# EXERCICE

AS AT 31 MARCH 2007

PARIS ORLÉANS

# Ordinary and Extraordinary General Meeting
25 September 2007




French public limited company *(société anonyme)*
with a Management Board and a Supervisory Board,
and share capital of €19,178,778


Registered office: 23 bis, avenue de Messine 75008 Paris
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# MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Your company's business strategies were confirmed by the results for the financial year just ended. First, the banking business was very strong thanks to buoyant markets and the efforts of our highly talented teams in London, Paris and New York. The contribution of the banking activities to the company's earnings increased from €13.1 million in the previous year to more than €20 million. The investing activities continued to expand with an additional €36 million in equity investments and €47 million in mezzanine financing. Disposals generated €69 million in cash and €37.6 million in capital gains, the highlight being the sale of our stake in SGIM (€10.3 million) early in the financial year. Overall, the Paris Orléans group net income amounted to €54.1 million, 40% more than the previous financial year.

Earnings for financial year 2007/2008 already include the impact of the merger in early April 2007 between Siaci, the insurance brokerage in which Paris Orléans held a 34% stake, and ACSH, the brokerage subsidiary of Compagnie Financière Edmond de Rothschild. The transaction valued the Paris Orléans investment in Siaci at €63 million; of this amount, €27 million was reinvested in the new entity created by the merger and €36 million was received in cash.

This transaction generated a €59.2 million capital gain that will be reported in the 2007/2008 consolidated financial statements.

On 17 July 2007 your company issued a press release announcing its intention of increasing its interest in the capital of Concordia BV from 50% to 100%. Concordia BV is the holding company for Rothschild's banking business.

The English branch of the family, which holds 50% of Concordia BV, has decided to reorganise its shareholding structure by selling its stake to Paris Orléans. Half of the amount is to be paid in cash and half in the form of new Paris Orléans shares. The capital increase, which is required to complete the planned transaction, will be submitted for your approval at an Extraordinary General Meeting to be held in late 2007 or early 2008.

This major reorganisation will allow us to achieve several objectives. The members of the French and English branches of the Rothschild family have already decided to consolidate their interests into a single family company, and thereby reinforce their stable, long-term commitment to the group that bears its name.

The group legal structure will be simplified: Paris Orléans will now hold the majority of the capital of Rothschilds Continuation Holdings AG, which will act as the holding company for the entire banking business, including 44% of the capital of Rothschild & Cie Banque. Paris Orléans will strengthen its role as the holding company at the head of the Rothschild group, and will thus be able to continue to ensure the stability and independence of the banking group.

The strength of the historical and prospective results of the group's two businesses drove the share price from €266.20 on 1 April 2006 to €325.00 as at 31 March 2007. The latter price implied a 9% premium over the group net assets as at the same date, reflecting market expectations for the potential growth of the Paris Orléans group.

Finally, all of the French banking and private equity activities are now located in the same premises, at the company's new registered office at 23 bis avenue de Messine.

Sylvain Hefes

# MANAGEMENT BODIES

## Supervisory Board

*Chairman*
Éric de ROTHSCHILD

*Vice-Chairman*
David de ROTHSCHILD

*Members of the Supervisory Board*
Claude CHOURAQUI
Russell EDEY
Christian de LABRIFFE
André LEVY-LANG
Édouard de ROTHSCHILD
Robert de ROTHSCHILD
Philippe SEREYS
Gérard WORMS
ROTHSCHILD & CIE BANQUE
represented by Mr Bernard FRAIGNEAU

