

## APPENDICES TO THE EXECUTIVE BOARD'S REPORT

Ceilings on capital increases that may be decided by the Executive Board upon authorization:

Capitalization:

- The ceiling on the nominal value of capital increases that may be issued under the 8<sup>th</sup> Resolution submitted to the Shareholders' Meeting of May 3, 2007, is €500 million.
- The ceiling on the nominal value of capital increases that may be issued under the 9<sup>th</sup> Resolution submitted to the Shareholders' Meeting of May 29, 2009, is €1.3 billion.

Capital increases with or without pre-emptive rights:

- The ceiling on the nominal value of capital increases that may be issued under the 9<sup>th</sup> Resolution submitted to the Shareholders' Meeting of May 3, 2007, is €100 million.
- The ceiling on the nominal value of capital increases that may be issued under the 10<sup>th</sup> Resolution submitted to the Shareholders' Meeting of May 29, 2009, is €150 million.
- The ceiling on the nominal value of capital increases that may be issued under the 10<sup>th</sup> to 12<sup>th</sup> Resolutions submitted to the Shareholders' Meeting of May 3, 2007 and the 11<sup>th</sup>, 13<sup>th</sup> and 15<sup>th</sup> Resolutions submitted to the Shareholders' Meeting of May 3, 2009, is €100 million.

Private placement:

The ceiling on the nominal value of capital increases made under the 12<sup>th</sup> Resolution, submitted to the Shareholders' Meeting of May 29, 2009 is equal to 20% of the Company's share capital.

Green Shoe (over-allotment option):

The ceiling on the nominal value of capital increases made under the 14<sup>th</sup> Resolution, submitted to the Shareholders' Meeting of May 29, 2009, is equal to 15 % of the initial issue.

Overall platforms:

- The maximum nominal value of capital increases issued under the 10<sup>th</sup> to 15<sup>th</sup> Resolutions submitted for approval to the Shareholders' Meeting of May 29, 2009, is €150 million.
- The maximum amount for issues of debt securities that may be exchanged, redeemed or otherwise traded for shares pursuant to the 10<sup>th</sup> to 15<sup>th</sup> Resolutions submitted to the Shareholders' Meeting of May 29, 2007, is €1 billion.

Capital increases for members of a company savings plans (Plan d'Épargne d'Entreprise):

The ceiling on the nominal value of capital increases that may be decided under the 23<sup>rd</sup> Resolution of the Shareholders' Meeting of May 14, 2008 and submitted for renewal to the Shareholders' Meeting of May 29, 2008 (17<sup>th</sup> Resolution) is €2.25 million.

Stock warrants:

The maximum nominal value of capital increase that may result from the exercise of all of the warrants issued by virtue of the 18<sup>th</sup> Resolution submitted to the Shareholders' Meeting of May 29, 2009, is limited to €170 million.

## 7.5

Pursuant to the provisions of Article 225-68 of the French Commercial Code, the purpose of this document is to report on the composition, conditions of preparation and organization of the Supervisory Board's work and the internal oversight and risk management procedures implemented by Eurazeo. The disclosures required under Article L. 225-100-3 of the French Commercial Code are published in Eurazeo's 2008 Registration Document (section 5.6 of the Executive Board's report "Information of potential relevance in the event of a takeover bid"). The specific procedure for the participation of shareholders in the Shareholders' Meeting are set out in Article 23 of Eurazeo's Bylaws.

The work underlying the writing of the report was managed and co-ordinated by the Internal Audit department. It relied on the contribution of all divisions and services, Eurazeo internal control stakeholders (the roles of these players are developed in section 2 of the report).

The structuring and the writing of the report were based on generally accepted reference frameworks with respect to corporate governance and internal control. The first part of the report (section 1) concerning the work of the Supervisory Board reserves to the Corporate Governance Code for Listed Companies (Code

de gouvernement d'entreprise des sociétés cotées) published in December 2008 by the MEDEF and the AFEP (hereafter referred to by convention as the AFEP-MEDEF Code). The second part, which is devoted to the internal control system, was developed on the basis of the reference framework for internal control of the French Financial Markets Authority (AMF), and its application guide relating to internal control over accounting and financial reporting. Lastly, the

audits carried out generally took into account the recommendations made by the AMF in its 2008 report on corporate governance and internal control.

The members of the Audit Committee reviewed a draft report at their meeting held on March 19, 2009. The final report was approved by the Supervisory Board at its meeting on March 26, 2009.

## Section 1 Preparation and organization of the Supervisory Board's work

The Supervisory Board permanently oversees the management of the Company by its Executive Board. Its members are leading personalities from various sectors of the economy. The Supervisory Board's Bylaws set forth its operating rules, specifically addressing matters such as participation at Board meetings, independence criteria, the Holding of meetings, communications with Board members, prior authorizations by the Board for certain transactions, the establishment of committees, the compensation of Board members and ethics issues. The Supervisory Board's Internal Rules are set out in section 4.2 in Other Information Concerning Corporate Governance of the Registration Document.

