

 PARIS ORLÉANS

Half-year financial report

First half of the 2011/2012 financial year

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1. Half-year activity report

The Supervisory Board of Paris Orléans, chaired by Mr Eric de Rothschild, met on 29th November 2011 to examine the consolidated financial statements for the half-year from 1st April to 30th September 2011.

1.1 Activity and highlights of the period

Net banking income for the half-year ended 30th September 2011 came to €590.7 million compared with €580.3 million for the first half of the previous financial year restated for full consolidation of Rothschild & Cie Banque.

Revenues from the global financial advisory activity declined slightly, by 3.5%:

- The global financial advisory business slowed in most of the countries in which the Group operates, with the exception of the United States, Germany, Australia and some emerging countries;
- Financing and debt restructuring advisory and capital markets advisory activities grew slightly compared with the same period the previous year.

Despite the highly volatile financial markets, private banking and asset management revenues decreased only slightly compared with the first half of the previous financial year, as a result of a growth in new assets.

The corporate banking business in the United Kingdom continued to downsize its portfolio. Impairment on the banking portfolio saw a small increase, mainly due to the deterioration of certain property loans.

The Paris Orléans' level private equity business generated capital gains totalling €49.1 million on disposals of assets amounting to €98.5 million. Note that the SIACI Saint Honoré (Newstone Courtage) operation alone generated gains amounting to €33 million.

Impairments and provisions increased from €9.1 million to €13.1 million over the period.

Based on the above elements, the Group posted operating income of €118.3 million, up compared with €106.7 million in the first half of the previous financial year.

Note that pre-tax profit for the 2010/2011 financial year included €31.4 million of non-recurring income relating to the first-time full consolidation of Rothschild & Cie Banque in Paris Orléans' accounts.

Consolidated net income for the first half came to €103.1 million, in line with that of the same period the previous year after restatement for non-recurring income. After minority interests, the share of net income attributable to equity holders of the parent came to €42.4 million compared with €53.3 million for the first half of the previous financial year.

1.2 Analysis by activity

1.2.1 Banking

A cautious financial policy aimed at increasing liquid assets placed with the central banks, together with the reduction in exposure to the credit market that the Group began three years ago, resulted in a contraction in the interest margin over the first half.

Net fee and commission income, which comprises mainly the revenues from the global financial advisory and private banking businesses, was down by 4.6%.

Net banking income from banking activities came to €527.6 million for the period against €557.9m€ prior year.

The deterioration in economic conditions had an impact on the loan portfolio. Impairment increased to €7 million, and concerned mainly the property sector.

Net income from banking activities, after tax but before minority interests, came to €60 million in the first half-year, making an insignificant contribution to consolidated net income attributable to equity holders of the parent given the level of shareholdings in these subsidiaries.

1.2.2 Private equity

In a still uncertain financial climate, the highlight of the period for the private equity business was Paris Orléans' disposal of SIACI Saint Honoré (Newstone Courtage).

The shareholders of SIACI Saint-Honoré (Newstone Courtage) completed a refinancing operation to ensure liquidity for some of this group's employee-shareholders. On completion of this transaction, Paris Orléans had reduced its stake in the company from 14.9% to 9.9% and generated a capital gain of €32.9 million.

The other assets sold for a total of €38.8 million generating capital gains amounting to €16.3 million compared with gains of €7.2 million in the first half of the previous year.

The private equity business contributed €63.1 million to net banking income compared with €22.4 million in the same period the previous year.

Impairments decreased substantially, down to €6 million from €21.3 million in the first half of 2010/2011.

Consolidated net income from the private equity business amounted to €42.7 million in the first half, of which €42.2 million was attributable to equity holders of the parent.

1.2.3 Risk management

The management of risks associated with financial instruments used or held by the Group is described in detail in section IV of the notes to the condensed interim consolidated financial statements, to which you are invited to refer.

1.2.4 Transactions with related parties

Transactions with related parties during the period are detailed in Note 28 of the notes to the interim consolidated financial statements.

2. Condensed half-yearly consolidated financial statements

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3. Statutory Auditors' review report on the condensed half-yearly consolidated financial statements

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

Following our appointment as statutory auditors by your General Meeting and in accordance with article L.451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Paris Orléans S.A. for the six-month period ended 30 September 2011,
- the verification of information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

I. – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without qualifying the conclusion expressed above, we draw attention to note IV which sets out the adjustment made to the comparative financial statements as at 30 September 2010 following the full consolidation of Rothschild & Cie Banque during the year ended 31 March 2011.

II. – Specific verification

We have also verified information given in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, 30th November 2011
KPMG Audit FS II
Pascal Brouard
Partner

Paris, 30th November 2011
Cailliau Dedouit et Associés
Stéphane Lipski
Partner

4. Persons responsible for the half-year financial report

4.1 Persons responsible for the half-year financial report

Monsieur Sylvain Héfès, Chairman of the Executive Board

Monsieur Michele Mezzarobba, Member of the Executive Board

4.2 Statement by the persons responsible for the half-year financial report

We hereby declare that, to the best of our knowledge, the summary interim consolidated financial statements for the past six-month period included in the interim financial report have been prepared under generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and the companies in the consolidated group, and that the interim management report includes a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, a description of the main related-party transactions and a discussion of the principal risks and uncertainties for the remaining six months of the year.

Paris, 30th November 2011

Sylvain Héfès

Chairman of the Executive Board

Michele Mezzarobba

Member of the Executive Board

Paris Orléans is a French public limited company (*société anonyme*) with a Management Board and a Supervisory Board and a share capital of €65,031,174

Paris Registry of Companies (RCS) no. 302 519 228

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