepared in accordance with IFRS.

Financial information for the year ended December 31, 2005 has been extracted from the financial statements prepared by the Group and included in the audit of PPR's consolidated financial statements.

Selected financial information – income statement

Simplified consolidated income statement (CFAO Group)

(in € millions, except percentages)	2005	2006	2007	2008	2009	2010
Revenue	**2,034.3**	**2,219.4**	**2,534.7**	**2,874.7**	**2,582.0**	**2,676.2**
Gross profit	458.4	506.6	590.8	666.0	577.3	613.7
As a % of revenue	*22.5%*	*22.8%*	*23.3%*	*23.2%*	*22.4%*	*22.9%*
Recurring operating income before PPR management fees (*)	**167.0**	**182.4**	**232.3**	**276.8**	**216.6**	**223.2**
As a % of revenue	*8.2%*	*8.2%*	*9.2%*	*9.7%*	*8.4%*	*8.3%*
Recurring operating income	**162.1**	**177.0**	**226.2**	**269.9**	**211.0**	**223.2**
As a % of revenue	*8.0%*	*8.0%*	*8.9%*	*9.4%*	*8.2%*	*8.3%*
Net income of consolidated companies	**94.5**	**113.8**	**142.5**	**171.1**	**121.2**	**140.3**
Net income attributable to owners of the parent	**69.2**	**83.4**	**106.5**	**128.6**	**90.3**	**100.2**

* *See section 9.1.3.5 of this Reference Document for further information on PPR management fees.*

Revenue and recurring operating income by division

(in € millions, except percentages)	2005	2006	2007	2008	2009	2010
CFAO Automotive *Revenue*	*1,047.3*	*1,185.6*	*1,507.6*	*1,779.1*	*1,451.4*	*1,537.6*
Recurring operating income	*102.7*	*113.5*	*156.3*	*198.1*	*118.1*	*120.1*
As a % of revenue	*9.8%*	*9.6%*	*10.4%*	*11.1%*	*8.1%*	*7.8%*
Eurapharma *Revenue*	*637.6*	*662.2*	*639.3*	*695.5*	*740.8*	*809.6*
Recurring operating income	*52.0*	*52.4*	*54.7*	*55.3*	*60.1*	*71.4*
As a % of revenue	*8.2%*	*7.9%*	*8.6%*	*8.0%*	*8.1%*	*8.8%*
CFAO Industries *Revenue*	*234.9*	*265.9*	*279.2*	*286.4*	*279.9*	*221.1*
Recurring operating income	*26.0*	*31.7*	*35.8*	*35.6*	*44.3*	*50.3*
As a % of revenue	*10.9%*	*11.9%*	*12.8%*	*12.4%*	*15.8%*	*22.8%*
CFAO Technologies *Revenue*	*114.6*	*105.6*	*108.6*	*113.7*	*110.0*	*107.8*
Recurring operating income	*0.3*	*0.5*	*3.1*	*4.6*	*4.1*	*6.7*
As a % of revenue	*0.3%*	*0.5%*	*2.9%*	*4.0%*	*3.8%*	*6.2%*
CFAO Holding *Recurring operating expense (*)*	*(18.9)*	*(21.1)*	*(23.6)*	*(23.7)*	*(15.7)*	*(25.3)*

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

Other selected operating information

Total 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 indicator 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 those of the Group. Accordingly, EBITDA as 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 above is shown after the payment of PPR management fees until 2009 (see section 9.1.3.5).

	Years ended December 31					
(in € millions)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
CFAO Automotive	114.2	124.6	170.0	216.6	139.1	143.1
Eurapharma	56.3	56.8	59.1	60.4	65.0	76.3
CFAO Industries	34.1	40.4	46.0	46.9	56.2	63.7
CFAO Technologies	2.2	2.3	4.8	6.3	5.5	7.8
CFAO Holding	(18.6)	(20.6)	(23.1)	(23.2)	(15.2)	(24.7)
Total	**188.3**	**203.5**	**256.8**	**307.0**	**250.6**	**266.3**

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

	Years ended December 31					
(in € millions)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
TOTAL EBITDA	**193,2**	**208,9**	**262,9**	**313,9**	**256,3**	**266,3**

Reconciliation of recurring operating income to EBITDA

(in € millions)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Recurring operating income	**162.1**	**177.0**	**226.2**	**269.9**	**211.0**	**223.2**
Amortization of intangible assets	(1.1)	(1.1)	(1.4)	(2.1)	(2.5)	(3.1)
Depreciation of land and buildings	(3.5)	(3.8)	(3.5)	(4.2)	(5.1)	(6.1)
Depreciation of plant and equipment	(16.3)	(15.5)	(19.3)	(23.1)	(24.3)	(26.2)
Depreciation of other property, plant and equipment	(5.4)	(6.1)	(6.5)	(7.6)	(7.8)	(7.6)
Additions to provisions for non-current assets	(0.1)	(0.0)	(0.1)	0.1	(0.1)	(0.0)
EBITDA	**188.3**	**203.5**	**256.8**	**307.0**	**250.6**	**266.3**

Selected financial information – statement of financial position

(in € millions)	At December 31 2006	2007	2008	2009	2010
Total assets	**1,420.2**	**1,616.8**	**1,899.7**	**1,714.1**	**1,918.3**
o/w cash and cash equivalents	*122.7*	*148.0*	*114.5*	*127.8*	*133.1*
Total equity	**549.8**	**617.0**	**570.2**	**570.9**	**646.7**
Non-current liabilities	**46.3**	**52.1**	**53.0**	**183.9**	**132.8**
o/w non-current borrowings	*11.2*	*21.2*	*18.4*	*149.6*	*99.0*
Current liabilities	**824.1**	**947.6**	**1,276.5**	**959.3**	**1,138.8**
o/w current borrowings	*207.4*	*212.0*	*394.1*	*240.2*	*234.6*

Selected financial information – statement of cash flows

(in € millions)	Years ended December 31 2006	2007	2008*	2009	2010
Cash flow from operating activities before tax, dividends and interest	198.4	254.2	313.4	240.6	274.3
Change in working capital requirement	24.8	(24.0)	(143.6)	36.2	17.1
Net cash from operating activities	173.5	167.5	81.6	203.1	231.0
Net operating investments	(48.1)	(51.9)	(66.6)	(64.2)	(61.1)
Net cash used in investing activities	(59.4)	(55.2)	(68.5)	(38.8)	(66.6)
Net cash from (used in) financing activities	(116.9)	(86.9)	(237.0)	27.5	(162.6)
Net increase (decrease) in cash and cash equivalents	**(0.5)**	**(27.9)**	**(224.3)**	**192.6**	**(4.2)**

* *Data for 2009 and 2010 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

(in € millions)	At December 31 2006	2007	2008	2009	2010
Free operating cash flow(1)(5)	**125.4**	**115.6**	**14.9**	**139.0**	**169.9**
Net debt(2)	**(95.9)**	**(85.3)**	**(298.0)**	**(262.0)**	**(200.5)**
Capital employed(3)	**602.8**	**616.1**	**739.7**	**837.3**	**800.0**
Return on capital employed (ROCE)(3)(4)(5)	**31.1%**	**37.8%**	**37.6%**	**24.2%**	**28.9%**

(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''. Free operating cash flow is not a financial indicator 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. The amount of free operating cash flow may be calculated differently by other companies with businesses that are similar to or different from those of the Group. Accordingly, free operating cash flow calculated by the Group may not be comparable to that calculated by other issuers.*

(2) *The concept of net debt used by the Group includes gross financial debt including accrued interest less net cash and cash equivalents as defined by French National Accounting Board (*Conseil National de la Comptabilité *– CNC) recommendation No.2004-R. 02 of October 27, 2004. 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 IFRS. 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 taking 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 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 and Technologies divisions, which depend on discretionary spending by businesses, governments and consumers.

Although the Group considers that its presence in 31 countries in Africa and 7 French overseas territories 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 2010: Algeria (13.6%), Congo (7.9%), Cameroon (7.6%), French Antilles (7.6%), Reunion (7.1%), Côte d'Ivoire (6.1%) and Morocco (5.4%). Taken together, these seven territories generated 55.4% of Group revenue in 2010 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, the current global economic downturn has had a material adverse impact on the economies of many of the countries and regions in which the Group operates. Among the most significant impacts, the global crisis has led to significant fluctuations in raw materials prices and a corresponding adverse impact on countries dependent on the export of such raw materials, a significant reduction in direct foreign investment, tighter credit conditions and the devaluation of local currencies outside the CFA franc zone. The effects of this global economic crisis may be greater or last longer than currently anticipated. Furthermore, the economies of the countries in which the Group operates may take longer to recover than more mature market economies and this could also have a material adverse effect on the Group's business, results, financial position and prospects.

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 by its CFAO Industries division 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.

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 operates 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. However, in view of the extent of the upheaval in those countries and their geographic proximity, it is impossible to discount the possibility of contagion, especially to countries such as Algeria and Morocco where CFAO has a well-established presence (these two countries represented 19% of the Group revenue in 2010).

Certain countries in which the Group is present are currently facing complex issues amid social strife, such as Algeria in early 2011, or the Sahel which has recently experienced an upsurge in terrorism. In January 2011, the French Foreign Ministry advised French citizens against travelling to Mauritania, Mali or Niger. These events could have the impacts described above. In particular, they may hamper certain manufacturing operations and trading activities or make travel difficult and limit development possibilities in a given country or region, and negatively impact the Group's business and results.

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. 2011 is set to be a particularly busy year for elections in Africa. Based on information available as of the date of this Reference Document, 13 presidential or parliamentary elections are scheduled in ten countries in which CFAO is present and 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. For example, the results of the presidential elections held in Côte d'Ivoire in November 2010 triggered a major social and political conflict that has culminated in a slowdown in certain economic activities. This has adversely impacted all of the Group's four divisions in Côte d'Ivoire (which represented 6.1% of the Group's revenue in 2010), due to lower demand for imported vehicles and other manufactured products, problems travelling between the north and south of the country and difficulties in exporting goods to neighboring countries. The situation had a severe impact on Group revenue for December 2010 which was down between 10% and 50% (depending on the division) on the monthly average for the first 11 months of the year. The Eurapharma division was the least badly affected.

The crisis in Côte d'Ivoire had not been resolved in early 2011 and manifested itself notably by the discontinuation of business by a majority of banks operating in the country, complicating financing and commercial transactions as well as the transportation of goods in the interior, at the borders and in the country's two ports. It also restricted imports and increased logistical costs.

The Côte d'Ivoire situation continues to negatively and materially impact the Group's sales and order volumes in the country. Group management has taken measures to adapt its organization to this crisis environment, in particular in terms of temporary layoffs and the reallocation of some of its expatriate employees in Côte d'Ivoire. In view of the current developments on the ground, CFAO Group management is unable to predict when business conditions will return to normal.

Investor perceptions of risk in emerging and pre-emerging economies

Economic crises in one or more emerging or pre-emerging market countries may reduce overall investor appetite for securities of emerging and pre-emerging market issuers generally, 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 from emerging markets and higher costs for raising funds, and in some cases have effectively impeded access to international capital markets for extended periods. Future financial crises in emerging and pre-emerging markets may result in lower foreign direct investment in the countries in which the Group operates, which could have an adverse effect on the economies of such countries and a corresponding material adverse effect on the Group's business, results, financial position and prospects.

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 some of the countries in which it operates, 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.

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 its distributes or sells into 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 in particular, in order to meet regulatory requirements for renewing its import quotas, the Group filed investment documents concerning pharmaceutical production with the appropriate local authorities.

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 €363.5 million in 2010 (i.e., 13.6% 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 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 in which the Group conducts business, 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 emerging and pre-emerging countries in which the Group operates could have a material adverse effect on the Group's business, results, financial position and prospects (see section 6.6 ''Regulations'' for details of the various 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 the jurisdictions in which it operates. 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. 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's activities also require numerous prior approvals and licenses from national, regional, and local governmental authorities or regulatory authorities. For example, the approval of the Kenyan competition authorities was required for the Group to commence operations in Kenya.

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 probably not result in the termination of all of the division's activities (see section 6.6 ''Regulations'' for details of the various regulations with which the Group has to comply).

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 violation or 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 case of fraud by 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 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 Group's total provisions for tax litigation amounted to €13.9 million at December 31, 2009, and €17 million at 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).

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 supply 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 27.5% and 29.4% of its consolidated revenue in 2009 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 and Chrysler) that they seem to have successfully faced. Others could easily experience similar difficulties in the future.

The future impact of the continued economic difficulties of the major automobile manufacturers on the Group's portfolio of brands is unclear and 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 earthquakes in Japan in the second week of March 2011 and the related knock-on effects have had, and will continue to have, a material adverse impact on Japanese manufacturing. As of the date of publication of this Reference Document, it is not possible to accurately measure the impact of these events on CFAO's activity. The Group considers that 32% of its sales in 2010 correspond to products from Japanese manufacturers. This issue concerns the CFAO Automotive division exclusively, 56% of whose sales are made with products imported from Japan or from Japanese automakers' plants located outside of that country. Approximately 40% of purchases made by CFAO Automotive are sourced in Japan. Given this context, the Group may face difficulties in obtaining supplies of certain brands that it distributes, notably Toyota, Mitsubishi, Nissan and Isuzu, which will have an adverse impact on its revenue and results. As of the date of publication of this Reference Document, it is not possible to accurately measure the impact of these events on CFAO's business given that Japanese automakers are not yet able to make an accurate projection of when production will return to normal. Furthermore, automakers outside of Japan may also be indirectly impacted by the disruptions in Japan.

Risks associated with the import and export of products

The Group imports materials and products from numerous countries, and coordinates delivery to its 258 sites on four 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 facilities 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 facilities. Any significant failure within the aforementioned infrastructures 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 market stress 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 2010, major manufacturer/exporters showed renewed interest in Africa which has become a new target market for certain players, thus increasing competition in general, particularly in the automobile sector. 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 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 and in some cases may 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, as the government determines the price to be charged or limits the reimbursement of medical expenses to a certain amount, which results indirectly in prices being aligned along this level. For example, in 2008, the Group was required to lower its prices in the French overseas territories as part of a government decision to reduce health care costs, which contributed to a 0.16% decrease in Eurapharma's operating margin in 2009, partially compensated by a reduction in rebates and discounts granted to pharmacists.

In the 14 French-speaking Sub-Saharan African countries (including Mauritania) in which the Group operates, as well as in Algeria and Angola, the price is generally regulated by limiting the margins at different stages of the distribution process, but medical expenses are not reimbursed by the State (see section 6.6.1 ''Pharmaceutical operations''). Any reduction in the prices the Group is permitted to charge in these markets may have a material adverse effect on the Group's business, results, financial condition and prospects.

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, explosion, labor unrest, 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 suitable acquisition candidates or to implement transactions on a timely basis or on acceptable terms. The magnitude, timing, pricing and basis of future acquisitions will depend upon various factors, including the negotiation of acceptable terms, the Group's financial capabilities, the availability of skilled employees to manage the acquired companies 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 manoeuver 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 for the payment by the Company of substantial damages and is 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 future. However, no litigation considered as well grounded by the Company, taken alone, is material with regards to the size of the Company or the Group. No individual dispute or arbitration that was deemed to be well grounded by the Company has had in the recent past, or is likely to have in the future, an adverse material effect on the financial position, business or results of the Company or the Group. 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''.

Moreover, the Group cannot exclude the possibility that new litigation will 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 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 – or result in dividend leakage to minority shareholders.

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.

In addition, historically the Group hedged its foreign exchange risk with PPR as counterparty and PPR hedged this risk with third-party banks. The Group no longer relies on PPR's foreign currency hedges and set up its own hedging arrangements, negotiated directly with banks, in 2010. Nevertheless, in view of their recent inception, the Group cannot guarantee that these new hedges will work in exactly the same way as those negotiated by PPR and relied upon until mid-2010, and further resources may needed to be invested.

Lastly, it should be noted that as of January 31, 2011, 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 exchange rate 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. For example, this enables the CFAO Automotive division to anticipate the potential impact of an appreciation in the purchase currency on the cost of vehicles sold right at the order stage, and to adjust its pricing strategy accordingly in order to attenuate the impact of changes in the main exchange rates on gross margin. Any price increase in a local currency may lead to a decline in sales volumes.
- 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 25% of the Group's 2010 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 39.0% of the Group's 2010 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''.

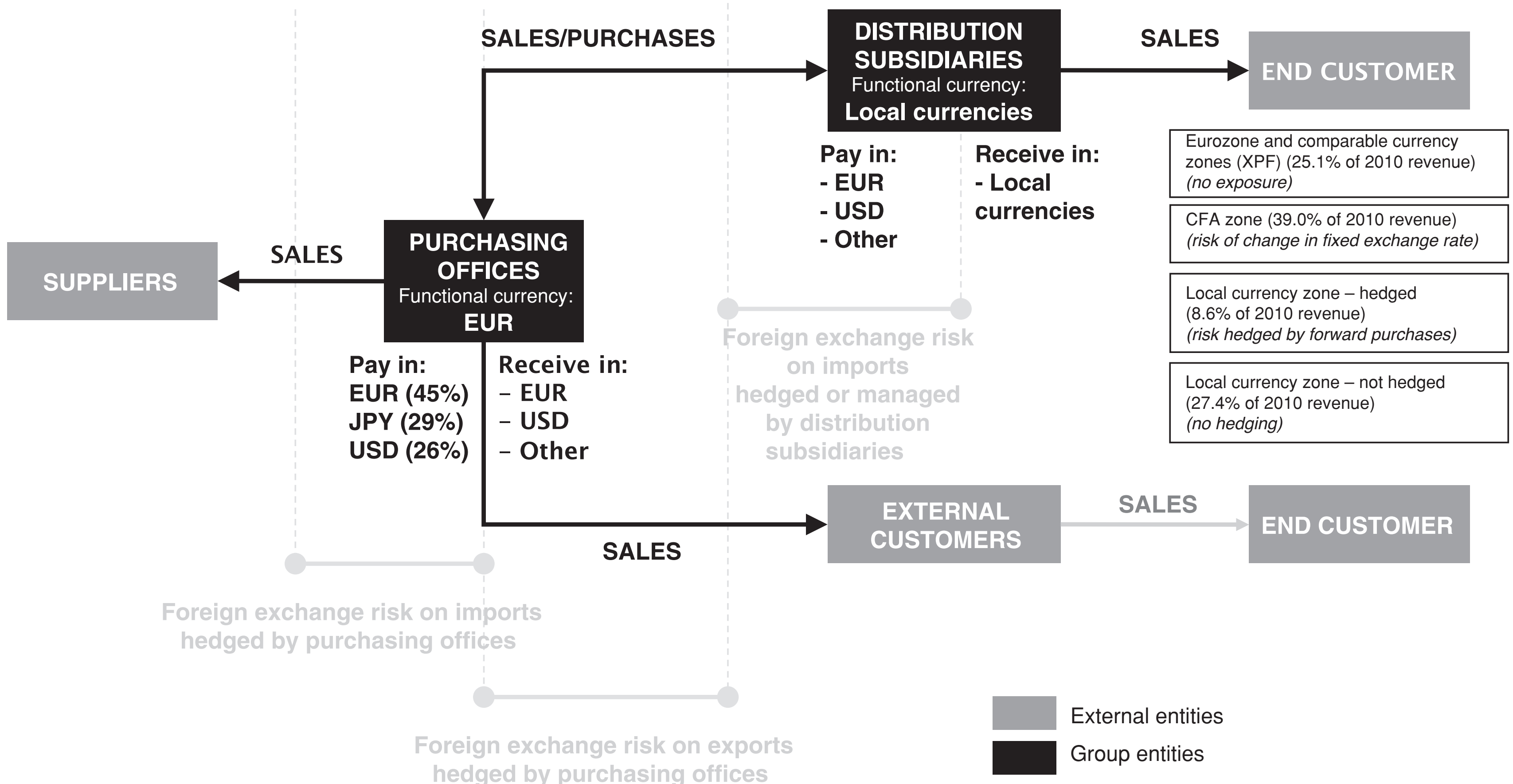
- *In the countries outside of the CFA franc zone and the euro and euro-equivalent zones, where it is possible to hedge the exchange risk between local currency and hard currency (Morocco, Kenya and Mauritius) (8.6% of the Group's 2010 revenue),* the Group's subsidiaries set up forward purchase contracts 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) (27.4% of the Group's 2010 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).

The chart below illustrates the Group's exchange rate hedging policy:

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, 2010, the Group's documented foreign exchange hedging instruments were as follows:

(in € millions)	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)	(244.3)		(0.1)
Total	**143.3**	136.1	(41.9)	46.4	2.8

The €143.3 million total consists of hedges set up by the central purchasing offices (€86.1 million) and local subsidiaries (€57.2 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:

Hedged positions and exposure at December 31, 2010, can be analyzed as follows:

(in € millions)	Dec. 31, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
CENTRAL PURCHASING OFFICES						
Central purchasing receivables	139.5		137.2	2.3	0.0	83.3
Central purchasing payables	211.5		130.5	79.3	1.7	108.7
Gross exposure in the statement of financial position – central purchasing	**(72.0)**	**0.0**	**6.7**	**(77.0)**	**(1.7)**	**(25.4)**
Customer orders	109.2		106.8	2.3	0.1	72.2
Supplier orders	127.6		63.3	64.2	0.1	96.1
Projected gross exposure – central purchasing	**(18.4)**	**0.0**	**43.5**	**(61.9)**	**0.0**	**(23.9)**
Gross exposure before hedging – central purchasing	**(90.4)**	**0.0**	**50.3**	**(139.0)**	**(1.7)**	**(49.3)**
Hedging instruments – central purchasing	86.1		(51.6)	136.1	1.6	49.4
Net exposure after hedging – central purchasing	**(4.3)**	**0.0**	**(1.3)**	**(2.9)**	**(0.1)**	**0.1**

- ***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.*** Hedged positions and exposure at December 31, 2010, can be analyzed as follows:

(in € millions)	Dec. 31, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
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)]	**57.5**	46.4	10.0		1.1	**33.9**
Gross exposure in the statement of financial position	**(57.5)**	**(46.4)**	**(10.0)**	**0.0**	**(1.1)**	**(33.9)**
Gross forecast exposure of subsidiaries hedging foreign exchange risk	**0.0**					**0.0**
Gross exposure before hedging	**(57.5)**	**(46.4)**	**(10.0)**	**0.0**	**(1.1)**	**(33.9)**
Hedges set up by subsidiaries	57.2	46.4	9.7		1.1	34.3
Net exposure after hedging of subsidiaries that hedge foreign exchange risk	**(0.3)**	**0.0**	**(0.3)**	**0.0**	**0.0**	**0.3**

(1) *including €15.3 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, 2010, the exposure to foreign exchange risk can be analyzed as follows:

(in € millions)	Dec. 31, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)						
Subsidiaries that do not use hedging instruments						
Receivables due to subsidiaries	**7.5**	0.1	7.4	0.0	0.0	**7.1**
Payables owed by subsidiaries	**40.9**	20.1	21.7	0.0	(0.9)	**140.6**
Cash	**12.1**	5.0	7.0	0.0	0.1	**10.6**
Borrowings	**9.3**	6.2	3.1	0.0	0.0	**(7.0)**
Gross exposure in the statement of financial position	**(33.4)**	**(20.0)**	**(14.3)**	**0.0**	**0.9**	**(133.6)**

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 €3.3 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''.

The Group had planned in 2009 to adapt its reporting tools to provide a global, consolidated analysis of foreign exchange risk and to present analyses of sensitivity to this 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.

In parallel, the Group has enriched the notes to the consolidated financial statements on the 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 relevant information to present the Group's foreign exchange risk.

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 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, 2010.

(in € millions)	Dec. 31, 2010	Fixed-rate	Floating-rate
Gross borrowings	**333.6**	**222.0**	**111.6**
%		66.6%	33.4%

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.

(in € millions)	Dec. 31, 2010	2010 maturities Less than one year	One to five years	More than five years
Loans and receivables	17.7	17.7		
Marketable securities and 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	

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

(in € millions)	Dec. 31, 2010	2010 maturities 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	111.6	21.5	90.1	
Floating-rate financial liabilities	**111.6**	21.5	90.1	

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 €3.8 million at December 31, 2010.

4.4.3 Liquidity risk

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, 2010, 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, 2010 interest rate.

(in € millions)	Dec. 31, 2010 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 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 in 2010 it was extended by a year through December 9, 2013. 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, 2011, 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.

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 will be included in the Group's credit risk management procedures: each counterparty will be 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. This risk map is updated on a regular basis and submitted to the Audit Committee, allowing the Group to define and keep track of the various specific action plans implemented to reduce or manage these risks.

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 2010.

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. Since early 2011, the Group negotiates and manages all of its own insurance coverage and is no longer covered by PPR's insurance policies.

The Group has taken out insurance policies with coverage similar to that provided under the PPR policies. The terms and conditions are very similar 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 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 audits of the Group's principal operating sites, valuations of assets at risk, implementation of the recommendations of security professionals, 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 policy regarding insuring against significant risks 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 2010, insurance premiums recognized in operating expense (excluding carriage insurance, which is recognized in cost of sales) totaled €5.7 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 put out tenders in 2010 to brokers and insurers, and the resulting property damage and business interruption insurance program came into force on July 1, 2010. They insure 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 has also terminated the credit risk insurance policies used throughout the Group to insure against the inability of subsidiaries to transfer funds to the central purchasing offices at the time of settlement by wire transfer, and against the risks incurred by the central purchasing offices when selling to third parties. In the light of guidance provided by Coface on the risks covered by these policies, the Group now 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, 2011 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 divestures over the past three years''.

5.2.1 Investments made since 2007

The Group's total gross operating investments from 2007 to 2010 amounted to €290.1 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 should be finalized in 2011;
- a program to provide the CFAO Automotive division with a dedicated information technology system specifically designed for the business. This program is expected to be completed in 2011;
- a program for the creation of vehicle leasing fleets, amounting to €9.6 million in 2010. This program should continue in 2011.

The table below shows gross operating investments by division for 2007, 2008, 2009 and 2010:

(in € millions)	CFAO Automotive	Eurapharma	CFAO Industries	CFAO Technologies	CFAO Holdings & Others	Total
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 2010, proceeds from disposals of property, plant and equipment amounted to €8.3 million due to real estate sales in Gabon, Nigeria, Mali and Burkina Faso.

5.2.2 Main investments in progress

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

- 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;
- the program to invest in production equipment for the beverages business in Congo, financed by Group cash flow;
- the information systems investment program; and
- the leasing fleet 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, with the exception of the link-up with the Pentecost group in New Caledonia. The acquisition of Fouque Automobile, a company specialized in the import and distribution of Citroën vehicles in Reunion, was carried out in January 2011.

The Group estimates that its net operating investments in 2011 will consist of:

a) investments in information systems and the beverages and plastic products businesses, as well as maintenance investments in the CFAO Automotive sales network and Eurapharma sites amounting to approximately €55 million, and

b) specific investment programs related to the launch of the CFAO Equipment division, expansion of leasing activities and modernizing and increasing the production capacity of Eurapharma sites, amounting to approximately €30 million,

together equaling a total of roughly €85 million. These investments will not request a 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 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 6.2.1, 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 and 4.2
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 31 African countries and seven French overseas territories, as well as in Mauritius and Vietnam. In mainland France, CFAO essentially conducts business through direct sales for export purposes.

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 four market segments corresponding to the four operating divisions described below:

- ***CFAO Automotive:*** The Group, through CFAO Automotive, is one of the leading importers and distributors of passenger and commercial vehicles in Africa (excluding South Africa) and the French overseas territories. It buys, stocks, imports and distributes vehicles manufactured by more than 20 international automakers. The Group has over 90 years of experience in this business. CFAO Automotive has dealerships in 29 countries spanning the Maghreb (Algeria, Morocco) and Sub-Saharan Africa, four French overseas territories, Mauritius and, since 2007, Vietnam. In addition to selling a full range of new passenger and commercial vehicles, trucks and motorcycles, CFAO Automotive offers a diverse range of services including after-sales services, the sale of spare parts and tires and long-term and short-term car rentals. This division generated 58% of the Group's total consolidated revenue in 2010.

- ***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 30% of the Group's total consolidated revenue in 2010.

- ***CFAO Industries:*** The Group's CFAO Industries division consists primarily of its beverage business in the Republic of the Congo, in which it owns and operates the country's only two bottling facilities through a partnership with Heineken, and believes that it is by far the main distributor of beverages (in particular Coca-Cola brand beverages) in this country. This division also encompasses a variety of smaller manufacturing and assembly businesses, including plastic products (e.g., BIC razors and pens), motorcycles and mopeds. In 2011, motorcycles and mopeds will come under CFAO Automotive, whose synergies offer greater potential. The wood product business in Morocco – which manufactured, for example, shipping crates for agricultural products – was sold in 2010 as part of the Group's shift to refocus on businesses deemed to be more strategic. CFAO Industries also has an Equipment business in Nigeria. This division generated 8% of the Group's total consolidated revenue in 2010.

- ***CFAO Technologies:*** Formed in 2002, the Group's CFAO Technologies division consists of three main businesses: computer solutions, networks and telecommunications; the installation and maintenance of Otis elevators; and the distribution of office products and services. In 2011, CFAO Technologies will refocus on its computer solutions, networks and telecommunications businesses and the installation and maintenance of Otis elevators business will be transferred to a new division called ''CFAO Equipement''. This division generated 4% of the Group's total consolidated revenue in 2010.

In 2010, the Group's consolidated revenue amounted to €2,676 million, and recurring operating income amounted to €223.2 million.

Change in the breakdown of revenue by division and by geographic area in 2010, 2009 and 2008

	2010		2009		2008	
	In thousands of euros	*As a % of revenue*	*In thousands of euros*	*As a % of revenue*	*In thousands of euros*	*As a % of revenue*
Revenue by division						
CFAO Automotive	1,537.6	58%	1,451.4	56.2%	1,779.1	61.9%
Eurapharma	809.6	30%	740.8	28.7%	695.5	24.2%
CFAO Industries	221.1	8%	279.9	10.8%	286.4	10.0%
CFAO Technologies	107.8	4%	110.0	4.3%	113.7	4.0%
Total	**2,676.2**	**100.0%**	**2,582.0**	**100.0%**	**2,874.7**	**100.0%**
Revenue by geographic area						
French-speaking Sub-Saharan Africa	1,128.2	42.2%	1,067.4	41.3%	1,065.9	37.1%
French Overseas Territories and Other	568.9	21.3%	540.4	20.9%	649.2	22.7%
Maghreb	509.2	19.0%	491.8	19.0%	574.5	20.1%
English- and Portuguese-speaking Sub-Saharan Africa	331.7	12.4%	358.5	13.9%	412.6	14.4%
France (Export)	138.2	5.1%	123.9	4.8%	172.6	6.0%
Total	**2,676.2**	**100.0%**	**2,582.0**	**100.0%**	**2,874.7**	**100.0%**

The table below lists the Group's largest markets by revenue in 2010. The recurring operating income of each Group division is provided further below in the descriptions of the business divisions.

	% of 2010 revenue
1. Algeria	13.6%
2. Congo	7.9%
3. Cameroon	7.6%
4. French Antilles	7.6%
5. Reunion	7.1%
6. Côte d'Ivoire	6.1%
7. Morocco	5.4%
8. Nigeria	4.8%
9. Senegal	4.1%
10. Gabon	3.8%
11. France*	3.6%
12. Mali	2.7%
13. Kenya	2.7%
14. New Caledonia	2.4%
15. Burkina Faso	2.1%
16. Mauritius	2.0%

* *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. The Group traces its origins to the creation of the Etablissements Verminck in Marseilles in 1852, which was renamed CFAO in 1887. Throughout the second half of the nineteenth century, the Group conducted its trading businesses 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 Marseille, 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 the Group 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 actors. 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) The Group also created CFAO Technologies in 2002 through an agreement with IBM in order to benefit from expected growth in the new technologies sector in Africa.

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 French-, English- and Portuguese-speaking Sub-Saharan Africa, the French overseas territories, Mauritius 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 from after-sales, spare parts and tires and long- and short-term rentals. The Group has 133 dealerships, a large majority of which it holds directly. The Group's network of agents is concentrated in the Maghreb and Nigeria. CFAO Automotive is primarily active in business-to-business markets (private and public companies, NGOs, governments) in Sub-Saharan Africa and larger consumer markets in the French overseas territories and the Maghreb.

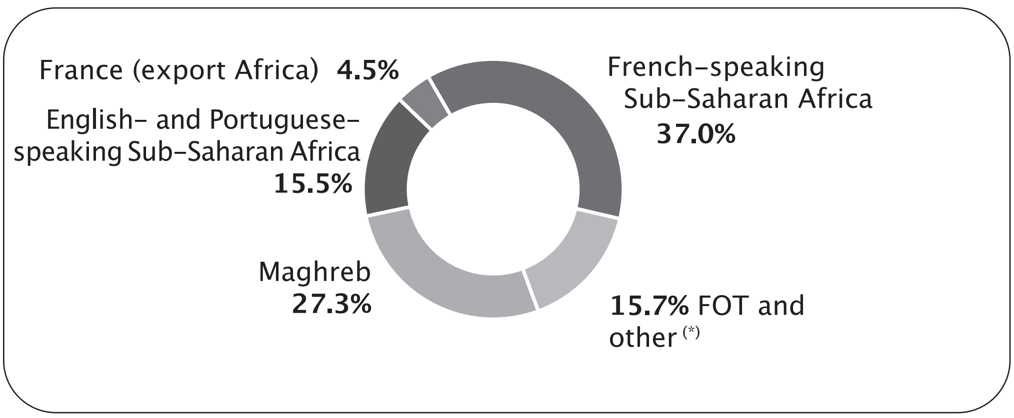
CFAO Automotive sold 64,902 new automobiles in 2010, 57,865 of which were light vehicles (light passenger and commercial vehicles), and 7,037 heavy vehicles (vehicles weighing more than 3.5 metric tons). In 2010, CFAO Automotive generated revenue of €1,537.6 million (representing 58% of the Group's total consolidated revenue) and recurring operating income of €120.1 million (representing 53.8% of the Group's total recurring operating income).

6.2.1.1 Geographic footprint

The Group sells motor vehicles in 29 countries throughout French-speaking Sub-Saharan Africa, English- and Portuguese-speaking Sub-Saharan Africa, four French overseas territories (French Guiana, New Caledonia, Reunion and, since the first half of 2009, Tahiti), Mauritius 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 15 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. Its businesses in Algeria and Morocco, despite making a gradually smaller contribution to CFAO Automotive's total revenue over the past few years, remain the Group's largest market in terms of number of vehicles sold (nearly 31,000 vehicles sold in 2010, accounting for 48% 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 2010 revenue can be broken down as follows by geographic area.



(*) French Overseas Territories, Mauritius and Vietnam

6.2.1.2 Products and services

The following table summarizes the revenue generated by CFAO Automotive's main products and services in 2010, together with the percentage of total revenue

	2010	
	(in € millions)	**%**
Light vehicles	1,033.4	67.2%
Used vehicles	37.6	2.4%
Heavy trucks and industrial equipment	229.9	15%
Services, spare parts and tires	187.5	12.2%
Rental services	18.00	1.2%
Motorcycles and other	31.2	2%
Total	**1,537.6**	**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 57,865 new vehicles in 2010, generating revenue of €1,033.4 million (67.2% 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 (2.4% in 2010), with low inventories as well in 2010.

- *Heavy trucks and industrial equipment:* 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 7,037 heavy vehicles in 2010. The industrial equipment sold by the Group includes in particular construction site equipment (JCB, Bomag), agricultural tractors (Massey Ferguson, New Holland), forklifts (Hyster, Toyota Forklift) and generators (FG Wilson). The heavy vehicles and industrial equipment business generated revenue of €229.9 million in 2010 (15% of total revenue for CFAO Automotive).

- *Services, 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 €187.5 million in revenue in 2010, i.e., 12.2% of total revenue for CFAO Automotive.

- *Rental services:* The Group also generates a portion of its revenue through short-term vehicle leasing under the Hertz and Avis brands and long-term vehicle leasing under its own brand. These activities generated €18 million in revenue in 2010, representing 1.2% 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 €31.2 million in revenue in 2010, representing 2% of total revenue for CFAO Automotive.

6.2.1.3 Long-term partnerships with automakers

- The Group buys, stocks, imports and distributes vehicles manufactured by more than 20 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) and Mauritius (Isuzu).

- 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 include:

  - *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 2010, 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 2010. The Group has distributed Opel since 1998 in Mauritius, and is currently the only Chevrolet distributor in Algeria, Morocco, Nigeria, Mauritius, New Caledonia, French Guiana and Tahiti (since September 1, 2009).

  - *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.

  - *Mitsubishi:* The Group has represented the Mitsubishi brands since 1982 and began selling this brand of vehicles in Côte d'Ivoire. The Group is the only distributor of the Mitsubishi brands in Côte d'Ivoire, Gabon, Ghana and Mauritania. 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 distributor of Isuzu vehicles.

  - *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 trucks 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.

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.

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, recognized for ensuring the fast, efficient and reliable supply of drugs to pharmacies and other healthcare providers.

In 2010, Eurapharma generated revenue of €809.6 million (30% of CFAO's total consolidated revenue) and recurring operating income of €71.4 million (32% of consolidated recurring operating income).

6.2.2.1 Main businesses

Eurapharma has three main businesses:

- **Import-wholesale-resale business (€648.5 million, or 80% of Eurapharma's revenue in 2010)**

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 m^2 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 (€114.7 million, or 14.6% of Eurapharma's revenue in 2010)**

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 m^2 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 ten pharmaceutical companies, whose products it imports and sells on to wholesalers and Algerian hospitals.

- **Distribution agent business (€43.1 million, or 5.4% of Eurapharma's revenue in 2010)**

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 5.4% of Eurapharma's total revenue in 2010, it has grown substantially since its launch. The Group expects this growth to continue in the coming years.

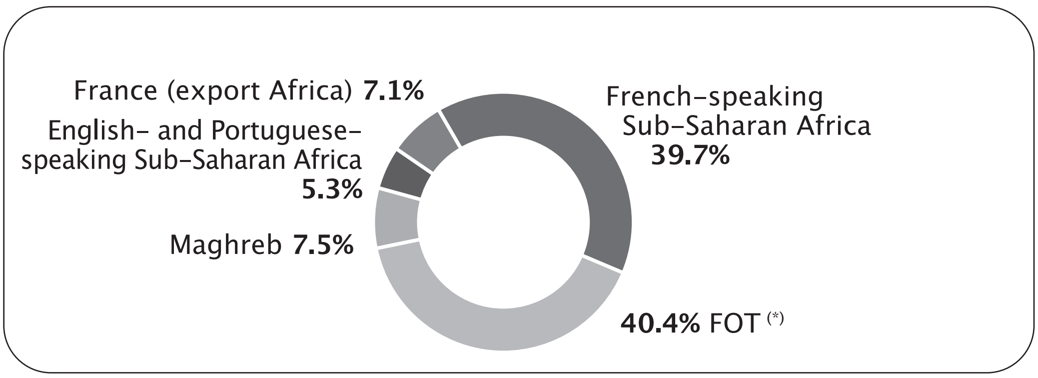
- **Other activities**

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 2010.



(*) French Overseas Territories, Mauritius and Vietnam

The revenue in France (Export) mainly comes from revenue (from entities outside the Group) of 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

The Group's CFAO Industries division principally consists of its 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 businesses, including the manufacture of plastic products, the assembly of motorcycles and mopeds and an equipment business in Nigeria.

In 2010, as part of the strategy to optimize the Group's portfolio of businesses, CFAO Industries sold its Moroccan subsidiaries Comamussy and Fantasia, specialized in the manufacture of wooden crates. Despite its solid profitability, this business no longer seemed to offer the development potential in line with Group objectives. In 2010, CFAO Industries generated revenue of €221.1 million (8% of CFAO's total consolidated revenue) and recurring operating income of €50.3 million (22.6% of consolidated recurring operating income).

The following table presents revenue figures for CFAO Industries by business in 2010.

		2010	
		(in € millions)	**%**
Beverages	Republic of the Congo	155.6	70.4%
Plastic products	Nigeria, Ghana, Côte d'Ivoire, Cameroon	36.7	16.6%
Other Industries	Morocco, Nigeria	28.8	13.0%
Total			100%

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.

The Group assembles motorcycles and mopeds in Morocco. In this business, it has partnered Peugeot for more than 40 years and assembles an average of approximately 10,000 Peugeot mopeds per year at its Moroccan production facility. In 2011, the Group plans to integrate this business into the CFAO Automotive division, whose synergies offer greater potential.

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.

6.2.4 CFAO Technologies

Created in 2002, CFAO Technologies specializes in the integration of computer solutions, networks and telecommunications, the installation and maintenance of Otis elevators and the distribution of office products and services.

In 2010, CFAO Technologies generated revenue of €107.8 million (4% of CFAO's total consolidated revenue) and recurring operating income of €6.7 million (3% of consolidated recurring operating income).

CFAO Technologies has developed a wide and integrated range of high value-added services organized until the end of 2010 around three businesses (Solutions, Equipment and Products):

– Solutions (2010 revenue: €62.2 million). Formed in 2002 after the purchase of various IBM integrators in Africa, the Solutions business specializes in the development, creation and implementation of computer solutions, networks and telecommunications for companies in the public and private sectors. These solutions include advisory services on computer architecture, engineering, sale of new equipment, project management, installation, training and maintenance.

- Equipment (2010 revenue: €31.4 million). The Equipment activity includes CFAO Technologies' elevator, conveyor and security businesses, and provides installation, renovation and maintenance services for Otis elevators, which CFAO has been distributing in French-speaking Sub-Saharan Africa for over 50 years.