The Supervisory Board performs the checks and controls it deems necessary at any time and may request any document it considers necessary to perform its duties.

The Supervisory Board meets as often as Eurazeo's interests may require and at least once every quarter. The Supervisory Board met seven times in 2008 (six times in 2007), with an attendance rate of 87% (82% in 2007).

The Executive Board submits a monthly report to the Chairman of the Supervisory Board covering developments in investment holdings, cash balances, transactions performed and Eurazeo's debt, if any.

As required by the Company's Bylaws, the Eurazeo Executive Board submits a report to the Supervisory Board at least once every quarter on the Company's main management activities and decisions, including all information that the Board may require to be kept up to date on the Company's business, along with the quarterly company financial statements and half-year and annual consolidated financial statements.

Within a prescribed time limit following the end of each fiscal year, the Executive Board submits the company financial statements, consolidated financial statements and its report to the Shareholders' Meeting to the Supervisory Board for verification and review. The Supervisory Board reports its observations on the Executive Board's report and on the annual company and consolidated financial statements to the Shareholders' Meeting.

The composition of the Supervisory Board is presented in the table in section 3.1 of the Executive Board's report and the first four columns of this table are considered to be an integral part of this report.

The Supervisory Board has formed three committees: the Finance Committee, the Audit Committee and the Compensation and Appointment Committee. These three specialized committees are permanent ones. The term of committee membership coincides with the member's term of office on the Supervisory Board, with the understanding that the Supervisory Board may change the composition of its committees at any time or remove a member from a committee if necessary. The duties and operating rules of the committees are set forth in their respective charters.

Sections 3.5 and 3.6.1 of the Executive Board's report in the Registration Document give a detailed presentation of the activity, composition and number of meetings of these committees for fiscal 2008, as well as the principles for determining the compensation of Company Officers. These sections are considered to be an integral part of this report.

Eurazeo corporate governance approach was implemented a few years back, with the aim of complying with market recommendations that promote transparency vis-à-vis stakeholders and contribute to improving the functioning of the Company's control and management bodies.

The Eurazeo Supervisory Board approved this report at its meeting held on March 26, 2009. It confirmed that most of the recommendations of the AFEP-MEDEF Code had already been implemented. And indeed, an analysis of Eurazeo's corporate governance practices with respect to the principles and recommendations of the AFEP-MEDEF Code shows that as at the end of 2008, Eurazeo complied with most of the provisions of the Code.

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Below is a summary of the planned improvements to current practices:

The characterization of independent members on the Board

The Code recommends that the characterization of independent Directors be "discussed by the Appointment Committee and reviewed each year by the Board of Directors prior to publication of the Annual Report". The Supervisory Board meeting of May 5, 2004 had reviewed the independence of its members with respect to the criteria recommended by the Bouton report. Since the composition of the Board did not change between 2004 and 2007, the quality of independent Director was not specifically examined by the Supervisory Board. As from the next expiry of the terms of Board members (i.e. in 2010), upon the motion of the Compensation and Appointment Committee, the position of members characterized as independent will be regularly reviewed by the Supervisory Board. All the criteria of independence set out in the Code will be used for this review, except for the criterion of seniority (i.e. "Not having been a Director of the company for more than twelve years").

Assessment of the Supervisory Board

The Code recommends that members of the Board of Directors carry out a self-assessment at least once every three years. In June 2005, Supervisory Board members carried out a self-assessment by answering a questionnaire designed to help them assess how well the board was functioning and to make suggestions. The results of this process were analyzed by the Supervisory Board at its meeting held on June 22, 2005. In 2009, the Supervisory Board will determine the appropriate timetable for continuing this process.

Executive Directors' compensation

In accordance with the recommendations of the Compensation and Appointment Committee, the following provisions relating to the compensation of the Company's executive Directors will be implemented:

- The benefit of supplementary pension schemes will be subject to some additional rules: setting of a requirement of seniority in the company, capping of the increase in potential rights to two times the fixed compensation, taking into account the average compensation of the last three years as the benchmark period for calculating benefits.
- With respect to stock options and to ensure that, when valued in accordance with IFRS standards, they do not represent a disproportionate percentage of the total compensation, it has been decided that the allotment of stock options may not be more than twice the total compensation of each person.
- The Code recommends that the employment agreement be terminated in case of an appointment as Company Officer. The employment agreement of the Company Officer concerned by the recommendation is currently suspended, and a compliance approach with the Code will be discussed during the next renewal or at the next appointment.

Lastly, it must be noted that the Code specifies that the term of office as Director may not exceed four years. Eurazeo has set a longer term of office, the members of its Supervisory Board are appointed for a six-year term, in accordance with the Company's Bylaws. Eurazeo considers that the legal duration of the six-year term is the appropriate period to enable members to become properly involved in the control of the Company's management.