*Non-voting board members*
Michel CICUREL
Jacques GETTEN
Jean-Philippe THIERRY

## Management Board

*Chairman*
Sylvain HEFES

*Member of the Management Board and Managing Director*
Georges BABINET

*Members of the Management Board*
Michele MEZZAROBBA
Emmanuel ROTH

## Audit Committee

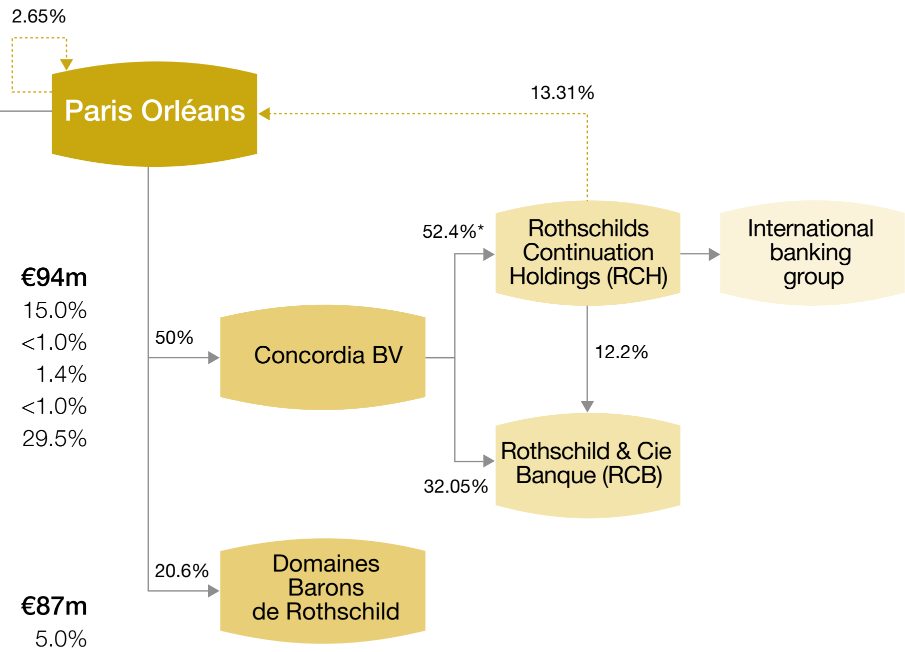
Bernard FRAIGNEAU
Christian de LABRIFFE
Philippe SEREYS

## Independent Auditors

*Statutory*
CAILLIAU DEDOUIT ET ASSOCIÉS
*Alternate*
Stéphane LIPSKI

*Statutory*
KPMG Audit
*Alternate*
SCP de Commissaires aux comptes
Jean-Claude ANDRÉ et Autres

# ORGANISATION CHART
## as at 31 March 2007




| | |
|---|---|
| **LBO** | **€94m** |
| Siaci / Newstone | 15.0% |
| Groupe ONO | <1.0% |
| Consolis | 1.4% |
| Frères Blanc | <1.0% |
| Affiches parisiennes | 29.5% |
| Cegelec | |
| Terreal | |
| VVF | |
| Other investments | |
| **Listed investments** | **€87m** |
| Groupe Euris (Finatis / Rallye) | 5.0% |
| Onet | 3.3% |
| Foncière Inéa | 5.0% |
| Publicis | <1.0% |
| IDI | <1.0% |
| **Investment funds** | **€61m** |
| **Mezzanine** | **€57m** |
| **Real estate** | **€31m** |
| Manufaktura, Lodz (Poland) | 40.0% |
| Alexa, Berlin (Germany) | 5.0% |
| Beaugrenelle, Paris (France) | 15.0% |
| Loop 5, Weiterstadt (Germany) | 10.0% |
| **Growth capital** | **€12m** |

** Held through Rothschild Concordia AG, which holds 91.1% of RCH.*

*The amounts expressed in millions of euros are the estimated values used to calculate the net asset value (NAV).*
*The percentages represent Paris Orléans's stake in the capital of the target.*

# KEY FIGURES

## Net Asset Value of Paris Orléans as at 31 March 2007

| Business | in €m | in % |
|---|---|---|
| Banking | 354 | 44% |
| Long-term investments | 21 | 3% |
| LBO | 95 | 12% |
| Listed investments | 87 | 11% |
| Investment funds | 61 | 8% |
| Mezzanine | 57 | 7% |
| Real estate | 31 | 4% |
| Growth capital | 12 | 1% |
| Other | 28 | 3% |
| Cash | 55 | 7% |
| Total gross assets | 801 | 100% |
| Financial debt | (35) | |
| Tax liabilities and income tax on unrealised capital gains | (22) | |
| Total liabilities | (57) | |
| **Net asset value** | **744** | |