- Products (2010 revenue: €14.2 million). This business mainly involves the sale, rental and maintenance of photocopiers and converters for computer rooms, as well as various other office-related products.

CFAO Technologies also provides after-sale services for its Solutions, Products and Equipment businesses. Specially qualified employees provide these after-sale services, which also include maintenance services.

CFAO Technologies has about 950 employees skilled in five areas of expertise, 150 of whom are engineers with certifications from partners such as Cisco or IBM. This division has subsidiaries located in nine African countries (Cameroon, Côte d'Ivoire, Nigeria, Algeria, Senegal, Burkina Faso, Gabon, Ghana and Mali) and conducts business in 22 countries. Starting in 2011, CFAO Technologies will refocus its business on its Solutions expertise within the scope of French-speaking Africa and Algeria. The Equipment and Products businesses will be integrated into the CFAO Industries division.

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 of certain major global companies in Africa, including IBM, Microsoft, Cisco, Sharp, Lexmark, Motorola, Siemens, Otis, 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 division 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.

- *Otis:* The elevator manufacturer has partnered the Group in Africa for 50 years. In 1997, the Group renewed an exclusive distribution agreement with Otis, which allows the Group to distribute Otis's equipment to Benin, Burkina Faso, Cameroon, Chad, Congo, Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Nigeria, Senegal and Togo. The agreement, which had an initial term of two years and is automatically renewable, is still in force. The distribution rights include the promotion, sale and installation of Otis equipment, as well as the maintenance, control, repair, transformation and modernization of the machines already in service, regardless of whether or not they are of the Otis brand. CFAO is subject to a no-compete clause in the countries listed above. Otis reserves the right, under certain indemnification conditions, to reclaim its own servicing activities for elevators located in these countries (a right that has not, thus far, been exercised). In addition, Otis may terminate the contract if there is a substantial change in the legal organization of CFAO, its capital structure or management that may have an adverse impact on Otis.

Competition

CFAO Technologies conducts its business in highly competitive markets:

- Solutions: CFAO Technologies' main competition comes from other local and international system integrators, such as Bull, Dimension Data, CIS, Ares, SAP Business Objects and Orange Business Services. The Group estimates that it holds about 50% of the market share in Cameroon and in Côte d'Ivoire.
- Equipment: CFAO Technologies' main competition comes from other elevator distributors and manufacturers, such as Schindler, Koné and Mitsubishi.
- Products: CFAO Technologies' main competition comes from other photocopier and air conditioning product distributors, such as Xerox, Canon and Panasonic.

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 42% in 2010, based on the number of new vehicles sold by the Group in 2010 in 19 countries (15,603 vehicles);
  - had a market share of approximately 14% in 2010 in the French overseas territories in which it operates (i.e., Reunion, French Guiana and New Caledonia, and since the first half of 2009, Tahiti) based on the number of new vehicles sold by the Group in 2010 in this region (7,418 vehicles);
  - had a market share of 9% in the two Maghreb countries (Algeria and Morocco) in which it operates, based on the number of new vehicles sold by the Group in 2010 in these two countries (30,969 vehicles); and
  - has a market share of approximately 15% 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 2010 in these countries (10,667 vehicles).

- *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 in 2010 of approximately 41% in the 14 French-speaking Sub-Saharan African countries in which it operates and approximately 51% in the seven French overseas territories in which it operates (in terms of average market share in 2010, source: GERS); and
  - 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.
- *In its Industries division*, 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. CFAO Industries also believes it is the leader of BIC writing and shaving products 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 division is a major player on the writing and shaving market. Through its subsidiary Icrafon, CFAO Technologies considers itself the leader in Cameroon on the market for plastic containers (e.g., bottle racks).
- *In its Technologies division*, the Group believes that it:
  - is a major player in the areas 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; and
  - is one of the major players in the installation of elevators in each of the countries in which it operates its elevator business (Cameroon, Côte d'Ivoire, Nigeria, Senegal, Burkina Faso, Gabon, Ghana and Mali).

The Group believes that its large market shares in its various divisions 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. Unrivalled 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 the Group operates are mostly small- and medium-sized local or regional actors 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 actors operate in certain segments of the specialized distribution market in Africa in which the Group operates. However, these actors are, in general, less diversified and present in fewer African countries than CFAO is in its core businesses. In December 2010, the groups Optorg-Tractafric and SDA-Demimpex announced their plans to form a new group by combining their respective automobile businesses. The joint venture would span the continent and generate estimated consolidated revenue of €500 million.
- 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 11 targeted acquisitions and eight start-ups.

In some of its new territories – particularly the Sub-Saharan African countries – the Group was the first truly international actor 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 13.6% and 5.4%, respectively, of the Group's revenue in 2010).

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 2010 by division and by geographic area:

	French-speaking Sub-Saharan Africa	English- and Portuguese-speaking Sub-Saharan Africa	Maghreb	French Overseas Territories and Other	France (Export)	Percentage of total Group revenue
CFAO Automotive	21.2%	8.9%	15.7%	9%	2.6%	58%
Eurapharma	12%	1.6%	2.3%	12.2%	2.1%	30%
CFAO Industries	6.3%	1.1%	0.6%	–	<1%	8%
CFAO Technologies	2.7%	0.8%	<1%	–	<1%	4%
Total	42.2%	12.4%	19%	21.2%	5.2%	100%

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 Cameroon, the three territories that account for the largest individual shares of the Group's revenue, represented only 13.6%, 7.9% and 7.6%, respectively, of the Group's total revenue in 2010.

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 2010 (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 around four divisions (CFAO Automotive, Eurapharma, CFAO Industries and CFAO Technologies), allowing it to develop its specific areas of expertise. Moreover, within each of these four 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 20 key 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 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 four 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 division, 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, Sanofi-Aventis, 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, Cisco and Otis.

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 2010. Until 2009, a management fee calculated based 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 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 and 2010 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								IFRS						
(in € millions)	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Revenue	954.1	993.8	1,062.0	1,048.5	1,247.2	1,477.2	1,619.5	1,718.4	1,859.4	2,034.3	2,219.4	2,534.7	2,874.7	2,582.0	2,676.2
Recurring operating income (*)	80.1	89.9	99.7	102.8	112.4	134.6	147.8	158.3	156.1	167.0	182.4	232.3	276.8	216.6	223.2
Profit margin (**)	8.4%	9.0%	9.4%	9.8%	9.0%	9.1%	9.1%	9.2%	8.4%	8.2%	8.2%	9.2%	9.7%	8.4%	8.3%

(*) 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 €2,676.2 million in 2010, representing an increase of €1,998.2 million. This revenue increase represents an average annual growth rate of 10.3%.

Among other things it reflects the strengthening of CFAO's business portfolio through the addition of two new divisions: the pharmaceutical division (with the acquisition and consolidation of Eurapharma in 1996) and the CFAO Technologies division. 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 7.7% over the period.

During this fourteen-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 2010, the Group's growth was consistent 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 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:

- ***Africa***, which represented 79% of the Group's total revenue in 2010, offers a favorable economic environment for specialized distribution.

The Group has operations in:

- ***French-speaking Sub-Saharan Africa*** (42.2% of total revenue in 2010), 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 2010), 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*** (12.4% of total revenue in 2010), 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***, (21.3% of total revenue in 2010, including Mauritius). 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.

Region	Annual average demographic growth rate (%) 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 31 African countries that represent approximately 70% of Africa's total population – a market consisting of approximately 700 million people. In October 2010, Société Générale published a report entitled ''African Acceleration'' discussing the economic developments taking place on the African continent. The report 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. Although 2009 saw a decline in foreign investment, the crisis did not weigh on flows for long. 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.

However the latest International Monetary Fund report on the economic outlook for Sub-Saharan Africa, published in October 2010, forecasts a broadbased recovery in 2010-11. The projections indicate growth of 5% in 2010 and

5.5% in 2011. The IMF went on to observe that ‘‘should this prevail, economic growth in most countries in the region would have effectively bounced back to close to the high levels registered in the mid-2000s’’, and that ‘‘the region’s resilience owes much to sound economic policy implementation before and during the 2007-09 global financial crisis. This allowed country authorities to use fiscal and monetary policies nimbly to dampen the adverse effects of the sudden shifts in world trade, prices and financial flows’’. The IMF further states that ‘‘domestic demand in the region in 2010 and 2011 is expected to remain strong on the basis of rising real income and sustained private and public investment. In addition, exports are expected to benefit from the increased orientation of trade toward fast-growing markets in Asia’’.

The IMF nevertheless underlined that Africa continues to face a number of handicaps and weaknesses. The organization estimates that the global financial crisis has ‘‘left a legacy of elevated unemployment in some Sub-Saharan African countries. Fiscal balances have deteriorated, particularly in the region’s middle-income and oil exporting countries. And because of the fragile nature of the global recovery, risks remain weighted on the downside’’. These reservations add to other deficiencies identified, such as the need for foreign capital (in the form of direct foreign investment, or bilateral or multilateral support) to finance development; a significant dependence on basic commodities that represent a significant 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 following tables illustrate growth expectations for African countries:

	Real GDP growth (%)								
	Averages						Estimates		
	1992-2001	2005	2006	2007	2008	2009**	2010	2011	2015
French-speaking Sub-Saharan Africa									
Benin*	4.7%	2.9%	3.8%	4.6%	5.0%	2.5%	2.8%	3.6%	6.0%
Burkina Faso*	5.1%	8.7%	5.5%	3.6%	5.2%	3.2%	4.4%	4.7%	6.5%
Burundi	–2.1%	0.9%	5.1%	3.6%	4.5%	3.5%	3.9%	4.5%	5.0%
Cameroon*	**2.2%**	**2.3%**	**3.2%**	**3.3%**	**2.9%**	**2.0%**	**2.6%**	**2.9%**	**3.5%**
Comoros	2.0%	4.2%	1.2%	0.5%	1.0%	1.8%	2.1%	2.5%	4.0%
Congo*	**1.6%**	**7.8%**	**6.2%**	**–1.6%**	**5.6%**	**7.5%**	**10.6%**	**8.7%**	**2.9%**
Côte d’Ivoire*	**3.3%**	**1.9%**	**0.7%**	**1.6%**	**2.3%**	**3.8%**	**3.0%**	**4.0%**	**6.0%**
Djibouti	–1.1%	3.2%	4.8%	5.1%	5.8%	5.0%	4.5%	5.4%	6.2%
Gabon*	**1.3%**	**3.0%**	**1.2%**	**5.3%**	**2.7%**	**–1.4%**	**4.5%**	**5.0%**	**2.4%**
Gambia*	4.6%	0.3%	3.4%	6.0%	6.3%	5.6%	5.0%	5.4%	5.4%
Guinea-Bissau*	0.8%	5.0%	2.2%	0.2%	3.6%	3.0%	3.5%	4.3%	4.7%
Guinea*	4.3%	3.0%	2.5%	1.8%	4.9%	–0.3%	3.0%	3.9%	4.1%
Equatorial Guinea*	38.3%	9.7%	1.3%	21.4%	10.7%	5.3%	0.9%	2.1%	0.7%
Madagascar*	3.0%	4.6%	5.0%	6.2%	7.1%	–3.7%	–2.0%	2.8%	5.0%
Mali*	**3.7%**	**6.1%**	**5.3%**	**4.3%**	**5.0%**	**4.4%**	**5.1%**	**5.4%**	**4.5%**
Mauritania*	2.9%	5.4%	11.4%	1.0%	3.7%	–1.1%	4.7%	5.1%	4.7%
Niger*	1.5%	8.4%	5.8%	3.4%	8.7%	–1.2%	3.5%	5.2%	4.4%
Central African Republic*	1.3%	2.4%	3.8%	3.7%	2.0%	1.7%	3.3%	4.0%	5.5%
Democratic Republic of the Congo*	–5.0%	7.8%	5.6%	6.3%	6.2%	2.7%	5.4%	7.0%	6.9%
Rwanda	1.6%	9.4%	9.2%	5.5%	11.2%	4.1%	5.4%	5.9%	6.5%
Sao Tome and Principe*	1.7%	5.7%	6.7%	6.0%	5.8%	4.0%	4.5%	5.5%	29.3%
Senegal*	**3.3%**	**5.6%**	**2.4%**	**5.0%**	**3.2%**	**2.2%**	**4.0%**	**4.4%**	**5.0%**
Chad*	2.9%	7.9%	0.2%	0.2%	–0.4%	–1.6%	4.3%	3.9%	2.7%
Togo*	0.7%	1.2%	3.7%	1.9%	2.2%	3.1%	3.3%	3.5%	4.0%

	Real GDP growth (%)								
	Averages						Estimates		
	1992-2001	2005	2006	2007	2008	2009**	2010	2011	2015
English-speaking Sub-Saharan Africa									
South Africa	2.2%	5.3%	5.6%	5.5%	3.7%	−1.8%	3.0%	3.5%	4.5%
Angola*	1.5%	20.6%	18.6%	20.3%	13.3%	0.7%	5.9%	7.1%	4.2%
Botswana	5.4%	1.6%	5.1%	4.8%	3.1%	−3.7%	8.4%	4.8%	5.3%
Cape Verde	7.3%	6.5%	10.1%	8.6%	5.6%	3.0%	4.1%	6.0%	6.8%
Eritrea	–	2.6%	−1.0%	1.4%	−9.8%	3.6%	1.8%	2.8%	3.7%
Ethiopia	4.4%	12.6%	11.5%	11.8%	11.2%	9.9%	8.0%	8.5%	8.0%
Ghana*	4.1%	5.9%	6.4%	5.7%	7.2%	4.1%	5.0%	9.9%	5.8%
Kenya*	2.1%	6.0%	6.3%	6.9%	1.3%	2.4%	4.1%	5.8%	6.5%
Lesotho	4.2%	1.1%	6.5%	2.4%	4.5%	0.9%	5.6%	3.8%	22.0%
Liberia	–	5.3%	7.8%	9.4%	7.1%	4.6%	6.3%	9.5%	7.6%
Malawi*	2.1%	2.6%	7.7%	5.8%	8.8%	7.5%	6.0%	6.2%	6.8%
Mozambique	7.1%	8.7%	6.3%	7.3%	6.7%	6.3%	6.5%	7.5%	7.8%
Namibia	3.5%	2.5%	7.1%	5.4%	4.3%	−0.8%	4.4%	4.8%	4.2%
Nigeria*	**2.7%**	**5.4%**	**6.2%**	**7.0%**	**6.0%**	**7.0%**	**7.4%**	**7.4%**	**6.0%**
Uganda*	6.6%	6.3%	10.8%	8.4%	8.7%	7.2%	5.8%	6.1%	7.0%
Seychelles	4.0%	7.5%	8.3%	19.7%	−1.3%	0.7%	4.0%	5.0%	5.0%
Sierra Leone	−5.3%	7.2%	7.3%	6.4%	5.5%	3.2%	4.5%	5.2%	6.5%
Sudan	4.5%	6.3%	11.3%	10.2%	6.8%	4.5%	5.5%	6.2%	5.1%
Swaziland	2.9%	2.2%	2.9%	3.5%	2.4%	1.2%	2.0%	2.5%	2.4%
Tanzania*	3.3%	7.4%	6.7%	7.1%	7.4%	6.0%	6.5%	6.7%	7.0%
Zambia*	0.3%	5.3%	6.2%	6.2%	5.7%	6.3%	6.6%	6.4%	7.4%
Zimbabwe*	–	–	−3.7%	−3.7%	−18.9%	5.7%	5.9%	4.5%	4.5%

	Real GDP growth (%)								
	Averages						Estimates		
	1992-2001	2005	2006	2007	2008	2009**	2010	2011	2015
Maghreb									
Algeria*	**2.0%**	**5.1%**	**2.0%**	**3.0%**	**2.4%**	**2.4%**	**3.8%**	**4.0%**	**4.1%**
Morocco*	**2.4%**	**3.0%**	**7.8%**	**2.7%**	**5.6%**	**4.9%**	**4.0%**	**4.3%**	**5.0%**
Tunisia	4.8%	4.0%	5.7%	6.3%	4.5%	3.1%	3.8%	4.8%	5.8%

Source: IMF (World Economic Outlook Database) October 2010

* *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 2010 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. In Mauritius, which neighbors Reunion, the GDP and population growth rates have also been higher than those of mainland France.

* *Source: INSEE. To CFAO's knowledge, no similar data exist for the entirety of the French overseas territories.*

	Real GDP growth (%)									Average growth	Average growth
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000/2007	1997/2007
France	4.0%	1.9%	1.0%	1.1%	2.5%	1.9%	2.2%	2.2%	0.4%	*1.8%*	*2.3%*
Mainland France	4.1%	1.8%	1.0%	1.1%	2.5%	1.9%	2.2%	2.2%	NA	*1.8%*	*2.3%*
Overseas departments	1.3%	5.7%	1.9%	3.0%	2.9%	1.5%	1.8%	2.7%	NA	*2.8%*	*3.0%*

Sources: INSEE

	Population (millions of inhabitants)									Average growth	Average growth
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000/2008	1998/2008
France	60.5	60.9	61.4	61.8	62.3	62.7	63.2	63.6	63.9	*0.7%*	*0.7%*
Mainland France	58.9	59.3	59.7	60.1	60.5	61.0	61.4	61.8	62.1	*0.7%*	*0.6%*
Overseas departments	1.6	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8	*1.3%*	*1.4%*
Guadeloupe	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.6%*	*0.6%*
French Guiana	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*4.0%*	*4.0%*
Martinique	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.6%*	*0.6%*
Reunion	*0.7*	*0.7*	*0.7*	*0.8*	*0.8*	*0.8*	*0.8*	*0.8*	*0.8*	*1.4%*	*1.5%*

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, with a total annual turnover of €500 million.

- **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), Caille 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 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 Africa 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

Despite the effects of the global economic and financial crisis, 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/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 2009, it represented 1.086 million new vehicles (of which 754,000 passenger vehicles), or barely 2% of the world market. In contrast, the South American market represented 4.6 million new light vehicles and the Asia-Pacific market (excluding China, Japan and South Korea) represented 8.6 million new vehicles in 2009. 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, Kya, etc.) dominate the African automobile market. Other 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 registrations of light vehicles (in thousands)	
	2008	**2009**
Europe	21,984	18,770
United States	13,493	10,602
South America	4,766	4,637
Asia-Pacific	24,156	28,366
Africa	**1,396**	**1,085**
World	**68,546**	**65,719**

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.
- With respect to the Maghreb, the Group believes that the Algerian and Moroccan markets present significant growth potential, even though 2009 marked the end of the strong growth period seen in recent years.

- **A European-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%. According to the French Automobile Manufacturers' Committee, over the first ten months of 2010, vehicle registrations in these same departments fell by 7% to 34,821 units, compared with 37,459 units over the first ten months of 2009. Nevertheless, French Guiana and Reunion, the two departments in which CFAO Automotive has the strongest presence, recorded far weaker declines of 1.4% (3,150 units registered over the first ten months of 2010) and 3.0% (14,920 units), respectively.

	New registrations of passenger vehicles (in thousands of units)				
	2005	**2006**	**2007**	**2008**	**2009**
French overseas departments*	**58**	**54**	**59**	**56**	**53**
% change		*– 7.1%*	*9.7%*	*– 6.5%*	*– 5.4%*
Guadeloupe	*14*	*14*	*16*	*14*	*14*
French Guiana	*4*	*4*	*4*	*4*	*4*
Martinique	*15*	*14*	*15*	*14*	*13*
Reunion	*25*	*22*	*25*	*23*	*21*

* *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%[3] of the worldwide pharmaceutical market, or approximately $7.7 billion in 2008, 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 and represents €20 billion[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

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(3) Source: French Development Agency, Enjeux de l'offre en biens et services médicaux (Challenges in the provision of medical goods and services), September 6, 2009.

(4) Source: Eurapharma

(5) Source: Global Insight 2006.

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

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 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

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. 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 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 division, the Group continued with its efforts to refocus on the beverages and plastic products businesses in 2010. The Group is keen to expand its beverages business into other countries should the opportunities arise. In 2010 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.

- Finally, in its CFAO Technologies division, the Group plans to step up and refocus its efforts on developing a range of solutions for the integration of new high added-value 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 (Microsoft, IBM, Cisco, etc.), 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 the Group's various business divisions; and
- ongoing strategic reassessment of the composition and optimal distribution of the Group's 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;
  - 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.
- In its CFAO Industries division, the Group's operating profitability benefited in 2010 from its exit from the less profitable trading business and continued investment to modernize and increase the capacity of its beverage production activities.
- In its CFAO Technologies division, the Group believes that the division is well positioned to take advantage of the anticipated expansion of the African market in this sector and to strengthen its position in the market. The Group intends to continue developing a range of innovative and high value added integrated solutions for its customers. The Group believes that its CFAO Technologies division is well placed to significantly increase its productivity and operating profitability as it achieves a critical mass, optimizes its costs in certain countries, gains experience and leverages its privileged relationships with some of the main international players in the new technologies sector.

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, for instance in certain French overseas territories and departments where economic momentum seems stronger than in mainland France, such as in New Caledonia or 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. 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.

- *French overseas territories:* 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 CFAO reinforced the partnership it had set up previously with Caledonian company Pentecost. At the end of 2010, the Group also filed a takeover bid for the Citroën automobile import and distribution business, previously owned by Foucque Automobile, which was placed under court-ordered receivership at the beginning of December 2010. The bid was then authorized in January 2011 by the Commercial Court of Saint-Denis de la Réunion with immediate effect.

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; and
- fit with the Group's existing businesses.

With a view to reinforcing its growth potential, the Group decided to create CFAO Equipment, an equipment supply business line. This strategy will involve the redeployment of the elevator business, which was previously part of CFAO Technologies. 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. With this activity the Group is targeting the supply of specialized equipment and machinery to the mining, construction and agricultural sectors in the Maghreb and Sub-Saharan Africa, a market estimated to be worth around €2 billion.

The Group is also hoping to give a new dimension to the short- and long-term vehicle leasing activities it has developed over recent years in Gabon, Cameroon and Côte d'Ivoire, by expanding them to include construction, mining and agricultural machinery. The rental services network is to be gradually rolled out to new countries in Sub-Saharan Africa during 2011-2013, in order to provide a platform for the development of CFAO Automotive and CFAO Equipment.

The rental services activities will be moved in 2011 from CFAO Automotive to a new dedicated ''Location'' pole.

With a view to harnessing the potential represented by the gradual emergence of new consumers in Africa, the Group is planning in 2011 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 section 6.5.4). 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.

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

6.6 Regulations

The Group's business – specialized 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 distribution of certain products, in particular pharmaceutical products, is subject to specific regulations (see section 6.6.1 ''Pharmaceutical operations'').

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 is not subject to renewal. 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 bear the entire cost of the 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 pharmacists may distribute pharmaceutical products 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 2pm on a Saturday. Establishments must also deliver to any requesting pharmacy any medication and – when distributed in accordance with the Public Health Code – any other product, item or article and any medicinal product distributed under the 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, with the indirect result that product pricing is aligned 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. The Group believes that the amendments would have only a limited impact on its profit margin that could be offset by a reduction in certain commercial benefits granted to pharmacists (rebates, discounts).

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.

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, 2010, one euro was equivalent to 98.31 dinars, compared with 101.15 on average at December 31, 2009.

  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''):

- a new tax on light vehicles with a capacity below 2,500 cm^3 and on the profits of car dealers, introduced in August 2008;
- a new regulatory tax on vehicles with a capacity exceeding 2,500 cm^3 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 had a negative impact in 2009 on its activities and earnings in the country, and that this impact will continue to be felt in 2010, 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 with regard to investments in its beverage business. The regulations in the Republic of the Congo provide for total exemption from corporate income tax for a three-year period from January 1, 2009, 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 July 7, 2008 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 three-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 schemes 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. The Algerian government has also imposed restrictions on foreign currency payments, notably by obliging companies operating in Algeria to use irrevocable letters of credit to make foreign currency settlements. However, the supplementary finance law of 2009 stipulates that 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.

The Group can give no assurance that this regulation will not significantly impact 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 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

CFAO Industries is the only Group division with a manufacturing activity. This includes the Group's beverage business and various light industrial activities, such as the production of plastic products, the manufacture of wooden crates in Morocco (business sold in 2010) and the assembly of motorcycles and mopeds.

The Group complies 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 section 4.6 ''Insurance'' 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.

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, socially responsible policy focused on health and education. In 2008, CFAO set up a fully-fledged Corporate Social Responsibility Department to organize the Group's policy in this sphere and strengthen its environmental management with a view to minimizing the impact of its operations.

6.7.1 The Group's corporate social responsibility programs

In 2010, the Group focused its priorities on health and ethics.

- **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 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, which came into effect in 2004, sets out CFAO's commitment to the fight against HIV/AIDS.

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 2010, CFAO signed an agreement 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 its subsidiaries in Sub-Saharan Africa up to the end of 2009.

Data obtained were analyzed using two methods:

- A quantitative analysis measured the number and types of actions performed, the targeted population groups, the resources dedicated to the program and the partnerships established.

- A qualitative analysis grouped together subsidiaries with the same levels of awareness-raising actions, prevention and care initiatives.

After analyzing the roadmaps, a number of strengths and weaknesses were reported particularly with regard to the functioning 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 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.

The quantitative analysis revealed the programs' varying levels of progress. Consequently, CFAO extended its agreement with SIDA Entreprises in order to improve program efficiency. In 2011 the association will help the Group's subsidiaries to roll out policy measures tailored to their specific needs.

- **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 school year, CFAO has provided scholarships for the children of its non-management employees enrolled in secondary school. Since the launch of the program, more than 500 children in 26 countries have received scholarships, which are intended to cover all school expenses.

- **CFAO Solidarité**

CFAO created CFAO Solidarité in October 2002 as a non-profit association (1901 law). CFAO Solidarité conducts initiatives in support of projects run by non-governmental organizations, principally in the fields of health and education. For example, in 2010 CFAO Solidarité acted on the proposal of one of its employees and helped to finance the construction of a public primary school in the village of Gapé Aloyi in the south of Togo.

- **Responsible business practices**

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-related issues. The Group has further adhered to the Declaration of the French Council of Investors in Africa (CIAN), concerning corruption prevention. The Declaration is displayed on a poster at each subsidiary.

The Group intends to further its efforts to foster ethics in the conduct of its business. In past years, since the Group belonged to the PPR group, the framework applied for the Group was based on the PPR Code of Business Practices. Following its departure from the PPR group, CFAO drew up its own Code of Business Conduct with the help of Ethic Intelligence, a specialized firm. This Code provides the core guidelines shared by the entire Group and includes major social and environmental responsibility standards. In 2011, the Group will continue its efforts in this domain through the improvement of its policy with the help of external advisors.

6.7.2 Environmental management

Since 2002 and the NRE regulation, French listed companies are required to publish information on the social and environmental consequences of their business in their annual report. This regulation has been applicable since January 1, 2003. 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. Since December 3, 2009 and PPR's sale of 58% of CFAO's share capital as part of the IPO, the Company has been independent and now publishes its own annual report subject to the reporting requirements of the NRE regulation.

Key environmental reporting concerns for CFAO

CFAO has long embraced the challenges posed by sustainable development. The Group was closely involved in the implementation of environmental reporting within PPR and actively contributed to the process from 2004 onwards.

CFAO's businesses, namely automobile distribution and maintenance, housed in **CFAO Automotive**; distribution of pharmaceutical products, housed in **Eurapharma**, distribution of new information and communication technologies (NICTs), housed in **CFAO Technologies**; and industrial production, housed in **CFAO Industries**, 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;
- packaging consumption in the case of health-related businesses;
- energy and packaging consumption in the case of industrial businesses.

Import and distribution businesses generally have significant environmental impacts in terms of energy consumption, pollution and greenhouse gas emissions owing to transport and operating sites. However, CFAO makes extensive use of sea transport for the majority of its freight, which results in 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. Reporting guidelines have been specially created in order to clearly reflect the Group's consumption using indicators common to all businesses (transport, waste production, etc.) and specific indicators which take into account each business's particular characteristics such as the consumption of industrial raw material, industrial packaging, etc.

Data collection

CFAO's environmental reporting data are gathered by a network of contributors. Each entity has a contributor who is responsible for reporting his/her entity's data. The contributors thus have grass-roots, entity-specific knowledge that contributes to the reliability of these data. Contributors use the reporting guidelines which present all indicators, data sources and calculation methods, where required. CFAO strives to keep the contributors well informed in order to continually improve its environmental reporting quality. Data are validated and consolidated by the CSR department at Group level.

2010 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 geographic scope of reporting is the same as in 2009. It comprises 42 entities which represent 72% of the Group's revenue including eight countries in Africa (Algeria, Burkina Faso, Cameroon, Congo, Côte d'Ivoire, Ghana, Kenya and Morocco), France and the French overseas territories (French Guiana, French Polynesia, Guadeloupe, Martinique, New Caledonia, and Reunion). SIAB was included in the reporting scope after being purchased from Renault, which was Nissan's exclusive distributor in Morocco. SIAB is now an entity of the CFAO Automotive division. Comamussy and Fantasia were sold in 2010. They represented localized wood production activities in Morocco and were withdrawn from the reporting scope.

In order to compare the 2009 and 2010 data, the 2009 reporting scope was restated to account for the withdrawal in 2010 of the abovementioned entities.

Major environmental impacts generated by CFAO

The major environmental impacts generated by CFAO are divided into eight themes, for which the 2010 indicators are presented below. Readings represent the outcome of the consolidation of all data collected from the entities included in the 2010 scope of reporting.

Theme	Indicators	2009 readings	2010 readings	Units
Water consumption	Water consumption	384,067	524,360	m^3
Energy consumption	Electricity consumption	37,668,429	36,766,803	kWh
	Light fuel oil (diesel) consumption	9,853	10,366	m^3
	Gas consumption	746,998	726,046	kWh
Industrial raw material consumption	Water (raw material)	1,080,217	1,092,947	m^3
	Wood consumption (total excl. pallets)	76	79	metric tons
	Gas (raw material) consumption	16,610	15,794	m^3
	Plastics consumption (total excl. packaging)	4,459	4,142	metric tons
Packaging consumption	Packaging consumption	1,281	1,609	metric tons
	Industrial packaging consumption	4,745	6,088	metric tons
Paper consumption	Consumption of paper from sustainably-managed forests	22	6	metric tons
	Other paper consumption	402	393	metric tons
	Recycled paper consumption	7	8	metric tons
Waste production	Recycled waste (materials recovery)	13,250	11,950	metric tons
	Recycled waste (energy recovery)	46	33	metric tons
	Recycled or reused waste	544	545	metric tons
	Non-recycled waste	9,060	14,381	metric tons
External transport*(1)	Air freight	20,096,007	17,798,027	metric tons $\times$ km
		18,432	16,324	metric tons of CO_2
	Rail freight	4,146,200	6,236,019	metric tons $\times$ km
		21	32	metric tons of CO_2
	Sea freight	538,946,053	961,695,741	metric tons $\times$ km
		4,797	8,559	metric tons of CO_2
	Road freight	76,664,733	77,644,179	metric tons $\times$ km
		6,701	6,787	metric tons of CO_2
Internal transport(1)	Road freight – fuel consumption	6,933	4,320	m^3
		18,442	11,492	metric tons of CO_2

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

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

In order to ensure a relevant comparison between 2009 and 2010 data, some figures for 2009 have been restated to take into account changes in calculation methods, data sources and errors found in the 2009 environmental reporting process.

6.7.2.1 Changes in CFAO Group transport

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

External transport

In 2010, Group freight grew by approximately 65%. The majority of this increase corresponds to the greater use of sea transport, up 75% year on year, as a result of a change in incoterms (international commercial terms that define the obligations of contractual parties). Several major trade flows, in particular those from Asia were taken into account for the first time this year. They are now treated as FOB instead of CFR in order to reduce transport costs and increase leverage with respect to sea transport companies, such as those shipping out of China. The comparison between 2009 and 2010 data must take into account this major change.

The economic upturn in 2010 played a part in generating more orders and in particular boosting the supply of spare parts, up 20%, thereby contributing to the overall growth in volumes.

Air transport contracted 11% over the year. Given the Group's overall increase in external transport in 2010, air transport now accounts for a reduced share compared to other means of transport. This change is mainly powered by Brasseries du Congo which represents 23% of total air freight and its decision to favor train and road transport over air transport, for cost reasons, when technically possible. Accordingly, air freight between Pointe Noire and Brazzaville, where the operating sites for Brasseries du Congo are located, fell 46%.

Train freight expanded by 50% at Group-level, primarily reflecting the abovementioned changes at Brasseries du Congo which generates 46% of total train freight. The entity's use of this train transport rose 137% in 2010.

Group road freight remained stable during the year. However, this global figure masks the significant rise in road transport by the Brasseries du Congo (up 380%) due to the shift from air transport and higher business volumes. This increase was offset by a 6% drop in freight by Diamal (automobile distribution in Algeria), which had a significant impact at Group level as this entity generates 78% of the Group's total road transport.

Internal transport

This item fell 38% in 2010 mainly owing to CFAO Congo which represents 47% of the Group's total freight. In mid-2009 this entity discontinued its business of distributing consumer goods and construction equipment. The resulting fall in related deliveries led to a 53% reduction of internal transport which explains the overall decrease in this item in 2010.

In general, changes in transport reflect an effort to contain this line item through the change of incoterms and taking into account new trade flows to improve transport costs as well as leverage with transport companies. Brasseries du Congo should also be singled out for having opted for transport with lower greenhouse gas emissions whenever possible.

6.7.2.2 Analysis of environmental impacts by theme

The following analyses present the changes in readings for each division and for the CFAO Group as a whole between 2009 and 2010.

The 2009 readings do not include entities withdrawn from the reporting scope in 2010. ''N/A'' indicates that the indicator is structurally equal to zero for the business concerned.

(a) Water consumption (m^3)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	124,222	7,407	213,369	31,361	7,708	**384,067**
2010	128,054	8,487	354,050	29,674	4,095	**524,360**
Change	3,832	1,080	140,681	–1,687	–3,613	**140,293**
% change	3%	15%	66%	–5%	–47%	**37%**

Brasseries du Congo (BDC) represented 68% of the Group's total water consumption in 2010. The Group's water consumption rose 37% over the previous year almost entirely driven by BDC's 66% (140,000 m^3) increase in consumption. The factors accounting for this rise were renovations during the year including the construction of a new production line and filtering room, and the installation of vats as well as BDC's growth in business volumes and better reporting of drill water consumption during the year.

CFAO Technologies reported less water consumption stemming from changes in two entities: CFAO Technologies Cameroon and CFAO Technologies Côte d'Ivoire recorded 50% less water consumption, largely thanks to improved plumbing systems which reduced leaks. Eurapharma's water consumption decreased with the exception of Laborex Congo. This increase recorded by Laborex Conco can be explained by the fact that it previously obtained its water from BDC's drill water which was not billed. Volumes were therefore underestimated in 2009. In 2010, water was purchased from a company specialized in water distribution from tanks.

Water consumption at the Group's headquarters grew by 15% during the year as a result of more reliable information based on actual consumption with meter readings adjusted for the surface area, compared to an estimate used in 2009.

Good practices in water management

The Group has set up numerous programs for water recovery or savings.

DT Dobie Kenya (automobile distribution) recovers its wastewater which is purified and used to clean customers' automobiles.

In Cameroon, Cami (automobile distribution) has a rainwater harvesting system which supplies the water used to wash vehicles. The entity has also installed grease removal bins for wastewater treatment.

CFAO Motors Ghana is setting up a similar system in order to reuse wastewater. The entity will also have a rainwater harvesting system for vehicle cleaning.

In French Guiana some vehicles are washed using 100% biodegradable waterless car wash products which will be rolled out to other dealerships in 2011.

Mipa in Côte d'Ivoire uses a rainwater harvesting system to supply its fire prevention system. Icafron (industrial manufacture of plastic products) in Cameroon also uses a rainwater harvesting system.

CFAO Technologies Cameroon and CMM in Reunion (automobile distribution) worked to reduce water consumption by finding leaks and repairing damaged plumbing. In an effort to save water, Soredip Reunion (Eurapharma) stopped the automatic watering of its lawns.

In Côte d'Ivoire, Copharmed (Eurapharma) entered into management contracts with its service provider to ensure better management and reduce water consumption.

These various initiatives reflect CFAO's commitment to reducing the amount of water consumed and improving the quality of wastewater generated at its sites.

(b) Energy consumption

Electricity consumption (kWh)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	10,123,301	992,976	20,813,412	4,799,243	939,497	**37,668,429**
2010	10,392,508	880,082	19,847,274	4,770,583	876,356	**36,766,803**
Change	269,207	– 112,894	– 966,138	– 28,660	– 63,141	**– 901,626**
% change	3%	– 11%	– 5%	– 1%	– 7%	**– 2%**

The Group's electricity consumption is largely propelled by CFAO Industries and CFAO Automotive which account for 54% and 28% respectively of the Group's total consumption. In 2010, electricity consumption decreased 5% year on year.

Operating disruptions at Société Nationale d'Electricité, the national electricity company in the Congo, hindered its ability to provide electricity to its customers. There was therefore a consumption shift to electricity produced by diesel generators.

Electricity consumption for Mipa, a plastics transformation facility in Côte d'Ivoire, was down 22% due to changes to its production range as well as the discontinuation of production of household articles which were previously manufactured using old, energy-inefficient equipment.

CFAO Technologies reported a 7% drop in energy consumption which stems from the 31% reduction at CFAO Technologies Cameroon. In 2010, this entity detected and repaired inadequate electricity connections at its branch in Yaoundé.

Electricity consumption at the Group's headquarters fell 11% as a result of a calculation error in 2009 which measured the total building consumption without factoring out the consumption of another company that also uses the building. The figure this year was calculated based on the surface area used by the Company.

Light fuel oil (diesel) consumption (m^3)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	266	N/A	9,508	77	3	**9,853**
2010	515	N/A	9,797	48	6	**10,366**
Change	249		289	– 29	4	**513**
% change	94%	–	3%	– 38%	143%	**5%**

The Group uses light fuel oil or diesel mainly as fuel for generators. Group consumption edged up 5% over the year primarily due to the increased consumption of entities in the Congo as a result of operating disruptions at the national electricity company which hindered its ability to provide electricity to its customers. There was therefore a consumption shift to electricity produced by diesel generators. BDC's diesel consumption rose 3% year on year while CFAO Congo, which did not use any diesel in 2009, consumed 257 m^3 in 2010.

Gas consumption (kWh)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	N/A	N/A	1	746,997	N/A	**746,998**
2010	N/A	N/A	2	726,044	N/A	**726,046**
Change	–	–	1	– 20,953	–	**– 20,952**
% change			192%	– 3%		**– 3%**

Gas consumption relates mainly to Eurapharma, which accounts for nearly 100% of the Group's total consumption. Consumption is shared between the registered offices of Epdis and Continental Pharmaceutique in mainland France, where gas is used for heating.

In 2010, the CFAO Group's total gas consumption eased back by 3% relative to 2009.

Good practices in energy management

Numerous initiatives have been launched to reduce Group-wide energy consumption.

In 2010, Epdis and Continental Pharmaceutique carried out an energy audit and monitored results on a monthly basis in order to identify and reduce consumption. In Algeria, Epdis SPA and Diamal took concrete measures by switching to low energy light bulbs.

Old cooling systems were replaced by more energy-efficient models at Cami in Cameroon. The entity also insulated windows in the building by applying a film to reduce heat transfer. The new office building of CFAO Motors Ghana was designed to concentrate air conditioned areas to avoid energy waste. The building's roof was also insulated.

(c) Industrial raw material consumption

Consumption of water as an industrial raw material (m^3)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	N/A	N/A	1,080,217	N/A	N/A	**1,080,217**
2010	N/A	N/A	1,092,947	N/A	N/A	**1,092,947**
Change	–	–	12,730	–	–	**12,730**
% change			1%			**1%**

Brasseries du Congo is the only entity that uses water as a raw material. Its consumption remained stable during 2010 with a slight rise of 1%.

Wood consumption (metric tons)

This indicator related to crate production by Fantasia and Comamussy in Morocco which were sold in 2010.

Consumption of gas as an industrial raw material (m^3)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	2,078	N/A	14,532	N/A	N/A	**16,610**
2010	2,623	N/A	13,171	N/A	N/A	**15,794**
Change	545	–	–1,361	–	–	**–816**
% change						

In 2010, 83% of the Group's consumption of gas as a raw material concerned CFAO Industries, and in particular Dimac (assembly of mopeds) in Morocco and Icrafon (plastics transformation facility) in Cameroon. CFAO Industries' reduced consumption is entirely due to the 22% reduction reported by Icrafon in 2010. Gas is used as a raw material at Icrafon for screen printing for bottle racks, this activity was sharply reduced in 2010. This business will be completely discontinued in 2011 which in turn should lead to a 50% reduction in gas consumption as a raw material.

The remaining consumption of gas as a raw material is attributable to CFAO Automotive which uses industrial gas in its body shops. Increased consumption is due to the reporting of 644 m^3 for CFAO Congo whose consumption was not reported in 2009 (estimated at 550 m^3).