## Section 2 Internal control and risk management systems

Eurazeo's core business consists in the acquisition of equity interests mostly in unlisted companies. As part of the sustainable monitoring of its business, Eurazeo defines and pursues a certain number of strategic and operational targets. To prevent or limit the negative impact of certain internal or external risks to the achievement of these targets, the organization, under the responsibility of the Executive Board, develop and adapt an internal control system:

- that falls within the scope of a continuous improvement approach;
- that fits into the Company's specific business process and business model.

### Definition and objectives

Internal control is said of a Company system, designed under the responsibility of the Executive Board and implemented by staff under the impetus of the Executive Board.

Like the general principles of the AMF framework, Eurazeo's internal control system aims at ensuring:

- compliance with laws and regulations;
- the correct functioning of the Company's internal processes, in particular those intending to ensure the Company's assets are safeguarded;
- the reliability of financial information.

As a general rule, it contributes to the control of activities by preventing and mitigating the significant risks relevant to the achievement of the company's objectives whether operational, financial or compliance-related. It also contributes to the efficiency of operations and the efficient use of resources.

### Limitations

The internal control system, as well designed and implemented as possible, cannot provide an absolute guarantee that the Group's objectives will be achieved. The limitations of the system lie in various factors inherent to all internal control systems such as the following:

- the control system relies on people and the exercise of their judgement;

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the design of the internal control system takes into account the cost/benefit relationship which is used to strike the right balance between the cost of the controls implemented and an acceptable level of residual risk;

the low predictability of a certain number of external events that may pose a risk to the achievement of the organization's objectives.

### Scope

The internal control system implemented by Eurazeo covers all the operations carried out within a scope that comprises Eurazeo as an investment company as well as all holding companies and funds and directly-controlled investment vehicles.

Each consolidated operational entity independently designs and implements its own internal control system to suit its specific situation and activity. The observations of internal audits are reviewed at meetings of the Audit Committees of each operational group in which Eurazeo is represented.

The internal control system is not limited to a set of procedures and does not cover only the company's accounting and financial processes. It comprises an organized set of resources, exchanges, principles, procedures and behaviors adapted to the specific characteristics of the organization.

With reference to the AMF framework, Eurazeo's internal control system is structured around five closely-linked components that are described below (parts a.-e.).

#### a. An appropriate environment and organizational structure

The internal control system is based on an environment that promotes honest and ethical behavior and an organizational framework dedicated to the achievement of these objectives.

The organizational structure is based on a relevant distribution of functions and responsibilities among the various players, adequate management of resources and competencies and the implementation of proper information systems and operating procedures.

#### Internal Rules

Eurazeo Internal Rules require that its employees comply with certain rules concerning such things as their obligations vis-à-vis financial market integrity (for example, refraining from trading in certain situations or the requirement of discretion, the requirement to register their Eurazeo shares, etc.), gifts received from third parties and confidentiality.

All employees also receive a memorandum outlining the legal provisions governing breaches of stock market regulations (insider trading, unlawful disclosure of privileged information, price manipulation, etc.), with detailed information on legal and ethical rules with which all Eurazeo employees must comply. Employees are reminded, among other things, that they may not engage or assist in transactions of any nature whatsoever that may be considered to interfere with the normal operations of the market and

that, in addition to obeying the law, they must make every effort to conduct themselves at all times in a manner above suspicion.

#### Code of ethics

In 2004, Eurazeo adopted a securities trading code of conduct that governs the trading in Eurazeo shares by Executive Board members, Supervisory Board members and non-voting board members. At its meeting held on December 9, 2008, the Supervisory Board adopted some modifications of the code, primarily to take into account changes in regulations.

#### Combating money laundering and terrorist financing

The Company's Luxembourg subsidiaries have established a system of formalized and detailed procedures for the prevention of money-laundering and the terrorist financing, which are thoroughly complied with. In accordance with Luxembourg laws, every year, the Statutory Auditors review compliance with these procedures with respect to the requirements set by the stock market regulator (CSSF).

All Company Officers and employees have responsibilities and powers that contribute, in their respective ways, to the proper functioning of the system and the achievement of objectives. The current organization is based mainly on the linkage between responsibilities, tasks and delegations of authority to certain bodies and functions that are highly involved.

#### Supervisory Board

The Supervisory Board permanently oversees the management of the Company by its Executive Board. It also relies on the work and opinions of the specialized committees to which it has assigned tasks. As part of its remit, the Audit Committee plays a role in the oversight of the accounting and financial internal control system.

Under the Bylaws and the law, a certain number of transactions, including some that pertain to the investment business, require prior authorization by the Supervisory Board, in particular:

- the partial or full disposal of investment holdings;
- the appointment of one or more Eurazeo representatives to the boards of any French or foreign company in which the Company holds an ownership interest with a value of one hundred and seventy-five million euros (€175 million) or more;
- the acquisition of a new or additional ownership interest in any entity or company; any acquisition, exchange or disposal securities, property, receivables or securities involving an investment by Eurazeo of more than one hundred and seventy-five million euros (€175 million);
- agreements regarding debt, financing or alliances, whenever the aggregate amount or amounts of the transaction or agreement exceeds one hundred and seventy-five million euros (€175 million).