### Net asset value per share: €295.4

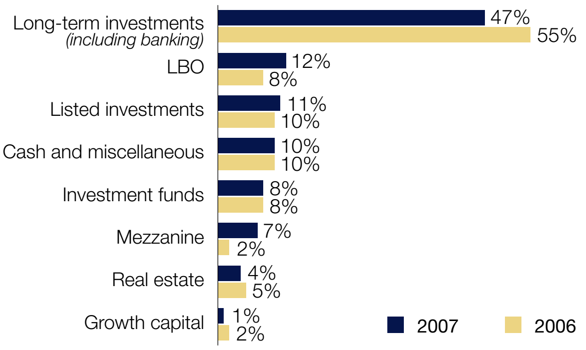
**Notes regarding the valuation method**

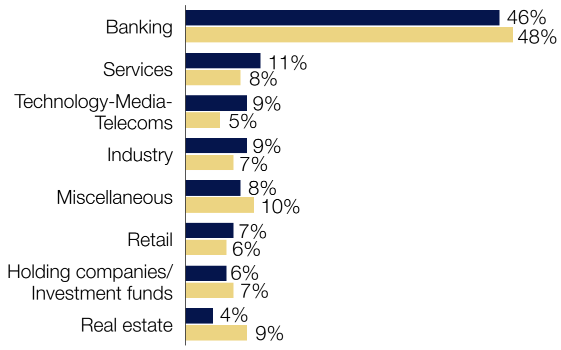
The net asset value is generally calculated in the following manner:

> listed investments: last quoted price of the month,

> unlisted investments: either the price of the latest transaction, if any, or at acquisition cost.

## Breakdown of the investment portfolio by business and by industry (€801 million, versus €682 million as at 31 March 2006)



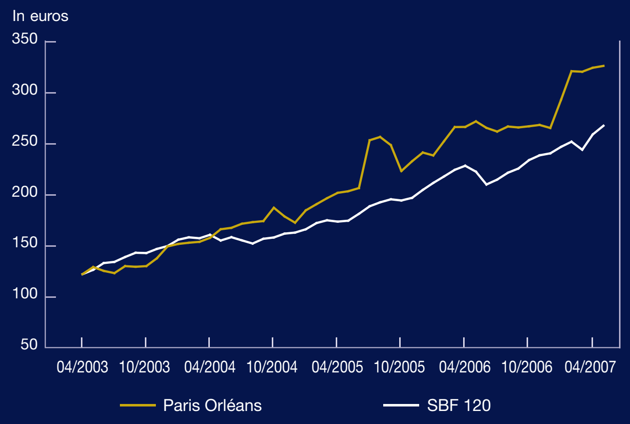

## Growth in shareholders' equity and net income

| | 31/12/2002 | 31/03/2004 | 31/03/2005 | 31/03/2006 | 31/03/2007 |
|---|---|---|---|---|---|
| Shareholders' equity (in thousands of euros) | | | | | |
| Individual financial statements | 183,784 | 182,324 | 512,480 | 539,922 | 584,002 |
| Consolidated financial statements (group share) | 262,572 | 319,652 | 394,644 | 509,289 | 582,993 |
| Net income per share (in euros) | | | | | |
| Individual financial statements | 4.54 | 1.68 | 6.51 | 13.90 | 21.21 |
| Consolidated financial statements (group share) | 2.53 | 29.24 | 8.58 | 15.35 | 21.50 |
| Net dividend (in euros) | 2.30 | 2.60 | 3.50 | 3.80 | 5.00 |
| Tax credit | 1.15 | 1.30 | 0 | 0 | 0 |
| Outstanding common shares and investment certificates | 2,367,967 | 2,367,967 | 2,516,900 | 2,516,900 | 2,516,900 |

**€54.1 million**
in consolidated net income
+40%
vs. financial year 2005/2006

**€744 million**
in Net Asset Value
+19%
since 1 April, 2006

## Trading information




**€325**
share price
as at 31 March 2007
+22%
since 1 April 2006

| | 31/12/2002 | 31/03/2004 | 31/03/2005 | 31/03/2006 | 31/03/2007 |
|---|---|---|---|---|---|
| Highest | 140.0 | 160.0 | 205.0 | 290.0 | 338.0 |
| Lowest | 105.5 | 120.0 | 154.0 | 201.0 | 251.0 |
| Closing price at end of period | 122.5 | 155.0 | 202.0 | 266.2 | 325.0 |
| Traded volumes | 288,726 | 138,451 | 113,459 | 209,071 | 305,031 |