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

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	N/A	N/A	4,459	N/A	N/A	**4,459**
2010	N/A	N/A	4,142	N/A	N/A	**4,142**
Change	–	–	−317	–	–	**−317**
% change			−7%			**−7%**

The CFAO Group's plastics consumption (excluding packaging) is entirely attributable to CFAO Industries and in particular Icrafon, Mipa, and Pen and Plastics Ltd, its three plastics transformation businesses. As a result of Mipa's program which recovers significant quantities of raw materials through recycling, this item fell 7% in 2010. Through this program, defective bottle racks are collected from manufacturers and ground up to recover raw materials. A portion of these raw materials is used in the manufacture of bottle racks and the remainder is sold to manufacturers of household appliances. Sluggish business activity for Mipa in Côte d'Ivoire also contributed to the reduction of plastics consumption.

Good practices in industrial raw materials management

It is relatively difficult for CFAO to have a direct impact on raw material consumption in its business activities. Nevertheless, certain Group entities have implemented measures to cut back on the amount of industrial raw materials used. At Icrafon any defective manufactured products are ground up to recover raw materials. Grinding up of products is practiced at both of the Group's ''plastic'' entities (Icrafon in Cameroon and Mipa in Côte d'Ivoire) which produce bottle racks or household items.

At Cami in Cameroon, advanced training courses in welding provided to the employees concerned have raised awareness of the appropriate consumption of gas as a raw material.

(d) Packaging consumption

Consumption of conventional packaging (metric tons)

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

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	8	N/A	1,199	75	0	**1,281**
2010	8	N/A	1,501	101	0	**1,609**
Change	−0	–	302	26	0	**328**
% change	−0%		25%	35%	18%	**26%**

93% of the Group's consumption of conventional packaging in 2010 related to the CFAO Industries division. Brasseries du Congo was responsible for 86% of the division's packaging consumption, through its use of bottle racks. The year-on-year increase is due to the launch of a new bottling line for carbonated beverages in 2010.

Packaging consumption also increased for the Eurapharma division due to the fact that Epdis' data were not included in the 2009 figure. The division consumed 28 metric tons of plastic packaging in 2010, compared with 29.7 metric tons in 2009.

Good practices in conventional packaging management

Various programs have been implemented at CFAO's entities in an effort to reduce packaging consumption. Repackaging of spare parts received from suppliers by our forwarding agent reduces air freight and also greatly cuts back the quantity of packaging that would otherwise have been received by CMM (automobile distribution in Reunion), Dimac (assembly of mopeds in Morocco) and NCCIE (automobile distribution in French Guiana). Cami (automobile distribution in Cameroon) reuses the packaging of spare parts for their transfer to agencies within the country. CFAO Ghana, which has minimal packaging requirements, relies entirely on recycled cardboard boxes.

Copharmed in Côte d'Ivoire invested in bins made from recycled plastic which has cut down the use of cardboard boxes by 40%. Laborex Kenya replaced plastic bags with paper bags for deliveries to pharmacists. Epdis (Rouen) installed a cardboard shredder which allows up to 20% of waste cardboard to be reused to make packages.

Industrial packaging consumption (metric tons)

This indicator provides information on the consumption of glass bottles, metal used for packaging purposes and labels.

	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	N/A	4,743	N/A	N/A	**4,745**
2010	N/A	6,086	1	N/A	**6,088**
Change	–	1,343	1	–	**1,343**
% change		28%			**28%**

As with the consumption of conventional packaging, the Group's industrial packaging consumption largely concerned Brasseries du Congo, which alone represented 99% of CFAO's total consumption. Glass bottles accounted for 85% of total consumption. The entity's industrial packaging consumption rose 28% over the year due in part to the implementation, at the end of 2009, of an improved system to monitor consumption which has resulted in actual figures being published in 2010 as opposed to estimates in 2009. Another factor involved the increase of defective bottles following the installation of an automatic control system on production lines which has led to a higher supply of glass bottles compared to 2009. Improved consumer safety standards were applied in 2010 concerning the quality of bottles put on the market and have resulted in more discards and replacements.

(e) Paper consumption

The majority of subsidiaries were not able to provide accurate data concerning indirect purchasing from communication agencies that produce their advertising material (brochures, posters, manuals, etc.). This source will be strictly monitored in 2011.

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

Copharmed is almost entirely responsible for the change in this item, having reduced its consumption of paper sourced from sustainably-managed forests from 18 metric tons in 2009 to 5 metric tons in 2010. This reduction is due to a change of paper suppliers following the renegotiation of the price of paper purchased for issuing invoices. The new supplier does not provide paper from sustainably-managed forests. A study is underway to reconcile the cost-to-quality considerations with the aim of using recycled paper or paper from sustainably-managed forests.

Recycled paper consumption (metric tons)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	2	–	–	5	–	**7**
2010	2	–	–	6	–	**8**
Change	1	–	–	0	–	**1**
% change	34%			6%		**13%**

In 2010, the consumption of recycled paper remained relatively stable, up slightly on 2009 due to Menard Frères' 32% increased use of recycled paper from 1.7 metric tons to 2.3 metric tons. This rise was the result of employees' usage of a new IT application (Incadea) which generated more data. More efficient use of this application should reduce consumption in 2011.

Other paper consumption (metric tons)

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

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	81	27	207	59	28	**402**
2010	76	28	214	56	18	**393**
Change	–5	1	7	–2	–9	**–9**
% change	–6%	2%	3%	–4%	–33%	**–2%**

Other paper consumption across the Group fell back by 2%. CFAO Technologies reported the sharpest reduction mainly due to the 25% drop in consumption by CFAO Technologies Côte d'Ivoire due to the steep reduction in the number of appointment books distributed.

Good practices in paper consumption

Group entities are striving to reduce overall paper consumption. At Socada in Cameroon, an awareness raising campaign was conducted to encourage employees to print less and reduce the number of photocopies in order to save paper. Also, a set number of reams of paper was made available to each department.

At CFAO Ghana, each employee has a personal code to use the photocopier through which individual paper consumption can be monitored. Numerous entities including DT Dobie Kenya, Pens and Plastics Ltd, Laborex Cameroon, Soredip, Copharmed and the CFAO headquarters have introduced double-sided printing by default to reduce the quantity of paper used.

(f) Waste production

In 2010 total waste production increased 17.5% year on year, primarily driven by Brasseries du Congo.

Data concerning waste production were expanded to include the Group's headquarters for which no prior data were available. Therefore there is no historical information for this entity.

Recycled or reused waste (metric tons)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	507	–	37	1	0	**544**
2010	508	–	32	1	4	**545**
Change	1	–	– 5	0	4	**1**
% change	0%	–	– 13%	6%	10,900%	**0%**

The amount of recycled or reused waste at Group level remained stable over the year. CFAO Automotive accounts for the bulk of recycled or reused waste, with 93% of such waste generated by the division in 2010. This type of waste primarily consists of motor oil which is reprocessed in countries with local oil producers. This figure increased significantly for CFAO Technologie Cameroon due to the receipt of used equipment for recycling purposes following the signing of two major contracts (inverters, etc.).

Waste recycled for materials recovery (metric tons)

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	630	–	12,059	559	2	**13,250**
2010	578	53	10,537	778	5	**11,950**
Change	– 52	53	– 1,522	219	3	**– 1,299**
% change	– 8%	–	– 13%	39%	182%	**– 10%**

This category mainly comprises discarded wooden pallets that are reused by local craftsmen to make furniture. Brasseries du Congo reduced its number of discarded pallets in 2010 but still accounted for 90% of the waste sent to materials recovery facilities. CFAO headquarters reported waste recycled for materials recovery for the first time this year and which consists of cardboard and paper.

Non-recycled waste

	CFAO Automotive	Headquarters	CFAO Industries	Eurapharma	CFAO Technologies	CFAO Group
2009	869	–	7,548	575	68	**9,060**
2010	1,111	156	12,495	559	60	**14,381**
Change	241	156	4,948	– 16	– 8	**5,322**
% change	28%	–	66%	– 3%	– 12%	**59%**

Non-recycled waste represented 53% of the Group's total waste production in 2010 compared with 40% the previous year. The majority of this waste is generated by CFAO Industries, representing 87% of the Group's total. The year-on-year increase was mainly due to upgrading BDC's production lines with more advanced equipment which counts and controls defective industrial packaging (glass bottles) as opposed to visual checks performed in 2009. This improvement led to a major increase in discarded bottles. The glass is disposed of as there are currently no facilities in the Congo capable of recycling glass. CFAO Automotive's increase reflected a more accurate assessment of the volume of non-recycled waste overall particularly at CFAO Motors Ghana.

Good practices in waste management

Waste management is relatively complicated in Africa given the low number of materials recovery facilities. Where available, CFAO entities generally make use of such facilities such as the sorting and recycling of paper, plastic and metal program in place at DT Dobie Kenya, and cardboard materials recovery at Soredip in Reunion. CFAO Automotive sends used motor oil to be recycled by oil companies when they have operations in the country concerned.

CMM in Reunion makes use of the available recycling facilities for energy recovery from oil, recycling of batteries and materials recovery from tires. Recycling is also practiced in body shops and waste is managed by a specialized company. Special dumpsters reserved for wooden pallets have been set up and CMM also recovers the pallets from neighboring companies.

Waste is often sold to or reused by local craftsmen in the event that no appropriate facility exists. Instead of sending waste to the local landfill, CFAO Motors Maroc and Epdis SPA Algérie sell their waste to waste recovery agents who reuse or process such waste. In Rouen, Epdis reviewed its entire collecting and sorting system for wood, cardboard and plastic waste which is now handled by recycling facilities.

In 2011, numerous initiatives are planned such as recycling programs for the following entities: Diamal, Société Pharmaceutique Antillaise (Sopharma Guadeloupe) and Cami. CFAO headquarters entered into an agreement with Elise beginning January 4, 2011, which employs disabled workers in recycling facilities to sort waste and recover materials from paper, ink cartridges and batteries.

Other environmental issues

In 2010, 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, 2010

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
CAMI (Cameroon)
Capstone International (Mauritius)
CFAO Motors Maroc
CFAO Nigeria
CMM (Madagascar)
Diamal (Algeria)

CFAO Technologies
CFAO Technologies Côte D'Ivoire

CFAO INDUSTRIES
Brasseries du Congo

EURAPHARMA
Continental Pharmaceutique (France)
Copharmed Côte D'Ivoire
EDPIS (France)
EDPIS Algérie
Eurapharma (France)
Laborex Cameroun
Laborex Kenya
Laborex Senegal
Pharma Gabon
Sopharma Antilles
Soredip (Reunion)

The companies shown above are described in section 7.2 below.

7.2 Subsidiaries and equity interests

7.2.1 General 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*) since January 1, 2010.

CFAO is a holding company with no operating activity of its own. The Company holds direct and indirect interests in over 155 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, 2010'' 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 subsidiaries as of December 31, 2010'' 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, SICEP in Egypt (listed up until December 31, 2009) and CFAO Ghana in Ghana (a resolution to delist CFAO Ghana from the Ghana Stock Exchange (GSE) was adopted at the company's Shareholders' Meeting of December 17, 2009. The delisting process is pending).

The Group's principal subsidiaries are listed in Chapter 25 ''Information on holdings''.

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 2010, with the exception of Capstone International, which was included because it represented 6.3% of the Group's total consolidated assets in 2010;
- each of the subsidiaries of the Eurapharma and CFAO Industries divisions described below generated at least 1% of the Group's total consolidated revenue in 2010, and 0.9% for the CFAO Technologies division, with the exception of Eurapharma and Continental Pharmaceutique, which were included because they represented 2.2% and 7.6%, respectively, of the Group's consolidated assets in 2010.

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, Capstone International and Continental Pharmaceutique) and with some of its subsidiaries in the French overseas territories. Eurapharma also signed cash financing agreements with 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, CFAO Industries and CFAO Technologies 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, CFAO Industries and CFAO Technologies 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 Technologies division on behalf of the Group's companies distributing automobiles or new technologies 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.

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 99.99% 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 5, 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.

Eurapharma

- **Laborex Kenya** is a Kenyan limited company with share capital of 6,825,000 Kenyan shillings, whose registered office is located at Mombasa Road P.O Box 72030-00200, Nairobi, Kenya, and which is registered with the Trade and Companies Registry of Nairobi under PIN number PO51129234X. The Group holds 99.68% of Laborex Kenya's share capital and voting rights. Laborex Kenya is a subsidiary specialized in the distribution of pharmaceutical products in Kenya, which holds all of the share capital and voting rights of HML Ouganda and Laborex Tanzanie, which are specialized in the distribution of pharmaceutical products in Uganda and Tanzania, respectively.

CFAO Industries

- **CFAO Nigeria** is a Nigerian public limited company with share capital of 208,000,000 Nigerian nairas, whose registered office is located at 19 Bayo Kuku Street, Ikoyi, 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 trade, distribution and production of consumer goods, engineering materials and other equipment. It operates this business through its subsidiaries, Sofitam and Nipen. CFAO Nigeria also owns CFAO Motors Nigeria and NMI, and has an equity interest in Asian Hall CICA Nigeria, which are specialized in automobile distribution in Nigeria. CFAO Nigeria also owns CFAO Technologies Nigeria which belongs to the Group's Technologies division.

CFAO Technologies

- **CFAO Technologies Côte d'Ivoire** is an Ivorian *société anonyme* with share capital of 1,200,000,000 CFA francs, whose registered office is located at KM4 boulevard de Marseille, Abidjan, Côte d'Ivoire, and which is registered with the Trade and Companies Registry (RCCM) of Abidjan under number CI-ABJ-2002-B-284 454. The Group holds 100% of CFAO Technologies Côte d'Ivoire's share capital and voting rights. This subsidiary is specialized in the distribution and installation of information and communication systems in Côte d'Ivoire.

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 the Eurapharma and CFAO Automotive divisions. Equity attributable to non-controlling interests represented €137.5 million at December 31, 2009 and €153.9 million at December 31, 2010. Consolidated net income attributable to non-controlling interests amounted to €30.9 million (or 25.5% of consolidated net income) in 2009 and €40.1 million (or 28.6% of consolidated net income) in 2010. Dividends paid to minority shareholders in the Group's consolidated subsidiaries amounted to €26.4 million in 2009 and €21.6 million in 2010, representing 21.8% and 15.4% of consolidated net income in 2009 and 2010, 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, and CFAO Technologies), the Group's market entry method (such as investing 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.

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 83.03% of Continental Pharmaceutique's share capital and voting rights (as a shareholder and as a partner). 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, Société Pharmaceutique Gabonaise, 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* (joint stock corporation) 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. These agreements also include a unilateral call option in favor of Eurapharma that may be exercised with effect from January 1, 2011, relating to 10% of EPDIS Algérie's share capital. If this call option is exercised, Eurapharma's partner would have a put option for its entire interest.

7.2.3.4 Distribution subsidiaries

CFAO Automotive

- **Distribution Automobile et de Matériel en Algérie (Diamal)** is an Algerian *société par actions* 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 (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.

Eurapharma

- **Société Réunionnaise de Distribution**(**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 Senegal** is a Senegalese *société anonyme* 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 on a consolidated basis 59.98% of Laborex Senegal's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Laborex Senegal 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 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 64.68% 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.

- **Copharmed Côte d'Ivoire** is an Ivorian *société anonyme* with share capital of 1,762,620,000CFA 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 59.07% of Copharmed Côte d'Ivoire's share capital and voting rights. Various local partner pharmacists hold the remaining share capital and voting rights. Copharmed Côte d'Ivoire 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 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 2596. 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.

- **Société Pharmaceutique Gabonaise (Pharma Gabon)** is a Gabonese *société anonyme* 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 530 B. The Group holds 50.11% 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 the majority of its 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 7,637,895,000 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'' 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 the 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:

(in € millions)	As of December 31 2008	2009	2010
Net investments in financial assets	0.4	8.2	(1.3)

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, that 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. At that time, CFAO held 50% of the share capital of Almameto and NC Motors, and 49% of Sapas, as well as the entire share capital of Ménard Automobiles, Intermotors and Prestige Motors.

Upon completion of the share transfers for all of the above-mentioned companies on March 15, 2011, CFAO and the Pentecost group respectively owned 74% and 26% of the shares in the new joint-venture, which in turn owned all of the shares in the operating companies Ménard, Almameto, Prestige Motors, Intermotors, NC Motors and Sapas.

The values of the contributions were validated by an independent auditor (*commissaire aux apports*) and are based on a report established for all the companies at stake by a financial adviser located in mainland France and using the classical methods for enterprise valuation, in particular the method of discounted cash flows and the method of valuation based on multiples.

At December 31, 2010, the combined headcount of all the companies concerned by the agreement was 295, and combined revenue for the year then ended totaled €170 million. The impact of the transaction on attributable net income is not expected to be material.

Foucque Automobile – In January 2011, CFAO completed the takeover of the Reunion-based Citroën automobile import and distribution business of Foucque Automobile, which had been placed under court-ordered receivership since December 1, 2010. CFAO already had a presence in Reunion through its subsidiary CMM Automobiles, which represents the Toyota, Ford, Lexus and Volvo brands and contributed €110 million to Group revenue in 2009. 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 €40 million in 2009 for just over 1,400 new vehicles sold.

Eurapharma

Gokals Laborex Limited (Ghana) – Since March 2008, the Group has held 54.83% of the capital of Gokals Laborex Limited, a distributing agent of pharmaceutical products in Ghana. A local partner holds the remaining 45.17% of the share capital.

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.

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.

CFAO Industries

Manorbois (Maroc) – In April 2007, the Group sold 75% of its interest in Manorbois, a company specialized in the importing and trading of timber, panels and insulation materials in Morocco. This company was deconsolidated effective January 1, 2007. In November 2008, the Group sold its remaining 25% interest in the company.

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.

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 has entered into a sublease with Discodis (a wholly-owned subsidiary of PPR) relating to its registered office at 18, rue Troyon, Sèvres. This sublease 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 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 m^2, 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 m^2 facility used to store the purchases managed by Continental Pharmaceutique, and the other, a 7,000 m^2 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 of the site of EPDIS and Continental Pharmaceutique is planned in the first half of 2011;
- 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 sites for the CFAO Industries division; in particular, in connection with its business in the Republic of Congo, the Group owns two breweries and bottling plants in Brazzaville and Pointe Noire (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 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, 9.3.3.1 and 9.3.4.1
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, 2009 and 2010 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, 2009 and 2010, 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. The Group has four operating divisions and a Holding division, and has operations in five geographic areas.

The Group’s revenue in 2010 totaled €2,676.2 million and its recurring operating income totaled €223.2 million.

The following table summarizes the Group's revenue by division and geographic area in 2010:

	Year ended December 31, 2010				
(in € millions)	CFAO Automotive	Eurapharma	CFAO Industries	CFAO Technologies	Total
French-speaking Sub-Saharan Africa	567.5	321.4	168.0	71.3	**1,128.2**
French Overseas Territories and Other[1]	241.8	327.1	–	–	**568.9**
Maghreb	420.0	60.8	17.3	11.0	**509.2**
English- and Portuguese-speaking Sub-Saharan Africa	238.0	43.1	30.3	20.3	**331.7**
France (export)[2]	70.3	57.1	5.6	5.1	**138.2**
Total	**1,537.6**	**809.6**	**221.1**	**107.8**	**2,676.2**

(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 2009 and 2010:

	2010		2009	
	(in € millions)	as a % of revenue	(in € millions)	as a % of revenue
Recurring operating income				
CFAO Automotive	120.1	7.8%	118.1	8.1%
Eurapharma	71.4	8.8%	60.1	8.1%
CFAO Industries	50.3	22.8%	44.3	15.8%
CFAO Technologies	6.7	6.2%	4.1	3.8%
CFAO Holding	(25.3)	N/A	(15.7)	N/A
Total	**223.2**	**8.3%**	**211.0**	**8.2%**

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), the sale of industrial equipment (heavy machinery, generators, tractors), related services (particularly after-sales services), the sale of spare parts and tires, and long- and short-term car rentals. 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 56.2% of total consolidated revenue in 2009 and 57.5% in 2010. 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, which saw buoyant growth between 2006 and 2008 but was hit by a sharp downturn in business in 2009. CFAO Automotive also operates in the French Overseas Territories and Other region, English- and Portuguese-speaking Sub-Saharan Africa, and the

French export region (in connection with the Group's export business). The division contributed €118.1 million (56.0%) and €120.1 million (53.8%) to recurring operating income in 2009 and 2010, respectively.

- **Eurapharma.** This division includes all of the Group's pharmaceutical 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 (28.7% in 2009 and 30.3% in 2010) and recurring operating income (28.5% in 2009 and 32.0% in 2010).

- **CFAO Industries.** This division includes various industrial activities in French-, English- and Portuguese-speaking Sub-Saharan Africa and the Maghreb. The division's principal activities are manufacturing and bottling beverages (68.7% of the division's revenue), the manufacture and sale of plastic products (15.8% of the division's revenue), and a consumer goods and equipment trading business. In 2010, the division sold its wooden crates business (revenue of €11.5 million in 2010), marking a further step in the Group's strategy to refocus on its industrial businesses. CFAO Industries generated 10.8% of the Group's consolidated revenue in 2009 and 8.3% in 2010, and contributed 21.0% and 22.5% to consolidated recurring operating income in 2009 and 2010, respectively.

- **CFAO Technologies.** This division includes three businesses in Africa: the solutions business (which consists of developing and implementing solutions relating to infrastructure, information technology, networks and telecommunications for public and private sector companies), the equipment business (which includes the division's elevator, conveyor and security business) and the products business (which includes the sale, leasing and maintenance of photocopiers, converters for computer rooms as well as various other office-related products). The division has operations in French-, English- and Portuguese-speaking Sub-Saharan Africa, the Maghreb and mainland France (in connection with the Group's export business). CFAO Technologies generated 4.3% of the Group's consolidated revenue in 2009 and 4.0% in 2010. Its contribution to consolidated recurring operating income was 1.9% in 2009 and 3.0% in 2010.

- **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 €15.7 million in 2009 and €25.3 million in 2010.

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.

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, CFAO Industries and CFAO Technologies 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 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 December 2010 regarding the second round of presidential elections, significantly impacting business in the country. The situation in Côte d'Ivoire already had an adverse impact on the Group's operations in the country in December 2010 – especially CFAO Automotive. CFAO generated around 6.1% of its revenue in Côte d'Ivoire in 2010. In view of recent developments, the crisis is likely to continue harming the Group's sales and operations in the country – at least over the first half of 2011.

The CFAO Group does not have operations in Tunisia, Egypt or Libya. However, in view of the extent of the upheaval in those countries and their geographic proximity, it is impossible to discount the possibility of contagion, especially to countries such as Algeria and Morocco where CFAO has a well-established presence.

The earthquakes in Japan in the second week of March 2011 and the related knock-on effects have had, and will continue to have, a material adverse impact on Japanese manufacturing. As of the date of publication of this Reference Document, it is not possible to accurately measure the impact of these events on CFAO's activity. The Group estimates that 32% of its sales correspond to products from Japanese manufacturers. This issue concerns the CFAO Automotive division exclusively, 56% of whose sales are made with products imported from Japan or from Japanese automakers' plants located outside of that country. Approximately 40% of purchases made by CFAO Automotive are sourced in Japan. Given this context, the Group may face difficulties in obtaining supplies of certain brands that it distributes, notably Toyota, Mitsubishi, Nissan and Isuzu, which could have an adverse impact on its revenue and results.

In 2009, it also 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 2010, 25% of the Group's revenue was in euros, 39% in CFA francs and 36% in other local currencies. The Group's purchases in 2010 were made in yen (29%), US dollars (26%) and euros (45%). Eurapharma, CFAO Industries and CFAO Technologies made purchases primarily in euros. Conversely, CFAO Automotive's purchases in 2010 were primarily made in yen (40%), US dollars (35%) and euros (24%).

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 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 reduce 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 vehicle sales 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 2008, 2009 and 2010:

	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japanese yen to one euro	157.8	163.4	161.8	126.7	122.0	132.6	133.8	132.7	125.5	117.2	110.7	112.1
US dollar to one euro	1.50	1.56	1.51	1.32	1.30	1.36	1.43	1.48	1.38	1.27	1.29	1.36

Source: European Central Bank

The appreciation of the yen and US dollar since 2009 has increased the CFAO Automotive division's procurement costs. Due to the downward pressure on prices exerted by the highly competitive market in which CFAO Automotive operates, the division was not always able to pass on this increased cost through higher prices. In the first half of 2010, the yen rose strongly against the euro, subsequently leveling off at a high 110 yen to one euro. On an average annual basis, the yen strengthened 12.1% against the euro, while the dollar also gained an average 5.2% in 2010.

Exchange rates for the yen and US dollar in the last half of 2010 will continue to impact gross profit for CFAO Automotive in 2011.

Up to 2009, the Group hedged its foreign exchange risk with PPR as counterparty, with PPR hedging in turn through international banks. Since CFAO shares were listed on the Euronext Paris market, the Group has gradually set up its own hedging arrangements directly with banks.

9.1.2.3 Changes in scope of consolidation and business

The Group constantly reviews and enhances its portfolio of businesses by reducing or increasing its activities or investments in certain sectors or countries, and its scope of consolidation is constantly evolving. In 2010, the Group acquired the official distributor of Nissan in Morocco (CFAO Automotive division) and sold its Moroccan wooden crates business (CFAO Industries). These transactions affect the Group's revenue, gross profit and income in 2010.

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 the Group 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. New 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 Group's business divisions and markets'').

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 designed to reduce healthcare costs, such as the French government's announcement in September 2009 that it intends to lower the prices of certain pharmaceutical products or reduce their reimbursement rate (see section 9.1.3.1.2 of this Reference Document, ''Eurapharma revenue'') could adversely affect the Group's results of operations. 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 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 filed investment documents concerning pharmaceutical production with the appropriate local authorities.

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 four 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, and long- and short-term car rentals. 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. For example, the regulations in force in Algeria since the summer of 2009 preventing banks from granting credit to consumers to finance automobile purchases has had a negative impact on the Group's revenue in this country.

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. Overall, average sales prices declined significantly between 2006 and 2008. This reflected the impact of the Maghreb's growing share of Group revenue, since markets in these countries are more competitive, and the vehicles sold tend to be light, lower-cost models.

9.1.3.1.2 Eurapharma revenue

The Eurapharma division includes all of the Group's pharmaceutical 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, an aging population has driven higher healthcare spending. 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 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, while the pricing structure in French-speaking Sub-Saharan Africa is also highly regulated. 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 revenue

In the CFAO Industries 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 part 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 also derives a large portion of its revenue from its other industrial activities (plastic products, motorcycles and distribution of equipment).

9.1.3.1.4 CFAO Technologies revenue

In CFAO Technologies, the degree to which revenue is affected by local economic conditions depends on the business.

Solutions. 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.

Equipment. The equipment 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. Growth of the cyclical portion of the business (the installation of new elevators) is highly correlated to trends in the real estate market for buildings of three or more floors.

Products. In its products business, CFAO Technologies generates revenue by purchasing and reselling office-related products with maintenance contracts. Its revenue depends primarily on the overall level of economic activity in a market as well as average sales prices.

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 using the cost of materials method, including in the CFAO Technologies and CFAO Industries divisions. As a result, the cost of goods sold does not reflect costs related to internal value added.

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 other businesses of the CFAO Industries 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 2010 are described below.

- The *CFAO Industries* division, due to the industrial nature of its business, generated the highest gross profit margin of all of the Group's divisions, as the other divisions are more highly concentrated in the distribution business. In its industrial businesses, the 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 trading businesses, the gross profit margin depends primarily on the price of the goods purchased from suppliers.

- The *CFAO Technologies* division, a business that incorporates the gross profit margin on provisions of services and sales of materials, has the second-highest gross profit margin of the Group's divisions. Within this division, sales of services generate a higher gross profit margin than the sale of products. In the equipment business, installations and renovations of elevators generate a lower gross profit margin than the related maintenance services, and in the solutions business, sales of equipment and other materials generate lower gross profit margins than services. Payroll expenses are not recorded in the ''cost of sales'' line item but in ''payroll expenses'', which increases the gross profit margin of these businesses. The highest gross profit margin in the CFAO Technologies division is generated by the solutions business, and the lowest is generated by the products business.

- The *CFAO Automotive* division has the third-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. 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 and rentals, 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 regulated 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 in the French Overseas Territories and Other region, 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 CFAO 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 the CFAO Technologies and CFAO Industries divisions than in the other 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. In 2010, the original three-year maturity of this credit facility was extended by one year.

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 consolidated for tax purposes by PPR up to December 31, 2009. 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 for the years ended December 31, 2009 and 2010

9.2.1 Comparison of the Group's results for the years ended December 31, 2009 and 2010

The table below shows the Group's consolidated income statements for the years ended December 31, 2009 and December 31, 2010, in millions of euros and as a percentage of consolidated revenue for the periods presented.

	2010 audited		2009 audited		
	(in € millions)	as a % of revenue	(in € millions)	as a % of revenue	Change
Revenue	**2,676.2**		**2,582.0**		**+3.6%**
Cost of sales	(2,062.5)	–77.1%	(2,004.7)	–77.6%	+2.9%
Gross profit	**613.7**	**22.9%**	**577.3**	**22.4%**	**+6.3%**
Payroll expenses	(193.5)	–7.2%	(184.8)	–7.2%	+4.7%
Other recurring operating income and expenses	(197.0)	–7.4%	(181.5)	–7.0%	+8.5%
Recurring operating income	**223.2**	**8.3%**	**211.0**	**8.2%**	**+5.8%**
Other non-recurring operating income and expenses	10.0	–0.4%	(2.6)	–0.1%	N/A
Operating income	**233.2**	**8.7%**	**208.3**	**8.1%**	**+11.9%**
Finance costs, net	(26.5)	–1.0%	(27.8)	–1.1%	–4.9%
Income before tax	**206.7**	**7.7%**	**180.5**	**7.0%**	**+14.5%**
Income tax	(69.0)	–2.6%	(62.5)	–2.4%	+10.3%
Overall effective tax rate	*33.4%*		*34.6%*		
Share in earnings of associates	2.5	0.1%	3.2	0.1%	–20.6%
Net income of consolidated companies	**140.3**	**5.2%**	**121.2**	**4.7%**	**+15.8%**
Net income attributable to non-controlling interests	40.1	1.5%	30.9	1.2%	+29.8%
Net income attributable to owners of the parent	**100.2**	**3.7%**	**90.3**	**3.5%**	**+11.0%**

9.2.1.1 Revenue

The Group reported sales advances in every quarter in 2010. After subdued growth in the first quarter with revenue down on the last quarter of 2009, sales picked up in the three months to June 30 – particularly for CFAO Automotive. This upward momentum took hold in the third and fourth quarters.

Overall, the economic climate was better than in 2009. The Group reported like-for-like revenue growth (constant scope of consolidation and exchange rates) in all regions where it trades and in all divisions except CFAO Technologies, which saw a slight dip in sales.

Consolidated revenue came in 3.6% higher year-on-year at €2,676.2 million versus €2,582.0 million in 2009. Like-for-like, revenue rose 5.5%. Changes in the scope of consolidation in 2010 concerned mainly the acquisition of the official distributor of Nissan in Morocco (CFAO Automotive), the divestment of trading businesses (CFAO Industries) and the sale of the wooden crates business in Morocco (CFAO Industries). These changes had a negative €61.7 million impact on revenue for the year. Fluctuations in the exchange rates used to translate annual revenue into euros resulted in a positive €16.9 million impact in 2010.

The table below provides a breakdown of revenue for 2009 and 2010 by division and geographic area:

	2010		2009		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	1,537.6	57.5%	1,451.4	56.2%	+5.9%	+4.1%
Eurapharma	809.6	30.2%	740.8	28.7%	+9.3%	+9.2%
CFAO Industries	221.1	8.3%	279.9	10.8%	−21.0%	+6.3%
CFAO Technologies	107.8	4.0%	110.0	4.3%	−2.0%	−3.1%
Total	**2,676.2**	**100.0%**	**2,582.0**	**100.0%**	**+3.6%**	**+5.5%**
French-speaking Sub-Saharan Africa	1,128.2	42.2%	1,067.4	41.3%	+5.7%	+6.1%
French Overseas Territories and Other	568.9	21.3%	540.4	20.9%	+5.3%	+5.1%
Maghreb	509.2	19.0%	491.8	19.0%	+3.5%	+2.1%
English- and Portuguese-speaking Sub-Saharan Africa	331.7	12.4%	358.5	13.9%	−7.5%	+7.0%
France (export)	138.2	5.1%	123.9	4.8%	+11.5%	+11.5%
Total	**2,676.2**	**100.0%**	**2,582.0**	**100.0%**	**+3.6%**	**+5.5%**

The Group's revenue increased €94.2 million, or 3.6%, in 2010, driven chiefly by a 5.9% rise in CFAO Automotive revenue and a 9.3% jump in revenue reported by Eurapharma. The decline in revenue for CFAO Industries results mainly from changes in the scope of consolidation (see above). CFAO Technologies revenue came in 2.0% lower year-on-year at €107.8 million.

Revenue growth at CFAO Automotive led to an increase in the division's contribution to consolidated revenue, from 56.2% in 2009 to 57.5% in 2010. Eurapharma's contribution rose from 28.7% to 30.2% in the year.

In geographical terms, all regions reported advances except English- and Portuguese-speaking Sub-Saharan Africa, due to the withdrawal from trading activities in Nigeria. Stripping out changes in the scope of consolidation, Group sales for this region were up 9.6%. Like-for-like, revenue for CFAO Automotive, Eurapharma and CFAO Industries improved across all four major geographic areas in 2010.

9.2.1.2 Gross profit

The Group's gross profit climbed 6.3% year-on-year to €613.7 million in 2010 compared to €577.3 million in 2009, reflecting margin growth at all four Group divisions.

The Group's gross profit margin improved in the year, up from 22.4% in 2009 to 22.9% in 2010, driven mainly by the rise in the gross profit margin for CFAO Industries after its withdrawal from lower-margin trading businesses. Gross profit margins for CFAO Automotive and Eurapharma remained stable in 2010.

Gross profit margin growth is explained below in geographical terms:

- In the Maghreb, gross profit margins improved in 2010 for CFAO Automotive and Eurapharma, but still remained below the margins reported by other regions.
- In French-speaking Sub-Saharan Africa, CFAO Automotive reported a decline in its gross profit margin amid a more challenging business environment due to gains in the yen (the main purchasing currency for products distributed in the region) and fierce competition. The gross profit margin for Eurapharma and CFAO Industries remained virtually stable in this region.
- In English- and Portuguese-speaking Sub-Saharan Africa, the gross profit margin narrowed slightly for CFAO Automotive, while Eurapharma delivered robust margin growth on the back of a strong upsurge in sales volumes and the ramp-up of business in Angola.
- In the French Overseas Territories and Other region, CFAO Automotive's gross profit margin crept up slightly, while the gross profit margin for Eurapharma remained stable.

An amount of €7.9 million was reversed from inventory allowances in 2010 (net of additions), compared to an addition of €4.4 million to the allowance (net of reversals) in 2009.

9.2.1.3 Payroll expenses

Payroll expenses rose 4.7% to €193.5 million in 2010 compared with €184.8 million in 2009. The rise reflects growth in payroll expenses in the CFAO Automotive division in line with sales advances over the period. Payroll expenses for Eurapharma moved up only slightly in 2010. Despite a rise in payroll costs in its beverages and plastic products business on the back of higher production volumes, CFAO Industries saw payroll expenses decline overall, owing to its withdrawal from trading businesses.

In 2010, payroll expenses include the full-year cost of a stock option program set up in January 2010 and a performance share plan launched in December 2010, representing a total amount of €2.9 million.

9.2.1.4 Other recurring operating income and expenses

Other recurring operating income and expenses rose 8.5% to €197.0 million in 2010 from €181.5 million in 2009, reflecting an increase in variable costs at CFAO Industries and marketing expenditure at CFAO Automotive. The increase in this caption also results from more specific increases such as in additional depreciation and amortization linked to recent investments and a rise in banking fees due to new regulations in Algeria and Western Africa.

The caption represents 7.4% of revenue, versus 7.0% of revenue in 2009.

9.2.1.5 Consolidated recurring operating income

The Group's recurring operating income was up 5.8% year-on-year, at €223.2 million in 2010 compared to €211.0 million in 2009. The recurring operating profit margin, i.e., recurring operating income divided by revenue, came to 8.3% for 2010 versus 8.2% one year earlier.

The table below provides a breakdown of recurring operating income by division:

	2010		2009		
	(in € millions)	as a % of revenue	(in € millions)	as a % of revenue	Change
Recurring operating income					
CFAO Automotive	120.1	7.8%	118.1	8.1%	+1.7%
Eurapharma	71.4	8.8%	60.1	8.1%	+18.8%
CFAO Industries	50.3	22.8%	44.3	15.8%	+13.6%
CFAO Technologies	6.7	6.2%	4.1	3.8%	+61.7%
CFAO Holding	(25.3)	N/A	(15.7)	N/A	N/A
Total	**223.2**	**8.3%**	**211.0**	**8.2%**	**+5.8%**

The €12.2 million rise in recurring operating income was chiefly driven by Eurapharma and CFAO Industries.

The recurring operating loss of €25.3 million reported by the Holding segment widened €9.6 million year-on-year, due mainly to (i) the reclassification in this segment of net expenses from an Holding company in Nigeria, and (ii) the recognition in 2009 of insurance income relating to a previous period. The amount reported in 2009 includes a management fee paid to PPR (see section 9.1.3.5 for additional information about management fees paid to PPR).

In 2009, the recurring operating income before PPR management fees amounted €216,6 million representing 8,4% of revenue.

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 €10.0 million in 2010 versus an expense of €2.6 million in 2009.

The principal components of this item in 2009 were net proceeds on asset disposals for €7.7 million, and IPO-related expenses totaling €8.9 million, breaking down as administrative costs and legal/audit fees of €4.4 million and one-off premiums payable by CFAO for €4.5 million.

The principal components of this item in 2010 were net proceeds from asset disposals.

9.2.1.7 Operating income

The Group's operating income climbed 11.9% to €233.2 million in 2010 from €208.3 million in 2009. Operating income represented 8.7% of revenue in 2010 versus 8.1% of revenue one year earlier.

9.2.1.8 Net finance costs

The table below provides a breakdown of the Group's net finance costs in 2010 and 2009:

(in € millions)	2010	2009	Change
Cost of net debt	(22.3)	(20.9)	6.7%
Other financial income and expenses	(4.2)	(7.0)	−40.0%
Net finance costs	**(26.5)**	**(27.8)**	**−4.7%**

Average net debt outstanding in 2010 came in at €274 million versus €334 million in 2009. Despite this decrease, the cost of net debt rose 6.7% year-on-year to €22.3 million, due chiefly to the syndicated credit facility set up in

December 2009 on less attractive financial terms than those previously applicable under the PPR cash current account arrangement.

Other financial income and expenses fell to €4.2 million in 2010, due mainly to lower exchange losses on translating foreign currency assets and liabilities into euros.

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 €69.0 million in 2010 versus €62.5 million in 2009. The overall effective tax rate edged down from 34.7% in 2009 to 33.4% in 2010 (for more information, 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 €2.5 million in 2010 and €3.2 million in 2009. In the statement of financial position, investments in associates represented assets of €21.8 million at December 31, 2010 and €20.5 million at end-2009.

9.2.1.11 Non-controlling interests

Net income attributable to non-controlling interests jumped 29.8% to €40.1 million in 2010 (28.1% of consolidated net income), versus €30.9 million in 2009 (25.5% of consolidated net income). This increase was powered by earnings growth at Brasseries du Congo and Eurapharma subsidiaries in which the Group has partners that hold a significant equity interest in these entities.

9.2.1.12 Net income

As a result of the above, net income attributable to owners of the parent climbed 11.0% to €100.2 million in 2010 from €90.3 million in 2009.

9.3 Analysis of revenue, gross profit and recurring operating income by division for 2009 and 2010

9.3.1 CFAO Automotive

The following table shows key income statement figures for the CFAO Automotive division in 2009 and 2010:

	Year ended December 31		
(in € millions)	**2010**	**2009**	**Change**
Revenue	*1,537.6*	*1,451.4*	*+5.9%*
Recurring operating income	*120.1*	*118.1*	*+1.7%*
As a % of division revenue	*7.8%*	*8.1%*	*–0.3 pt*

9.3.1.1 CFAO Automotive revenue

In 2010, revenue generated by the CFAO Automotive division rose 5.9% year-on-year to €1,537.6 million in 2010 from €1,451.4 million in 2009. Like-for-like (constant scope of consolidation and exchange rates), revenue rose 4.1%.

Exchange rate fluctuations related to the translation of subsidiaries' revenue into euros had a positive 0.8% impact on 2010 revenue. Changes in the scope of consolidation included a positive 1.0% impact resulting from the consolidation of SIAB (importer and distributor of Nissan in Morocco) as from the middle of 2010.

The following table provides a breakdown of CFAO Automotive revenue by category of product or service:

	2010		2009		
	(in € millions)	%	(in € millions)	%	Change
Light vehicles	1,033.4	67.2%	959.3	66.1%	+7.7%
Used vehicles	37.6	2.4%	42.9	3.0%	−12.2%
Heavy trucks and industrial equipment	229.9	15.0%	215.9	14.9%	+6.5%
Services, spare parts and tires	187.5	12.2%	175.5	12.1%	+6.8%
Rental services	18.0	1.2%	20.3	1.4%	−11.6%
Motorcycles and other	31.2	2.0%	37.5	2.6%	−16.7%
Total	**1,537.6**	**100.0%**	**1,451.4**	**100.0%**	**+5.9%**

Revenue derived from sales of new light vehicles grew 7.7%, while revenue from sales of heavy trucks and industrial equipment moved up 6.5%. Revenue from these two categories outpaced sales for the division as a whole. A total of 64,902 new light vehicles and heavy trucks were sold in 2010, down around 3% on 2009 (66,728 vehicles). This decline chiefly reflects a downturn in volumes sold in the Maghreb (Algeria and Morocco) and a drop in demand due to a price strategy aimed at improving gross profit margins in 2010.