In addition, the Supervisory Board's Internal Rules provide that, in emergency situations and between meetings of the Supervisory Board, the Chairman of the Supervisory Board may, if so authorized by the Supervisory Board and subject to a recommendation to that effect by the Finance Committee, authorize the Executive

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Board to carry out the above transactions, provided that they involve equity and debt of between one hundred and seventy-five million euros (€175 million) and three hundred and fifty million euros (€350 million).

The Supervisory Board has authorized the Executive Board to sell all or part of the Company's interests in entities and to dispose of buildings, provided that their value is less than one hundred and seventy-five million euros (€175 million).

As required by law, the Bylaws provide that the creation of security interests as well as the granting of sureties, endorsements and guarantees must be authorized by the Supervisory Board. At its meeting of January 22, 2008, the Supervisory Board granted authority to the Executive Board, for a period of one year, to grant sureties, endorsements and guarantees for up to one hundred and seventy five million euros (€175 million) and to create security interests of up to one hundred and seventy five million euros (€175 million) in aggregate and one hundred million euros (€100 million) per transaction. These authorizations were renewed for one year by the Supervisory Board at its meeting on December 9, 2008. The legal department monitors the use of these authorizations.

Lastly, rules in effect at Eurazeo provide that certain decisions, not specifically related to the investment business but which concern the Company's organization, must be approved by the Supervisory Board. They include:

- the proposal to the Shareholders' Meeting to amend Bylaws;
- any decision that could result, immediately or in the future, in a capital increase or reduction through an equity issue or the cancelation of shares;
- the establishment of stock option plans and the granting of Eurazeo stock options,
- all proposals to the Shareholders' Meeting regarding share buyback programs;
- all proposals to the Shareholders' Meeting regarding the appropriation of earnings and the distribution of dividends or interim dividends.

### **Executive Board and the Management Committee**

The Executive Board has six members. It meets at least once a month or as often as the Company's interest may require. Its decisions, especially investment decisions, are taken collegially.

The Executive Committee is made up of members of the Executive Board and two Investment Directors. It meets once a week. It co-ordinates the implementation of the Company's strategy and ensures that the organization is in line with changes to the corporate environment. This consists, in particular, in the definition of responsibilities in the resulting system of delegations. Delegations are used to authorize invoices, contracts and documents that bind Eurazeo, on the one hand, and to sign payments, on the other hand.

### **Chief Financial Officer**

The Chief Financial Officer, who is a member of the Executive Board, is responsible in particular for preparing the financial information produced for use within the Company or outside the Company. He co-ordinates the action of several departments that are at the

heart of the accounting and financial internal control system: the Accounting and Tax division, the Treasury Department and the Investor Relations department. As a member of the Executive Board, he provides the link between the people who prepare and control of financial information and members of the Management Committee. The description of the internal control of accounting and financial information is developed in section 2.D.

### **The investment team**

Under the responsibility of the members of the Executive Board in charge of monitoring investments, the members of the investment team perform the diligences required by investment procedures with respect to the evaluation of investment opportunities, the optimization of acquisition and financing strategies, the monitoring of holdings and the preparation of disposals.

### **Legal Department**

The Legal Department assist the investment team with analyzing investment transactions and monitoring the companies in which Eurazeo invests from a legal perspective. It keeps records of agreements and other documents pertaining to investments and their legal aspects.

Generally, it oversees the compliance with legislations and regulations in countries where Eurazeo and its holding companies are established (France, Italy and Luxembourg) and co-ordinates legal monitoring. Operational investments have their own legal department.

### **Internal audit**

The position of Internal Audit Manager has been a full time one since the end of 2008. The duties of the Internal Audit Manager consist in assessing Eurazeo's risk management, internal control and corporate governance processes and making proposals to make them more efficient.

The Internal Audit Manager reports to the Audit committee, which approves the annual audit plan that he has drawn up. He maintains a functional link with Internal Audit departments of consolidated entities.

### **Consolidated affiliates**

Managers and staff of each affiliate independently implement their own internal control system to suit their specific situation and constraints.

In addition to functional control activities, the creation of a certain number of committees that bring together various functions of the organization promotes the interaction required for the internal control system to work properly.

### **Investment Committee**

The Investment Committee is made up of members of the Executive Board, the investment team, the Legal Director and the Director of the Treasury Department. It meets once a week.

It operates on a collegial basis to examine investment opportunities presented by the members of the investment team, discuss developments pertaining to pending investments and monitor the performance of existing investments.

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### Management Committee

The Management Committee, headed by the Chief Executive Officer and the Chief Financial Officer, brings together all managers in charge of corporate functions at Eurazeo. It meets twice a month to discuss topical subjects and ongoing projects that cut across the Company. For example, it operates as a steering committee to prepare the closing of group accounts and the Registration Document.

### Treasury Committee

The Treasury Committee is made up of the Director of the Treasury Department, the Chairman of the Executive Board, the Chief Executive Officer and the Chief Financial Officer. It meets once a month. Its role consists in defining the treasury policy to be implemented and to adapt it to fit market conditions and the operating needs of the Eurazeo Group.

The organization of the Group, whether at Eurazeo or with its operating entities, is based on information systems that are adapted to the objectives and are designed to be compatible with future objectives. The systems in place aim at meeting the various internal control objectives that may be illustrated as follows:

*Compliance* – Eurazeo's Legal Department has an IT tool that enables to follow up contractual commitments. It also monitors the events and obligations of the legal life of Group entities. For example, it ensures compliance with legal rules that limit the number of offices held by Company Officers.

*Reliability of financial information* – A single consolidation tool that can be accessed by the various Group consolidators makes it easy to harmonize and process the various accounting and financial data produced by information systems that are specific to the various entities.

*Control of risks inherent to the Group's various activities and the efficient use of resources* – The various entities of the portfolio have developed business information systems adapted to their business model, in particular, in terms of the entry of revenue data, monitoring of performance, and validation of investments and expenses.

For Eurazeo, the physical and logical security of computer systems and data is based on the existence of a strategic backup and archive system and a formalized operating procedure.

The formalized operating procedures are specified in the Eurazeo procedural guide that sets out the preparation of accounting information, the review of the portfolio value, expenditure commitments, computer security and financial disclosure.

In the Group entities, the various functions have developed formalized procedures and guides that can cover accounting and operational fields or the self-assessment of internal control and compliance.

### b. Identification and analysis of risks

The specific characteristics of Eurazeo concerning the third component of the AMF framework, devoted to the identification and analysis of risks are developed below in a separate section (section 2.C).

### c. Communication within the company of relevant information

The Company's management and staff have resources that enable them to obtain the relevant and reliable information that they require to carry out their duties in a timely manner. These resources are namely:

internal information systems, such as computer tools and computer data sharing areas;

preparatory documentation for the various cross-functional committees, the Holding of meetings and the follow-up of decisions;

in-house disclosure of management accounting data: the internal reporting deliverables relating to the value of the portfolio, cash or management accounting;

the monthly reporting of entities to members of the Investment team and the Executive Board.

### d. Control activities proportionate to the specific needs of each process

Control activities have been designed to meet, in a suitable manner, the specific challenges of each process of the organization. The various measures in place within processes, whether detective, preventative, manual or IT-based, are intended to mitigate risks that are likely to adversely impact Eurazeo's objectives.

Each new investment opportunity is investigated by one or more members of the investment team in accordance with specific procedures and under the authority of one or more members of the Executive Board. At various stages of the procedure, their analyses and conclusions are presented to the Investment Committee, which decides whether or not to continue examining the issue.

Developments concerning pending investments (the period between the moment the decision to invest was made by the Executive Board and the actual closing of the transaction) and completed investments are also monitored weekly by the Investment Committee.

All business matters, such as new investments, the monitoring of existing investments or the disposal of holdings, are assigned to one or more Executive Board members, who see to it that decisions made or instructions given by the Executive Committee and the Executive Board are carried out by the staff. Investment or disposal decisions are taken collegially of the members of the Executive Board.

During the development phase, the management of each entity submits a report to the team in charge of monitoring the investment that is presented during a monthly meeting. The Executive Board members concerned report to the Executive Board on developments regarding the entities that they monitor.

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The Director of the Treasury department is in charge of the daily control of cash operations. Controls are conducted in accordance with the policy and prudential rules defined by the Treasury Committee. They cover, in particular, the strict application of delegations of authorities, the performance monitoring of securities investments, market performance indicators, the analysis of changes in cash, the drawing up of cash forecasts and the sending of alerts and recommendations to the Treasury Committee.

Control activities have been developed in the Group entities and implemented by their managers. They are adapted to the specific characteristics of businesses and the business model of each company. These relate to revenue capture as well as the management of the quality of services, management of a business-oriented IT system and the monitoring of investments and expenses.

### e. Monitoring of the system

The internal control system is monitored to ensure that it is relevant and adapted to the Company's objectives. Monitoring covers permanent activities and non-continuous tasks.

The various people involved in internal control all contribute at their level to permanent monitoring. They use the analysis of the main incidents observed to define corrective actions. The follow-up of the implementation of corrective actions are included on the agenda of meetings of the Management Committee and the Executive Committee. This constant management of the system is also based on the consideration of observations and recommendations made by the Statutory Auditors.

Eurazeo's internal audit function is in charge of the periodic monitoring of the system. This is done through its annual audit plan and specific assignments carried out at the Executive Board's request. The results of the work done by the internal audit section are discussed with the employees concerned before being presented to the Eurazeo Management Committee and the Audit Committee.