Sales of services, spare parts and tires gained 6.8% in 2010, accounting for some 12% of the division's sales. An action plan was launched in the year with the aim of increasing sales of all spare parts and services. The plan will use customer service to carve out a competitive advantage in each country where the Group trades, with the Group seeking to distinguish itself from ''grey dealers'' (unofficial importers). By increasing the contribution of these activities to the division, the action plan also intends to increase the portion of operating fixed costs covered by the margins on these businesses.

Revenue from rentals, used vehicle sales and the assembly of motorcycles declined over the year.

The following table provides a breakdown of CFAO Automotive revenue by geographic area:

	2010	2009	Change on a reported basis	Change on a like-for-like basis
	(in € millions)	(in € millions)		
Revenue				
French-speaking Sub-Saharan Africa	567.5	555.2	+2.2%	+2.8%
Maghreb	420.0	398.9	+5.3%	+0.2%
French Overseas Territories and Other	241.8	223.3	+8.2%	+7.9%
English- and Portuguese-speaking Sub-Saharan Africa	238.0	215.5	+10.4%	+6.9%
France (export)	70.3	58.4	+20.3%	+20.3%
Total	**1,537.6**	**1,451.4**	**+5.9%**	**+4.1%**

Revenue reported by the CFAO Automotive division improved across all geographic areas.

In French-speaking Sub-Saharan Africa, sales rose 2.2%. New vehicles sold by CFAO Automotive in this region edged down around 3% to 15,603 vehicles, on the back of low volumes in the first quarter of the year. Over the year as a whole, Cameroon, Senegal and the Democratic Republic of Congo reported strong sales growth. Due to large-scale social unrest in Côte d'Ivoire towards the end of the year, where political uncertainties concerning the presidential elections took a heavy toll on the economy, sales for this country in December plunged 50% compared to the average sales figures for the first 11 months of the year. Overall, CFAO Automotive reported 2.8% like-for-like sales growth in French-speaking Sub-Saharan Africa.

Sales in English- and Portuguese-speaking Sub-Saharan Africa came in 10.4% higher year-on-year (6.9% higher on a like-for-like basis), at €238.0 million. A total of 10,667 new vehicles were sold in 2010, up 9% on 2009. The Group's main markets in the region contracted around 6% (excluding Angola, where the Group's sales remain very low). Although Nigeria, the biggest market in the region, declined around 14% year-on-year, CFAO Automotive's improved sales performance in the country in 2010 allowed it to capture increased market share.

Revenue generated by the division in the Maghreb climbed 5.3%, aided by the consolidation of SIAB sales as from the middle of the year (importer and distributor of Nissan in Morocco). On a like-for-like basis, sales remained virtually stable, edging up 0.2%. Algerian and Morocco markets continued to contract in 2010, with CFAO reporting a decline of around 9% in vehicles sold, at 30,969. Sales of trucks advanced in Algeria. New regulatory measures introduced in 2009, combined with a tough competitive environment, a strong US dollar and surplus inventory levels in that year had led to a loss of competitiveness in the region. A new pricing strategy aimed at rebuilding gross profit for the division in the Maghreb was rolled out over 2010. An indirect impact of this strategy was a decline in sales volumes, particularly in Algeria.

Revenue growth for the division in Sub-Saharan Africa and the Maghreb outpaced the rise in the number of vehicles sold. The revised pricing strategy for vehicles purchased in foreign currencies (particularly the yen) helped the division offset much of the impact of the rise in these currencies on gross profit margin, allowing it to benefit from higher sales prices in 2010. This boosted revenue in these regions.

In the French Overseas Territories and Other region, sales advanced 8.2% to €241.8 million. Like-for-like, sales climbed 7.9%. In markets that were slightly more upbeat overall, the number of vehicles sold by CFAO totaled 7,418, up 9% on 2009. Sales for the division were especially buoyant in New Caledonia, where the Group was preparing the merger of its subsidiary with Almaméto. Sales were also strong in Reunion. Sales in Vietnam continued to gain ground and will benefit from an expanded product range in 2011.

Revenue for the France (export) region surged 20.3%, reflecting the renewed momentum of direct exports to certain African countries.

9.3.1.2 CFAO Automotive gross profit

The gross profit margin reported by the CFAO Automotive division edged up slightly in 2010 compared to 2009, reflecting the Group's ability to adapt sales prices in order to offset the impact of gains in the US dollar and yen against the euro. The improved gross profit margin also reflects the division's favorable business mix, which saw stronger growth in sales of higher-margin spare parts and services. By geographic area, gross profit margins rallied in the Maghreb and in French overseas territories, while in Sub-Saharan African they were down slightly.

Gross profit was favorably impacted by healthy sales of older vehicles over the year, for which impairment provisions had been set aside in the opening statement of financial position.

9.3.1.3 CFAO Automotive recurring operating income

Recurring operating income reported by CFAO Automotive came in €2.0 million higher (1.7%) at €120.1 million in 2010 (€118.1 million in 2009). The recurring operating profit margin fell 0.3 point in the year, to 7.8%.

Changes in CFAO Automotive's recurring operating profit margin by geographic area are explained below:

- The Maghreb region delivered a steep rise in both recurring operating income and recurring operating profit margin. This essentially reflects the combined impact of growth in sales and improvement in the gross profit margin. This improvement was driven by higher sales prices introduced in 2010 with the aim of improving gross profit margins compared to 2009. Growth in other recurring operating income and expenses outpaced sales growth, due mainly to large-scale commercial investments in Algeria in 2010 aimed at expanding the Group's market share, and to non-recurring charges on letters of credit issued by the Group to pay its Algerian suppliers in 2010.

- CFAO Automotive delivered improved recurring operating income and recurring operating profit margin in French Overseas Territories over the year, thanks to a steep rise in gross profit as well as a tight rein on recurring costs.
- Both English- and Portuguese-speaking Sub-Saharan Africa and French-speaking Sub-Saharan Africa reported a fall in recurring operating income and recurring operating profit margin, due largely to a decline in the gross profit margin on the back of the rising cost of sales resulting from adverse changes in exchange rates.

The recurring operating profit margin for the division as a whole improved over 2010, at 7.1% in the first half and 8.6% in the second half (5.8% in second-half 2009).

9.3.2 Eurapharma

The following table shows key income statement figures for Eurapharma in 2009 and 2010:

	Year ended December 31		
(in € millions)	**2010**	**2009**	**Change**
Revenue	*809.6*	*740.8*	*+9.3%*
Recurring operating income	*71.4*	*60.1*	*+18.8%*
As a % of division revenue	*8.8%*	*8.1%*	*+0.7 pt*

9.3.2.1 Eurapharma revenue

Revenue generated by Eurapharma in 2010 moved up 9.3% year-on-year, to €809.6 million versus €740.8 million one year earlier. Like-for-like, the division's revenue advanced 9.2%. No changes in the scope of consolidation affected Eurapharma in 2010. Revenue growth was powered by a strong rise in sales in Sub-Saharan Africa and for the pre-wholesale business in Algeria and France.

The following table provides a breakdown of Eurapharma revenue by business line:

	2010		2009		
	(in € millions)	**%**	**(in € millions)**	**%**	**Change**
Import-wholesale-resale	648.5	80.1%	602.4	81.3%	+7.7%
Pre-wholesale	114.7	14.2%	99.4	13.4%	+15.4%
Distribution agent	43.1	5.3%	35.7	4.8%	+20.7%
Other	3.3	0.4%	3.2	0.4%	+3.0%
Total	**809.6**	**100.0%**	**740.8**	**100.0%**	**+9.3%**

Import-wholesale-resale. Revenue from the import-wholesale-resale business was generated in French-speaking Sub-Saharan Africa (€321.4 million) and French Overseas Territories and Other (€327.1 million). Revenue for this business moved up €46.1 million (7.7%) in the year, representing 67% of overall revenue growth for the division, due mainly to the 12.6% increase in revenue in French-speaking Sub-Saharan Africa.

Sales advanced across the entire region in 2010, in particular Congo, Mali, Benin and Niger. Sales surged 15% in Côte d'Ivoire, which now represents Eurapharma's third largest market in the region after Senegal and Cameroon.

Sales in French Overseas Territories and Other rose 3.2% in 2010. Sales were fairly vigorous in the French Antilles, posting a rise of around 5% on a comparative 2009 period hit by social unrest at the beginning of the year. In contrast, sales dipped slightly in Reunion amid a tougher competitive environment. During the year, Eurapharma witnessed a parallel pharmaceutical product offering to pharmacists by wholesalers lacking the official status of a wholesale-resale business. If this trend were to continue, it could create unfair competition and have an adverse impact on sales.

Pre-wholesale. Revenue for the pre-wholesale business increased by €15.3 million, or 15.4%, to €114.7 million in 2010, with the strongest gains in France and Algeria.

Distribution agent. Revenue for the distribution agent business, generated exclusively in English- and Portuguese-speaking Sub-Saharan Africa, climbed €7.4 million, or 20.7%, to €43.1 million from €35.7 million in 2009. Revenue growth was especially vigorous in Kenya, where Eurapharma sales account for more than half of the sales in this region.

The following table provides a breakdown of Eurapharma revenue by geographic area:

	2010 (in € millions)	2009 (in € millions)	Change on a reported basis	Change on a like-for-like basis
Revenue				
French Overseas Territories and Other	327.1	317.1	+3.2%	+3.2%
French-speaking Sub-Saharan Africa	321.4	285.3	+12.6%	+13.1%
Maghreb	60.8	54.1	+12.4%	+10.1%
English- and Portuguese-speaking Sub-Saharan Africa	43.1	35.7	+20.7%	+18.1%
France (export)[(1)]	57.1	48.5	+17.7%	+17.7%
Total	**809.6**	**740.8**	**+9.3%**	**+9.2%**

(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 remained virtually stable year-on-year.

9.3.2.3 Eurapharma recurring operating income

Recurring operating income reported by Eurapharma climbed €11.3 million, or 18.8% in 2010, to €71.4 million, reflecting (i) the volume impact linked to the 9.3% rise in revenue on a constant gross profit margin basis, and (ii) a tight rein on overheads. The division posted a further rise in recurring operating profit margin, up to 8.8% in 2010 from 8.1% in 2009.

The rise in recurring operating profit margin by geographic area is explained below:

- The recurring operating profit margin remained stable in the year in French Overseas Territories and French-speaking Sub-Saharan Africa.
- In English-speaking Sub-Saharan Africa, the recurring operating profit margin picked up, thanks to a strong upsurge in business and significant profitability gains in Angola in 2010.
- In the pre-wholesale business, the recurring operating profit margin also advanced, reporting gains in France and Algeria thanks to lower exchange losses than in the previous year.

9.3.3 CFAO Industries

The following table shows key income statement figures for the CFAO Industries division in 2009 and 2010:

(in € millions)	Year ended December 31 2010	2009	Change
Revenue	*221.1*	*279.9*	*−21.0%*
Recurring operating income	*50.3*	*44.3*	*+13.6%*
As a % of division revenue	*22.8%*	*15.8%*	*+7.0 pts*

9.3.3.1 CFAO Industries revenue

Revenue generated by the CFAO Industries division fell 21.0% year-on-year, to €221.1 million in 2010 versus €279.9 million in 2009. Like-for-like, the division's revenue advanced 6.3%.

The following table provides a breakdown of CFAO Industries revenue by business line:

	2010		2009		
	(in € millions)	**%**	**(in € millions)**	**%**	**Change**
Beverages	155.6	70.4%	143.0	51.1%	+8.8%
Plastic products	36.7	16.6%	25.1	9.0%	+46.3%
Other industries	28.8	13.0%	111.8	39.9%	−74.2%
Total	**221.1**	**100.0%**	**279.9**	**100.0%**	**−21.0%**

Revenue generated by the beverages business continued on a strong upward trend, rising 8.8% to €155.6 million from €143.0 million in 2009. This mainly reflects the expansion of the production lines for the beverages business in the Congo. A total of 2.35 million hectoliters of beer and soft drinks were produced by Brasseries du Congo in 2010, up from 2.15 million hectoliters in 2009. Beer accounted for approximately 70% of production, while soft drinks represented 30%.

Revenue for the plastic products business rose sharply up to €36.7 million in 2010, representing more than 16% of the division's sales. Over 200 million pens were produced in 2010. Sales of plastic crates retreated, while sales of razors were up 23%.

Revenue for other industries came in at €34.4 million in the year and reflects:

- the divestment of the wooden crates business in Morocco in September 2010 (revenue totaling €24.2 million in 2009 and €11.5 million in 2010);
- the 24.4% drop in revenue for the motorcycle assembly business, which came in at €5.8 million. This business will be incorporated within CFAO Automotive in 2011;
- Structec Sofitam's equipment distribution business in Nigeria (hydraulic engineering equipment, petrol pumps and site equipment). Revenue reported by Structec Sofitam came in 14.3% higher year-on-year, at €11.5 million.

The following table provides a breakdown of CFAO Industries revenue by geographic area:

	2010 (in € millions)	2009 (in € millions)	Change on a reported basis	Change on a like-for-like basis
Revenue				
French-speaking Sub-Saharan Africa	168.0	155.4	+8.1%	+8.1%
Maghreb	17.3	30.7	−43.4%	+5.8%
English- and Portuguese-speaking Sub-Saharan Africa	30.3	82.9	−63.5%	+19.6%
France (export)	5.6	10.9	−48.5%	−48.5%
Total	**221.1**	**279.9**	**−21.0%**	**+6.3%**

9.3.3.2 CFAO Industries gross profit

The division's gross profit margin increased sharply in 2010, boosted by the divestment of lower-margin trading activities.

9.3.3.3 CFAO Industries recurring operating income

Recurring operating income reported by CFAO Industries climbed 13.6% year-on-year to €50.3 million from €44.3 million in 2009. This strong performance results chiefly from gains in the gross profit margin powered by the divestment of lower-margin trading activities. The division posted a seven-point rise in recurring operating profit margin, up to 22.8% in 2010 from 15.8% in 2009.

Breakdown by business line:

- recurring operating profit margin for the beverages business remained virtually stable year-on-year, with a favorable volume impact arising on growth in production offset by a rise in variable production costs and depreciation/amortization;
- recurring operating income and recurring operating profit margin for the plastic products business improved in 2010, due mainly to the rise in gross profit.

9.3.4 CFAO Technologies

The following table shows key income statement figures for CFAO Technologies in 2009 and 2010:

	Year ended December 31		
(in € millions)	**2010**	**2009**	**Change**
Revenue	*107.8*	*110.0*	*−2.0%*
Recurring operating income	*6.7*	*4.1*	*+61.7%*
As a % of division revenue	*6.2%*	*3.8%*	*+2.4 pts*

9.3.4.1 CFAO Technologies revenue

Revenue reported by CFAO Technologies fell 2.0% year-on-year, to €107.8 million in 2010 from €110.0 million in 2009.

On a like-for-like basis, revenue declined 3.1%.

The following table provides a breakdown of CFAO Technologies revenue by business line:

	2010 (in € millions)	2010 %	2009 (in € millions)	2009 %	Change
Solutions	62.2	57.7%	56.7	51.5%	+9.7%
Equipment	31.4	29.1%	36.3	33.0%	−13.5%
Products	14.2	13.2%	17.0	15.5%	−16.5%
Total	**107.8**	**100.0%**	**110.0**	**100.0%**	**−2.0%**

Business in the first half of 2010 slowed considerably, with sales down 21.1% at €45.0 million year-on-year. However, second-half business rallied thanks to a significant upturn in billing by the solutions and equipment businesses.

Solutions sales increased 9.7% in the year, buoyed by new data centers in Algeria and sales advances in Burkina Faso, Côte d'Ivoire and Gabon.

The Otis elevator installation and maintenance business reported €31.4 million in revenue for 2010, down 13.5% on 2009. The downturn was significant in Nigeria, where the comparative 2009 period had been boosted by high billing levels. Sales in Cameroon and Côte d'Ivoire performed well in 2010.

Revenue for the products business (sale, rental and maintenance of photocopiers and converters for computer rooms) continued on a downward trend in 2010, reflecting the decision to curb the contribution of this low-margin business.

Maintenance operations carried out by CFAO Technologies accounted for 20.3% of the division's revenue, up 12.9% compared to one year earlier.

The following table provides a breakdown of CFAO Technologies revenue by geographic area:

	2010 (in € millions)	2009 (in € millions)	Change on a reported basis	Change on a like-for-like basis
Revenue				
French-speaking Sub-Saharan Africa	71.3	71.5	−0.3%	−0.3%
English- and Portuguese-speaking Sub-Saharan Africa	20.3	24.3	−16.6%	−20.2%
Maghreb	11.0	8.1	+36.4%	+34.0%
France (export)	5.1	6.0	−15.1%	−15.1%
Total	**107.8**	**110.0**	**−2.0%**	**−3.1%**

9.3.4.2 CFAO Technologies gross profit

Gross profit for the CFAO Technologies division was up slightly in 2010 despite the dip in revenue, reflecting a favorable mix in higher-margin maintenance operations.

9.3.4.3 CFAO Industries recurring operating income

Recurring operating income for the CFAO Technologies division came in at €6.7 million in 2010, up 61.7% on 2009. The recurring operating profit margin also advanced, thanks to a rise in gross profit and only a limited increase in recurring operating expenses.

9.4 Critical 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 2010 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 annual 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 24, ''Provisions'', to the 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 23, ''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. Goodwill represented 6.6% of total assets at December 31, 2010 (6.5% at December 31, 2009), and related mainly to CFAO Automotive, Eurapharma, and acquisitions undertaken to reinforce CFAO Technologies.

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 or 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 2009 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 €70.6 million at December 31, 2010 (€52.3 million at December 31, 2009). For more information, see Note 11.3, ''Unrecognized deferred tax assets'' to the annual 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 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 methods''.

9.6 Financial consequences of listing CFAO's shares on Euronext Paris in December 2009

The listing of CFAO's shares on Euronext Paris resulted in changes in the Group's relations with PPR in 2010 and additional ongoing recurring costs related to being a listed company, such as:

(i) costs relating to the reinforcement of internal teams to handle investor relations, communication, treasury functions and currency hedging transactions;

(ii) increased costs resulting from CFAO's new governance structure (directors' attendance fees, cost of General Shareholders' Meetings, etc.);

(iii) higher legal fees, audit fees and other fees relating to compliance with the obligations of a listed company, particularly in terms of financial reporting;

(iv) costs relating to setting up a liquidity agreement for the Company's shares;

(v) costs relating to any new stock option, performance share or similar long-term profit-sharing plan (costs previously covered by PPR).

The listing of the Company's shares on Euronext also resulted in key changes to the Group's relations with PPR:

- The Group negotiates its currency hedging agreements directly with banks and no longer with PPR as an intermediary (see section 9.1.2.2 of this Reference Document, ''Exchange rate fluctuations''). The Group has put in place the necessary arrangements with the banks concerned.
- The Group took out new insurance policies at the end of a transitional period during which it continued to benefit from PPR's policies against operating damages and losses and civil liability. The increase in the cost of insurance did not have a material impact on the recurring operating profit margin.
- The tax consolidation agreement with PPR was terminated. The Group set up a new tax consolidation agreement with its French subsidiaries effective January 1, 2010. The Group believes that this agreement will enable it to optimize its future tax liability in France, where applicable, by allowing it to use tax loss carry-forwards instead of transferring them to PPR's tax consolidation group (see section 9.1.3.9 of this Reference Document, ''Income tax'').
- The Group will no longer benefit from the agreement with Buyco, which acted 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.
- As a reminder, in December 2009, CFAO proceeded to the reimbursement of a current account with PPR. At the same time, the Group entered into a syndicated credit facility agreement with a pool of banks (see Chapter 10). Initially with a three year term, the facility was extended by one year in 2010.

CHAPTER 10 – CAPITAL RESOURCES

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. In 2010, the maturity of this syndicated credit facility was extended until December 9, 2013.

The Group estimates that its financing requirements in 2011 (other than working capital requirement) will include the repayment of drawdowns on the syndicated credit facility (amounting to €90.0 million at December 31, 2010), gross operating investments (amounting to €69.4 million for 2010, and an estimated amount of around €85 million for 2011), dividend payments to shareholders in respect of 2010, 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, 2009 and 2010 totaled €127.8 million and €133.1 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 €240.6 million and €274.3 million in 2009 and 2010, respectively. Cash flow from operating activities before tax, dividends and interest is calculated by adding 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 one year; 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, 2009 and 2010. 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, 2010	Dec. 31, 2009
Gross borrowings	**(333.6)**	(389.8)
Cash	**133.1**	127.8
Net debt	**(200.5)**	**(262.0)**

10.2.2 Borrowings

10.2.2.1 Outstanding borrowing at December 31, 2010

The Group's gross debt totaled €389.8 million and €333.6 million at December 31, 2009 and 2010, respectively. The table below reflects the breakdown of the Group's gross debt as of these dates. The decrease in gross debt in 2010 is mainly due to fewer drawdowns on the syndicated credit facility (recorded in ''Confirmed lines of credit'') as shown below. For further information regarding changes in net debt, see section 10.4.5 ''Change in net debt''. In 2009 and 2010, average net debt outstanding amounted to €334 million and €274 million, respectively.

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Confirmed lines of credit	**91.6**	132.1
Other bank borrowings	**15.2**	23.0
Obligations under finance leases		
Employee profit-sharing	**2.2**	2.2
Bank overdrafts	**218.9**	209.1
Other borrowings	**5.7**	23.4
Total	**333.6**	**389.8**

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 CFAO's stock market listing. Drawdowns on this facility amounted to €90.0 million at December 31, 2010.

- *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 *(€23.0 million at December 31, 2009 and €15.2 million December 31, 2010; 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, 2009 and December 31, 2010 totaled €209.1 million and €218.9 million, respectively. At December 31, 2009 and December 31, 2010, the Group was authorized to draw up to €525 million and €559 million, respectively, under its unconfirmed bank overdraft lines (including drawdowns as of those dates).

- *Other (€2.2 million at December 31, 2009 and €2.2 million at December 31, 2010).* Employee profit-sharing is also classified within borrowings.

- *Other borrowings (€23.4 million at December 31, 2009 and €5.7 million at December 31, 2010).*

The following table sets out the Group's borrowings by currency at December 31, 2010.

(in € millions)	Dec. 31, 2010	Non-current borrowings	Current borrowings	%	Dec. 31, 2009
Euro	**113.4**	91.9	21.5	34.0%	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	14.9%	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	4.3	1.3%	4.4
Total	**333.6**	**99.0**	**234.6**		**389.8**

The following table sets out the Group's debt repayment schedule at December 31, 2010.

(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		
Obligations under finance leases							
Employee profit-sharing	**1.8**		0.3	0.7	0.4	0.3	
Other borrowings	**0.0**		0.0				
Current borrowings	**234.6**	**234.6**					
Confirmed lines of credit	**1.6**	1.6					
Other bank borrowings	**8.1**	8.1					
Obligations under finance leases							
Employee profit-sharing	**0.4**	0.4					
Bank overdrafts	**218.9**	218.9					
Other borrowings	**5.7**	5.7					
Total	**333.6**	**234.6**	**5.6**	**92.4**	**0.6**	**0.3**	
%		**70.3%**	**1.7%**	**27.7%**	**0.2%**	**0.1%**	

The principal borrowings with maturities of less than one year include bank overdrafts, which amount to €218.9 million at December 31, 2010. 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 €90.0 million had been drawn down at December 31, 2010, is a revolving facility with no fixed maturity date but with an initial maturity of three years, subsequently extended by one year. At December 31, 2010, the current portion under medium-term bank borrowings amounted to €8.1 million.

Description of 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 2010, i.e., up to December 9, 2013.

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:* The Company undertakes, at each assessment date (June 30 and December 31 each year) 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 consolidated EBITDA (i.e., the Group's recurring operating income plus depreciation, amortization and provisions for non-recurring 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 80% or less; and

  (iii) maintain off-balance sheet commitments given by Group entities to third parties, such as those described in the line ''Other commitments given'' 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 2010, see Chapter 20 of the Reference Document, and in particular Note 33 to the consolidated financial statements.

At December 31, 2010, 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 €15.2 million at December 31, 2010) 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'' 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 €69.3 million in 2009 and €69.4 million in 2010. These amounts chiefly concern acquisitions of property, plant and equipment (€65.7 million and €66.4 million in 2009 and 2010, 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 2010 by the parent company.* Dividends paid by CFAO amounted to €77.0 million in 2009 and €48.0 million in 2010, 2010 dividend representing 50% of 2009 net income attributable to owners of the parent adjusted for one-off IPO expenses after tax.

- *Dividends paid to non-controlling interests of consolidated subsidiaries.* These dividends, which totaled €26.4 million and €21.6 million in 2009 and 2010, respectively, 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 requirement

The Group's working capital requirement (see Note 22 to the consolidated financial statements) at December 31, 2009 and December 31, 2010 amounted to €401.7 million and €383.2 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 ''Public service obligations'' of this Reference Document). In the CFAO

Industries division, the Group manages its inventory levels based on the forecast demand for its products. In the CFAO Technologies division, 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 (€111.2 million at December 31, 2009 and €126.3 million at December 31, 2010) mainly relating to CFAO Automotive and Eurapharma; and (ii) other intangible assets (€22.6 million at December 31, 2009 and €26.0 million at December 31, 2010), mainly relating to trademarks, leasehold rights, concessions, licenses and software. Non-current assets also include property, plant and equipment representing €262.8 million at December 31, 2009 and €279.0 million at December 31, 2010. At end-2010, this item includes land, buildings, fixtures and fittings for €156.9 million, and technical equipment, IT equipment and other property, plant and equipment and assets in progress for €122.1 million. Investments in associates (€21.8 million at December 31, 2010) and non-current financial assets (€42.9 million at December 31, 2010) 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, 2010, 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 issuer's assets and liabilities, financial position and profits and losses'' of this Reference Document.

	Payments due by period				
(in € millions)	**Less than one year**	**One to five years**	**More than five years**	**Dec. 31, 2010**	**Dec. 31, 2009**
Non-current borrowings	0.0	99.0	0.0	**99.0**	149.6
Operating lease agreements	18.3	29.8	8.2	**56.4**	43.9
Binding purchase commitments	183.9	0.0	0.0	**183.9**	98.9
Total commitments given	**202.2**	**128.8**	**8.2**	**339.3**	**292.4**

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 €22.7 million in 2010. Commitments relating to non-cancelable rental payments totaled €56.4 million at December 31, 2010.

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 issuer's assets and liabilities, financial position and profits and losses'' of this Reference Document).

(in € millions)	Payments due by period Less than one year	One to five years	More than five years	Dec. 31, 2010	Dec. 31, 2009
Bank guarantees	9.3			**9.3**	4.7
Rent guarantees, property guarantees	7.8		0.1	**7.9**	8.5
Tax guarantees	1.5			**1.5**	0.5
Customs securities	34.0	2.0		**36.0**	38.2
Other commitments	390.3	10.9	2.3	**403.5**	329.3
Total commitments given	**442.8**	**12.9**	**2.4**	**458.1**	**381.1**

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.

''Guarantees given to banks'' 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 flow

The following table sets out the Group's cash flow for the periods indicated.

(in € millions)	2010	2009
Net cash from operating activities	**231.0**	**203.1**
Net cash used in investing activities	**(66.6)**	**(38.8)**
Net cash from (used in) financing activities	**(162.6)**	**27.5**
Impact of exchange rate variations	**(4.5)**	0.8
Impact of treasury shares	**(0.7)**	
Other movements	**(0.9)**	(0.1)
Net increase (decrease) in cash and cash equivalents	**(4.2)**	**192.6**

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)	2010	2009
Net income	**140.3**	**121.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	**43.1**	39.6
Proceeds on disposal of leasing fleets (amendment to IAS 16)	**2.1**	5.2
Other non-cash income and expenses	**(1.3)**	(11.8)
Cash flow from operating activities	**184.2**	**154.1**
Interest paid/received	**26.6**	27.5
Dividends received	**(1.0)**	(0.8)
Net income tax payable	**64.5**	59.8
Cash flow from operating activities before tax, dividends and interest	**274.3**	**240.6**
Change in working capital requirement	**17.1**	36.2
Income tax paid	**(60.4)**	(73.7)
Net cash from operating activities	**231.0**	**203.1**

Net cash from operating activities amounted to €231.0 million in 2010 compared to €203.1 million in 2009. The €27.9 million increase in this caption reflects a €33.7 million increase in cash flow from operating activities before tax, dividends and interest, and a €13.3 million fall in income tax paid which offset a €19.1 million need in working capital.

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 €274.3 million in 2010 compared to €240.6 million in 2009.

10.4.1.2 Change in working capital

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, CFAO's working capital had fallen to 14.3% at December 31, 2010 from 15.6% one year earlier. Inventory increased from 23.8% of revenue at end-2009 to 27.8% at end-2010. The increase in inventory corresponds to inventories brought in to meet the upturn in business activities, and leads to a corresponding increase in accounts payable from 15.0% of revenue at end-2009 to 21.3% of revenue at December 31, 2010. Trade receivables as a percentage of revenue remained virtually stable at 13.7% at end-2010 compared with 13.0% one year earlier.

10.4.2 Net cash used in investing activities

Net cash used in investing activities includes (i) net purchases and disposals of property, plant and equipment (net operating investments), (ii) net purchases and disposals of subsidiaries, net of cash acquired or transferred, and (iii) net purchases and disposals of other financial assets and (iv) interest and dividends received (net financial investments). Investing activities generated net cash outflows of €38.8 million and €66.6 million in 2009 and 2010, respectively (see Note 32.3 to the consolidated financial statements, in Chapter 20 of this Reference Document).

(in € millions)	2010	2009
Purchases of leasing fleets (amendment to IAS 16)	**(9.0)**	(4.3)
Other purchases of property, plant and equipment and intangible assets	**(60.4)**	(65.0)
Proceeds from disposals of property, plant and equipment and intangible assets	**8.3**	5.1
Acquisitions of subsidiaries, net of cash acquired	**(15.2)**	(3.6)
Proceeds from disposals of subsidiaries, net of cash transferred	**8.4**	19.4
Purchases of other financial assets	**(14.0)**	(14.0)
Proceeds from sales of other financial assets	**13.1**	9.8
Change in consolidation method (full consolidation to equity-accounted)	**0.3**	12.4
Interest and dividends received	**1.8**	1.3
Net cash used in investing activities	**(66.6)**	**(38.8)**

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	CFAO Technologies	Holding company & other	Total
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	22.7	7.4	28.8	0.9	0.6	**60.4**
Proceeds from disposals of property, plant and equipment and intangible assets, gross						**(8.3)**
Net operating investments						**61.0**
As of December 31, 2009						
Purchases of leasing fleets (amendment to IAS 16)	4.3					**4.3**
Other purchases of property, plant and equipment and intangible assets, gross	25.6	6.1	32.4	0.7	0.2	**65.0**
Proceeds from disposals of property, plant and equipment and intangible assets, gross						**(5.1)**
Net operating investments						**64.2**

Net operating investments amounted to €61.0 million in 2010 and gross operating investments (i.e., acquisitions of property, plant and equipment) totaled €69.4 million. Of this amount, €24.8 million was used to increase the production capacity of Brasseries du Congo in the CFAO Industries division, and €31.7 million was used to finance investments by CFAO Automotive (including €14.1 million for renovations of the CFAO Automotive sales network). Proceeds from disposals of property, plant and equipment during 2010 totaled €8.3 million and concerned disposals of non-strategic assets mainly non-operating real estate assets.

10.4.2.2 Net financial investments

Net financial investments can be broken down as follows for the fiscal years indicated:

(in € millions)	2010	2009
Acquisitions of subsidiaries, net of cash acquired	**(15.2)**	(3.6)
Proceeds from disposals of subsidiaries, net of cash transferred	**8.4**	19.4
Purchases of other financial assets	**(14.0)**	(14.0)
Proceeds from sales of other financial assets	**13.1**	9.8
Change in consolidation method (full consolidation to equity-accounted)	**0.3**	12.4
Interest and dividends received	**1.8**	1.3
Net financial investments	**(5.6)**	**25.3**

Net financial investments, i.e., acquisitions of subsidiaries (net of cash received), net of disposals of subsidiaries (net of cash transferred), plus acquisitions of other financial assets net of disposals of other financial assets, plus interest and dividends received, generated net cash outflows of €5.6 million in 2010 and net cash inflows of €25.3 million in 2009.

''Acquisitions of subsidiaries, net of cash acquired'' mainly concerns the takeover of SIAB.

''Other financial assets'' notably comprises loans granted (acquisitions) or repaid (disposals) by pharmacists through subsidiaries in the Eurapharma division. These loans are generally granted in order to assist pharmacists in setting up their businesses in the aim of fostering customer loyalty. In 2009, ''Changes in consolidation method'' includes the impact of changing the consolidation method for Almameto to the equity method.

10.4.3 Net cash from (used in) financing activities

Net cash from (used in) financing activities can be broken down as follows for the fiscal years indicated.

(in € millions)	2010	2009
Share capital increase/decrease	**0.5**	1.6
Treasury share transactions		
Dividends paid to owners of the parent company	**(48.0)**	(77.0)
Dividends paid to non-controlling interests	**(21.6)**	(26.4)
Issuance of debt	**12.2**	172.1
Repayment of debt	**(78.6)**	(14.8)
Interest paid and equivalent	**(27.0)**	(28.1)
Net cash from (used in) financing activities	**(162.6)**	**27.5**

Financing activities as shown above generated net cash inflows of €27.5 million in 2009 and net cash outflows of €162.6 million in 2010. The main uses of cash for financing activities in 2010 were:

- payment of dividends to the parent company, for €48.0 million;
- interest paid and equivalent, totaling €27.0 million;
- payment of dividends to non-controlling interests in consolidated subsidiaries, for a total amount of €21.6 million;
- repayment of loans and other borrowings, for €78.6 million, €42.1 million of which relates to the syndicated credit facility.

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 acquisitions of property, plant and equipment and intangible assets.

(in € millions)	2010	2009
Net income	**140.3**	**121.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	**43.1**	39.6
Proceeds on disposal of leasing fleets (amendment to IAS 16)	**2.1**	5.2
Other non-cash income and expenses	**(1.3)**	(11.8)
Cash flow from operating activities	**184.2**	**154.1**
Interest paid/received	**26.6**	27.5
Dividends received	**(1.0)**	(0.8)
Net income tax payable	**64.5**	59.8
Cash flow from operating activities before tax, dividends and interest	**274.3**	**240.6**
Change in working capital requirement	**17.1**	36.2
Income tax paid	**(60.4)**	(73.7)
Net cash from operating activities	**231.0**	**203.1**
Purchases of leasing fleets (amendment to IAS 16)	**(9.0)**	(4.3)
Other purchases of property, plant and equipment and intangible assets	**(60.4)**	(65.0)
Proceeds from disposals of property, plant and equipment and intangible assets	**8.3**	5.1
Free operating cash flow	**170.0**	**138.9**

Free operating cash flow amounted to €138.9 million in 2009 and €170.0 million in 2010. The year-on-year increase in this item is chiefly attributable to changes in net cash from operating activities (particularly improved cash flow from operating activities not used up by the increase in working capital requirement generally accompanying growth periods) (see section 10.4.1 ''Net cash from operating activities'' and section 10.4.2.1 ''Net operating investments'').

10.4.5 Change in net debt

The change in net debt between December 31, 2009 and December 31, 2010 can be analyzed as follows:

(in € millions)	2010	2009
Net debt at January 1	**(262.0)**	**(298.0)**
Free operating cash flow[(1)]	**170.0**	138.9
Interest paid net of dividends received	**(25.2)**	(26.8)
Net acquisitions and disposals of subsidiaries, net of cash acquired or transferred	**(6.8)**	15.8
Purchases and sales of other financial assets (net)	**(0.9)**	(4.2)
Dividends paid	**(69.6)**	(103.3)
Other[(2)]	**(6.0)**	15.6
Net debt at December 31	**(200.5)**	**(262.0)**

(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.*

The year-on-year decrease in net debt at December 31, 2010 is mainly attributable to the robust level of free operating cash flow resulting from an improvement in cash flow from operating activities and a decrease in dividend payments (dividends paid by the parent company amounted to €48.0 million in 2010 versus €77.0 million in 2009), and to net cash generated on disposals of subsidiaries and other financial assets.

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. In the CFAO Industries 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 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, after which it becomes a sub-license of 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 OAPI (African Intellectual Property Organization) on May 2, 1991.

CHAPTER 12 – TREND INFORMATION AND OBJECTIVES

12.1 Trends and recent developments

The Group's general operating environment in 2011 is marked by significant uncertainties as to the outcome of the political crisis in Côte d'Ivoire, the need for extra vigilance with regard to the security situation in the Sahel, and the risks of contagion of political and social upheaval in North Africa (see ''Business in emerging and pre-emerging African markets and countries'' under Chapter 4 ''Risk factors'' of this Reference Document). A number of major countries have scheduled elections during 2011.

However, the International Monetary Fund (IMF) confirmed the positive growth outlook for Africa in 2011 and beyond.

Against this backdrop, the recent trends and outlook for each division in 2011 are the following:

The positive momentum of CFAO Automotive observed in the second half of 2010 is set to continue on African markets amid heightened competition in French-speaking Sub-Saharan Africa. More moderate growth is expected in the French overseas territories. Key priorities for the year include the integration of several acquisitions negotiated in 2010 and the implementation of new distribution agreements (see Chapter 7, section 7.2.4 ''Acquisitions and divestitures over the past three years'').

The Group assumes that the Japanese yen will remain at its present level.

The growth of Eurapharma's sales in Africa is expected to continue through 2011.

Furthermore, the Group expects both the pace of growth at CFAO Industries and the strong booking momentum at CFAO Technologies to carry over into 2011. CFAO has already set in motion network organization plans across seven countries at CFAO Equipment, as well as the expansion of its vehicle and equipment Rental services (see section 12.2 below on activities outside the business scope at the time of the IPO).

The Group does not wish to make any projections regarding revenue, recurring operating margin and free operating cash flow in 2011.

12.2 Medium-term outlook

In 2010, CFAO worked on a new medium-term plan. This three-year plan, reviewed and approved by the Supervisory Board on October 29, 2010, confirms and clarifies the growth potential of each of the Group's divisions. It confirms the startup of new activities in 2011, reaffirms the need to maintain geographic and business diversity, and confirms the place of specialized distribution as the CFAO Group's core business.

Specialized distribution links the Group's main divisions, generates development opportunities and will provide the platform for the Group to take advantage of the gradual emergence of new consumers in Africa.

With respect to the Group's business portfolio at the time of the IPO, the outlook and objectives set out in the plan for the period 2011 to 2013 are as follows:

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, develop new sales channels through clinics and NGOs and seize consolidation opportunities in the French overseas territories. These areas of development confirm Europharma's major market potential.

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 and to step up the contribution of after-sale 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 Group is planning to refocus the division's activities around the products and IT solutions segments (revenue of €76 million in 2010), which have significant growth potential. The Group is also considering strategic partnerships that can enhance this potential.

New development and directions have been defined that stretch beyond the Group's business scope at the time of the IPO.

A new business, CFAO Equipment, dedicated to supplying maintenance equipment and services to the construction, mining and agriculture sectors was created in early 2011. The Group intends to develop dedicated, specialized structures drawing on the existing CFAO network. The Group plans to enter into negotiations for the purpose of signing distribution agreements in several African countries. The division's elevator installation and maintenance activities, which became part of the Technologies division in 2010, will be transferred to CFAO Equipment in 2011.

The Group plans to expand its vehicle and equipment rental services in the framework of its Rental business in order to provide a springboard for the development of CFAO Automotive and CFAO Equipment. Over recent years, CFAO has successfully developed short- and long-term vehicle rental service offerings in a handful of pilot countries (Gabon, Côte d'Ivoire and Cameroun). This offering is slated for rollout to civil engineering, mining and agricultural equipment in 2011.

The CFAO Equipment and Rental services businesses will soon be integrated into the CFAO Industries division, which will subsequently be renamed.

The full details of this reorganization of the Group's divisions will be published at the same time as the presentation of CFAO's 2011 first-quarter revenue.

The Group is actively exploring opportunities for acquisition and/or creation of new business lines in specialized distribution (B2B) and (B2C) and has confirmed the positioning of specialized distribution as its core business. CFAO has particularly solid experience in this activity, which represents a significant growth vector in Africa.

Overall, the Group confirms the objectives set out in its 2009 Reference Document: an average annual revenue growth of 10% during the 2010-2013 period, a recurring operating profit margin towards the higher end of the range it recorded during the last ten years and gross operating investments that should reach from 2012 onwards a normalized level of operating investments to revenues of 1.0% to 1.3% (excluding new investment projects as described hereafter).

Moreover, as from 2011, CFAO plans to implement a €30 million dedicated operating capital expenditure program aimed at structuring its new growth vectors (CFAO Equipment and Rental services), as well as investments in additional capacity for Eurapharma that were not envisaged at the time of the IPO (see Chapter 5, section 5.2.3 ''Main planned investments'' (sub-section b)). These operating investments will come in 2011 on top of the principal planned investments, described in section 5.2.3 above mentionned (sub-section a) and bring the total operating investments for the year to €85 million.

The Group also intends to pursue its efforts to optimize its working capital requirements.

The Group continues to envisage an annual dividend pay-out ratio of approximately 40% to 60% of attributable net income for the year.