Eurazeo contributes to the monitoring of the internal control systems of its affiliates through its representation on their Audit Committees. This monitoring may be completed by the work of the internal audit function when there is one, as is the case in large groups like Europcar and Elis.

#### Europcar

An Internal Audit team operates throughout the Group according to an annual plan of about 20 assignments on average. It covers both operational and financial areas. It also project-manages the group internal control self assessment initiated in 2008.

#### Elis

An internal audit team is in place to verify that the procedures that the Group has defined are being enforced in its operational centers. Their work is structured around an annual audit plan that enables to cover all centers over an average period of four years. The Statutory Auditors use a work program comprising over 400 control points that cover the key processes.

The identification, analysis and management of the main risks that may prevent Eurazeo from reaching its objectives are the responsibility of the Executive Board, which proceeds by using the work of the various committees in place across the corporate organisation. A review of the risks incurred by Eurazeo is presented to members of the Audit Committee twice a year.

Early detection and appropriate management of identifiable risks are essential for the success of the Group's business. Risk management covers all risk categories (strategic, operational, financial and regulatory) whether or not they can be quantified. The major risks faced by Eurazeo are treated according to management procedures that are adjusted based on the risk level.

### Risk of capital loss

The main risk to which the Company is exposed to is the one resulting from investing its own funds in equity or near equity, i.e. the risk that it may invest in companies that are not as profitable as expected by investors. The management policy for this risk is an integral part of Eurazeo's investment strategy. The policy lays down some general principles, such as the diversification of investments, the control position of the entity, the geographical proximity to the management team of entities and the limitation of the amount of each investment to 15% of the Company's NAV. This policy also includes the carrying out of complete due diligences to obtain reasonable assurance as to the reliability of the target company's business plan, in order to minimize the volatility of expected future cash flows.

Finally, the operational monitoring of entities and the implementation of value-creation adapted to each investment are levers used by Eurazeo to enhance the value of its investments. The follow-up of the enhancement of the value of investments is systematically included on the agenda of Executive Board meetings.

### Market risks

Eurazeo's investment financing activities and short-term investment activities expose the Group to market risks, such as equity, foreign exchange and interest rates risks.

Eurazeo owns listed investments (including Eurazeo treasury shares), and is therefore exposed to the risk of stock market fluctuations. To manage its positions, it sometimes uses derivative instruments. For securities available-for-sale, the use of derivative instruments may be part of a disposal strategy.

The Group is exposed to exchange rate risk due to the activities of its operational subsidiaries outside the Euro zone. The main measures used in managing this risk consist in taking out loans in local currency, in particular to protect the Group against fluctuations in euro / pound sterling (Europcar) and euro / Norwegian kroner (APCOA) parities.

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Eurazeo faces interest-rate risk because of the debt inherent to the investment business and the development of operational entities. The Group has a policy of managing its interest rate risk by combining fixed rates and floating rate loans. With this policy, it gives priority to the coverage of future cash flow risk.

### Liquidity risk

Eurazeo must have enough financial resources at all times, not only to finance its daily business but also to keep up its investment capacity. The management of liquidity risk is based on the absence of structural debt and the maintenance of significant cash reserves, as well as the strict monitoring of the financing terms of equity interests. For example, as part of a prospective analysis of compliance with banking covenants related to the financing of investments, Eurazeo has conducted out simulations based on "crash cases" over three years.

### Risk of asset valuation

The valuation of unlisted private equity investments is considerably influenced by conditions of stock markets and the private equity transaction market. In times of economic slowdown, the drop in valuations, in particular, that of listed comparables is likely to have an adverse effect on the value of portfolio assets. Eurazeo uses a multicriteria methodology to monitor the valuation of its portfolio.

### Counterparty risk

The management of the counterparty risk incurred with the investment of Eurazeo's liquidities is based on a policy defined by the Treasury Committee, which sets the limit of the investment horizon, the counterparty selection criteria, in particular the minimum rating level (rating agencies) and the investment diversification approach. Investment decisions are made by the Treasury Committee upon proposals by the Director of the Treasury Department.

Lastly, a certain number of risks that can be insured are covered by insurance policies contracted with leading insurance companies. These policies include professional liability and third party liability insurance for Company Officers.

Further information regarding risk is presented in section 4 "Risk management" of the Executive Board's report.

### a. Overview of organization and management of accounting and financial information

Pursuant to regulation No. 1606/2002 of July 19, 2002, the financial statements of the Eurazeo Group have been prepared in accordance with IAS/IFRS standards since January 1, 2005 as adopted in the European Union at the end of 2008 fiscal year.

As a parent company, Eurazeo SA defines and oversees the preparation of the accounting and financial information published. The process, which is under the responsibility of the Chief Financial Officer, is organized by the Accounting and Tax Division, which has an employee specifically in charge of consolidation. The Chief

Financial Officers of subsidiaries are responsible for preparing the company financial statements of subsidiaries and financial statements restated for consolidation purposes. These financial statements are controlled by their Company Officers.