The earthquakes in Japan on March 11, 2011 have led to a number of disruptions in the Japanese automobile industry (see the paragraph on ''Risks related to developments in the automobile industry'' in Chapter 4 ''Risk factors'', section 4.2 ''Risks relating to the Group's businesses'' of this Reference Document). The medium-term objectives set out below do not take into account the long-term difficulties the Group may face in obtaining supplies of Japanese vehicles should the present situation persist. Similarly, these objectives do not take into account a continuation of the political crisis in Côte d'Ivoire (the situation in Côte d'Ivoire is also described in Chapter 4 of this document on the Risk Factors under section 4.1 ''Risk relating to the business and regulatory environment'' and ''Business in emerging and pre-emerging African markets and countries'').

The Group will publish a statement at a later date in the event that the fallout of the situations in Japan and in Côte d'Ivoire should force the Group to review its medium-term plan.

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 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 (other than those held in a subsidiary of the Company)
Richard Bielle 48 years old Date of first appointment: October 5, 2009	Chairman of the Management Board	*In the CFAO Group:* Chairman and CEO of SFCE until October 27, 2010 Chairman and CEO of CMM until July 8, 2010 Chairman of the Board of Directors of Ménard Automobiles Director of SIGM (Madagascar), SIRH (Madagascar), SME (Madagascar), Austral Autos (Madagascar), Socimex (Madagascar) Director of IMC (Mauritius) until July 1, 2010 and of Capstone International Ltd (Mauritius), Capstone Corporation Ltd (Mauritius) and Openasia Equipment Limited (China) Director of CFAO Motors Maroc (Morocco) until December 9, 2010 Chairman of the Board of Directors of CFAO Motors Maroc (Morocco) (until December 9, 2010) and Diamal (Algeria) Chairman and CEO of Intermotors (New Caledonia) Permanent representative of Gerefi on the Board of Directors of SEP Permanent representative of Mercure Consult on the Board of Directors of Eurapharma	N/A

Name	Principal position within the Company	Current positions and functions	Other positions and functions held within the past five years (other than those held in a subsidiary of the Company)
Olivier Marzloff 52 years old Date of first appointment: October 5, 2009	Member of the Management Board and Chief Financial Officer	*In the CFAO Group:* Chairman and CEO of SFCE since October 27, 2010 Permanent representative of Domafi on the Board of Directors of Alios Finance Permanent representative of HDS on the Board of Directors of SFCE Legal manager (*gérant*) of CFAO Technologies Legal manager of Cotafi Legal manager of Domafi Legal manager of Gerefi Legal manager of Sevragim Director of DT Dobie Kenya	Director of United Retail Group Inc., Redcats USA, Redcats USA Management Service, Redcats USA, LP 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. Director Board Redcats (USA) LLC Trustee Administration BL Finance Company
Jean-Yves Mazon 61 years old Date of first appointment: October 5, 2009	Member of the Management Board	*In the CFAO Group:* Chairman and CEO, and Director of Eurapharma Chairman of the Board of Directors and Director of Soredip (Reunion) Director of Sopharma (French Antilles), E.P. DIS, Promo Pharma (Benin), Somaphar (Madagascar), Uniphart (Togo) since April 15, 2010, East Pharm Ltd (Mauritius) since November 19, 2010 Director and permanent representative of Serom since 2010 on the Board of Laborex Senegal, Pharmagabon, Copharmed (Côte d'Ivoire), Laborex Cameroon, Laborex Congo, Laborex Mali, Laborex Guinea, Laborex Burkina (Burkina Faso), Laborex Niger Permanent representative of Serom on the Board of Laborex Tchad since March 18, 2010 Director of S.P.G. (Guiana) Chairman and CEO, and Director of Tahiti Pharm Legal manager of SECA, Continental Pharmaceutique 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 since May 17, 2010 Director (then permanent representative of Eurapharma since January 4, 2010) on the Board of OCDP Chairman of the Board of Directors of CFAO Technologies (Mali) Director of Gokals Laborex Limited (Ghana) since June 10, 2010, Laborex Kenya Limited since September 24, 2010, E.P.DIS Kenya Limited since September 24, 2010 Permanent representative of Eurapharma and Chairman of the Board of Directors of Eurapharma Distribution SPA (Algeria) since January 2010 *Functions outside the CFAO Group:* French Foreign Trade Consultant	N/A

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. He joined CFAO in 1999 as Director of Development for the Automotive division's operations and also became CFAO's head of finance in 2002. In 2005, he was appointed Chief Operating Officer of CFAO Automotive. 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 of 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 is an ISG graduate 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 before joining CFAO. He joined CFAO on June 30, 2008 as Corporate Secretary (*Secrétaire général*) in charge of the finance, legal, tax, insurance, IT and audit departments. He was appointed to the Management Board on October 5, 2009 and still serves as Corporate Secretary.

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 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 Chief Operating Officer of the Group's Eurapharma division.

14.1.2 Supervisory Board

In 2010, 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
Michel Friocourt(1)	October 5, 2009	May 17, 2010	–
Cheick Modibo Diarra	November 16, 2009	Date of the Annual General Meeting to be held in 2011	250
Pierre Guénant	November 16, 2009	Date of the Annual General Meeting to be held in 2011	250
Alexandre Vilgrain	November 16, 2009	January 25, 2011	250
Nathalie Delapalme(2)	May 17, 2010	Date of the Annual General Meeting to be held in 2014	250
Jean-Charles Pauze(3)	February 8, 2011	Date of the Annual General Meeting to be held in 2012	250

(1) *Michel Friocourt resigned from his functions as Member of the Supervisory Board on May 17, 2010.*

(2) *Nathalie Delapalme was appointed by the Annual General Meeting of May 17, 2010.*

(3) *Jean-Charles Pauze was provisionally appointed by the Supervisory Board to replace Alexandre Vilgrain who resigned. His appointment will be submitted for approval at the Annual General Meeting to be held in 2011.*

The members of the Supervisory Board hold the following positions:

Name	Principal position within the Company in 2010	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 the Company)
Alain Viry 62 years old Date of first appointment: October 5, 2009	Chairman of the Supervisory Board Chairman of the Nomination Committee and the Sustainable Development Committee	*Positions in the CFAO Group*: Chairman of the Board of Directors of Bavaria Motors Algérie Spa and E.P. DIS France SA Director of Tridecon until May 31, 2010 Permanent representative of Gerefi on the Board of Directors of Ménard Automobiles Director of Capstone Limited *Positions outside the CFAO Group*: Director of CIAN (French Council of Investors in Africa) *Functions*: Vice Chairman of the Africa Committee of Medef International Chairman of the Sida-Entreprises Association	Chairman and CEO of CFAO SA Member of the Executive Committee of PPR Non-voting director (*censeur*) on the Board of Directors of PPR Legal manager (*gérant*) of Alisfloh Legal manager of SCI Viry-Young and SCI Viry-Young Bolivar
François-Henri Pinault 48 years old Date of first appointment: October 5, 2009	Vice Chairman of the Supervisory Board Chairman of the Compensation Committee	*Positions outside the CFAO Group*: Chairman and CEO of PPR Manager of Financière Pinault Chairman of the Board of Directors of Artémis Member of the Management Board of SC Château Latour Board Member of Christie's International Plc Chairman of the Supervisory Board of Puma AG Chairman of the Supervisory Board of Gucci Group N.V. Vice Chairman of the Supervisory Board of Boucheron Holding SAS Director of Fnac SA Member of the Supervisory Board of Yves Saint Laurent SAS Director of Sapardis Director of Bouygues SA Director of Soft Computing Vice Chairman of the Board of Directors of Sowind Group (Switzerland)	Director of Simetra Obligations (between May 2003 and December 2006) Chairman and CEO of Redcats SA (between December 2008 and April 2009) Director of Tennessee (between 2001 and November 2009)
Cheick Modibo Diarra 58 years old Date of first appointment: November 16, 2009	Member of the Supervisory Board Member of the Compensation Committee and of the Sustainable Development Committee	*Positions outside the CFAO Group*: Chairman (non executive) of Microsoft for Africa and the Middle East Chairman/founder of the Pathfinder Foundation for Education and Development Director of Harmony Mining	Chairman of the Board of Directors of Ecobank-Mali Member of the Board of Directors of Ecobank Transnational Incorporated Member of the Supervisory Board of the *Fondation pour l'innovation politique*

Name	Principal position within the Company in 2010	Current positions and functions held in other companies[(1)]	Other positions and functions held within the past five years (other than those held in asubsidiary of the Company)
Michel Friocourt[(3)] 59 years old Date of first appointment: October 5, 2009	Member of the Supervisory Board	*Positions outside the CFAO Group*: Chairman of Discodis Chairman of Caumartin Participations Director of Sapardis Director of Conforama Holding Chairman and CEO of CFP Chairman of the Board of Directors of Discodis Belgique N.V. Director of PPR HK Limited (Hong Kong) Director of Scholefield Goodman BV Director of PPR Asia (Singapore) Chairman of APARFI (Switzerland) Representative of Discodis in the management of Bergson Chairman of PPR (Switzerland) Representative of Discodis on the Board of Directors of Discodis Belgique N.V.	Representative of Discodis on the Board of Directors of CFAO Director of France-Printemps SA Representative of Discodis on the Supervisory Board of Rouafi (Orcanta) Director of Optimum Director of PPR Luxembourg Representative of Discodis in the management of SEPIA (*société civile*)
Pierre Guénant 60 years old Date of first appointment: November 16, 2009	Member of the Supervisory Board Member of the Compensation Committee, the Audit Committee and the Nomination Committee[(4)]	*Positions outside the CFAO Group*: Co-Legal manager of PGA Holding Sarl Member of the Supervisory Board of Assystem S.A. Member of the Supervisory Board of Advini Director of Icare S.A. and Icare Assurance SA	Chairman of the Supervisory Board of PGA S.A.
Jean-François Palus 49 years old Date of first appointment: October 5, 2009	Member of the Supervisory Board Chairman of the Audit Committee	*Positions outside the CFAO Group*: Director and Deputy CEO of PPR Director of Conforama Holding Director of Fnac SA Director of Caumartin Participations Member of the Supervisory Board of Gucci Group N.V. Member of the Supervisory Board of Puma AG Chairman and CEO of Sapardis Representative of PPR on the Board of Directors of Redcats SA Representative of Sapardis in the management of Zinnia (*société civile*)	Chairman and CEO of Sapardis (between March 2007 and January 2008) Chief Executive Officer of Sapardis (between January and February 2008) Representative of Sapardis in the management of Conseil et Assistance (between December 2007 and December 2008) Chairman and CEO of Club de Développement PPR (between June 2005 and October 2009) Chairman of Redcats International (between December 2008 and April 2009) Director of PPR Luxembourg Representative of Saprodis in the management of Zinnia

Name	Principal position within the Company in 2010	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 the Company)
Alexandre Vilgrain[5] 54 years old Date of first appointment: November 16, 2009	Member of the Supervisory Board Member of the Nomination Committee, the Audit Committee and the Sustainable Development Committee[4]	*Positions outside the CFAO Group:* Chairman and CEO of SOMDIAA Permanent representative of SOMDIAA on the Board of SOMINFOR Director of SECRIA Chairman and CEO of Conetrage Chairman of the Board of Directors of Fromentiers De France Director of Sonopros Legal manager of Fromimo Chairman and CEO of Alexandre Vilgrain Holding Chairman of CIAN (French Council of Investors in Africa) 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) Chairman and CEO of Saris-Congo and SGMC (Cameroon)	Director of COGEDAL (Reunion) Representative of SOMDIAA as non-voting director on the Board of Directors Permanent representative of COGEDAL on the Board of PETRIGEL (Reunion)
Nathalie Delapalme[2] 54 years old Date of first appointment: May 17, 2010	Member of the Supervisory Board Member of the Nomination Committee and of the Sustainable Development Committee	*Positions outside the CFAO Group:* Board member and Director of the Mo Ibrahim Foundation Director of Fondation Pierre Fabre Director of Maurel & Prom, company listed on NYSE Euronext Paris	Inspector-General of Finance (2007-2010) Advisor to the Ministry of Foreign Affairs on Africa (2002-2007)
Jean-Charles Pauze 63 years old Date of first appointment: February 8, 2011 (his appointment will be submitted for approval at the Annual General Meeting to be held in 2011)	Member of the Supervisory Board Member of the Audit Committee and the Nomination Committee	Chairman of the Management Board of Rexel SA, company listed on NYSE Euronext Paris *Positions held within the Rexel Group:* Chairman and CEO of Rexel Distribution Director of Rexel France Chairman of Rexel North America, Inc. Manager (*Geschäftsführer*) of Rexel GmbH Director and Chairman of International Electric Supply Corp. Director of Rexel Senate Limited *Other positions held:* Director of Redcats SA and CFP	Chairman of the Supervisory Board of Hagemeyer Manager of Rexel Deutschland Elektrofachgrosshandel GmbH, Galatea Einhund-ertvierzigste Vermögensverwaltungs GmbH and Rexel Central Europe Holding GmbH Director of Rexel Inc., General Supply & Services Inc. and Rexel Belgium SA Chairman of Rexdir SAS and Director of Discodis

(1) *The principal position held appears at the top of the list.*

(2) *Nathalie Delapalme was appointed by the Annual General Meeting of May 17, 2010. She was immediately appointed member of the Company's Nomination Committee and Sustainable Development Committee.*

(3) *Michel Friocourt resigned from his position as member of the Supervisory Board on May 17, 2010.*

(4) *Pierre Guénant was a member of the Nomination Committee and Alexandre Vilgrain a member of the Sustainable Development Committee until May 17, 2010.*

(5) *Alexandre Vilgrain resigned from his position as member of the Supervisory Board and of the Committees he was a member of on January 25, 2011.*

In 2010, Nathalie Delapalme and Messrs Diarra, Guénant and 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 CEOs (see below), Pierre Guénant and Alexandre Vilgrain, members of the Audit Committee in 2010, have both known 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 independant member of the Board. Mr. Pauze, Chairman of the Rexel Group since 2002, also has solid experience as a CEO, particularly of a listed company, Rexel.

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 in Paris and has 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. He joined Havas as assistant to the finance director in 1978. He joined CDME (Compagnie de Distribution de Matériel Electrique) in 1981 as director of finance and business development and was appointed international director (Europe and North America) in 1991. CDME 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, a position he held until October 5, 2009. He has been Chairman of the Supervisory Board since 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. He was also Managing Director of France Bois Industries, the industrial company of the Pinault group, Chairman of Pinault Distribution and the CEO of Fnac. After having been a member of the Executive Board of PPR, Deputy CEO of PPR, and member and Vice Chairman of the Supervisory Board of PPR, he has been the Chairman and Chief Executive Officer of PPR since May 2005. In addition, François-Henri Pinault has been a member of Bouygues SA's Board of Directors since December 1998.

François-Henri Pinault was also Chairman of CFAO between 1993 and 1997. He was appointed Vice Chairman of the Supervisory Board on October 5, 2009.

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.

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 is also a director of various companies. 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 Chairman of the Hungarian Chamber of Commerce in France.

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 Artémis (PPR's controlling shareholder, held by the Pinault family) in 2001 as board member and director, he spent ten years with PPR, successively occupying several management roles (Deputy General Manager of Finance of Pinault SA's timber operations, Manager of the group's financial control, Store Manager of FNAC and Secretary General and member of Conforama's Management Board). He became head of mergers and acquisitions for PPR in March 2005 and its Chief Financial Officer in December 2005. He was appointed Deputy Chief Executive Officer of PPR on February 26, 2008 and a board member of PPR on May 7, 2009. He was member of the Board of Directors of CFAO from April 25, 2006 to October 5, 2009, the date on which 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 an administrator (*administrateur*) of the French Senate from 1984 to 1995, first within the economics unit and then with the Finance Committee. She was also deputy chief of staff of the French Minister for Cooperation from 1995 to 1997, advisor to the Finance Committee of the Senate from 1997 to 2002, and advisor on Africa and development policies to the French Minister of Foreign Affairs from 2002 to 2007. Before joining CFAO in May 2010, she served as Inspector General of Finance (*Inspecteur général des finances*) for the French Ministry of Economy and Finance (May 2007-May 2010). In June 2010, she was appointed 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, a French exclusive debate club.

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 CEO 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 €258 million in 2009), a leading economic player in Africa's agro-food industry, has over 50 years' experience in dealing primarily with sugar, flour, food and, more recently, cotton.

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 CEO of Alfa Laval Industrie from 1981 until 1984 when he was appointed CEO of the group's German subsidiary Bran & Luebbe. He joined the Strafor Facom group as Chairman and CEO of Clestra-Hausermann in 1986 and Chairman and CEO of Steelcase Strafor in 1991. 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 and is currently Chairman of Rexel's Management Board. Rexel is a global leader in the distribution of electrical equipment and is listed on the Eurolist of Euronext Paris.

Michel Friocourt, member of the Supervisory Board until May 17, 2010 – Michel Friocourt holds a law degree (DES) and bachelor's degree in literature. He was first Legal and Tax Director of Henkel France before being appointed as Legal Director in October 1990 of Pinault SA, which later became PPR. He is also Chairman of Discodis.

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.

In January 2011, Alexandre Vilgrain chose to resign from his position as member of the Supervisory Board due to a potential conflict of interest between the CFAO Group and SOMDIAA, in light of partnerships recently entered into by the latter.

François-Henri Pinault, Jean-François Palus and Michel Friocourt, who are currently, or were in 2010, 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.

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 members of the Management Board and CFAO which are currently valid or which were valid in 2010 are mentioned in Chapter 15.

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, table 4 (''Subscription or purchase options granted by CFAO to its executive corporate officers'').

CHAPTER 15 – COMPENSATION AND BENEFITS

15.1 Compensation of corporate officers (*mandataires sociaux*)

Since October 2009, the Management Board has comprised three members: Richard Bielle (Chairman), Olivier Marzloff and Jean-Yves Mazon (see Chapter 14 of this Reference Document for further information).

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 completed by the recommendation of the French financial markets authority (*Autorité des marchés financiers* – AMF) dated December 22, 2008.

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.

Compensation payable to Management Board members, as presented below, was revised during 2009 to take into account their new duties on the Board since October 2009, as well as the Company's flotation at the end of 2009. The table below includes the amounts of compensation payable before and after the appointment of the persons concerned to the Management Board.

	2009	2010
Richard Bielle, Chairman of the Management Board		
Compensation payable for the year (see Table 2)	453,880	1,565,200
Value of stock options granted during the year(2)	N/A	459,986
Value of performance shares granted during the year(1)	109,871	N/A
Olivier Marzloff, member of the Management Board		
Compensation payable for the year (see Table 2)	300,627	959,629
Value of stock options granted during the year(2)	N/A	209,084
Value of performance shares granted during the year(1)	56,581	N/A
Jean-Yves Mazon, member of the Management Board		
Compensation payable for the year (see Table 2)	400,231	1,138,356
Value of stock options granted during the year(2)	N/A	209,084
Value of performance shares granted during the year(1)	91,559	N/A

(1) *Performance shares granted by PPR in 2009*

(2) *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.

	2009		2010	
(in euros) **(gross compensation)**	**Amounts payable**	**Amounts paid**	**Amounts payable**	**Amounts paid**
Richard Bielle, Chairman of the Management Board				
Fixed compensation(1)	334,060	331,700	508,834	511,334
Variable compensation(2)	115,920	150,000	286,342	115,923
Extraordinary compensation(5)	N/A	N/A	762,000	762,000
Benefits in kind(3)	3,900	3,900	8,024	8,024
Total	453,880	485,600	1,565,200	1,397,281
Olivier Marzloff, member of the Management Board				
Fixed compensation(1)	239,360	237,000	275,000	277,500
Variable compensation(2)	59,267	50,100	116,520	59,267
Extraordinary compensation(5)	N/A	N/A	565,000	565,000
Benefits in kind(3)	2,000	2,000	3,109	3,109
Total	300,627	259,100	959,629	904,876
Jean-Yves Mazon, member of the Management Board				
Fixed compensation(1)	276,180	275,000	280,000	281,250
Variable compensation(2)	99,990	158,500	120,917	99,990
Extraordinary compensation(5)	N/A	N/A	712,000	712,000
Attendance fees(4)	20,461	21,108	21,587	21,587
Benefits in kind(3)	3,600	3,600	3,852	3,852
Total	400,231	458,208	1,138,356	1,118,679

(1) *Fixed compensation includes compensation under the employment contract and compensation for the duties as Management Board member amounting to €10,000 each for Richard Bielle and Olivier Marzloff and €5,000 for Jean-Yves Mazon. The fixed compensation payable for the 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, Richard Bielle and Olivier Marzloff also received compensation under the 2009 profit-sharing agreement, just like other employees. For Richard Bielle and Olivier Marzloff these payments amounted to €17,617.92. Given that Richard Bielle's employment contract was suspended in September 2010, he will receive his profit-sharing compensation on a prorata basis.*

(3) *Company car, and for Richard Bielle an executive unemployment insurance policy as from September 1, 2010.*

(4) *Attendance fees paid by subsidiaries of the Group.*

(5) *Bonus relating to actions carried out in connection with the Company's flotation and the consequent reorganization to enable the Company to develop autonomously. The total bonus paid to 18 executives and senior managers amounted to €8 million.*

Richard Bielle's employment contract was suspended on September 1, 2010 and therefore compensation related to this contract (fixed compensation, payments in relation to incentive plans (*intéressement*) and profit-sharing agreements (*participation*)) was reallocated to his corporate officer position.

Variable compensation for 2009 was calculated on the basis of the achievement of (i) objectives related to operating profitability and changes in working capital requirement and operating investments, and (ii) personal objectives. 2010 variable compensation was set exclusively on the basis of quantitative criteria as follows: 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.

Compensation for 2011

Based on the recommendation of the Compensation Committee, the Supervisory Board meeting of February 18, 2011 set the amount of fixed compensation to be paid to members of the Management Board for 2011 as well as the criteria for determining the variable portion of their compensation.

Fixed compensation for 2011 is set at €560,000 for Richard Bielle, €280,000 for Olivier Marzloff and €290,000 for Jean-Yves Mazon. Olivier Marzloff and Jean-Yves Mazon will each receive €10,000 in compensation for their duties as members of the Management Board.

In 2011, 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 Olivier Marzloff and Jean-Yves Mazon, as follows: when objectives are exactly met, the variable portion of compensation will be 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.

The variable portion is set according to financial criteria based on the achievement of objectives relating to (i) recurring operating margin for 80% and (ii) free operating cash flow for 20%. For confidentiality reasons, the level of objectives which must be achieved to meet the performance conditions cannot be disclosed to the public. For Olivier Marzloff, two-thirds of his target variable compensation is based on financial criteria and the remaining third is based on the achievement of non-financial objectives relating to his duties as Corporate Secretary of CFAO. For Jean-Yves Mazon, one third of his target variable compensation is based on financial criteria, one third on financial criteria relating to the results of Eurapharma, the division he supervises, and the remaining third on the achievement of non-financial objectives relating to his duties as Chief Executive Officer of Eurapharma.

Benefits in kind are the same as those received by Management Board members in 2010.

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.

Non-executive corporate officers	Gross amounts paid in 2010 (in euros)
Alain Viry	
Attendance fees	18,925
Other compensation(1)	222,580
Extraordinary compensation(2)	833,000
Benefits in kind(5)	4,745
François-Henri Pinault	
Attendance fees	11,828
Jean-François Palus	
Attendance fees	11,828
Cheick Modibo Diarra	
Attendance fees	3,226
Pierre Guénant	
Attendance fees	3,548
Alexandre Vilgrain	
Attendance fees	3,548
Michel Friocourt(3)	
Attendance fees	0
Nathalie Delapalme(4)	
Attendance fees	0

(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) *Alain Viry is one of the 18 executives and senior managers who received an extraordinary bonus in respect of the Company's flotation (see previous table).*

(3) *Michel Friocourt resigned from his position as a member of the Supervisory Board on May 17, 2010.*

(4) *Nathalie Delapalme was appointed as a member of the Supervisory Board on May 17, 2010.*

(5) *Company car.*

Attendance fees payable for 2010 will be paid in 2011. The total amount of attendance fees for 2010 has been set at €390,000. This amount will be allocated to the members of the Supervisory Board based on the rules set out in section 16.1, II ''Principles and rules approved to determine the compensation of corporate officers'' of Chapter 16 ''Board practices'' of this Reference Document. The total amount and the rules for allocating attendance fees were not modified for 2011.

Table 4 – Stock subscription or purchase options granted by CFAO to its executive corporate officers

Executive corporate officer	Plan date	Type of options	Value of options(1)	Number of options granted in 2010	Strike price	Exercise period
Richard Bielle	1/4/10	Subscription	459,986	110,000	€26	1/4/2014 – 1/3/2018
Olivier Marzloff	1/4/10	Subscription	209,084	50,000	€26	1/4/2014 – 1/3/2018
Jean-Yves Mazon	1/4/10	Subscription	209,084	50,000	€26	1/4/2014 – 1/3/2018

(1) *Stock options are valued in accordance with the IFRS 2 method applied in the consolidated financial statements (before allocation of costs)*

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code and the provisions of French law, the Supervisory Board meeting decided that a portion of the shares received by the abovementioned members of the Management Board when exercising their stock subscription options, representing at least 20% of the net acquisition gain, will be subject to a lock-up period extending to the end of their term of office.

Three-quarters of the stock options granted to each beneficiary are subject to performance conditions related 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 which 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.

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. No options have since been exercised by executive corporate officers.

Tables 6 and 7 – Performance shares allocated to each corporate officer and which became available in 2010

No performance shares were granted to corporate officers by the Company in 2010 and none were granted before 2010. Consequently, no performance shares became available in 2010. Performance shares were allocated to a certain number of Group employees in December 2010, but not to corporate officers. Chapter 17 of this Reference Document provides further information on the plan.

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
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, 2010	1,500
Cumulative number of cancelled or void stock subscription or purchase options	17,500
Stock subscription options outstanding at year-end	1,331,000

(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.*

Table 9 – Stock options granted during the year to the ten largest grantees among the Company's non-corporate officers

Stock subscription or purchase options granted to the ten largest grantees among the Company's non-corporate officers and options exercised by these grantees	Total number of options granted/shares subscribed or purchased	Weighted average price	January 4, 2010 plan
Options granted in 2010 by the CFAO Group and any company within the scope of the stock option grants to the ten employees of the issuer who were granted the highest number of stock options	270,000	€26	270,000
Options for shares of CFAO or the above-designated companies which were exercised in 2010 by the ten employees of CFAO or of these companies having purchased or subscribed the highest number of options	1,500	€26	1,500

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 signed 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 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 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 his termination indemnity must not exceed two years of annual gross target compensation.

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 2010, it recognized an expense of €27,240 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. The table below sets out details of such transactions, as published by the AMF in 2010. These transactions relate to the acquisition of a minimum number of CFAO shares by members of the Supervisory Board, as required by the Company's by-laws.

Date and market	Corporate officer	Type of transaction	Unit price	Gross amount
1/13/10 – Euronext Paris	Alexandre Vilgrain	Acquisition	€29.69	€7,422.50
1/14/10 – Euronext Paris	Pierre Guénant	Acquisition	€29.88	€1,508.25
1/26/10 – Euronext Paris	Pierre Guénant	Acquisition	€29.10	€1,469.25
1/29/10 – Euronext Paris	Pierre Guénant	Acquisition	€28.30	€2,136.50
2/8/10 – Euronext Paris	Pierre Guénant	Acquisition	€27.60	€2,084
3/3/10 – Euronext Paris	Cheick Diarra	Acquisition	€28.84	€7,210
7/8/10 – Euronext Paris	Nathalie Delapalme	Acquisition	€23.40	€5,850

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 2010

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 July 12, 2010 report on corporate governance and management compensation and its July 22, 2010 recommendation on risk management and internal control systems.

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 February 18, 2011.

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 2010: Alain Viry (Chairman), François-Henri Pinault (Vice Chairman), Jean-François Palus, Michel Friocourt, Alexandre Vilgrain, Pierre Guénant and Cheick Modibo Diarra. Michel Friocourt was replaced by Nathalie Delapalme on May 17, 2010.

There were four independent members, who thus represent more than half of the members of the Board: Nathalie Delapalme, Alexandre Vilgrain, Pierre Guénant and Cheick Modibo Diarra. The independence of these members will be reviewed by the Board each year 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 on October 5, 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 2010, the Supervisory Board analyzed how it operates and how its committees operate. This analysis showed that the continuous information provided to the Board – including press reviews, reports from financial analysts on the Company and reports from the Management Board on certain specific topics – was satisfactory. Meetings were held between management and members of the Board to help give them information or provide them with training on the Company's business activities. The analysis also showed that the Board should make the notification period prior to meetings longer when preparatory documents are provided.

In 2010, the Board met seven times with an average attendance rate of 80% and an average meeting time of 2 hours and 20 minutes. 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, decided on the status of the Chairman of the Management Board, as well as compensation and stock options of 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 2010 were Jean-François Palus, who chaired the committee, and Pierre Guénant and Alexandre Vilgrain, who are independent members and bring extensive business management experience to the Company.

- **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 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, Finance and Accounting departments, 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 Committee's review of the annual and interim financial statements must include 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 2010, 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).

In 2010, the Audit Committee met four times with an average attendance rate of 92% and an average meeting time of 2 hours and 10 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 2010, 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.

- **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 2010, the Compensation Committee met three times with an average attendance rate of 89% and an average meeting time of 50 minutes. In particular, it decided on the compensation of the Chairman of the Supervisory Board and members of the Management Board for 2010, authorized the Company to grant stock options and decided on the amount of the indemnity to be paid to the Chairman of the Management Board in the event of his departure.

D. Nomination Committee

- **Composition**

A Nomination Committee was created in October 2009, when the Company adopted a governance structure with a Supervisory Board and a Management Board. At the beginning of 2010, the members of the Committee were Alain Viry, who chaired the Committee, and Pierre Guénant and Alexandre Vilgrain, who are independent members of the Board.

Pierre Guénant was replaced on the Committee by Nathalie Delapalme as of May 17, 2010 when she was appointed as a new member of the Supervisory Board. It should also be noted that Nathalie Delapalme is 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 Audit 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 2010, the Nomination Committee met three times with an attendance rate of 100% and an average meeting time of 45 minutes. It met in particular at the beginning of 2010 to review and confirm the independence of the members of the Supervisory Board who are deemed independent. It also reviewed the application of a new member of the Board, Nathalie Delapalme, appointed by the Shareholders' Meeting in May 2010, and concluded that she could also be deemed an independent member. Finally, the Nomination Committee assessed how the Board and its Committees operate and issued opinions on possible areas of improvement to the Board members.

E. Sustainable Development Committee

- **Composition**

During its meeting held on November 16, 2009, the Supervisory Board decided to create a Sustainable Development Committee and approved the internal rules thereof. This Committee came into being upon the appointment of its first members on January 14, 2010. The members are Alain Viry, who also chairs this Committee, Cheick Modibo Diarra and Alexandre Vilgrain.

Alexandre Vilgrain was replaced on the Committee by Nathalie Delapalme as of May 17, 2010 when she was appointed as a new member of the Board. It should also be noted that Nathalie Delapalme is an independent member of the 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 new 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 2010, the Sustainable Development Committee met twice with an attendance rate of 100% and an average meeting time of 1 hour and 30 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 drafting of CFAO's Code of Business Conduct and how it will be put in place (see section IV.2.B of this report and section 6.7.1 ''The Group's corporate social responsibility programs'' of the 2010 Reference Document forming part of the Company's management report).

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 (12 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.

- Fixed and variable compensation

The annual compensation of each member of the Management Board includes a fixed portion and a variable portion. In March 2010, 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, linked in part to the level of recurring operating income, for 80% of the amount of the variable compensation, and, based on free operating cash flow for the remaining 20%. This decision was made to reflect Management Board members' actual contribution to the Group's performance.

The variable portions for 2010 and the criteria for determining the variable portion for 2011 are presented in Chapter 15 of the 2010 Reference Document forming part of the Company's management report. In 2010, Management Board members received profit-sharing (along with the Company's employees) that is established based on collective works agreements, using the amount of time spent in the Company as an employee. This concerns Jean-Yves Mazon, whose employment contract started on March 8, 2010, and Richard Bielle, whose employment contract was suspended on September 1, 2010.

Members of the Management Board receive customary benefits in kind as presented in Chapter 15 of the 2010 Reference Document forming part of the Company's management report, which also provides all the figures regarding the compensation of corporate officers.

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 Supervisory Board's specialized committees. The amounts of attendance fees paid in 2010 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 (48 years old) 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. 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 2010 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 a certain number of Company executives. Richard Bielle has continued to benefit from this supplementary defined contribution pension plan (Article 83) since his employment contract was suspended in August 2010.

- Extraordinary compensation

In light of the Company's IPO, a decision was made that some 20 Company executives and senior managers, including members of the Management Board and the Chairman of the Supervisory Board, would receive a special bonus made up of a fixed amount and a variable amount. The exact figures for corporate officers are presented in Chapter 15 of the 2010 Reference Document forming part of the Company's management report. These bonuses were paid in 2010.

- Stock subscription options

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 2010 Reference Document forming part of the Company's management report.

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.

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. These obligations are described in Chapter 15 of the 2010 Reference Document forming part of the Company's management report [in table 4 in section 15.1.]

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 and CFAO Technologies).

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*) of 2003 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 his/her responsibilities.

i. Management Board and departments reporting to the Management Board

Since October 5, 2009, the Supervisory Board and the Management Board are the Company's governing bodies.

The Management Board is assisted by an Executive Committee made up of 20 members, including the key senior operating managers and department heads, in particular the Director of Human Resources and the Corporate Secretary.

The Corporate Secretary, who is a member of 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, Finance, Internal Audit, Investor Relations and IT Departments report directly to the Corporate Secretary.

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.

The levels of resources and skills needed are reviewed on a regular basis to account for changes in the size of various entities, the nature and complexity of business activities and oversight requirements.

Lastly, 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.

ii. Divisions and business line departments

The Group currently has four 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 29 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** (which is a separate business line) operates in six countries and primarily includes the beverages business in the Congo, as well as various light industrial activities.
- **CFAO Technologies** (which is a separate business line) operates in eight countries and consists of three main business activities: computer solutions and telecommunications networks, elevator installation and maintenance, and office product distribution.

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 divisions and distribution subsidiaries.

- **Central purchasing divisions –** The Company has central purchasing divisions in France and Mauritius. Central purchasing divisions 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 drew up its own Code in 2010. This document, which is also called the Code of Business Conduct, was sent out in December 2010 to all of the Group's employees in mainland France and to the members of the Management Committees within the Group's African subsidiaries and those located in the French overseas territories. 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 will receive information about the content of this Code of Business Conduct.

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 on a regular or occasional basis must refrain from trading Company shares.

C. *Risk management process*

1) *Identifying and analyzing the main risks*

Each year, the Company establishes and updates risk mapping for the main risks to which it is exposed. This risk mapping is submitted 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 2010 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*

All of the Company's key control points are included in an Internal Control Self-Evaluation Guide, which has been a common reference since 2004 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 and includes the risk assessment in the answers offered 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 information needed so that the risk management and internal control system operates properly and is monitored continuously given the objectives assigned to him/her.

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 his/her responsibilities in a timely manner. The Company's procedures for budgets, reporting and the preparation of annual and interim consolidated financial statements have evolved independently since its IPO at the end of 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, which was launched in 2006, 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) Corporate self-evaluation questionnaire

This questionnaire was developed as a project in 2010 as part of the Internal Control Improvement Plan and includes fifty questions related to corporate functions (powers and commitments, management and control, organization and investor relations, legal, tax and insurance, treasury and exchange rates, etc.). Through interviews with the relevant functions, this questionnaire is designed to identify the control points that may need to be improved and make it possible to monitor action plans based on the presentation of the results of the Internal Control Improvement Plan.

4) Internal audit assignments and action plan monitoring

i. Internal audit assignments in the 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 46 assignments were carried out in 2010 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 one hundred 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 risks 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 250 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 December 31, 2010, the Internal Audit Department was made up of a director, five auditors and an assignment manager.

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'' and Chapter 7 ''Organizational structure'', section 7.2.3.4 under the subsection ''CFAO Industries'', of the 2010 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, February 18, 2011

16.2 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

Year ended December 31, 2010

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

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, 2010.

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 contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L.225-68 of the French Commercial Code.

Other disclosures

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, April 4, 2011
The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*	Deloitte & Associés
Hervé Chopin	Alain Penanguer

16.3 Observations of the Supervisory Board on the Management Report and on the financial statements for 2010

After verification and control of the parent company and consolidated financial statements for 2010 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 18 and March 17, 2011 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, 2010, the Group had 9,278 employees in 34 countries, compared with 9,400 as of December 31, 2009 and 10,610 as of December 31, 2008. The decrease in 2010 is primarily due to changes in the scope of consolidation, including the disposal of wood production activities in Morocco (Fantasia and Comamussy) and the acquisition of SIAB (Morocco) (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, 2010, 2009 and 2008, as well as a breakdown between expatriates employees with a local contract (including employees working in France).

	Number of employees as of December 31		
	2008	**2009**	**2010**
Total number of employees	**10,610**	**9,400**	**9,278**
Expatriates	218	224	239
Local employees	10,392	9,176	9,039
By geographic area			
Mainland France *(local employees only)*	**421**	**340**	**352**
French Overseas Territories and Other	**994**	**827**	**852**
Expatriates	2	2	2
Local employees	992	825	850
Maghreb	**1,431**	**1,338**	**958**
Expatriates	22	22	27
Local employees	1,409	1,316	931
French-speaking Sub-Saharan Africa	**4,563**	**4,504**	**4,663**
Expatriates	127	134	145
Local employees	4,436	4,370	4,518
English- and Portuguese-speaking Sub-Saharan Africa	**3,201**	**2,391**	**2,453**
Expatriates	67	66	65
Local employees	3,134	2,325	2,388
By division			
CFAO Automotive	**5,196**	**4,994**	**5,144**
Expatriates	154	161	171
Local employees	5,042	4,833	4,973
Eurapharma	**1,424**	**1,411**	**1,452**
Expatriates	20	19	21
Local employees	1,404	1,392	1,431
CFAO Industries	**2,736**	**1,926**	**1,616**
Expatriates	22	16	19
Local employees	2,714	1,910	1,597
CFAO Technologies	**1,125**	**943**	**932**
Expatriates	22	28	28
Local employees	1,103	915	904
Others	**129**	**126**	**134**
Expatriates	0	0	0
Local employees	129	126	134

At the end of 2010, 19.6% of the Group's employees were women compared with 18.29% at the end of 2009.

As of December 31, 2010, 50.26% of the Group's workforce was employed in French-speaking Sub-Saharan Africa, 26.44% in English- and Portuguese-speaking Sub-Saharan Africa and 10.33% in the Maghreb. In 2010, 55.44% of the Group's workforce was employed by CFAO Automotive, 17.42% by CFAO Industries, 15.65% by Eurapharma and 10.05% by CFAO Technologies.

As of December 31, 2010, approximately 61% 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 2010, the majority of the Group's expatriates (approximately 72%) were employed by CFAO Automotive. Moreover, the geographic origin of the Group's expatriates has changed due to the expansion of the Group's geographic scope and the implementation of an expatriate policy offering international mobility opportunities to employees of all nationalities. At end-2010, the Company employed expatriates of 18 different nationalities, including 76% from the eurozone (compared with 90% in 2000), 11% from Africa, 8% from the United Kingdom and 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, 2010:

- 8,624 individuals (i.e., 92.95% of the total workforce) were employed under permanent employment contracts;
- 654 employees (i.e., 7.05% of the total workforce) were employed under fixed-term contracts. Fixed-term contracts represented 4% of contracts for CFAO Industries and CFAO Technologies, and approximately 8% of contracts for CFAO Automotive and Eurapharma. The sharp decrease in fixed-term contracts for CFAO Industries in 2010 compared with the previous year is due to the disposal of wood production activities, which required a high number of seasonal workers.

In 2010, the Group hired 1,105 individuals under permanent contracts (including 115 employees on internal mobility within the Group) and 704 under fixed-term contracts, compared with 894 and 582, respectively, in 2009. 1,457 employees left the Group in 2010, including 907 permanent employees. The three main reasons for the departure of these employees were resignation (45%), dismissal (35%) and retirement (8%). The Group did not encounter any particular problems hiring people in 2010.

In 2010, 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 table below presents changes between 2008 and 2010 in the age of employees with permanent employment contracts.

Age of employees	2008	2009	2010
Less than 25	293	230	219
25 - 29	1,497	1,274	1,376
30 - 39	3,477	3,283	3,249
40 - 49	2,681	2,493	2,448
50 - 54	943	882	894
55 - 59	337	355	379
60 and above	60	56	59

In terms of health and safety, the index of accidents frequency in the workplace stood at 14.08 in 2010, compared with 20.75 in 2009 and 29.05 in 2008. This index measures the number of accidents per 1,000 employees.

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 2010, 34 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 12,906 hours' overtime, mainly in the operating activities division in the French overseas territories (CFAO Automotive and Eurapharma).

The absenteeism rate was 1.74% in 2010, versus 1.45% in 2009 and 1.6% in 2008. Absences were primarily due to illness, maternity leave, and workplace and commuting accidents.

17.1.3 Training

After a tense economic climate in 2009, the Group's total training expenditure amounted to approximately €2.647 million in 2010, representing an increase of 20% on the 2009 figure and a slight increase on the 2008 figure. A total of 77,116 hours of training was provided to 2,862 employees, corresponding to an average of 27 hours per person. The indicators ''Number of employees trained'' and ''Total number of training hours'' increased by 30%.