The Executive Board closes Eurazeo's company and consolidated financial statements (half-year and annual). Accordingly, it makes sure that the processes for preparing accounting and financial information produce reliable information and give, in a timely manner, a fair view of the Company's income and financial position. It obtains and reviews all the information that it deems useful, for example, information on closing options, critical accounting positions and judgments, changes in accounting method, results of the audits by Statutory Auditors or explanations about the profit or loss declared and the presentation of the balance sheet, the financial position and the notes to the financial statement.

Members of the Audit Committee examine the annual and half-yearly financial statements, and monitor the process for preparing accounting and financial information. Their conclusions are based mainly on information produced by the Chief Financial Officer and his team, exchanges with the team during Audit Committee meetings (held at least once every quarter) and the observations of the Internal Audit function. The Chairman of the Audit Committee reports on the Committee's work to the Supervisory Board.

### b. Processes related to preparing and treating accounting and financial information for the consolidated financial statements

The process for preparing and treating the consolidated financial statements is organized and co-ordinated by the person in charge of consolidation, who draws up the accounts, notes and consolidated cash flow statements under the supervision of the Accounting and Tax Director. This process is under the responsibility of the Chief Financial Officer.

With respect to the collection and treatment of data, the consolidated financial statements are produced using a consolidation software application that can be accessed by the various Group users who log on to a secure Internet portal. This tool is updated to follow the computer developments imposed by IFRS requirements and by the specific characteristics of the Group's various operational and financial activities. It therefore has a single chart of accounts that is adapted to all fully consolidated entities. The integration of restated data into the application is organized in the form of a reporting package.

An external service provider, who specializes in technical issues related to IFRS and the consolidation tool, is called in to help the consolidation officer, in particular for preparing the closing of accounts.

Detailed consolidation instructions are an essential contribution to the preparation of the consolidated financial statements within the given deadlines. They are written by the Consolidation Officer at each half-year and annual closing and are intended for the Financial Divisions of the various consolidated operational sub-groups. These instructions, which are sent several weeks before the end of the fiscal year, are intended to inform the various recipients of the tasks

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expected of them in their capacity as contributors of consolidated information. They cover the following themes:

the schedule of submission of the various statements to be prepared (that make up the consolidation report);

the generic procedures to be carried out to produce the various statements;

the specific procedures to be carried out for high-risk areas with a potentially material impact on the consolidated information: critical accounting estimates and judgments, hedge accounting, taxes, financial instruments, etc.;

the level of granularity of the qualitative information required to explain the financial statements;

applicable accounting principles and methods, in particular new features that require special attention and vigilance.

In addition to the instructions and in view of the closing of accounts, the Eurazeo Financial Division organized and run a one-day seminar (the "CFO Day") for executives of the various Financial Divisions of the Group's consolidated entities. This event served as a forum to drive home the critical points of instructions, acquire a better understanding of the new IFRS standards, debrief the last year-end closing, and draw any conclusions in terms of corrective actions.

An Audit Committee was created around Eurazeo's Chief Financial Officer, members of the investment team and other Directors in each of the entities in which Eurazeo has exclusive control. The Tax and Accounting Director, the Consolidation Officer and the Internal Audit Manager are also invited to attend meetings of these Audit Committees (which take place at least twice a year) to give them a detailed view of the issues discussed.

### **Anticipation of the constraints related to the time-bound closing of accounts**

The schedule for closing the accounts and the related instructions are drawn up early enough to enable the financial teams to get organized and to anticipate closing constraints. If Eurazeo identifies a risk of possible problems for a company it takes the measures necessary to help the company to meet the established timetable.

The schedule dates also take into account the audit periods of the Statutory Auditors to ensure that the reporting packages submitted by subsidiaries have been integrated into the consolidation software.

### **Documentation and update of the consolidation scope**

Before the balance-sheet date, consolidated sub-groups must send a documented analysis of their scope to the Consolidation Officer, who centralizes the information and reconciles it to the data of the software for managing entities that are monitored by the Eurazeo legal department.

### **Instructions: a conceptual and practical reference framework**

The instructions are a reference framework for financial teams, especially in recently consolidated companies. This framework also formally identifies high-risk areas that require special vigilance and provides practical answers to technical difficulties through illustrations.

### **Control of the quality of the consolidation reports of entities**

When the annual and half-yearly financial statements are prepared, each subsidiary's consolidation report is reviewed by the person in charge of consolidation, who ascertains, inter alia, that the Group's accounting principles and methods have been duly and uniformly applied. In addition, the software is configured to automate a certain number of consistency checks on the data from the reporting packages.

### **Review of consolidation entries centralized in a specific ledger**

All restatements and adjustment entries are examined both by the person in charge of consolidation and the service provider assisting for the consolidation process. Manual restatements are rationalized and explained.

### **A set of key reconciliation checks**

The process for preparing consolidated accounting data is based on a certain number of fundamental reconciliation checks:

reconciliation of the company financial statements of subsidiaries with financial statements restated for consolidation;

reconciliation of the management data of entities with financial statements restated for consolidation;

rationalization of changes derived from the cash flow statement;

rationalization of changes in the net consolidated position.

### **Impairment tests are made within a specific framework**

The assumptions used and the results obtained during impairment tests made by consolidated entities must be validated successively by members of the investment team (in charge of monitoring the entity) and the Consolidation Officer and then presented to the Executive Board before using them to justify the value of corresponding assets in the restated financial statements. Furthermore, the calculation of the discount rate applied to the tests is reviewed by independent Statutory Auditors, who are different from the Statutory Auditors.

### **c. Procedure applicable to the preparation of company financial statements**

Overall consistency for the process is maintained Group-wide through compliance with certain general principles such as:

the segregation of incompatible duties: the system is organized in such a way that the tasks and functions that fall under the Company's commitment authority (usually, signing authorizations and payment authorities) are separated from bookkeeping activities. For example, in Eurazeo's accounts department, duties relating to Accounts Payable and those relating to Investment/Cash Accounting are assigned to separate employees;

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control of approval levels: the names of the persons authorized to commit the Company and the various levels of approval required according to the type of commitment (validation of expenses and payment authority) are defined and made available to the persons in charge of bookkeeping so as to ensure the transactions have been properly approved;

the exhaustive capture of transactions by the accounts departments;

the review of assets at regular intervals (fixed assets, stocks, receivables, cash and cash equivalents);

compliance with applicable accounting principles and the selected accounting methods.

### Cash and investment activities transactions

Whether upstream or downstream of economic events, the complete and adequate accounting capture of investment and cash transactions is based on the interaction between three complementary functions: the legal department, the Treasury department and the accounts department. The complete recording of transactions relies on the reconciliation between transactions identified by the accounting department, elements of information collected by the legal department and the cash flows recognized by the Treasury department. The accounting treatment chosen by the Chief Accountant is reviewed by the Tax and Accounting Director.

Entities are evaluated in line with impairment tests conducted during the preparation of the consolidated financial statements.

### Cash

The items comprising the Group's cash are monitored in a dedicated software application. There is an interface between this application and the accounting software. The accounts departments carries out a manual check of the reconciliation of the interfaced data.

### Provisional accounting data

The accounting data from the forecasted cash flow statement and the forecasted income statement are reconciled with the cash flow forecasts made by the head of the Treasury department and with the budget analysis data relating to operating costs.

### Procedure concerning the inventory and monitoring of off-balance-sheet commitments

Eurazeo contracts are reviewed by the legal department, which records the corresponding commitments. On the basis of the data gathered in this way, the legal department works with the accounts department to conduct a cross-referenced analysis of the data they hold in order to produce a joint list of off-balance-sheet commitments.

### Independent reviews within the accounts department

The accounts entries recorded by employees of the accounts department are reviewed by the Chief Accountant. The Tax and Accounting Director reviews the accounting treatment of complex transactions and year-end closing activities carried out by the Chief Accountant.

### d. Financial disclosure

All financial communication is prepared by the Investor Relations department, using as guidelines the general principles and best practices set out in the "Financial Communication Framework and Practices" written by the Observatoire de la Communication Financière under the aegis of the AMF.

The Executive Board defines the financial communication strategy. All press releases are first validated by the members of the Executive Board. Press releases concerning announcements of interim and annual results are submitted in addition to the Supervisory Board for approval. The Supervisory Board can also be consulted in an advisory capacity on certain ad hoc subjects before being released.

Before the announcement of half-year, annual and quarterly results, Eurazeo observes a quiet period of two weeks during which the Company refrains from contact with analysts and investors.

As specified above, this report on fiscal 2008 used the market Reference Framework published by the AMF and its Application Guide. In 2009, under Eurazeo's internal audit plan, a review of the internal control system relating to the production of accounting and financial information will be conducted. It is to be based on the AMF Framework Application Guide.

At the same time, the update of the Eurazeo procedural guide, which began in 2008, will be continued in 2009 to reflect the changes to the organization and in its practices.

Lastly, efforts will continue with a view to improve the risk management methodology, in particular, through the increased formalization of the prioritization and treatment of major risks.

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*This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of Eurazeo and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report 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, 2008.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by Article L. 225-68 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

report on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information,

confirm that the report also includes the other information required by Article L. 225-68 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

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

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 procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

obtaining an understanding of the internal control 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 of the existing documentation;

obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

determining if any material 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 work 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 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.

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, April 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

*(French original signed by:)*

Gérard Hautefeuille

ERNST & YOUNG Audit

*(French original signed by:)*

Jean Bouquot

Patrick Gounelle