	2010 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)	420,888	459,952	138,094	1,111,955	516,540
Number of employees trained	306	346	259	1,008	943
Managers	209	61	25	213	210
Non-managers	97	285	234	795	733
Total number of training hours	4,736	9,026	5,341	40,455	17,558
Average duration of training (hours)	15	26	21	40	19

By division*	**CFAO Automotive**	**Eurapharma**	**CFAO Industries**	**CFAO Technologies**
Total training expenditure (in euros)	1,293,702	325,404	272,382	615,389
Number of employees trained	1,743	271	519	231
Managers	346	110	88	119
Non-managers	1,397	161	431	112
Total number of training hours	44,284	4,809	15,234	11,075
Average duration of training (hours)	25	18	29	48

* *Training figures for the parent company and central purchasing units have been combined by geographic area, but not by division.*

The Group kept the same training principles in 2010 as in 2009 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;
- Collective information technology training sessions to support the launch of new integrated IT management systems;

- Training sessions on the prevention of risks to health and safety in the workplace; and
- Individual training sessions on an as-needed basis.

In order to prepare and support prospective CEOs of its subsidiaries, the Group has implemented an assessment tool intended to evaluate the key skills required for the position. Each prospective CEO 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 Economique et Sociale* – UES) which includes the employees of CFAO and of CFAO Automotive, CFAO Industries and CFAO Technologies (composed of five employee representatives), and the other representing the employees of Continental Pharmaceutique (composed of four employee representatives).

In 2010, the company-wide agreements signed in mainland France and the French overseas departments related primarily to manpower and skills planning, the employment of older workers and mandatory annual negotiations.

17.1.5 Compensation and employee benefits

In 2010, the Group's total payroll was at €134,822,531 (excluding social security contributions), at a level equivalent to 2010, notably due to exchange rate fluctuations. In France (mainland France and the French overseas territories), payroll totaled €48,674,640 (excluding social security contributions), compared with €38,446,617 in 2009, and employer social security contributions totaled €21,339,263. The increase on the 2009 figure is mainly due to the impact of exceptional bonuses granted in 2010 in connection with the Company's IPO.

In 2010, the Group carried out an appraisal of the health care costs systems in place in CFAO's subsidiaries in Africa and in Asia (outside of mainland France and the French overseas territories). The level of coverage was analyzed using two different approaches: (i) a quantitative approach, which involved analyzing the Group's contribution for access to health care and (ii) a qualitative approach, which involved analyzing the level of reimbursement for the main medical services: hospital treatment, maternity care, consultations, pharmaceutical products, optical and dental treatment, as well as care related to diseases highly prevalent in Africa (HIV and malaria).

The results of the appraisal carried out in Africa and in Asia showed that a health care coverage system had been implemented by 88% of CFAO's subsidiaries and that the Group had allocated 4.1% of the subsidiaries' total payroll to optional health care programs.

17.1.6 Profit-sharing agreements and incentive plans

Profit-sharing agreements (''accords de participation'')

In mainland France, no amendments were made in 2010 to the profit-sharing agreement entered into by the UES (for the employees of CFAO, SFCE and Sevragim). A Group profit-sharing agreement was entered into for the employees of the pharmaceutical businesses in mainland France (Continental Pharmaceutique, Epdis and Eurapharma), with the aim of increasing equality between employees and making it easier to manage mobility between the various entities. This agreement replaces the incentive plans within Epdis and Eurapharma.

Incentive plans (''accords d'intéressement'')

In mainland France, no amendments were made in 2010 to the incentive plan (the mechanisms and methods of calculation of which comply with applicable regulations) implemented within the UES (for the employees of CFAO, CFAO Automotive, CFAO Industries and CFAO Technologies).

The table below sets out the amounts paid by CFAO to the Group's employees in mainland France in 2008, 2009 and 2010 in connection with profit-sharing agreements and incentive plans (in euros):

	Payments made during the fiscal year		
	2010	**2009**	**2008**
Profit-sharing agreements	2,709,289	3,273,010	2,656,907
Incentive plans	383,941	280,022	1,266,065

The 2010 figures relate to the financial statements for the year ended December 31, 2010, which will be submitted to the shareholders for approval in May 2011. In 2010, the Group made additional profit-sharing and incentive plan payments for an amount of €1,461,948 to entities in mainland France.

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 cases of early release 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 2010, the Group raised awareness regarding the employment and integration of disabled workers in mainland France, Reunion and the French Antilles and launched a mobilization campaign during disability awareness week. These measures, which were presented on the Company's intranet site, mainly included accounts given by employees, e-learning modules on the legal framework and on disabilities in the workplace.

17.1.8 Social initiatives (''Œuvres sociales'')

In 2010, the two workers' committees in mainland France were allocated a budget of €148,597 to cover operating costs and social initiatives, an increase of €20,398 on the 2009 figure. This increase is due to the impact on total payroll of exceptional bonuses related to the Group's IPO.

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.

In 2010, CFAO drew up its own Code of Business Conduct to replace the PPR code to which the Company referred before the IPO. This code 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 2010, relations were established with 76 schools, selected to evenly represent all of the activities and geographical areas in which the Group is present.

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''.

In January 2010, stock subscription options were granted to 237 Group employees and corporate officers, as described in Chapter 15 (tables 4 and 8). Performance shares were allocated to a certain number of Group employees in December 2010, but not to corporate officers.

17.3 Employee shareholding agreements

The stock option plan implemented on January 4, 2010 is described in Chapter 15, table 8.

On December 3, 2010, the Company decided to grant a total of 97,400 performance shares to 592 employees. The employees concerned were those working in mainland France who had not been granted any stock options in 2010 and some employees working in subsidiaries outside of mainland France.

These shares are subject to a two-year vesting period followed by a two-year lock-up period. Shares will be definitely allocated at the end of the vesting period subject to the following two conditions: the beneficiary must still work for the Company and a performance condition must be met based on the CFAO share price compared with the SBF 120 price. The shares allocated will be existing shares.

CHAPTER 18 – PRINCIPAL SHAREHOLDERS

18.1 Shareholder base

The table below lists CFAO's shareholders as of December 31, 2009 and 2010, determined based on the threshold crossings declared by those dates.

	December 31, 2010			December 31, 2009		
Shareholders	**Number of shares**	**Number of voting rights**	**Percentage of share capital and voting rights**	**Number of shares**	**Number of voting rights**	**Percentage of share capital and voting rights**
Discodis SAS(1)	25,828,998	25,828,998	41.98%	25,828,998	25,828,998	41.98%
Sapardis SA(1)	2,442	2,442	0.004%	2,442	2,442	0.004%
Prodistri SA(2)	2,442	2,442	0.004%	2,442	2,442	0.004%
Total PPR Group	***25,833,882***	***25,833,882***	***41.99%***	***25,833,882***	***25,833,882***	***41.99%***
Management and Supervisory Boards(3)	2,200	2,200	0.003%	2,200	2,200	0.003%
OppenheimerFunds Inc.	4,011,234	4,011,234	6.52%			
Lazard AM LLC	3,389,463	3,389,463	5.51%			
Artio GM LLC	3,341,162	3,341,162	5.43%			
Treasury shares(4)	20,700	–	0.03%			
Public	24,927,219	24,927,219	40.52%	35,688,528	35,688,528	58%
Total(5)	**61,525,860**	**61,525,860**	**100%**	**61,524,360**	**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 at the respective date. In view of the small number of shares held in treasury, the percentage of voting rights is shown as being identical to the percentage of share capital and is not shown separately.*
(5) *For the purposes of consistency with the number of voting rights and shares shown on the CFAO website and declared in accordance with article 223-11 of the General Regulation of the AMF, the number of shares held in treasury has not been deducted from the total number of voting rights.*

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, these three companies more than 99.9%-owned by PPR only held 41.99% of the share capital and voting rights.

In January 2010, US company Lazard Asset Management LLC, acting on behalf of funds and clients whose accounts it manages, declared that on January 12, 2010, it crossed above the threshold of 5% of the share capital and voting rights of the Company, and held 5.51% of such capital and voting rights.

Between March and October 2010, US company Artio Global Management LLC, holding shares on behalf of its clients, informed CFAO that it had successively crossed above the thresholds of 3%, 3.5%, 4%, and 5% of the share capital. Artio Global Management declared to the AMF that it crossed downwards the 5% threshold on March 3, 2011 and that it held on such date 4.97% of the capital and voting rights of CFAO.

Between April and November 2010, US company OppenheimerFunds, Inc., holding shares on behalf of its clients, informed CFAO that it had successively crossed above the thresholds of 3%, 3.5%, 4%, 4.5%, 5.5% and 6.5% of the share capital. In February 2011, US company OppenheimerFunds, Inc., informed CFAO that it had crossed above the threshold of 7% 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 17, 2011.

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 December 31, 2010, 25,846,966 CFAO shares are held in registered form (i.e., 42.01% of the share capital), and give the right to the same number of voting rights.

A shareholder identification study was carried out on September 30, 2010 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, US and United Kingdom	37.1%
Institutional investors, France	12.7%
Other institutional investors, Europe	5.5%
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 share is 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 any different voting rights.

18.3 Principal shareholders

PPR SA (''PPR'') is indirectly CFAO's principal shareholder with, as of February 1, 2011, 41.99% of the shares and voting rights. As of December 31, 2010, Groupe Artémis held 40.7% of the capital and 55.5% 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 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 seven members, four 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. 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 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. 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.

- *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.

Other agreements entered into with the PPR Group remained in effect after CFAO's IPO and for all or a portion of 2010. These agreements are listed below:

- *Sublease agreement for commercial premises:* On November 13, 2006, CFAO as a sub-tenant, and Discodis, a subsidiary of PPR, as tenant, entered into a sublease agreement for the commercial space occupied by CFAO's headquarters. 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 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.

For more information, see Note 34 ''Transactions with related parties'' to the consolidated financial statements in this Reference Document.

19.2 Related-party agreements

Agreements that remained in force in 2010

The following agreements were entered into before 2010 and remained in force in 2010 or were entered into in 2010 and approved by the 2010 Annual General Meeting:

- *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 2010.

- *Agreement between Discodis and CFAO:* the purpose of this agreement entered into in 2010 is the equal sharing between the two companies of the cost of the special bonus to be paid to approximately 20 directors and officers of the Company (including the members of the Management Board and the Chairman of the Supervisory Board) who actively participated in the reorganization transactions which, following the Group's IPO, shall allow the Group to develop autonomously under the best conditions. The amount charged by CFAO to Discodis amounted to €2.406 million before employer social security contributions.

- *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.

Agreements entered into in 2010

These 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 to the Annual General Meeting called to approve the 2010 financial statements.

- Jean-Yves Mazon's employment contract was entered into on March 8, 2010, prior to which Mr. Mazon had an employment contract with a PPR Group company.

- The members of the Management Board, Richard Bielle and Olivier Marzloff, have employment contracts with the Company, which were entered into before their appointment to the Management Board. These employment contracts were modified to take into account the criteria used to determine the variable portion of their compensation for 2010. Richard Bielle's employment contract was suspended on September 1, 2010; the supplemental agreement suspending the contract constitutes a related-party agreement.

- The Supervisory Board also 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.

- An agreement between CFAO and its subsidiary SFCE was entered into, pursuant to which SFCE rebilled to CFAO the exceptional bonus granted to certain managers within the framework of CFAO's IPO and which were paid by SFCE inasmuch as certain managers are employees of SFCE. The agreement's impact is neutral at Group level.

See also Note 34 to the consolidated financial statements for other information on related-party transactions.

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 20, 2011.

20.1 Historic financial information

In compliance with Article 28 of European Regulation no. 809/2004 of the European Commission, this Reference Document incorporates by reference the consolidated financial statements for 2008 and 2009, which are contained in the Registration Document filed with the AMF on October 7, 2009 under number I.09-079 and in the Reference Document filed on April 13, 2010 under number R.10-020 (translations of which into English are available on 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, 2010

The comparative information for 2009 set out in this document is in compliance with the IFRS applicable at the closing date of the financial statements for 2010.

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, 2010 and 2009 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, 2010.

Consolidated financial statements for the year ended December 31, 2010

The comparative data provided in this report for the 2009 financial year are presented in accordance with the International Financial Reporting Standards applicable as of the 2010 year-end.

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(in € millions)	Notes	2010	2009
Revenue	5.1	**2,676.2**	**2,582.0**
Cost of sales	5.2	(2,062.5)	(2,004.7)
Gross profit		**613.7**	**577.3**
Payroll expenses	6	(193.5)	(184.8)
Other recurring operating income and expenses		(197.0)	(181.5)
Recurring operating income	8	**223.2**	**211.0**
Other non-recurring operating income and expenses	9	10.0	(2.6)
Operating income		**233.2**	**208.3**
Cost of net debt	10	(22.3)	(20.9)
Other financial income and expenses	10	(4.2)	(7.0)
Income before tax		**206.7**	**180.5**
Income tax	11	(69.0)	(62.5)
Share in earnings of associates		2.5	3.2
Net income from continuing operations		**140.3**	**121.2**
o/w attributable to owners of the parent		100.2	90.3
o/w attributable to non-controlling interests		40.1	30.9
Net income of consolidated companies		**140.3**	**121.2**
Net income attributable to owners of the parent		100.2	90.3
Net income attributable to non-controlling interests		40.1	30.9
Net income attributable to owners of the parent		**100.2**	**90.3**
Earnings per share (in €)	12	1.63	1.47
Fully diluted earnings per share (in €)	12	1.63	1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(in € millions)	Notes	2010	2009
Net income		**140.3**	**121.2**
Foreign exchange gains and losses		3.1	(7.9)
Actuarial gains and losses[(1)]		0.2	(3.3)
Income and expenses recognized directly in equity	13	**3.3**	**(11.2)**
Total comprehensive income		**143.6**	**109.9**
o/w attributable to owners of the parent		104.9	79.8
o/w attributable to non-controlling interests		38.6	30.2

(1) *Net of tax.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

ASSETS

(in € millions)	Notes	Dec. 31, 2010	Dec. 31, 2009
Goodwill	14	126.3	111.2
Other intangible assets	15	26.0	22.6
Property, plant and equipment	16	279.0	262.8
Investments in associates	18	21.8	20.5
Non-current financial assets	19	42.9	42.8
Deferred tax assets	11.2	21.1	22.1
Other non-current assets		0.1	0.0
Non-current assets		**517.2**	**482.0**
Inventories	20	744.0	615.6
Trade receivables	21	367.5	335.0
Current tax receivables	11.2	13.9	20.0
Other current financial assets	29	10.6	5.2
Other current assets	22	132.1	128.6
Cash and cash equivalents	27	133.1	127.8
Current assets		**1,401.1**	**1,232.1**
Total assets		**1,918.3**	**1,714.1**

EQUITY AND LIABILITIES

(in € millions)	Notes	Dec. 31, 2010	Dec. 31, 2009
Share capital	24	10.3	10.3
Translation adjustments		(15.2)	(20.3)
Treasury shares		(0.7)	
Other reserves		498.3	443.5
Equity attributable to owners of the parent	**24**	**492.7**	**433.5**
Non-controlling interests		153.9	137.5
Total equity	**24**	**646.7**	**570.9**
Non-current borrowings	28	99.0	149.6
Provisions for pensions and other post-employment benefits	25	26.8	27.3
Other provisions	26	5.9	6.4
Deferred tax liabilities	11.2	1.1	0.6
Non-current liabilities		**132.9**	**183.9**
Current borrowings	28	234.6	240.2
Other current financial liabilities	29	11.9	9.0
Trade payables	22	571.2	386.9
Provisions for pensions and other post-employment benefits	25	0.4	0.3
Other provisions	26	18.9	16.1
Current tax liabilities	11.2	33.0	34.2
Other current liabilities	22	268.7	272.5
Current liabilities		**1,138.8**	**959.3**
Total equity and liabilities		**1,918.3**	**1,714.1**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(in € millions)	Notes	2010	2009
Net income		**140.3**	**121.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets		43.1	39.6
Proceeds on disposal of leasing fleets (amendment to IAS 16)		2.1	5.2
Other non-cash income and expenses		(1.3)	(11.8)
Cash flow from operating activities	32.1	**184.2**	**154.1**
Interest paid/received		26.6	27.5
Dividends received		(1.0)	(0.8)
Net income tax payable	11.1	64.5	59.8
Cash flow from operating activities before tax, dividends and interest		**274.3**	**240.6**
Change in working capital requirement		17.1	36.2
Income tax paid		(60.4)	(73.7)
Net cash from operating activities		**231.0**	**203.1**
Purchases of leasing fleets (amendment to IAS 16)	32.2	(9.0)	(4.3)
Other purchases of property, plant and equipment and intangible assets		(60.4)	(65.0)
Proceeds from disposals of property, plant and equipment and intangible assets		8.3	5.1
Acquisitions of subsidiaries, net of cash acquired	32.3	(15.2)	(3.6)
Proceeds from disposals of subsidiaries, net of cash transferred	32.3	8.4	19.4
Purchases of other financial assets		(14.0)	(14.0)
Proceeds from sales of other financial assets		13.1	9.8
Change in consolidation method (full consolidation to equity-accounted)		0.3	12.4
Interest and dividends received		1.8	1.3
Net cash used in investing activities		**(66.6)**	**(38.8)**
Share capital increase/decrease		0.5	1.6
Dividends paid to owners of the parent company		(48.0)	(77.0)
Dividends paid to non-controlling interests		(21.6)	(26.4)
Issuance of debt	28 - 32.4	12.2	172.1
Repayment of debt	28 - 32.4	(78.6)	(14.8)
Interest paid and equivalent		(27.0)	(28.1)
Net cash from (used in) financing activities		**(162.6)**	**27.5**
Impact of exchange rate variations		(4.5)	0.8
Impact of treasury shares		(0.7)	
Other movements		(0.9)	(0.1)
Net increase (decrease) in cash and cash equivalents		**(4.2)**	**192.6**
Cash and cash equivalents net of bank overdrafts at beginning of year	32	**(81.5)**	**(274.1)**
Cash and cash equivalents net of bank overdrafts at end of year	32	**(85.7)**	**(81.5)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Number of shares outstanding[(1)]	Share capital	Cumulative translation adjustments	Other reserves and net income attributable to owners of the parent	Equity: Owners of the parent	Equity: Non-controlling interests	Total equity
As of December 31, 2008	**10,254,060[(2)]**	**10.3**	**(14.7)**	**435.6**	**431.2**	**139.0**	**570.2**
Comprehensive income as of December 31, 2009			**(7.2)**	**87.0**	**79.8**	**30.2**	**110.0**
Share capital increase/decrease				(0.3)	**(0.3)**	1.7	**1.5**
Dividends paid				(77.0)	**(77.0)**	(27.8)	**(104.8)**
Changes in scope of consolidation			1.6	(1.8)	**(0.3)**	(5.6)	**(5.9)**
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[(3)]**			0.4	**0.4**	0.0	**0.5**
Treasury shares	**20,700[(4)]**			(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**

(1) *Shares with a par value of €0.1667 each after the six-for-one stock split.*

(2) *Number of shares before the six-for-one stock split.*

(3) *Subscription of 1,500 shares (see Note 7).*

(4) *Within the framework of the liquidity agreement.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the years ended December 31, 2010 and 2009

NOTE 1 INTRODUCTION

The CFAO Group, comprising CFAO SA (''the Company'') and its subsidiaries (together, ''the CFAO Group'' or ''the Group'') is the leading specialized retail brand in Africa and the French overseas collectivities. CFAO is also a major player in trade and industry.

The Group currently has operations in France, 31 African countries, six French overseas collectivities, Vietnam and Mauritius.

CFAO, the Group's parent company, is a *société anonyme* (joint-stock company) 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 17, 2011 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, 2010 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, 2010 had no material impact on the consolidated financial statements for the year ended December 31, 2010. These mainly included:

- the revised version of IFRS 3 ''Business Combinations'' and amendment to IAS 27 ''Consolidated and Separate Financial Statements'';
- amendment to IAS 39 ''Financial instruments: Eligible Hedged Items'';
- amendment to IFRS, 2 ''Group Cash-settled Share-based Payment Transactions'';
- amendment to IFRS 5, ''Non-current Assets Held for Sale and Discontinued Operations'';
- IFRIC 16, ''Hedges of a Net Investment in a Foreign Operation'';
- IFRIC 17, ''Distributions of Non-cash Assets to Owners'';

- IFRIC 18, ''Transfers of Assets from Customers'';
- the Annual Improvements to IFRSs issued in April 2009 (IAS 17, IAS 36 and IAS 39).

The Group has elected not to early adopt the following new standards and amendments that have been approved by the European Union but that had not yet come into force as of December 31, 2010:

- amendment to IAS 32, ''Classification of Rights Issues'';
- IFRIC 19, ''Extinguishing Financial Liabilities with Equity Instruments''.

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, notably the following:

- 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, 2010 and 2009 for all Group companies.

The consolidated financial statements include the financial statements of acquired companies as from 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, 2009 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, 2010 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, 2009 – 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, 2009

The Group uses its existing goodwill method for put options granted before January 1, 2009, 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, 2009

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 2010.

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.

Software developed in-house by the Group and meeting all the recognition criteria in IAS 38 is 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, CGU or group of CGUs is less than its 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 2010-R. 03 dated July 2, 2010.

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''. 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.

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*, which is an analytical balance that facilitates the understanding of the entity'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 retraining 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.

Under IFRS 8, an operating segment is a distinguishable component of the Group that is engaged in providing products or services and is exposed to risks and returns that are different from those of other operating segments.

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, and comprise CFAO Automotive, Eurapharma, CFAO Technologies and CFAO Industries.

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 2010 or 2009.

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, 2010 include the financial statements of the companies listed in Note 36.

In 2010 there were the following changes in the scope of consolidation:

- Acquisition on May 31, 2010 of the Moroccan company SIAB, an importer and distributor of vehicles on the Moroccan market, which contributed €14.1 million to consolidated revenue in 2010. The goodwill recognized on this transaction has not yet been finalized.
- Sale, on September 30, 2010, of CFAO Industries’ Wood business, which generated €11.5 million in revenue in 2010 (€24.2 million in 2009).

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 to depreciation, amortization and provisions 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	CFAO Technologies	Holding company & other	Eliminations	Total
As of December 31, 2010							
Revenue	1,616.2	809.7	221.2	109.0		(79.9)	**2,676.2**
– non-Group	1,537.6	809.6	221.2	107.8			**2,676.2**
– Group	78.6	0.1	0.0	1.2			**79.9**
Recurring operating income	**120.1**	**71.4**	**50.3**	**6.7**	**(25.3)**		**223.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	23.0	4.9	13.4	1.1	0.7		**43.1**
Other non-cash recurring operating income and expenses	0.9	(0.9)	(1.1)	(0.3)	2.3		**0.9**
Purchases of leasing fleets (amendment to IAS 16)	9.0						**9.0**
Other purchases of property, plant and equipment and intangible assets, gross	22.7	7.4	28.8	0.9	0.6		**60.4**
Segment assets	**1,008.7**	**407.2**	**197.1**	**76.0**	**(14.1)**		**1,674.9**
Segment liabilities	**495.4**	**234.1**	**59.4**	**39.6**	**11.5**		**839.9**
As of December 31, 2009							
Revenue	1,535.2	740.9	280.3	111.5		(85.9)	**2,582.0**
– non-Group	1,451.4	740.8	279.9	110.0			**2,582.0**
– Group	83.8	0.1	0.4	1.5			**85.9**
Recurring operating income	**118.1**	**60.1**	**44.3**	**4.1**	**(15.7)**		**211.0**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	21.0	4.9	11.9	1.3	0.5		**39.6**
Other non-cash recurring operating income and expenses	2.6	0.1	(8.2)	(0.4)	(0.7)		**(6.7)**
Purchases of leasing fleets (amendment to IAS 16)	4.3						**4.3**
Other purchases of property, plant and equipment and intangible assets, gross	25.6	6.1	32.4	0.7	0.2		**65.0**
Segment assets	**833.0**	**386.9**	**191.7**	**77.3**	**(13.3)**		**1,475.7**
Segment liabilities	**318.3**	**220.0**	**59.4**	**45.5**	**16.1**		**659.4**

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, 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**
As of December 31, 2009						
Revenue	1,067.4	358.5	540.4	491.8	123.9	**2,582.0**
Non-current segment assets	189.3	41.8	56.5	59.9	49.2	**396.6**

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, 2010	Dec. 31, 2009
Goodwill	126.3	111.2
Other intangible assets	26.0	22.6
Property, plant and equipment	279.0	262.8
Other non-current assets	0.1	0.0
Non-current segment assets	**431.4**	**396.6**
Inventories	744.0	615.6
Trade receivables	367.5	335.0
Other current assets	132.1	128.6
Current segment assets	**1,243.6**	**1,079.1**
Segment assets	**1,674.9**	**1,475.7**
Investments in associates	21.8	20.5
Non-current financial assets	42.9	42.8
Deferred tax assets	21.1	22.1
Current tax receivables	13.9	20.0
Other current financial assets	10.6	5.2
Cash and cash equivalents	133.1	127.8
Total assets	**1,918.3**	**1,714.1**

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Deferred tax liabilities on brands		
Trade payables	571.2	386.9
Other current liabilities	268.7	272.5
Segment liabilities	**839.9**	**659.4**
Total equity	646.7	570.9
Non-current borrowings	99.0	149.6
Non-current provisions for pensions and other post-employment benefits	26.8	27.3
Other non-current provisions	5.9	6.4
Other deferred tax liabilities	1.1	0.6
Current borrowings	234.6	240.2
Other current financial liabilities	11.9	9.0
Current provisions for pensions and other post-employment benefits	0.4	0.3
Other current provisions	18.9	16.1
Current tax liabilities	33.0	34.2
Total equity and liabilities	**1,918.3**	**1,714.1**

NOTE 5 REVENUE AND COST OF SALES

5.1 REVENUE

(in € millions)	2010	2009
Net sales of goods	2,567.6	2,474.9
Net sales of services	103.0	95.7
Other revenue	5.6	11.4
Total	**2,676.2**	**2,582.0**

Sales can be broken down as follows:

(in € millions)	2010	2009
CFAO Automotive	**1,537.6**	**1,451.4**
Light vehicles	1,033.4	959.3
Used vehicles	37.6	42.9
Heavy trucks and industrial equipment	229.9	215.9
Services, spare parts and tires	187.5	175.5
Rental services	18.0	20.3
Motorcycles and other	31.2	37.5
Eurapharma	**809.6**	**740.8**
Import-Wholesale-Resale	648.5	602.4
Pre-wholesale	114.7	99.4
Distribution agent	43.1	35.7
Other	3.3	3.2
CFAO Industries	**221.2**	**279.9**
Beverages	155.6	143.0
Trading	0.1	70.0
Other industries	65.5	66.9
CFAO Technologies	**107.8**	**110.0**
Solutions	62.2	56.7
Equipment	31.4	36.3
Products	14.2	17.0
Total	**2,676.2**	**2,582.0**

5.2 COST OF SALES

Cost of sales can be analyzed as follows for 2010 and 2009:

(in € millions)	2010	2009
Breakdown of cost of sales	**(2,062.5)**	**(2,004.7)**
Purchases	(1,755.9)	(1,536.3)
Miscellaneous expenses	(354.7)	(329.5)
Damaged inventories/Inventory variances	(5.4)	(5.8)
Net additions to inventory allowances	8.0	(4.4)
Change in inventories	87.2	(83.0)
Cost of vehicle rentals	(11.4)	(13.6)
Other	(30.3)	(32.1)

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 €193.5 million in 2010 and €184.8 million in 2009.

The Group's average headcount on a full-time equivalent basis breaks down as follows:

	2010	2009
Average headcount	**9,241**	**9,498**
Headcount	**9,278**	**9,400**

	Average headcount	Headcount
As of January 1, 2010	**9,498**	**9,400**
Changes on a constant scope basis	(13)	267
Impact of changes in scope of consolidation	(244)	(389)
As of December 31, 2010	**9,241**	**9,278**

NOTE 7 SHARED-BASED PAYMENT

During 2010 the Group set up a stock option plan and a performance share plan for certain employees (on January 4 and December 3, 2010, respectively).

The Group recognizes its obligation as 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:

Stock option and performance share plan	2010 Plan Subscription options	2010 Plan Performance shares
Grant date	1/4/2010	12/3/2010
Expiration date	1/4/2018	12/3/2014
Vesting of rights	1/4/2014	12/3/2012
Number of beneficiaries	239	600
Number initially granted	1,350,000	97,400
Number outstanding as of December 31, 2009		
Number forfeited in 2010	10,500	
Number exercised in 2010	1,500	
Number expired in 2010		
Number outstanding as of December 31, 2009	1,338,000	97,400
Number exercisable as of December 31, 2010		
Strike price (in €)	26.00	N/A
Fair value at grant date (in €)	4.18	22.96
Weighted average price of options exercised (in €)		

Vesting of the stock options under this 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.

Vesting of the shares awarded under the performance share plan is subject to the beneficiaries' presence within the Group and a single performance condition based on CFAO's share performance compared with the SBF120.

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 as follows:

For the stock option plan, by using a Black & Scholes model 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, by using a Black & Scholes model 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
Volatility	35.00%	37.00%
Risk-free interest rate	3.35%	1.56%

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 (8-year rate for the stock option plan and 2-year rate for the performance share plan).

The total expense recognized in 2010 in respect of stock option and performance share plans was €2.9 million.

NOTE 8 RECURRING OPERATING INCOME

Recurring operating income is the primary indicator of the Group's operating performance.

(in € millions)	2010	2009
CFAO Automotive	120.1	118.1
Eurapharma	71.4	60.1
CFAO Industries	50.3	44.3
CFAO Technologies	6.7	4.1
Holding company & other	(25.3)	(15.7)
Recurring operating income	**223.2**	**211.0**

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 €43.1 million in 2010 (€39.6 million in 2009).

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 €10.0 million in 2010 versus an expense of €2.6 million in 2009.

(in € millions)	2010	2009
Non-recurring operating income	**10.5**	**8.3**
Net proceeds from disposals of non-current operating assets	3.9	2.1
Net proceeds from disposals of investments	1.7	5.6
Other	4.9	0.6
Non-recurring operating expenses	**(0.5)**	**(10.9)**
Restructuring costs		(1.3)
IPO costs		(8.9)
Contingency provisions	(0.5)	
Other		(0.7)
Total	**10.0**	**(2.6)**

NOTE 10 FINANCIAL INCOME AND EXPENSES

This caption can be analyzed as follows:

(in € millions)	2010	2009
Cost of net debt	**(22.3)**	**(20.9)**
Income from cash and cash equivalents	0.7	0.4
Finance costs at amortized cost	(22.9)	(21.4)
Other financial income and expenses	**(4.2)**	**(7.0)**
Gains and losses on fair value foreign exchange hedges(1)	(0.2)	(0.1)
Foreign exchange gains and losses	(0.7)	(2.4)
Dividends and interim dividends received	1.0	0.8
Impact of discounting assets and liabilities	(4.2)	(4.6)
Other finance costs	(0.1)	(0.7)
Total	**(26.5)**	**(27.9)**

(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 negative €0.2 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)	2010	2009
Income before tax	**206.7**	**180.5**
Taxes paid out of operating income	(64.5)	(59.8)
Other taxes payable not impacting operating cash flow	(2.8)	0.9
Income tax payable	(67.3)	(58.9)
Deferred tax income/(expense)	(1.7)	(3.7)
Total tax expense	**(69.0)**	**(62.5)**
Effective tax rate	**33.4%**	**34.7%**

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)	2010	2009
Tax rate applicable in France	**34.4%**	**34.4%**
Impact of taxation of foreign subsidiaries	−3.5%	−3.3%
Theoretical tax rate	**30.9%**	**31.1%**
Effect of items taxed at reduced rates	−0.1%	−0.2%
Other tax credits	−8.8%	−7.7%
Effect of permanent differences	4.1%	3.4%
Effect of unrecognized temporary differences	1.7%	3.2%
Effect of unrecognized tax losses carried forward	2.0%	4.0%
Effect of changes in tax rates	0.0%	0.0%
Company value-added contribution (CVAE)	1.1%	
Other	2.6%	0.8%
Effective tax rate	**33.4%**	**34.7%**

The income tax rate applicable in France is the standard rate of 33.33% subject to the social surtax of 3.3% on the standard rate, bringing the total to 34.43%.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate for 2010 and 2009 was as follows:

(in € millions)	2010	2009
Income before tax	206.7	180.5
Non-recurring items	10.0	(2.6)
Recurring income before tax	**196.7**	**183.1**
Total tax expense	(69.0)	(62.5)
Total tax expense excluding CVAE	(66.8)	(62.5)
Tax on non-recurring items	(0.6)	(2.1)
Total current tax expense excluding CVAE	**(66.1)**	**(60.4)**
Effective tax rate	**33.4%**	**34.7%**
Total current tax rate excluding CVAE	**33.6%**	**33.0%**

11.2. Movement in statement of financial position headings

11.2.1. Net current tax liabilities

(in € millions)	Dec. 31, 2009	Net income	Cash outflows relating to operating activities	Impact of changes in exchange rates	Changes in scope of consolidation	Dec. 31, 2010
Current tax receivables	20.0					13.9
Current tax liabilities	(34.2)					(33.0)
Net current tax liabilities	**(14.2)**	**(64.5)**	**60.4**	**(0.2)**	**(0.5)**	**(19.0)**

11.2.2. Deferred tax

(in € millions)	Dec. 31, 2009	Net income	Impact on changes in exchange rates	Changes in scope of consolidation	Other items recognized directly in equity	Dec. 31, 2010
Intangible assets	0.1	0.0	0.0		0.0	0.1
Property, plant and equipment	0.0	0.3	0.0	(0.3)	0.0	0.1
Other non-current assets	0.3	0.0	0.0		0.0	0.3
Other current assets	10.0	(0.6)	0.0		0.0	9.4
Provisions for pensions and other post-employment benefits	2.7	0.1	0.0		0.5	3.3
Other provisions	0.4	(0.4)	0.0		0.0	0.0
Other current liabilities	4.9	1.2	0.0		0.0	6.1
Recognized tax losses and tax credits	3.0	(2.3)	0.0		0.0	0.7
Net deferred tax assets (liabilities)	**21.5**	**(1.6)**	**0.0**	**(0.3)**	**0.5**	**20.0**
Deferred tax assets	22.1					21.1
Deferred tax liabilities	(0.6)					(1.1)
Deferred tax	**21.5**	**(1.6)**	**0.0**	**(0.3)**	**0.5**	**20.0**

11.3. Unrecognized deferred tax

Tax losses and tax credits not recognized as deferred tax assets amounted to €70.6 million as of December 31, 2010 (€52.3 million as of December 31, 2009).

Changes in unused tax losses and tax credits and the associated expiration schedule are set out below:

(in € millions)	
As of December 31, 2009	**52.3**
Losses generated during the year	23.8
Losses utilized and time barred during the year	(8.1)
Effect of changes in scope of consolidation and exchange rate adjustments	2.7
As of December 31, 2010	**70.6**
Ordinary tax loss carry-forwards	**35.4**
Expiring in less than five years	35.4
Expiring in more than five years	0.0
Indefinite tax loss carry-forwards	**35.3**
Total	**70.6**

NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated based on 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 2010, which was €27.44, the stock option plan described in Note 7 did not have a dilutive impact during the year.

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**

Earnings per share for 2009

(in € millions)	Consolidated Group
Net income attributable to ordinary shareholders	**90.3**
Weighted average number of ordinary shares outstanding	61,524,360
Weighted average number of treasury shares	0
Weighted average number of ordinary shares	**61,524,360**
Basic earnings per share (in €)[1]	**1.47**
Net income attributable to ordinary shareholders	**90.3**
Stock subscription options	
Performance shares	
Diluted net income attributable to owners of the parent	**90.3**
Weighted average number of ordinary shares	61,524,360
Stock subscription options	0
Performance shares	
Weighted average number of diluted ordinary shares	**61,524,360**
Fully diluted earnings per share (in €)	**1.47**

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	(7.9)		(7.9)
Unrecognized surplus of pension plan assets			
Actuarial gains and losses	(3.5)	0.2	(3.3)
Other comprehensive income as of December 31, 2009	**(11.4)**	**0.2**	**(11.2)**
Translation adjustments	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**

NOTE 14 GOODWILL

(in € millions)	Gross	Net
Goodwill as of December 31, 2009	**111.2**	**111.2**
Acquisitions	11.1	11.1
Translation adjustments	2.1	2.1
Other movements	1.9	1.9
Goodwill as of December 31, 2010	**126.3**	**126.3**

All items of goodwill recognized in 2010 and 2009 were allocated to cash-generating units at the year-end. The CFAO Group's main CGUs are detailed in Note 17.

Acquisitions mainly concern a company within the CFAO Automotive division based in the Maghreb.

The breakdown of the net amount of goodwill by division is as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
CFAO Automotive	77.5	65.1
Eurapharma	32.0	29.5
CFAO Industries	4.3	4.1
CFAO Technologies	12.4	12.4
Total	**126.3**	**111.2**

NOTE 15 OTHER INTANGIBLE ASSETS

(in € millions)	Other intangible assets
Gross amount as of December 31, 2008	**32.3**
Changes in scope of consolidation	(0.6)
Acquisitions	3.5
Other disposals	(0.6)
Translation adjustments	(0.2)
Other movements	0.1
Gross amount as of December 31, 2009	**34.4**
Accumulated amortization and impairment as of December 31, 2008	**(9.9)**
Changes in scope of consolidation	0.1
Other disposals	0.5
Amortization	(2.5)
Translation adjustments	0.0
Other movements	0.0
Accumulated amortization and impairment as of December 31, 2009	**(11.9)**
Carrying amount as of December 31, 2008	**22.4**
Changes in scope of consolidation	(0.5)
Acquisitions	3.5
Other disposals	(0.1)
Amortization	(2.5)
Translation adjustments	(0.2)
Other movements	0.1
Carrying amount as of December 31, 2009	**22.6**

(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**

The table below provides a breakdown of the net value of intangible assets by type as of December 31, 2010 and December 31, 2009:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Other intangible assets (net)	**26.0**	**22.6**
Brands, leasehold rights, concessions, licenses and other	16.9	13.7
Purchased software	7.0	6.0
Intangible assets in progress	2.2	2.8

Barring exceptional cases, brands and concessions have an indefinite useful life 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, 2008	**135.5**	**236.4**	**97.4**	**469.4**
Changes in scope of consolidation	0.7	(13.5)	(2.1)	(14.8)
Acquisitions	15.6	38.4	11.7	65.7
Disposals	(0.8)	(17.2)	(11.1)	(29.1)
Translation adjustments	(1.5)	(3.5)	(2.2)	(7.2)
Other movements	15.5	8.0	(24.7)	(1.3)
Gross amount as of December 31, 2009	**165.1**	**248.6**	**69.0**	**482.7**
Accumulated depreciation and impairment as of December 31, 2008	**(48.8)**	**(134.9)**	**(34.7)**	**(218.4)**
Changes in scope of consolidation	(0.2)	8.6	1.4	9.8
Disposals	0.4	13.7	7.8	22.0
Depreciation	(5.1)	(24.3)	(7.8)	(37.2)
Impairment losses (see Note 18)			0.0	0.0
Translation adjustments	0.3	1.6	0.7	2.7
Other movements	0.1	0.7	0.3	1.1
Accumulated depreciation and impairment as of December 31, 2009	**(53.3)**	**(134.5)**	**(32.2)**	**(219.9)**
Carrying amount as of December 31, 2008	**86.8**	**101.5**	**62.7**	**251.0**
Changes in scope of consolidation	0.5	(4.9)	(0.6)	(5.0)
Acquisitions	15.6	38.4	11.7	65.7
Disposals	(0.3)	(3.5)	(3.3)	(7.1)
Depreciation	(5.1)	(24.3)	(7.8)	(37.2)
Impairment losses (see Note 18)			0.0	0.0
Translation adjustments	(1.2)	(1.9)	(1.5)	(4.5)
Other movements	15.6	8.7	(24.4)	(0.1)
Carrying amount as of December 31, 2009	**111.8**	**114.1**	**36.8**	**262.8**
o/w assets owned outright	111.8	114.1	36.8	**262.8**
o/w assets held under finance leases			0.0	**0.0**

(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				

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, 2010 and 2009:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Property, plant and equipment (net)	**279.0**	**262.8**
Land and buildings	122.6	111.8
Fixtures and fittings	34.2	33.7
Technical equipment	79.8	74.8
IT and telephony	5.8	5.6
Other property, plant and equipment	18.3	19.2
Property, plant and equipment in progress	18.2	17.7

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 2010 and 2009 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.

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	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
CFAO Automotive	12.4%	12.0%	3.0%	3.0%
Eurapharma	11.4%	12.3%	3.0%	3.0%
CFAO Technologies	15.3%	14.3%	3.0%	3.0%
CFAO Industries	10.1%	9.6%	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 2009 and 2010.

17.3. Impairment tests on major items

The recoverable amounts of the CFAO Automotive, Eurapharma, CFAO Technologies and CFAO Industries 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, 2010	Dec. 31, 2009
Carrying amount of investments in associates	21.8	20.5

The table below shows the main associates and the earnings of these associates for the periods presented:

(in € millions)	% interest	Share in earnings (losses) Dec. 31, 2010	Share in earnings (losses) Dec. 31, 2009
COMPAGNIE EQUATORIALE DES PEINTURES	24.19%	0.6	0.6
LA SEIGNEURIE OCEAN INDIEN	49.00%	0.4	0.6
SME	48.50%	0.4	0.5
LOCAUTO	49.00%	0.3	0.5
SOCIMEX	49.00%	0.3	0.2
OFFICE CALEDONIEN DE DISTRIBUTION	33.11%	0.2	0.4
CFAO GENERAL IMPORT LTD	46.29%	0.2	0.0
MASCAREIGNE DE PARTICIPATION	48.99%	0.1	0.0
ALIOS FINANCE (formerly HOLDEFI)	24.27%	0.1	0.6
ALMAMETO	50.00%	0.0	(0.4)
SICAM	27.39%	0.1	(0.1)
NEW CALEDONIA MOTORS	50.00%	(0.1)	0.3
PROPHARMED INTERNATIONAL	34.87%	(0.1)	0.2

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Non-consolidated investments	8.7	9.2
Loans and receivables	30.3	30.2
Deposits and guarantees	2.6	2.2
Other	1.2	1.1
Total	**42.9**	**42.8**

NOTE 20 INVENTORIES

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Commercial inventories	750.2	619.8
Industrial inventories	25.7	34.6
Gross amount	**775.9**	**654.4**
Allowances	(31.9)	(38.8)
Carrying amount	**744.0**	**615.6**

Movements in allowances	**Dec. 31, 2010**	**Dec. 31, 2009**
As of January 1	(38.8)	(35.5)
Net reversals/(charges)	7.9	(4.6)
o/w gross charges to inventory allowances	*(5.1)*	*(13.2)*
o/w reversals of inventory allowances	*13.0*	*8.7*
Changes in scope of consolidation	(0.5)	0.4
Translation adjustments	(0.5)	0.9
As of December 31	**(31.9)**	**(38.8)**

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, 2010**	**Dec. 31, 2009**
Net inventories by nature		
Raw materials	22.0	28.3
Finished goods and in-progress inventories	3.7	6.3
Inventory held for resale	503.6	425.5
Commercial inventories in transit	216.3	163.4
Other commercial inventories	30.2	30.9
Gross inventories	**775.9**	**654.4**
Inventory allowances	(31.9)	(38.8)
Net inventories	**744.0**	**615.6**

NOTE 21 TRADE RECEIVABLES

(in € millions)	**Dec. 31, 2010**	**Dec. 31, 2009**
Trade receivables	459.2	432.4
Allowances	(91.7)	(97.4)
Carrying amount	**367.5**	**335.0**

Movements in allowances	**Dec. 31, 2010**	**Dec. 31, 2009**
As of January 1	(97.4)	(108.2)
Net reversals	3.7	7.2
Changes in scope of consolidation	2.5	2.5
Translation adjustments	(0.4)	1.0
As of December 31	**(91.7)**	**(97.4)**

Provisions for impairment of trade receivables are calculated based on the likelihood of recovering the receivables concerned. As of December 31, 2010 and 2009, trade receivables broke down by age as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Receivables not past due	263.4	198.3
Less than one month past due	44.9	55.1
One to six months past due	63.2	83.5
More than six months past due	87.6	95.5
Allowance for doubtful receivables	(91.7)	(97.4)
Carrying amount	**367.5**	**335.0**

NOTE 22 WORKING CAPITAL REQUIREMENT

(in € millions)	Dec. 31, 2009	Working capital cash flows	Other cash flows	Changes in scope of consolidation	Translation adjustments and other	Dec. 31, 2010
Inventories	615.6	128.1		(5.8)	6.1	744.0
Trade receivables	335.0	26.8		3.1	2.6	367.5
Other current financial assets and liabilities	(3.9)	2.5			0.0	(1.4)
Current tax receivables/payables	(14.2)	(4.1)		(0.5)	(0.2)	(19.0)
Trade payables	(386.9)	(181.2)		(2.4)	(0.7)	(571.2)
Other current assets and liabilities	(143.9)	4.3	0.1	2.8		(136.7)
Working capital requirement	**401.7**	**(23.5)**	**0.1**	**(2.8)**	**7.8**	**383.2**

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, 2010, comprising 61,525,860 fully paid-up shares with a par value of €0.17 each.

The Management Board has submitted a recommendation to the Ordinary Shareholders' Meeting called to approve the 2010 financial statements to pay a dividend for 2010 representing 50% of net income attributable to owners of the parent, corresponding to €0.82 per share and around €50.5 million in total.

The dividend paid in respect of 2009 amounted to €0.78 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)	2010	2009
Present value of obligation as of January 1	**88.7**	**71.1**
Current service cost	1.6	2.0
Contributions paid by beneficiaries	0.0	0.2
Interest cost	4.3	4.7
Benefits paid	(6.6)	(6.6)
Past service cost		
Actuarial gains and losses	13.7	10.1
Curtailments and settlements	(7.2)	
Other movements	(0.3)	5.7
Exchange differences	2.5	1.4
Present value of obligation as of December 31	**96.6**	**88.7**

As of December 31, 2010, the present value of the obligation amounted to €96.6 million (€88.7 million as of end-2009), 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)	2010	2009
Retirement bonuses	22.6	24.2
Long-service awards	4.1	3.8
Supplementary plans – United Kingdom	67.8	54.1
Supplementary plans – Other countries	2.1	6.5
Present value of obligation as of December 31	**96.6**	**88.7**

Changes in the fair value of defined benefit plan assets are shown below:

(in € millions)	2010	2009
Fair value of defined benefit plan assets as of January 1	**64.4**	**49.9**
Contributions paid by employer	1.9	4.0
Contributions paid by beneficiaries	0.0	0.2
Expected return on plan assets	3.9	3.9
Benefits paid	(6.6)	(6.6)
Actuarial gains and losses	16.5	3.6
Other movements		6.8
Exchange differences	1.0	2.7
Fair value of defined benefit plan assets as of December 31	**81.0**	**64.4**

Funded defined benefit plan assets broke down as follows as of December 31, 2010:

- insurance policies accounted for 71.2% of the total fair value of plan assets (65.2% as of end-2009);
- equity instruments accounted for 12.2% (10.1% as of end-2009);
- debt instruments accounted for 6.9% (10.7% as of end-2009);
- other assets accounted for 9.7% (14% as of end-2009).

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)	2010	2009
Present value of obligation	96.6	88.7
Fair value of defined benefit plan assets	(81.0)	(64.4)
Funding shortfall/(surplus)	**15.7**	**24.3**
Unrecognized past service cost	(0.2)	(0.5)
Amount not recognized in assets	11.8	3.9
Provisions recognized in the statement of financial position	**27.3**	**27.6**
o/w provisions – continuing operations	27.3	27.6
Experience adjustments on plan liabilities	5.1%	3.8%
Experience adjustments on plan assets	25.9%	6.1%

25.2. Expenses recognized

Defined benefit plans

The total expense for defined benefit plans in 2010 was nil (compared with €3.3 million in 2009), breaking down as follows:

(in € millions)	2010	2009
Current service cost	1.6	1.7
Interest cost	4.3	4.2
Expected return on plan assets	(3.9)	(3.3)
Actuarial gains/losses recognized in net income	0.0	0.8
Past service cost taken to net income	(0.4)	
Curtailments and settlements	(1.5)	
Total expense	**0.0**	**3.3**
o/w recognized in: operating expenses	(0.4)	2.4
net finance costs	0.3	0.9

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 positive net balance of €0.3 million in 2010 (versus a negative net balance of €4.1 million in 2009), including €0.2 million recognized in equity.

Cumulative actuarial gains and losses recognized in equity since January 1, 2004 totaled €14.6 million as of December 31, 2010.

Defined contribution plans

An expense of €0.4 million was recognized in respect of defined contribution plans in 2010 (€0.3 million in 2009).

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 other		
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Discount rate	4.50%	5.00%	5.50%	5.30%	5.50%	6.20%	4.50%	5.00%	5.50%
Expected return on plan assets	N/A	4.50%	4.75%	5.80%	6.30%	5.90%	9.57%	7.41%	4.57%
Expected rate of increase in salaries	3.00%	2.00%	3.00%	4.20%	4.20%	4.00%	3.00%	2.00%	3.00%

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, 2009	Charge	Reversal (utilized provision)	Reversal (surplus provision)	Translation adjustments	Changes in scope of consolidation	Other	Dec. 31, 2010
Non-current provisions for restructuring	0.7	0.2	(0.1)	0.0	(0.1)		(0.2)	0.4
Non-current provisions for claims and litigation	4.7	0.8	(0.5)	(0.7)	(0.1)	0.0	0.1	4.4
Other non-current provisions	1.0	0.5	(0.3)		0.0	0.0		1.2
Other non-current provisions for contingencies and losses	**6.4**	**1.5**	**(1.0)**	**(0.7)**	**(0.2)**	**0.0**	**(0.1)**	**5.9**
Current provisions for restructuring	0.5	0.0	(0.1)		0.0	0.0		0.4
Current provisions for claims and litigation	2.5	1.3	(0.3)	(0.6)	0.0		0.0	2.9
Other current provisions	13.1	2.7	(0.2)		0.0		0.1	15.7
Other current provisions for contingencies and losses	**16.1**	**4.0**	**(0.6)**	**(0.6)**	**0.0**	**0.0**	**0.1**	**18.9**
Other provisions for contingencies and losses	**22.5**	**5.5**	**(1.6)**	**(1.3)**	**(0.2)**	**0.0**	**0.0**	**24.9**
Impact on income	**(4.5)**	**(5.5)**	**1.6**	**1.3**				**(2.6)**
– Impact on recurring operating income	(4.0)	(2.1)	1.6	1.3				0.8
– Impact on other non-recurring operating income and expenses	(0.5)	(0.5)						(0.5)
– Impact on net finance costs		(0.2)						(0.2)
– Impact on income taxes	0.0	(2.7)						(2.7)

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, 2010	Dec. 31, 2009
Cash	130.5	127.8
Cash equivalents	2.6	
Total	**133.1**	**127.8**

27.2. Breakdown by currency

(in € millions)	Dec. 31, 2010	%	Dec. 31, 2009	%
Euro	48.4	36.4%	55.3	43.3%
CFA franc	50.3	37.8%	38.5	30.2%
Nigerian naira	2.3	1.7%	4.5	3.5%
Moroccan dirham	0.5	0.3%	7.3	5.7%
US dollar	13.5	10.1%	10.9	8.5%
Algerian dinar	4.2	3.2%	2.1	1.7%
CFP franc	0.3	0.2%	0.8	0.7%
Kenyan shilling	0.9	0.6%	0.2	0.1%
South African rand	0.0	0.0%	0.1	0.0%
Pound sterling	0.0	0.0%		
Swiss franc	0.0	0.0%		
Malawian kwacha	5.2	3.9%	2.5	2.0%
Vietnamese dong	1.9	1.4%	1.1	0.8%
Other currencies	5.6	4.2%	4.5	3.5%
Total	**133.1**		**127.8**	

NOTE 28 BORROWINGS

28.1. Breakdown of borrowings by maturity

(in € millions)	Dec. 31, 2009	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	**149.6**		**8.1**	**137.9**	**2.4**	**0.6**	**0.6**
Confirmed lines of credit	132.1			132.1			
Other bank borrowings	15.1		7.7	5.5	1.7	0.2	
Employee profit-sharing	1.8		0.4	0.3	0.7	0.3	
Other borrowings	0.6		0.0				0.6
Current borrowings	**240.2**	**240.2**					
Other bank borrowings	7.9	7.9					
Employee profit-sharing	0.5	0.5					
Bank overdrafts	209.1	209.1					
Other borrowings	22.7	22.7					
Total	**389.8**	**240.2**	**8.1**	**137.9**	**2.4**	**0.6**	**0.6**
%		**61.6%**	**2.1%**	**35.4%**	**0.6%**	**0.1%**	**0.2%**

(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	**234.6**	**234.6**					
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**	**234.6**	**5.6**	**92.4**	**0.6**	**0.3**	
%		**70.3%**	**1.7%**	**27.7%**	**0.2%**	**0.1%**	

As of December 31, 2010, all gross borrowings were recognized at amortized cost based on the effective interest rate.

Non-current borrowings mainly include the €90.0 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, 2010).

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 recurring 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 80% 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. The ratio in the covenant was increased from 1 to 1.2 on June 28, 2010.

  As of December 31, 2010 the ratio came to less than 1.

As of December 31, 2010, the Group complied with these three covenants.

Accrued interest is recorded in ‘‘Other borrowings’’.

Borrowings with a maturity of more than one year represented 29.7% of total gross borrowings as of December 31, 2010 (38.4% as of December 31, 2009).

28.2. Breakdown by repayment currency

(in € millions)	Dec. 31, 2009	Non-current borrowings	Current borrowings	%	Dec. 31, 2008
Euro	**175.5**	134.6	40.9	45.0%	219.0
CFA franc	**97.4**	10.8	86.6	25.0%	101.8
Moroccan dirham	**39.2**	4.1	35.2	10.1%	36.9
Algerian dinar	**39.7**	0.0	39.7	10.2%	25.0
CFP franc	**8.6**	0.0	8.6	2.2%	17.8
Nigerian naira	**9.1**	0.0	9.1	2.3%	3.4
Kenyan shilling	**7.2**	0.0	7.2	1.8%	2.6
Japanese yen	**3.9**	0.0	3.9	1.0%	0.0
US dollar	**2.5**	0.0	2.5	0.6%	2.9
Ghanaian cedi	**2.4**	0.0	2.4	0.6%	0.2
Other currencies	**4.4**	0.1	4.3	1.1%	3.0
Total	**389.8**	**149.6**	**240.2**		**412.5**

(in € millions)	Dec. 31, 2010	Non-current borrowings	Current borrowings	%	Dec. 31, 2009
Euro	**113.4**	91.9	21.5	34.0%	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	14.9%	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	4.3	1.3%	4.4
Total	**333.6**	**99.0**	**234.6**		**389.8**

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, 2010	Dec. 31, 2009
Confirmed lines of credit	91.6	132.1
Other bank borrowings	15.2	23.0
Obligations under finance leases		
Employee profit-sharing	2.2	2.2
Bank overdrafts	218.9	209.1
Other borrowings	5.7	23.4
Total	**333.6**	**389.8**

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, 2010	Dec. 31, 2009
4.6	7.00% fixed	7.00%	2/28/2008	11/28/2012	**2.1**	3.0
2.5	7.00% fixed	7.00%	11/15/2008	10/15/2011	**0.8**	1.6
2.1	7.00% fixed	7.00%	12/17/2008	11/17/2011	**0.7**	1.4
6.6	5.14% fixed	5.14%	3/4/2009	12/31/2012	**3.5**	5.1
5.3	7.25% fixed	7.25%	1/25/2009	12/25/2013	**3.5**	4.4
3.0	6.25% fixed	6.36%	6/21/2009	5/21/2012	**1.5**	2.5

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, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Loans and receivables	17.7	25.8			17.7	25.8
Cash and cash equivalents	133.1	127.8			133.1	127.8
Financial assets	**150.8**	**153.6**			**150.8**	**153.6**
Other borrowings	222.0	212.4	111.6	177.4	333.6	389.8
Financial liabilities	**222.0**	**212.4**	**111.6**	**177.4**	**333.6**	**389.8**

Debt contracted by subsidiaries is denominated in local currency and is at fixed rates.

In 2010, as in 2009, 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:

		2009 maturities		
(in € millions)	Dec. 31, 2009	Less than one year	One to five years	More than five years
Loans and receivables	25.8	25.8		
Cash and cash equivalents	127.8	127.8		
Fixed-rate financial assets	**153.6**	153.6		
Other borrowings	212.4	194.9	16.9	0.8
Fixed-rate financial liabilities	**212.4**	194.9	16.9	0.8

		2010 maturities		
(in € millions)	Dec. 31, 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	

- Floating-rate financial assets and liabilities exposed to the risk of a change in value:

		2009 maturities		
(in € millions)	Dec. 31, 2009	Less than one year	One to five years	More than five years
Loans and receivables				
Cash and cash equivalents				
Floating-rate financial assets				
Other borrowings	177.4	45.3	132.1	
Floating-rate financial liabilities	**177.4**	45.3	132.1	

		2010 maturities		
(in € millions)	Dec. 31, 2010	Less than one year	One to five years	More than five years
Loans and receivables				
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	

The breakdown of gross borrowings by type of interest rate is shown below:

(in € millions)	Dec. 31, 2009	Fixed-rate	Floating-rate
Gross borrowings	**389.8**	**212.4**	**177.4**
%		54.5%	45.5%

(in € millions)	Dec. 31, 2010	Fixed-rate	Floating-rate
Gross borrowings	**333.6**	**222.0**	**111.6**
%		66.6%	33.4%

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 €3.8 million on pre-tax consolidated net income in 2010, compared with an impact of €3.9 million in 2009.

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, 2010	Dec. 31, 2009
Currency forwards and currency swaps	143.3	83.7
Total	**143.3**	**83.7**

The Group primarily uses forward currency contracts to hedge commercial import/export risks and to hedge the financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.

Since 2009, the Group's local subsidiaries (mainly in Morocco and Kenya) have entered into and recorded forward purchase contracts in their accounts. As of December 31, 2010, outstanding notional amounts under these agreements totaled €57.5 million.

These derivative financial instruments were analyzed with respect to IAS 39 hedge accounting eligibility criteria. As of December 31, 2010 and 2009, derivative instruments documented as hedges were as follows:

(in € millions)	Dec. 31, 2009	Japanese yen	US dollar	Euro	Other
Fair value hedges					
Forward purchases and forward purchase swaps	**239.2**	84.6	123.1	29.1	2.4
Forward sales and forward sale swaps	**(155.5)**	(6.0)	(148.6)		(0.9)
Total	**83.7**	78.6	(25.5)	29.1	1.5

(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)	(244.3)		(0.1)
Total	**143.3**	136.1	(41.9)	46.4	2.8

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, 2010, the exposure to foreign exchange risk on the statement of financial position was as follows:

(in € millions)	Dec. 31, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
CENTRAL PURCHASING OFFICES						
Central purchasing receivables	139.5		137.2	2.3	0.0	83.3
Central purchasing payables	211.5		130.5	79.3	1.7	108.7
Gross exposure in the statement of financial position – central purchasing	**(72.0)**	**0.0**	**6.7**	**(77.0)**	**(1.7)**	**(25.4)**
Customer orders	109.2		106.8	2.3	0.1	72.2
Supplier orders	127.6		63.3	64.2	0.1	96.1
Projected gross exposure – central purchasing	**(18.4)**	**0.0**	**43.5**	**(61.9)**	**0.0**	**(23.9)**
Gross exposure before hedging – central purchasing	**(90.4)**	**0.0**	**50.3**	**(139.0)**	**(1.7)**	**(49.3)**
Hedging instruments – central purchasing	86.1		(51.6)	136.1	1.6	49.4
Net exposure after hedging – central purchasing	**(4.3)**	**0.0**	**(1.3)**	**(2.9)**	**(0.1)**	**0.1**

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, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
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)]	**57.5**	46.4	10.0		1.1	**33.9**
Gross exposure in the statement of financial position	**(57.5)**	**(46.4)**	**(10.0)**	**0.0**	**(1.1)**	**(33.9)**
Gross projected exposure of subsidiaries hedging foreign exchange risk	**0.0**					**0.0**
Gross exposure before hedging	**(57.5)**	**(46.4)**	**(10.0)**	**0.0**	**(1.1)**	**(33.9)**
Hedges set up by subsidiaries	57.2	46.4	9.7		1.1	34.3
Net exposure after hedging of foreign exchange risk by subsidiaries	**(0.3)**	**0.0**	**(0.3)**	**0.0**	**0.0**	**0.3**

(1) *including €15.3 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, 2010	Euro	US dollar	Japanese yen	Other	Dec. 31, 2009
SUBSIDIARIES (EXCLUDING CENTRAL PURCHASING)						
Subsidiaries that do not use hedging instruments						
Receivables due to subsidiaries	**7.5**	0.1	7.4	0.0	0.0	**7.1**
Payables owed by subsidiaries	**40.9**	20.1	21.7	0.0	(0.9)	**140.6**
Cash	**12.1**	5.0	7.0	0.0	0.1	**10.6**
Borrowings	**9.3**	6.2	3.1	0.0	0.0	**(7.0)**
Gross exposure in the statement of financial position	**(33.4)**	**(20.0)**	**(14.3)**	**0.0**	**0.9**	**(133.6)**
10% depreciation in local currency	(3.3)	(2.0)	(1.4)	0.0	0.1	(13.4)

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 €99.2 million as of December 31, 2010.

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 €3.3 million in 2010.

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, 2010, the Group's main counterparty was Société Générale.

29.4. Derivative instruments at market value

As of December 31, 2010 and 2009, 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, 2010	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2009
Derivative assets	**10.2**		**10.2**		**4.2**
Non-current					
Current	**10.2**		10.2		4.2
Fair value hedges	**10.2**		10.2		4.2
Derivative liabilities	**8.4**		**8.4**		**4.3**
Non-current					
Current	**8.4**		8.4		4.3
Fair value hedges	**8.4**		8.4		4.3
TOTAL	**1.8**		**1.8**		**(0.1)**

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.

(in € millions)	Dec. 31, 2009 Carrying amount	Dec. 31, 2009 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Other borrowings	389.8	(408.5)	(246.3)	(161.6)	(0.6)
Trade payables	386.9	(386.9)	(386.9)		
Total	**776.7**	**(795.5)**	**(633.2)**	**(161.6)**	**(0.6)**

(in € millions)	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 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)**	

NOTE 30 NET DEBT

Group net debt breaks down as follows:

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Gross borrowings	(333.6)	(389.8)
Cash	133.1	127.8
Net debt	**(200.5)**	**(262.0)**

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, 2010 are presented below:

(in € millions)	Dec. 31, 2009 Carrying amount	Dec. 31, 2009 Market value	Available-for-sale assets	Loans and receivables	Amortized cost	Derivatives qualifying for hedge accounting
Non-current assets						
Non-current financial assets	42.8	42.8	9.2	30.2	3.4	
Current assets						
Trade receivables	335.0	335.0			335.0	
Other current financial assets	5.2	5.2			1.0	4.2
Cash and cash equivalents	127.8	127.8			127.8	
Non-current liabilities						
Non-current borrowings	149.6	149.6			149.6	
Current liabilities						
Current borrowings	240.2	240.2			240.2	
Other current financial liabilities	9.0	9.0			4.7	4.3
Trade payables	386.9	386.9			386.9	

(in € millions)	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 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	

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, 2010.

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.

In 2010, no changes were made to the methods used to measure the fair values of financial assets and liabilities.

NOTE 32 STATEMENT OF CASH FLOWS

As of December 31, 2010, cash and cash equivalents net of bank overdrafts and cash current accounts with a credit balance stood at a negative €91.6 million, representing total cash and cash equivalents as shown in the statement of cash flows.

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Cash and cash equivalents as reported in the statement of financial position	**133.1**	**127.8**
Bank overdrafts	(218.9)	(209.1)
Cash current accounts with a credit balance	0.0	(0.1)
Cash and cash equivalents as reported in the statement of cash flows	**(85.7)**	**(81.5)**

32.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows for 2010 and 2009:

(in € millions)	2010	2009
Net income from continuing operations	**140.3**	**121.2**
Gains/(losses) on asset disposals, net of tax	(5.6)	(7.7)
Deferred tax	1.7	3.7
Share in earnings (losses) of associates	(2.5)	(3.2)
Dividends received from associates	1.6	2.0
Other non-cash income and expenses	48.8	38.2
Cash flow from operating activities	**184.2**	**154.1**

32.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totaled €69.3 million in 2010, unchanged from 2009.

32.3. Acquisitions and disposals of subsidiaries

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Acquisitions of subsidiaries, net of cash acquired	(15.2)	(3.6)
Proceeds from disposals of subsidiaries, net of cash transferred	8.4	19.4
Total	**(6.8)**	**15.8**

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 Wood business in Morocco.

In 2009, the main acquisition was an automobile distribution entity and the sole disposal was a beverage company sold by CFAO Industries.

32.4. Debt issues and redemptions

(in € millions)	Dec. 31, 2010	Dec. 31, 2009
Issuance of debt	12.2	172.1
Repayment of debt	(78.6)	(14.8)
Increase/decrease in other borrowings	(66.4)	157.3

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 2005 Sale of Holdefi	Guarantee on accounts at June 30, 2005. Specific guarantee on the devaluation of the CFA franc capped at 12.5%, valued at €0.6 million, expiring on June 16, 2011.
June 2009 Sale of Dil Maltex to Heineken	Guarantee on 2008 accounts capped at €6.2 million, expiring December 31, 2013. Guarantee on pension fund uncapped and unlimited.
September 2010 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, 2010**	**Dec. 31, 2009**
Non-current borrowings	0.0	99.0	0.0	99.0	149.6
Operating lease agreements	18.3	29.8	8.2	56.4	43.9
Binding purchase commitments	183.9	0.0	0.0	183.9	98.9
Total commitments given	**202.2**	**128.8**	**8.2**	**339.3**	**292.4**

Binding purchase commitments consist mainly of commitments undertaken with regard to suppliers.

Operating leases

The amount of contractual obligations presented under ''Operating lease agreements'' represents future minimum lease payments under operating leases for the period, which cannot be cancelled 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 €22.7 million in 2010 (versus €21.7 million in 2009). There was no charge for contingent payments either in 2010 or 2009.

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, 2010	Carrying amount in the statement of financial position	Corresponding %	Amount of assets pledged at Dec. 31, 2009
Intangible assets			**1.3**			**0.4**
	1/9/2004	12/17/2017	0.8	0.0		
	6/5/2007	3/20/2017	0.6	0.1		
Property, plant and equipment			**4.2**			**3.7**
	5/31/2005	10/31/2012	0.0	0.0	139.5%	1.4
	12/23/2009	12/31/2011	1.8	1.6	111.9%	1.3
			0.4	18.2	2.5%	0.4
	6/30/2009	6/30/2012	1.6	1.8	90.2%	0.3
Non-current financial assets						
Total non-current assets pledged as collateral			**5.6**	**21.7**	**25.8%**	**4.1**
Inventories	6/18/2010	11/30/2011	0.6			1.9
Trade receivables			0.0			0.3
Total current assets pledged as collateral			**0.6**			**2.2**

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 57,074 hours as of December 31, 2010 (50,766 hours as of December 31, 2009).

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, 2010**	**Dec. 31, 2009**
Confirmed lines of credit		300.0		300.0	300.0
Letters of credit	4.3			4.3	4.2
Discounted notes not yet due	3.2			3.2	6.5
Sale of receivables – other programs				0.0	6.8
Other guarantees received	12.9	4.1	22.0	39.1	23.9
Total commitments received	**20.4**	**304.1**	**22.0**	**346.5**	**341.4**
Bank guarantees	9.3			9.3	4.7
Rent guarantees, property guarantees	7.8		0.1	7.9	8.5
Tax guarantees	1.5			1.5	0.5
Customs securities	34.0	2.0		36.0	38.2
Other commitments	390.3	10.9	2.3	403.5	329.3
Total commitments given	**442.8**	**12.9**	**2.4**	**458.1**	**381.1**

Other commitments relate mainly to bank guarantees given in respect of commitments provided by banks to 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 €90.0 million had been drawn down as of December 31, 2010.

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 individual claim is material to the Company or the Group.

No individual dispute or arbitration has had in the recent past or is likely to have in the future, a significant impact on the financial position or earnings of the Company or 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 2010, there was no material change in the type of transactions carried out with related parties compared with 2009.

The main transactions carried out between CFAO's consolidated companies and Discodis in 2009 were as follows:

- payment of the 2008 dividend in the amount of €77 million;
- recognition of fees totaling €5.7 million for (i) consulting, technical assistance and complex transaction support services, and (ii) the supply of development opportunities, new business and cost reduction solutions. The fees were governed by an agreement reviewed by the Audit Committee and approved by the Board of Directors.

In 2010, a dividend of €20.2 million was paid to Discodis in respect of 2009. CFAO no longer pays any fees to this company. The only expense was €0.1 million in fees paid to PPR Finance, a subsidiary of PPR, for a service contract with PPR's hedging office.

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, 2010	Dec, 31, 2009
Non-current loans and receivables due from non-consolidated investments	1.6	0.6
Trade receivables	14.8	6.7
Other current assets		
Other current liabilities	12.8	
Sales of goods and services	1.8	28.8

34.3. Management remuneration

The table below shows remuneration paid to members of the Management Board and Executive Committee:

(in € millions)	2010	2009
Short-term benefits	7.2	6.2
Post-employment benefits	2.1	1.2
Share-based payment	2.3	
Total	11.5	7.4

Short-term benefits relate to amounts recognized during the year and include employer taxes.

The number of Executive Committee members was increased from 14 to 20 during 2010.

NOTE 35 SUBSEQUENT EVENTS

In September 2010, CFAO entered into 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 that they own in New Caledonia. Upon completion of the share transfers, CFAO and the Pentecost group will respectively own 74% and 26% of the shares in the new joint-venture. In 2009, the companies covered by this agreement employed 300 people and generated revenue of approximately €165 million.

In January 2011, further to the decision by the Commercial Court (*Tribunal de Commerce*) of Réunion, CFAO succeeded with the takeover bid it filed for the Citroën automobile import and distribution business of Foucque Automobile, which had been placed under court-ordered receivership. The distribution business of Foucque Automobile represented full-year revenue of about €40 million in 2009 for just over 1,400 new vehicles sold.

NOTE 36 LIST OF CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2010

The list of Group subsidiaries is as follows:

Consolidation	Full consolidation	F
	Equity method	E

Companies	% interest Dec. 31, 2010		Dec. 31, 2009	
CFAO	**Parent company**			
CFAO	F	100.00	F	100.00
France				
CIDER-ACDM	E	34.87	E	48.25
CONTINENTAL PHARMACEUTIQUE	F	83.03	F	82.75
CONTINENTAL PARTICIPATION	Merger		F	99.68
COTAFI	F	100.00	F	100.00
PROPHARMED France (formerly DEPHI)	E	34.87	E	48.25
DOMAFI	F	100.00	F	100.00
EPDIS	F	99.68	F	99.68
ETHICA	E	34.89	E	48.28
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	48.25
SECA	F	99.69	F	99.68
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	48.25
VECOPHARM	F	59.71	F	59.61
EURALAB	F	99.66	F	99.66
French overseas departments and territories				
ALMAMETO (New Caledonia)	E	50.00	E	50.00
ANTILLES PHARM (French Antilles)	E	54.82	E	59.27
CMM (Réunion)	F	98.28	F	98.05
EPDEP (French Antilles)	F	83.03	F	82.75
EPDEP (Réunion)	F	83.03	F	82.75
INTERMOTORS (New Caledonia)	F	99.99	F	99.99
LABOREX SAINT MARTIN (French Antilles)	F	73.89	F	73.89
LOCAUTO (New Caledonia)	E	49.00	E	49.00
MENARD FRERES (New Caledonia)	F	100.00	F	100.00
NCCIE (Guiana)	F	100.00	F	100.00
NEW CALEDONIA MOTORS (New Caledonia)	E	50.00	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	100.00	F	100.00
PRESTIGE LEASE	E	49.00		
RP PHARM (Réunion)	E	24.42	E	33.79
SCI DU BAIN LOTI (French Polynesia)	F	100.00	F	100.00
SEIGNEURIE OCEAN INDIEN (Réunion)	E	49.00	E	49.00

Companies	% interest Dec. 31, 2010		Dec. 31, 2009	
SOCIETE PHARMACEUTIQUE DES CARAIBES (French Antilles)	F	81.74	F	81.74
SOREDIP (Réunion)	F	67.29	F	67.16
SPA (French Antilles)	F	47.86	F	47.82
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	99.99	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
Angola				
PHARMA ANGOLA	F	94.66	F	89.21
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	99.99	F	99.99
LABOREX BURKINA	F	86.72	F	86.59
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
COMETAL	Disposal		E	50.00
ICRAFON	F	52.01	F	52.01
LABOREX CAMEROUN	F	64.68	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	75.32	F	73.57
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	59.07	F	49.86
MIPA	F	100.00	F	100.00
SARI	F	89.77	F	89.77
SPLV CI	F	100.00	F	100.00
Egypt				
SICEP	E	30.77	E	30.77

Companies	% interest Dec. 31, 2010		Dec. 31, 2009	
Gabon				
CFAO MOTORS GABON (formerly CFAO GABON)	F	96.87	F	96.87
CFAO TECHNOLOGIES GABON	F	100.00	F	100.00
SOCIETE PHARMACEUTIQUE GABONAISE	F	50.11	F	50.11
SPLV GABON	F	100.00	F	100.00
Gambia				
CFAO (GAMBIA) LIMITED	F	78.98	F	78.98
Ghana				
CFAO GHANA	F	88.21	F	88.21
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	71.65
Equatorial Guinea				
CFAO MOTORS GUINEE EQUATORIALE (formerly SEGAMI)	F	100.00	F	100.00
Mauritius				
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
IET	Merger		F	100.00
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 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
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, 2010		Dec. 31, 2009	
Morocco				
ASIAN HALL MAROC	F	99.99	F	99.99
CFAO MOTORS MAROC	F	100.00	F	100.00
SALSABILA	F	100.00		
SIAB	F	100.00		
COMAMUSSY	F	Disposal	F	84.20
DIMAC	F	100.00	F	100.00
FANTASIA	F	Disposal	F	84.18
MUSSY BOIS	F	Disposal	F	84.20
SUD PARTICIPATIONS	F	Disposal	F	84.20
Mauritania				
CFAO MOTORS MAURITANIE	F	100.00	F	100.00
LABOREX MAURITANIE	F	98.68	F	98.67
Niger				
CFAO MOTORS NIGER	F	99.85	F	99.85
LABOREX NIGER	F	68.33	F	67.52
Nigeria				
ALLIANCE AUTO NIGERIA	F	99.99	F	99.99
ASIAN HALL CICA NIGERIEA	F	97.58	F	97.58
CFAO GENERAL IMPORT	E	46.29	E	40.93
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
NIGERIA MOTORS INDUSTRIES 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
Democratic Republic of Congo				
CFAO MOTORS RDC	F	100.00	F	100.00
Sao Tomé				
LUSITANA LDA	F	100.00	F	100.00
Senegal				
CFAO SENEGAL	F	89.70	F	89.70
CFAO TECHNOLOGIES SENEGAL	F	100.00	F	100.00
LABOREX SENEGAL	F	59.98	F	59.97
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	97.42	F	97.42
LABOREX TCHAD	F	55.24	F	57.29
Togo				
CFAO MOTORS TOGO	F	69.72	F	69.72
TOGO UNIPHART	F	62.82	F	71.85
Zambia				
CFAO ZAMBIA LTD	F	100.00	F	100.00
China				
OPEN ASIA EQUIPMENT LTD	F	50.99	F	50.99
Vietnam				
AUTOMOTIVE ASIA	F	50.99	F	50.99
OPENASIA HEAVY EQUIPMENT LTD	F	50.99	F	50.99

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, 2010, 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 (*Code de commerce*), the parent company financial statements have been prepared using the same accounting rules and measurement methods as for 2009.

Results of operations of the parent company

CFAO is a holding company and does not carry on any operating activities. Net operating income climbed to €4.72 million in 2010 from €1.98 million in 2009, due to a 4.26% decrease in operating expenses.

Net financial income advanced 32.8% year on year, to €88.95 million. The increase in this item reflects dividends received from associates and investments amounting to €103.5 million. Consequently, net recurring income increased by 35.82%.

Net non-recurring income for 2010 came in at €2.4 million and mainly reflects the proceeds from disposals of equity investments. Net income for 2010 (after tax and employee profit-sharing) increased to €95.14 million, up from €65.48 million one year earlier.

As of end-2010, cash and cash equivalents and marketable securities stood at €29.9 million versus €36.2 million at the end of 2009.

In accordance with the provisions of Article L.441-6-1 of the French Commercial Code, trade payables amounted to €678.8 million at December 31, 2010. All trade payables have maturities of less than 60 days.

BALANCE SHEET AT DECEMBER 31, 2010 AND DECEMBER 31, 2009

ASSETS

		Dec. 31, 2010			Dec. 31, 2009
(in thousands of euros)	Notes	Gross	Depreciation, amortization and provisions	Net	Net
Intangible assets	2.1	2,529	2,050	479	309
Property, plant and equipment	2.2	2,551	1,896	655	813
Equity investments	2.3	325,076	93,735	231,341	229,198
Other investments	2.3	647	580	67	67
Receivables due from investments	2.4	14,849	2,683	12,166	20,421
Other financial fixed assets	2.5	205	165	40	40
Non-current assets		**345,857**	**101,109**	**244,748**	**250,848**
Trade receivables	2.6.1	792	783	9	11
Other receivables	2.6.2	52,170	1,629	50,541	59,091
Marketable securities and cash and cash equivalents	2.6.3	29,935	0	29,935	36,233
Prepayments and other accruals	2.6.4	3,425	0	3,425	4,807
Current assets	**2.6**	**86,322**	**2,412**	**83,910**	**100,142**
Total assets		**432,179**	**103,521**	**328,658**	**350,990**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	Dec. 31, 2010	Dec. 31, 2009
Share capital		10,254	10,254
Legal reserves		1,850	1,850
Additional paid-in capital		39	–
General reserve		–	–
Unavailable reserve		5,976	5,976
Retained earnings		28,632	11,144
Net income for the year		**95,138**	**65,476**
Shareholders' equity	2.7	**141,889**	**94,700**
Provisions for contingencies and losses	2.8	**11,647**	**10,401**
Borrowings		90,079	132,240
Trade payables		678	2,594
Other payables		81,135	107,606
Deferred income and other accruals		3,230	3,449
Liabilities	2.9	**175,122**	**245,889**
Total equity and liabilities		**328,658**	**350,990**

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

(in thousands of euros)	Notes	2010	2009
Revenue		–	–
Other income		27,884	26,178
Operating income		**27,884**	**26,178**
Payroll expenses		(12,104)	(9,233)
Other operating expenses		(10,624)	(14,422)
Net charges to depreciation and amortization		(437)	(477)
Net charges to provisions		(1)	(64)
Operating expenses		**(23,166)**	**(24,196)**
Net operating income		**4,718**	**1,982**
Net financial income	2.13	**88,949**	**66,981**
Net recurring income		**93,667**	**68,963**
Net non-recurring income (expense)	2.14	**2,396**	**(2,580)**
Employee profit-sharing		(787)	(909)
Income tax		(138)	2
Net income for the year		**95,138**	**65,476**

Notes to the parent company financial statements of CFAO SA for the years ended December 31, 2010 and 2009

The accompanying notes are an integral part of the 2010 financial statements.

2010 HIGHLIGHTS

The Group awards performance shares and stock options which constitute equity-settled share-based payment transactions.

Further to its stock market listing, CFAO SA left the PPR tax group with effect from January 1, 2009. A new tax group was set up for CFAO's French subsidiaries in 2010. Tax consolidation led to an income tax saving totaling €942.7k in CFAO's financial statements.

NOTE 1 BASIS OF MEASUREMENT AND PRESENTATION

The financial statements for the year ended December 31, 2010 have been prepared in accordance with the provisions of the French Commercial Code (*Code de commerce*) and the French General Chart of Accounts.

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. Where applicable, impairment provisions are recognized to reduce the value of equity investments and the associated loans. Unrealized gains are not recognized.

Provisions for negative net equity of subsidiaries correspond to consolidated negative net equity after impairment of investments and loans.

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 measured and recognized 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 €2,463.2k. Accumulated amortization recognized in respect of these items at December 31, 2010 amounted to €1,995.2k.

2.2. Property, plant and equipment

Property, plant and equipment mainly includes IT equipment and furniture for €1,704.8k, and fixtures and fittings at the Company's head office at 18, rue Troyon for €839.9k. At December 31, 2010, accumulated depreciation recognized in respect of these items amounted to €1,490.0k and €398.7k, respectively.

2.3. Equity investments and other investments

(in thousands of euros)	Gross	Provisions	Net
At December 31, 2009	334,274.6	(105,010.2)	229,264.4
Disposals and restructurings	(36,139.8)	–	(36,139.8)
Acquisitions/Capital increase	27,588.0	–	27,588.0
Charges to provisions for the year	–	(14,581.3)	(14,581.3)
Reversals from provisions for the year	–	25,276.3	25,276.3
At December 31, 2010	**325,722.8**	**(94,315.2)**	**231,407.6**

Main movements in equity investments (in thousands of euros)		
Pens & Plastics	Capital increase	1,000.0
Eldo Motors	Capital increase	180.0
Prestige Motors	Capital increase	670.4
Bavaria Motors Algerie	Capital increase	1,551.5
S I A B	Acquisition	14,011.8
CFAO (liquidity agreement)	Acquisition	10,160.1
CFAO (liquidity agreement)	Disposal of shares	(9,496.5)
Cometal	Disposal of shares	(1,143.3)
Sud Participation	Disposal of shares	(10,833.3)
Miscellaneous investments written down in full	Retirement	(14,666.6)

The main movements in provisions during the year were as follows:

Charges for the year (in thousands of euros)	
MIPA	685.9
CFAO Motors Tchad	844.6
CFAO Motors Maroc	8,451.9
Bavaria Motors Algerie	1,265.2
Performance Auto	1,501.0
CFAO Motors Mauritanie	350.1
SPLV Gabon	296.4
CFAO Centrafrique	269.3

Reversals for the year (in thousands of euros)	
CMM	3,838.1
Icrafon	608.8
CFAO Togo	383.5
NCCIE	320.6
Prestige Motors	329.0
Cometal	940.7
CFAO Guinée	340.1
Sud Participation	3,286.8
Miscellaneous investments written down in full	14,666.6

2.4. Receivables due from investments

(in thousands of euros)	Dec. 31, 2010	Dec. 31, 2009
Related parties	14,266.2	22,548.1
Third parties	583.1	556.5
Gross	**14,849.3**	**23,104.6**
Impairment	(2,683.1)	(2,683.1)
Net	**12,166.2**	**20,421.5**

Receivables due from investments break down as follows:

- €2,683.1k due in more than one year
- €12,166.2k due in less than one year

2.5. Other financial fixed assets

	Dec. 31, 2010			Dec. 31, 2009
(in thousands of euros)	Gross	Provisions	Net	Net
Loans	205.3	(165.4)	39.9	39.7
Other	–	–	–	–
TOTAL	**205.3**	**(165.4)**	**39.9**	**39.7**

Loans to non-Group entities amounted to €200.3k at December 31, 2010.

Provisions recorded in respect of these loans at December 31, 2010 amounted to €165.3k 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 of euros)	Dec. 31, 2010	Dec. 31, 2009
Third parties, gross	792.2	793.9
Provisions for third parties	(782.8)	(782.8)
Total, gross	**9.4**	**11.1**

2.6.2. Other receivables

(in thousands of euros)	Dec. 31, 2010	Dec. 31, 2009
Related parties	43,724.1	53,839.0
Third parties	8,445.8	8,903.8
Total	**52,169.9**	**62,742.8**
Provisions	(1,628.9)	(3,652.4)
TOTAL	**50,541.0**	**59,090.4**

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 current accounts granted to related companies representing €9,402.7k.

2.6.3. Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2010	Dec. 31, 2009
Investments	2,602.9	–
Cash at bank and in hand	27,331.6	36,233.3
TOTAL	**29,934.5**	**36,233.3**

2.6.4. Prepayments and other accruals

(in thousands of euros)	Dec. 31, 2010	Dec. 31, 2009
Prepaid expenses	3,424.8	4,807.0
Foreign exchange losses	–	–
TOTAL	**3,424.8**	**4,807.0**

Prepaid expenses comprise an insurance premium and expenses incurred in setting up the syndicated credit facility, which are recognized against income over the term of this loan.

2.7. Shareholders' equity

Share capital amounted to €10,254,310 at December 31, 2010, comprising 61,525,860 fully paid-up shares with a par value of €0.17 each.

Changes in shareholders' equity can be analyzed as follows:

(in thousands of euros)	2009	Capital increase	Net income	Appropriation of net income	2010
Share capital	10,254.1	0.3	–	–	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	11,144.3	–	–	17,487.4	28,631.7
Net income for the year	65,476.4		95,138.5	(65,476.4)	95,138.5
Dividends	–	–	–	47,989.0	
SHAREHOLDERS' EQUITY	**94,700.8**	**39.0**	**95,138.5**	**0.0**	**141,889.3**

Based on a constant number of shares, equity per share before dividend payouts increased from €1.54 at December 31, 2009 to €2.31 at December 31, 2010.

2.8. Provisions

		Charges[(1)]			Reversals[(1)]			
(in thousands of euros)	Dec. 31, 2009	Operating	Financial	Non-recurring	Operating	Financial	Non-recurring	Dec. 31, 2010
PROVISIONS RECORDED UNDER ASSETS								
Loans	2,915.1		–			66.6		2,848.5
Equity portfolio	105,010.2		14,581.3			6,382.1	18,894.2	94,315.2
Trade receivables	782.8				–		–	782.8
Other receivables	3,652.3	0.7					2,024.1	1,628.9
Total provisions recorded under assets	**112,360.4**	**0.7**	**14,581.3**	**–**	**0.0**	**6,448.7**	**20,918.3**	**99,575.4**
PROVISIONS RECORDED UNDER LIABILITIES								
Contingencies and losses	10,400.8		4,151.4			2,254.4	650.5	11,647.3
TOTAL	**122,761.2**	**0.7**	**18,732.7**	**–**	**0.0**	**8,703.1**	**21,568.8**	**111,222.7**

(1) *Income statement*

Provisions for contingencies and losses concern the following items:

(in thousands of euros)	2010	2009
Restructuring costs	0.0	8.7
Negative equity of subsidiaries	10,812.5	9,086.4
Provisions for risks on disputes and other	834.8	1,305.7
TOTAL	**11,647.3**	**10,400.8**

The main movements in provisions for negative net equity of subsidiaries break down as follows:

(in thousands of euros)	
Holdinter	1,094.0
Domafi	578.8
Holdinter & cie	1,697.9
Albm	359.5
Bavaria Motors Algerie	– 1,808.9
Sevrafi	– 348.7

2.9. Liabilities

2.9.1. Maturity schedule of borrowings at December 31, 2010

(in thousands of euros)	Dec. 31, 2010	Less than 1 year	2 to 5 years
BORROWINGS			
Accrued interest	76.9	76.9	
Syndicated credit facility	90,000.0		90,000.0
Other bank borrowings	2.5	2.5	
TOTAL	**90,079.4**	**79.4**	**90,000.0**
TRADE PAYABLES	**677.8**	**677.8**	
OTHER PAYABLES AND ACCRUALS			
Tax and employee-related liabilities	8,790.5	8,790.5	
Other liabilities			
– Related parties	71,175.4	71,175.4	
– Third parties	1,169.1	1,169.1	
Accrued expenses	3,229.6	3,229.6	
TOTAL	**84,364.6**	**84,364.6**	**0.0**
GRAND TOTAL	**175,121.8**	**85,121.8**	**90,000.0**

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 of euros)	Syndicated credit facility	Bank borrowings	Interest	TOTAL
At December 31, 2009	132,067.8	0.0	171.8	132,239.6
Repayment of borrowings	(42,067.8)	0.0	(171.8)	(42,239.6)
New borrowings		2.5	76.9	79.4
At December 31, 2010	**90,000.0**	**2.5**	**76.9**	**90,079.4**

The decrease in borrowings results from the repayment of part of the syndicated credit facility.

2.10. Income tax

At January 1, 2010, CFAO opted to file consolidated tax returns.

At December 31, 2010, tax consolidation led to an income tax saving totaling €942.7k in CFAO's financial statements.

2.11. Off-balance sheet commitments

A) Off-balance sheet commitements (in thousands of euros)	Dec. 31, 2010
1 – Commitments given	**117,053.0**
Endorsements and guarantees given on behalf of related parties	101,698.0
Miscellaneous endorsements and guarantees given	13,657.0
Retirement indemnities	1,336.6
Long-service awards	361.4
Individual training entitlement (accumulated hours)	7,625 hours
2 – Commitments received	**217,597.2**
Undrawn confirmed lines of credit	210,000.0
Clawback clauses (return-to-profit)	7,597.2

B) Operating leases (in thousands of euros)	2010
	None

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 (€2,020k), rental and related expenses (€1,289k), external IT costs (€1,244k), taxes and levies other than on income (€1,190k), and travel expenses (€1,093k).

2.13. Net financial income

(in thousands of euros)	2010	2009
Income from investments	103,548.5	95,616.3
Other interest and similar income	1,348.0	1,601.9
Translation gains	781.2	783.9
Reversals of provisions for loans, exchange rate risks and other (see Note 2.8)	8,703.1	8,042.5
Interest and similar expense	(5,903.7)	(3,474.0)
Translation losses	(795.1)	(749.5)
Charges to provisions for investments and other (see Note 2.8)	(18,732.7)	(34,840.1)
TOTAL	**88,949.3**	**66,981.0**

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 of euros)	2010
Brasserie du Congo	6,927.8
Eurapharma	31,816.4
CFAO Congo	2,843.9
CFAO Motors Gabon	4,551.3
CFAO Motors Burkina	1,280.1
CAMI	3,422.3
CFAO CI	1,210.0
CIDP	1,612.9
SARI	947.7
CFAO Malawi	959.8
NCCIE	995.9
SFCE	24,228.3
Intermotors	942.1
Capstone	14,959.0
Dobie Tanzanie	1,350.0
CFAO Sénégal	933.2
Sud Participation	1,596.4
Other	2,971.4
Total	**103,548.5**

2.13.2. Other interest and similar income

(in thousands of euros)	2010
Interest on investments	2.9
Interest on loans and current accounts with subsidiaries	1,345.1
TOTAL	**1,348.0**

2.13.3. Reversals of provisions for equity investments, receivables and other

(in thousands of euros)	2010
Investments	6,382.1
Loans	66.6
Provisions for contingencies	2,254.4
TOTAL	**8,703.1**

Reversals of provisions for equity investments mainly concern the following entities:

(in thousands of euros)	
CMM	3,838.1
Icrafon	608.8
CFAO Guinée	340.1
CFAO Togo	383.5
NCCIE	320.6
Prestiges Motors	329.0

Reversals of provisions for contingencies mainly concern the following entities:

(in thousands of euros)	
Bavaria Motors Algerie	1,808.9
Sevrafi	348.7

2.13.4. Charges to provisions for equity investments, receivables and other

(in thousands of euros)	2010
Investments	14,581.3
Loans	–
Provisions for contingencies	4,151.4
TOTAL	**18,732.7**

Charges to provisions for equity investments mainly concern the following entities:

(in thousands of euros)	
MIPA	686.0
CFAO Motors Maroc	8,451.9
CFAO Motors Tchad	844.6
Bavaria Motors Algerie	1,265.2
Performance Auto	1,501.0
CFAO Motors Mauritanie	350.1
SPLV Gabon	296.4
CFAO Centrafrique	269.3

2.14. Net non-recurring income

Net non-recurring income of €2,395.6k chiefly breaks down as follows:

(in thousands of euros)	2010
Debt waivers	(2,224.5)
Clawback clause (return-to-profit)	761.3
IPO costs	676.1
Disposals of equity investments	2,687.1
Reversal of provision for claims and litigation	641.8
Donations and patronage	(178.0)
Other	31.8
TOTAL	**2,395.6**

Gains and losses on disposals of equity investments mainly correspond to the following entities:

(in thousands of euros)	
Cometal	1,058.7
Sud Participation	1,351.6
CFAO (liquidity agreement)	276.8

2.15. Average headcount during the year

The average headcount was 81 during the year ended December 31, 2010. At that date, total headcount was 91, breaking down as 48 men and 43 women.

2.16. Compensation paid to members of the administrative and management bodies

Compensation paid to members of the Executive Committee by CFAO in 2010 amounted to €2,298,302.

2.17. Fees paid to Statutory Auditors

	Statutory Auditors – Deloitte and KMPG			
	Amount (excl. VAT)		%	
(in thousands of euros)	**2010**	**2009**	**2010**	**2009**
Audit				
Statutory audit, certification, review of parent company and consolidated financial statements				
Deloitte	161.0	130.0	50%	57%
KMPG	161.0	90.0	50%	39%
Other audit-related services				
Deloitte	0.0	10.0	0%	4%
Sub-total	**322.0**	**230.0**	**100%**	**100%**
Other services				
Legal, tax and labor related services				
Other				
Deloitte	0.0	564.0	0%	81%
KMPG	0.0	130.0	0%	19%
Sub-total	**0.0**	**694.0**	**0%**	**100%**
TOTAL	**322.0**	**924.0**	**100%**	**100%**

2.18. Subsidiaries and investments

Subsidiaries and investments	Currency	Share capital	Currency	Reserves and retained earnings 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, 2010 Notes
A – Detailed information concerning subsidiaries and investments.													
1 – Subsidiaries (more than 50%-owned by CFAO)													
ALBM 16, rue Payen – Hydra Algiers (Algeria)	DZD	81,840,000	DZD	– 91,932,000	99.84	1,953,273	0	0		11,134,265	235,196	0	R/E: – 94,374,000
ALLIANCE MOTORS NIGERIA 2 & 4 Apapa Industrial Layout, Amuwo Odofin Lagos (Nigeria)	NGN	100,000,000	NGN	1,285,277,000	99.99	1,502,271	1,502,271	0		36,399,414	– 1,249,459	0	
BAVARIA MOTORS ALGERIE 150, rue de Tripoli – Hussein Dey Algiers (Algeria)	DZD	300,000,000	DZD	– 345,875,000	80.00	2,429,647	286,300	0		29,513,715	1,083,199		R/E: – 345,875,000
CAMI – Cameroon Motors Industries B.P 1217 – Douala (Cameroon)	XOF	2,176,680,000	XOF	9,938,273,000	67.41	4,420,932	4,420,932	93,820		81,487,017	3,484,294	3,422,317	
CAPSTONE CORPORATE LTD Jamalac Building Vieux Conseil Street – Port Louis (Mauritius)	EUR	15,000,000	EUR	260,000	100.00	15,000,000	15,000,000	2,940,146		290,710,000	15,498,000	14,958,952	
CFAO BURKINA Rue Patrice Lumumba – Ouagadougou (Burkina Faso)	XOF	990,180,000	XOF	2,697,661,000	73.08	2,742,713	2,742,713	33,334		37,189,840	1,699,558	1,210,004	
CFAO CENTRAFRIQUE Avenue du Tchad – Bangui (Central African Republic)	XOF	550,000,000	XOF	237,100,000	99.99	3,607,107	1,135,985	70,771		9,955,860	41,184	0	
CFAO CONGO BP 247 – Avenue Paul Doumer – Brazzaville (Congo)	XOF	1,450,000,000	XOF	515,828,000	100.00	3,060,311	3,060,311	41,580		36,270,260	812,129	2,843,857	
CFAO COTE D'IVOIRE Rue pasteur Carrefour CHU de Treichville – Abidjan (Côte d'Ivoire)	XOF	5,563,960,000	XOF	1,396,620,000	96.38	5,122,314	5,122,314	55,980		36,437,986	1,860,814	4,551,280	
CFAO GABON ZI D'Oloumi – BP 2181 – Libreville (Gabon)	XOF	2,140,090,000	XOF	2,621,468,000	96.87	2,621,544	2,621,544	155,665		51,889,537	– 1,696,925	0	
CFAO GAMBIA Ltd Mamadi Manyang Highway Kanifing Po Box 297 – Banjul (Gambia)	GMD	4,180,000	GMD	13,725,000	78.95	567,945	296,589	41,508		5,016,474	– 125,133	106,291	
CFAO GHANA Ltd House no. 8 (Formely house no. 714) High Street – Accra (Ghana)	GHC	1,596,000	GHC	9,826,000	88.21	2,646,019	2,646,019	4,489		35,911,719	1,638,283	0	
CFAO GUINEE 6 ème Avenue BP 4400 – CONAKRY (Guinea-Conakry)	GNF	3,001,000,000	GNF	– 1,654,437,000	100.00	589,996	340,143	0		7,175,251	335,853	0	R/E: – 1,654,437,000
CFAO GUINEE BISSAU avenue Pansau Batiment ORDMAG (Guinea Bissau)	XOF	150,000,000	XOF	– 21,077,000	100.00	228,659	77,943	38,647		1,339,141	– 149,620	0	R/E: – 21,077,000
CFAO MALAWI PO Box 49, Blantyre (Malawi)	MKW	287,188,000	MKW	887,892,000	100.00	4,787,979	4,787,979	899,506		20,915,801	1,200,585	187,119	
CFAO MOTORS BENIN BP 147 Cotonou (Benin)	XOF	26,140,000	XOF	737,603,000	99.12	1,172,329	1,172,329	14,400		13,782,420	1,076,261	1,280,070	
CFAO MOTORS MALI BP 1655 – Quinzambougou – Bamako (Mali)	XOF	156,000,000	XOF	2,236,664,000	89.99	237,833	237,833	28,912		33,700,435	1,273,276	0	
CFAO MOTORS MAROC 15, rue Omar Slaoui – Casablanca (Morocco)	MAD	284,468,000	MAD	27,942,000	100.00	29,984,241	6,644,404	13,040,931		113,716,299	– 5,227,511	0	R/E: – 93,443,000
CFAO MOTORS MAURITANIE Nouakchott Mauritania	MRO	1,172,880,000	CDF	27,942,000	100.00	3,207,718	2,014,936	47,090		1,866,794	– 461,552	0	R/E: – 276,529,000
CFAO MOTORS RDC 6/8 Avenue du Lieutenant-Colonel Lukusa – Kinshasa (Dem. Rep. of Congo)	CDF	106,207,000	CDF	6,137,203,000	99.00	218,808	218,808	240,571		51,460,515	2,092,012	0	
CFAO MOTORS TCHAD BP 474 N'Djaména (Chad)	XOF	1,750,000,000	XOF	239,316,000	97.70	3,237,970	2,088,698	146,245		14,957,168	– 814,422	0	
CFAO NIGER Route de l'Aéroport – BP 204 – Niamey (Niger)	XOF	847,280,000	XOF	755,093,000	99.85	130,021	130,021	83,886		12,473,798	387,815	405,096	
CFAO NIGERIA Ltd 1, Davies Street – Lagos – (Nigeria)	NGN	208,000,000	NGN	4,268,385,000	100.00	17,578,269	17,578,269	11,344		726,257	1,046,393	0	
CFAO SENEGAL KM 2,5 Bd du Centenaire – BP 2631 – Dakar (Senegal)	XOF	3,663,100,000	XOF	1,828,916,000	89.70	5,536,738	5,536,738	0		43,989,196	830,085	933,225	
CFAO TOGO 5 Av Tokmake, BP 332 – Lomé (Togo)	XOF	1,061,455,000	XOF	721,935,000	69.72	2,569,692	2,569,692	0		16,405,194	1,101,580	259,925	
CFAO ZAMBIE P.O.BOX 32665 – Lusaka (Zambia)	ZMK	10,000,000	ZMK	29,043,843,000	99.99	1,855,838	1,855,838	260,082		16,504,087	423,677	510,000	

Subsidiaries and investments	Currency	Share capital	Currency	Reserves and retained earnings 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, 2010 Notes
CIDP Côte d'Ivoire Carrefour CHU Treichville – 01 BP 21140 Abidjan (Côte d'Ivoire)	XOF	500,000,000	XOF	688,455,000	99.99	1,371,950	1,371,950	8,820		23,133,329	1,994,109	1,612,888	
C.M.M – Compagnie Marseillaise de Madagascar 20, rue Lislet Geoffroy – Sainte Clotilde (Reunion)	EUR	2,670,000	EUR	2,400,000	98.27	11,993,195	9,184,974	856		111,333,000	2,876,000	0	R/E: – 1,762,000
DIAMAL CW No 31, Les Annassers Bir Mourad Raïs – Algiers (Algeria)	DZD	1,146,000,000	DZD	403,766,000	59.99	611,109	611,109	0		268,246,276	– 3,910,578	– 1,445,825	
DIMAC Aïn Sebaa Route No 110 KM 11,5 – Casablanca (Morocco)	MAD	1,495,000	MAD	10,592,000	99.65	1,233,261	977,295	89,072		5,808,953	– 39,630	0	
DT DOBIE KENYA P.O BOX 30160 Lusaka Road – Nairobi (Kenya)	KES	35,000,000	KES	1,571,813,000	99.98	6,689,499	6,689,499	130,000		47,287,784	1,126,565	538,297	
DOMAFI 18 rue Troyon – 92310 Sèvres (France)	EUR	79,200	EUR	19,800	100.00	363,674	0			0	4,000	0	
DT DOBIE TANZANIE 217/205 Nkrumah Gereziani Dar Es Sallam (Tanzania)	TZS	991,195,000	TZS	9,110,342,000	100.00	1,535,791	1,535,791	260,082		32,808,767	2,947,576	1,349,999	
ELDOMOTORS 2nd Floor, Fairfax House, N° 21 Mgr Gonin Street Port Louis (Mauritius)	MUR	11,137,000	MUR	– 7,411,000	100.00	344,706	217,829	0		4,237,272	193,478	0	R/E: – 7,411,000
Eurapharma Le grand Launay 8 av paul doumer 76120 Le Grand Quevilly (France)	EUR	2,799,750	EUR	31,047,250	99.68	26,339,853	26,339,853	0		0	18,128,000	31,816,410	
HOLDINTER SARL 18 rue Troyon – 92316 Sèvres Cedex (France)	EUR	314,292	EUR	– 2,143,292	99.99	5,336,043	0			0	– 830,000		R/E: – 2,185,000
HOLDINTER ET CIE 18 rue Troyon – 92316 Sèvres Cédex (France)	EUR	878,700	EUR	– 6,353,700	60.00	5,163,651	0	2,293,980		0	– 2,102,000	0	R/E: – 6,354,000
ICRAFON – Société Industrielle des Crayons et Fournitures BP 2040 – ZI Bassa Magzi – Douala (Cameroon)	XOF	2,000,000,000	XOF	196,623,000	52.01	3,484,961	2,201,686	0		9,508,273	1,292,161	0	
IMACY BP 95 – Boulevard Cheik Zayed – Bamako (Mali)	XOF	10,000,000	XOF	169,061,000	99.85	1,374,951	14,283			0	– 255,954	0	
I.M.C. 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		13,265,186	202,057	0	
LUSITANA LTDA Rue Domao 11 São Tomé and Príncipe CP 605	CDF	1,826,500,000	CDF	– 19,142,000	100.00	586,348	0	1,487		69,815,060	– 130,004		R/E: – 19,142,000
MASSILIA Cunard Building Liverpool L3 IDS (United Kingdom)	GBP	2,750,000	GBP	2,312,000	100.00	35,952,814	5,217,775			0	– 86,227	0	
MENARD Frères Ansé Uari, 21 rue Jean Charlier 98849 Nouméa (New Caledonia)	XPF	369,495,000	XPF	445,870,000	99.96	10,644,291	10,644,291			38,083,204	2,006,365	611,115	
MIPA – Manufacture Ivoirienne des Plastiques Africains ZI De Yopougon Banco Nord – Abidjan (Côte d'Ivoire)	XOF	774,000,000	XOF	511,432,000	99.88	2,451,813	1,161,587	152,627		6,678,880	– 956,485	0	R/E: – 542,803,000
NCCIE – Nouveau Comptoir Caraïbe d'Importation et d'Exportation PK 2, route de Baduel 97300 Cayenne (Guyana)	EUR	36,480	EUR	1,054,520	99.58	2,005,545	2,005,545	0		20,073,000	1,066,000	814,751	
NISSAN ZIMBABWE PRIVATE LTD Building 9, Arundel Office Park, Mount Pleasant HARARE (Zimbabwe)	USD	0	USD	320,000	75.00	2,255,548	2,255,548			16,535,012	507,274		
OPENASIA EQUIPMENT LTD 34/F, the lee gardens 33 hysan av causeway bay (Hong Kong)	USD	1,000	USD	10,031,000	50.99	7,686,649	7,473,455			3,835,080	436,421	0.00	
PENS AND PLASTICS LTD Block XI Plot no 1, 2 RING RD – Accra (Ghana)	GHC	2,518,000	GHC	947,000	100.00	1,788,135	1,788,135	0		5,101,597	509,311	0	
PRESTIGE MOTORS 2, rue Edmont Harbulot – PK 6 98895 Nouméa (New Caledonia)	XPF	109,902,000	XPF	– 4,155,000	99.99	2,401,161	1,164,546	1,550,818		15,164,348	– 1,090,079		R/E: – 4,155,000
SARI 117 Boulevard de Marseille 01 bp 1327 Abidjan (Côte d'Ivoire)	XOF	1,355,480,000	XOF	1,176,783,000	89.77	3,537,035	3,537,035	21,600		27,022,814	514,785	947,725	
CFAO GUINEE EQUATORIALE BP 127 Bata (Equatorial Guinea)	XOF	500,000,000	XOF	1,133,854,000	99.99	762,199	762,199	221,731		18,063,923	529,143	959,802	
S.F.C.E. – Société Française de Commerce Extérieur 18 rue Troyon – 92316 Sèvres Cédex (France)	EUR	12,114,240	EUR	4,455,760	100.00	12,312,268	12,312,268	10,525,174		509,855,000	17,750,000	24,228,330	

Subsidiaries and investments	Currency	Share capital	Currency	Reserves and retained earnings 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, 2010 Notes
SIFA – Société Industrielle du Faso BP 358 Bobo – Dioulasso (Burkina Faso)	XOF	822,478,800	XOF	381,823,200	58.61	1,043,146	1,041,498			43,585	1,029,664	0	R/E: – 308,986,000
SIAB 166 Boulevard Moulay Ismaël Casablanca (Morocco)	MAD	80,500,000	MAD	– 53,324,000	100.00	14,011,823	14,011,823	268,492		14,137,161	323,671	0	R/E: – 55,601,000
SOCADA Boulevard du Général Leclerc – BP 4080 – Douala (Cameroon)	XOF	2,600,000,000	XOF	6,692,000	100.00	2,439,184	2,439,184	33,129		41,174,609	184,971	0	R/E: – 913,308,000
SPLV CI Boulevard de Vridi 01 BP 2114 Abidjan 01 (Côte d'Ivoire)	XOF	100,000,000	XOF	– 40,096,000	99.97	152,403	152,403	8,280		3,889,651	528,442	0	R/E: – 40,096,000
SPLV GABON Boulevard de l'Indépendance BP 7661 – Libreville (Gabon)	XOF	300,000,000	XOF	443,034,000	99.99	2,176,509	1,880,129	6,840		11,267,367	633,946	790,369	
SPLV CAMEROUN Boulevard du Général Leclerc – BP 4080 – Douala (Cameroon)	XOF	600,000,000	XOF	– 190,088,000	99.97	914,420	690,631	0		2,737,451	147,728	0	R/E: – 190,088,000
PERFORMANCE AUTOS rue Paul Bernière BP 51564 Pirae (Tahiti)	XPF	48,915,000	XPF	– 286,449,000	99.82	1,527,208	0	307,567		5,526,610	1,767,267	0	R/E: – 361,200,000
CICA MOTORS LIMITED (Tridecon) Lusaka Road – Nairobi (Kenya)	KES	2,700	KES	272,450,300	99.26	8,991,199	8,991,199			0	– 101,152	0	R/E: – 214,000
2 – Investments (10% to 50%-owned by CFAO)													
ALMAMETO PK5 Magenta-Complexe Ed.Pentecost Nouméa (New Caledonia)	XFP	150,000,000	XFP	1,333,283,000	49.87	1,498,719	1,498,719	0		96,779,633	2,431,407	0	
BRASSERIES DU CONGO Rue Du Nouveau Port – BP 105 – Brazzaville (Congo)	XOF	7,637,895,000	XOF	51,280,444,000	50.00	7,873,153	7,873,153	587,089		151,816,227	47,183,706	6,927,828	
CEP – Compagnie Equatoriale des Peintures Zone industrielle de Bassa – Douala (Cameroon)	XOF	446,400,000	XOF	1,602,598,000	24.15	687,932	687,932	0		18,420,674	2,715,980	340,121	
ALIOS FINANCE 8 rue de Berry 75008 Paris (France)	EUR	10,699,282	EUR	4,033,718	24.27	3,402,277	3,402,277	0		0	300,000	165,254	
NEW CALEDONIA MOTORS Complexe Ed. pentecost, PK5 Magenta (Noumea)	XPF	50,000,000	XPF	77,769,000	50.00	209,500	209,500	0		9,373,240	94,694	0	
SEIGNEURIE OCEAN INDIEN Zac chemin Finette II – 97490 Sainte Clotilde (Reunion)	EUR	508,200	EUR	4,751,800	48.97	653,496	653,496	0		9,983,000	940,000	323,200	
S.E.P. – Société Européenne des Peaux 31 rue Jean Chatel – 97400 Saint Denis (Reunion)	EUR	675,000	EUR	775,000	48.99	1,362,670	710,420	0		0	0	0	
SICEP – Société Industrielle des Crayons et Plastiques Al Ahram House Galaa Street – Cairo (Egypt)	EPG	15,000,000	EPG	9,747,000	30.77	663,803	663,803	0		3,341,109	33,383	0	
SIGM BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar)	MGA	20,000,000	MGA	1,367,200,000	48.60	295,597	291,418	0		328,396	105,845		
SIRH BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar)	MGA	5,400,000	MGA	29,138,000	48.70	149,124	6,221	0		0	0	0	
SOCIMEX BP 44 - 17 rue Rabefiraisana Analakely – Antananarivo (Madagascar)	MGA	86,400,000	MGA	7,813,854,600	48.70	208,836	208,836	0		5,541,449	572	0	
SUPERDOLL 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)						5,044,546	156,057	9,879,410				942,068	P/L: EUR 3,681,207
a – Non-French subsidiaries (all)						381,181	0	0				0	
2 – Investments not listed in section A													
a – French investments (all)						32,682	32,425	0				0	P/L: EUR 1,353
a – Non-French investments (all)						1,701,132	677,225	0				318,473	

NOTES
R/E: Retained earnings
P/L: Provision for loans

Exchange rate: 1 euro in foreign currency	**At Dec. 31, 2010 Balance sheet**	**Average 2010 Income statement**
CDF Congolese franc	1,202.050	1,195.876
DZD Algerian dinar	103.493	99.224
EGP Egyptian pound	7.690	7.459
GBP Pound sterling	0.861	0.858
GHC Ghanaian cedi	1.957	1.885
GMD Gambian dalasi	37.414	36.633
GNF Guinean franc	8,134.560	7,620.545
KES Kenyan shilling	107.328	105.109
MAD Moroccan dirham	11.174	11.153
MGA Malagasy ariary	2,840.460	2,771.044
MUR Mauritian rupee	40.554	40.682
MWK Malawian kwacha	199.434	199.619
NGN Nigerian naira	199.070	198.897
TZS Tanzanian shilling	1,932.700	1,851.177
USD US dollar	1.336	1.327
XPF CFP franc	119.332	119.332
XOF CFA franc	655.957	655.957
ZMK Zambian kwacha	6,408.560	6,372.160

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 of euros)	2006	2007	2008	2009	2010
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	10,254,060	61,524,360	61,525,860
Number of bonds convertible into shares					
2. RESULTS OF OPERATIONS (in thousands of euros)					
Revenue (excl. VAT)	22,480	26,158	26,375	26,178	27,884
Net income before tax, depreciation, amortization and provisions	55,179	64,725	75,849	78,871	84,175
Income tax	(6)	376	(186)	(2)	138
Net income after tax, depreciation, amortization and provisions	39,941	70,186	76,901	65,476	95,138
Dividends paid	72,189	49,937	180,676	77,111	47,989
3. PER SHARE DATA					
Earnings per share after tax, but before depreciation, amortization and provisions	5.39	6.28	7.42	1.28	1.37
Earnings per share after tax, depreciation, amortization and provisions	3.89	6.84	7.50	1.06	1.55
4. EMPLOYEE DATA					
Number of employees	81	86	89	84	91
Total payroll (in thousands of euros)	5,271	5,745	6,675	6,332	7,840
Total employee benefits paid during the year (social security, social works, etc.)	3,689	3,330	3,643	2,900	4,264

TAX-DEDUCTIBLE DONATIONS, SPONSORSHIPS AND PATRONAGE

Humanitarian work (in euros)	
Fondation Saint Cyr donations	78,000
CFAO Solidarité donations	50,000
Institut ASPE donations	5,000
Fondation CARE donations	20,000
Fondation Chirac donations	25,000

20.4 Verification of financial information

20.4.1 Statutory Auditors' reports for 2010

Statutory auditors' report on the parent company financial statements

Year ended December 31, 2010

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether modified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditor's 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,

Pursuant to the engagement entrusted to us by you, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of CFAO,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Supervisory 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion expressed below.

We certify that the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2010 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

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 performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comments to make on the fair presentation and consistency with the financial statements of the information given in the Supervisory Board's management report 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 the 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 your company or controlled by it. Based on this work, we attest that such information is accurate and fair.

Pursuant to the law, we confirmed the communication in the management report of the appropriate disclosures regarding the acquisition of investments and controlling interests and the identity of holders of share capital and voting rights.

Paris la Défense and Neuilly-sur-Seine, April 4, 2011
The Statutory Auditors

KMPG Audit *Division of KPMG S.A.*	Deloitte & Associés
Hervé CHOPIN	Alain PENANGUER

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2010

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether modified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditor's 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,

Pursuant to the engagement entrusted to us by you, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of CFAO,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Supervisory 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion expressed below.

We certify that the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2010 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

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 performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comments to make on the fair presentation and consistency with the financial statements of the information given in the Supervisory Board's management report 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 the 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 your company or controlled by it. Based on this work, we attest that such information is accurate and fair.

Pursuant to the law, we confirmed the communication in the management report of the appropriate disclosures regarding the acquisition of investments and controlling interests and the identity of holders of share capital and voting rights.

Paris la Défense and Neuilly-sur-Seine, April 4, 2011
The Statutory Auditors

KMPG Audit
Division of KPMG S.A.

Hervé CHOPIN

Deloitte & Associés

Alain PENANGUER

20.5 Date of the most recent financial information

The date of the most recent financial information is December 31, 2010.

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 €	**2008**	**2009**	**2010**
Net dividend per share	17.62	7.52*	0.78
Fully eligible for tax relief 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 next Annual General Meeting to be held on May 20, 2011, convened to approve the 2010 financial statements, shareholders will be asked to approve a dividend payment of €0.82 per share.

20.8 Litigation and arbitration

The Group is 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

- *SFCE* is subject to a tax adjustment for overdue 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 considers this management fee to be unjustified and is disputing its tax deductibility. The Group believes that it has sufficient grounds to dispute this tax adjustment. Provisions have been set aside for this adjustment in an amount equal to the estimated level of risk. The French tax administration has 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*). Its advisory opinion has not yet been communicated to the Company by the French tax administration. If the French tax administration maintains its position, the Group plans on filing a claim against it.

- *Diamal* is currently being audited by the Algerian tax administration 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 against the Algerian tax administration to challenge the tax adjustment.

- *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, and 87,302,211 Moroccan dirhams, or €7,813,327 for 2003. The principal grounds for the tax adjustment relate 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. 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. This guarantee applies to a maximum of 75 million Moroccan dirhams and has a deductible of 3.5 million Moroccan dirhams, or €6,712,310 and €313,241, respectively. Provisions have been set aside for this tax adjustment in an amount equal to the estimated level of risk.

The total amount of the provisions set aside for tax litigation amounted to €17.1 million as of December 31, 2010.

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 are 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), and the subsequent sale by SCOA for one symbolic franc of its shares of these two subsidiaries.

- Regarding the criminal proceedings and to the best of CFAO's knowledge, which is not 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 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.

  - 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 for the prejudices resulting from 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 of 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.

As of the date of this Reference Document, the Group is not aware of any governmental, legal, or arbitration proceedings (including any proceedings of which the Group 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, 2010, 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, which are still in effect and described in the table below.

Summary of pending 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 pending 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
Shareholders' Meeting of November 16, 2009		
Delegation of authority to the Management Board to grant stock subscription or purchase options, it being specified that the options granted shall not give right to a total number of shares representing more than 3% of the capital on the day of the Management Board decision, and that the capital increases resulting from the exercise of stock options granted pursuant to this delegation shall be deducted from the limit of €5 million for all authorizations to increase the share capital – *10th resolution*	Until January 15, 2012	Used for the grant of stock options at the beginning of 2010 (see Chapter 15 of this document)
Delegation of authority to the Management Board to grant free shares (existing or to be issued) to all or some Group employees and corporate officers, it being specified that the shares shall not represent more than 10% of the share capital on the day of the Management Board decision, and that the maximum amount of share capital increases likely to result from this delegation shall be deducted from the limit of €5 million for all authorizations to increase the share capital – *11th resolution*	Until January 15, 2012	Not used
Delegation of authority to the Management Board to issue redeemable equity warrants (BSAARs) to employees and corporate officers of the Company and its subsidiaries, without preferential subscription rights for shareholders, within the limit of €1 million for any share capital increase likely to result from such issue (and within the limit of €5 million for all authorizations to increase the share capital) – *12th resolution*	Until May 15, 2011	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 the date of this Reference Document, the Company does not hold any of its shares and no shares of the Company are held by one of its subsidiaries or by a third party on its behalf (except under the liquidity agreement described below).

a) *Use of the repurchase authorizations granted by the shareholders in November 2009 and in May 2010*

The Shareholders' Meeting of November 16, 2009 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 17, 2010. This authorizes the Board to repurchase shares from the Company, again capped at 10% of the Company's share capital and a maximum purchase price of €39 per share.

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 stimulate 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 French financial markets authority (*Autorité des marchés financiers* – AMF).

Share repurchases by 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 17, 2010 (for information, the number of shares at this date was 61,524,360); 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 that the Company may own at any time shall not exceed 10% of the shares that make up the Company's share capital at such time.

The maximum purchase price per share is fixed at €39. The total amount allocated to the repurchase program shall not exceed €200 million.

In connection with these authorizations, CFAO entered into a liquidity agreement with Crédit Agricole Cheuvreux, relating to the CFAO shares which are listed on the Eurolist of NYSE 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, between February 5, 2010 (date of the agreement's implementation) and February 10, 2011, 447,718 shares were purchased at an average price of €27.40 and 395,968 shares were sold at an average price of €27.61. As of February 10, 2011, 51,750 shares were held in the liquidity account. Outside of this liquidity agreement, the Company did not repurchase any of its shares during this period.

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.

The new share repurchase program, which will be submitted for approval at the Annual General Meeting on May 20, 2011, 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 2011*

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 20, 2011.

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 21st, 2011, CFAO did not hold any of its own shares, directly or indirectly, except under the liquidity agreement entered into with Crédit Agricole Cheuvreux, it being specified that 61,400 shares were held in the liquidity account at that date.

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;
- to stimulate 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 a case, 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

Share repurchases by 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; 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 shall not exceed 10% of the shares that make up the Company's share capital at such time.

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 20, 2011 would be granted for an 18-month period starting from that date, i.e., until November 19, 2012.

The Shareholders' Meeting of May 17, 2010 authorized the Management Board to reduce share capital by cancellation of shares repurchased under the repurchase program, this authorization being valid until July 16, 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, and in particular redeemable equity warrants (see section 21.1.1 above).

In 2010, the Company granted stock options and performance shares, which are described in section 17.2 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 abovementioned 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, 2011, 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 11, 2011, 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 abovementioned 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 taken 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 to 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 abovementioned 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 abovementioned 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 market of NYSE Euronext 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 during the month	Lowest market price during 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	29.28	33.50	33.15
Feb. 2011	716,192	29.33	30.01	29.31

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.

A description of these agreements is provided in section 6.5.1.3.4 ''Agreements with Automobile Manufacturers'' of the Registration 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 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, 2010''.
- 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''.

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).

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 at +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

- 2011 First-quarter revenue: May 2, 2011
- 2011 Half-year revenue and results: July 28, 2011
- 2011 Third-quarter revenue: October 27, 2011

24.3 2010 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, 2010.

a) Financial and legal information

Date	*(information available under Finance/Regulated Information on the CFAO website)*
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
November 2, 2010	2010 Third-quarter revenue
September 30, 2010	CFAO strengthens its positions in New Caledonia
September 17, 2010	Disposal of Moroccan wood activities
September 3, 2010	Publication pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code on compensation of executive corporate officers
August 31, 2010	Availability of the interim report for the first semester 2010
August 31, 2010	2010 Second-quarter revenue
July 9, 2010	Half-year report on the CFAO liquidity contract
May 31, 2010	CFAO reinforces its presence in Morocco
May 19, 2010	Presentation of the company and 2009 results made at the Shareholders' Meeting on May 17, 2010
May 17, 2010	Dividend payment date
April 28, 2010	General Shareholders' Meeting of CFAO to be held on May 17, 2010
April 27, 2010	2010 First-quarter revenue
April 14, 2010	Filing of the 2009 Annual Report
April 9, 2010	CFAO Annual Shareholders' Meeting, Notice of Meeting
March 11, 2010	2009 Results (2009 Results and 2009 Fourth-quarter revenue)
March 11, 2010	2009 Annual Results Presentation
February 5, 2010	Implementation of a Liquidity Contract and Description of the Share Repurchase Program
January 20, 2010	Compensation of Executive Officers
January 19, 2010	Declaration of the Number of Outstanding Shares and Voting Rights as of December 31, 2009

b) Published documents

Reports	*(information available under Finance/Regulated Information on the CFAO website)*
August 31, 2010	2010 Half-year Financial Report
April 14, 2010	Reference Document including the annual financial report and management report, filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on April 13, 2010, under number R. 10-020
Presentations	*(information available under Finance/Regulated Information on the CFAO website)*
February 28, 2011	2010 Annual results and 2010 Q4 revenue
November 2, 2010	2010 Third-quarter revenue
August 31, 2010	2010 Second-quarter revenue
May 19, 2010	Annual Shareholders' Meeting 2010
April 27, 2010	2010 First-quarter revenue
March 11, 2010	2009 Results

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)*
March 1, 2011	Notice of CFAO's 2010 Results published in *Les Echos*
September 1, 2010	Notice of CFAO's 2010 Half-year results published in *Les Echos*
June 30, 2010	Publication in the BALO confirming the approval of the statutory and consolidated financial statements and the proposal for the appropriation of net income by the Annual Shareholders' Meeting, as published
April 29, 2010	Notice of the Annual Shareholders' Meeting to held on May 17, 2010 published in *Les Echos*
April 28, 2010	Notice convening the Annual Shareholders' Meeting to be held on May 17, 2010, published in the BALO
April 26, 2010	Notice convening the Annual Shareholders' Meeting to held on May 17, 2010, published in the *Gazette du Palais* (Journal of legal notices)
April 9, 2010	Notice of the Annual Shareholders' Meeting to be held on May 17, 2010, published in the BALO
March 12, 2010	Notice of CFAO's 2009 Results published in *Les Echos*

CHAPTER 25 – INFORMATION ON HOLDINGS

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.

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 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 consolidated net income (attributable to owners of the parent). 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 paragraphs relating to the Group's pharmaceutical activities.