## Shareholder structure

| | 31/03/2007 | | | | 31/03/2006 |
|---|---|---|---|---|---|
| | Number of shares and investment certificates | % of capital | Number of voting rights certificates | % of voting rights | Number of shares and investment certificates |
| Rothschild family | 944,613 | 37.5 | 52,174 | 45.7 | 915,307 |
| Rothschilds Continuation Holdings AG | 335,000 | 13.3 | - | - | 409,925 |
| Sub-total | 1,279,613 | 50.8 | 52,174 | 45.7 | 1,325,232 |
| Asset Value Investors | 187,567 | 7.4 | - | 8.6 | 187,567 |
| AGF Vie | 146,263 | 5.8 | - | 6.7 | 127,000 |
| Treasury stock | 66,678 | 2.7 | - | - | 66,678 |
| Free float | 836,779 | 33.3 | 14,504 | 34.3 | 810,423 |
| Total | 2,516,900 (1) | 100.0 | 66,678 | 100.0 (2) | 2,516,900 (1) |

*(1) Including 66,678 investment certificates.*
*(2) Total voting rights: 2,181,900.*

Acquisitions and disposals during the financial year made by executive managers and family structures:
- Mr David de Rothschild: acquisition of 10,000 shares,
- Mr Éric de Rothschild: acquisition of 19,306 shares.

# HISTORICAL DATA FOR THE LAST THREE YEARS

## Private equity

The increasing importance of investments in equity reflects the group's strategic choice to expand this activity.

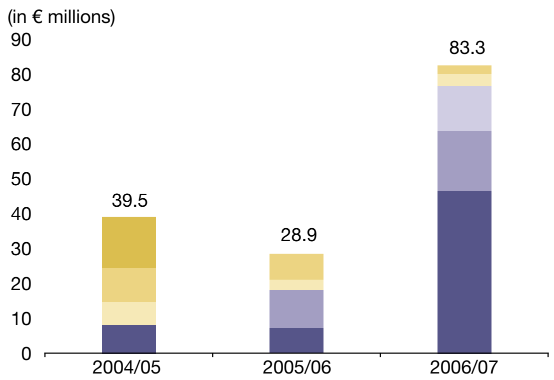
Paris Orléans made 31 additional direct investments representing a total of €83 million during the year (9 transactions totalling €29 million the previous year), consisting almost entirely of mezzanine (€47 million), LBO and growth capital (€30.5 million) transactions. A total of €69 million was generated by disposals, the largest of which were the sale of our stake in SGIM in July 2006 (€33 million) and the repayment of our current account advance for the Manufaktura shopping centre (€13.5 million) in December 2006.

Due to the abundance of capital, transactions are becoming increasingly expensive; this requires equity investors to use more leverage than before to maintain the returns on their capital investments.

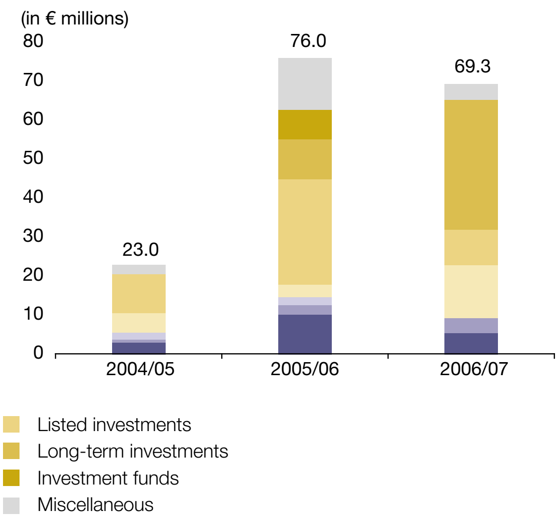
This is achieved using mezzanine financing, an asset class situated in between debt and shareholders' equity that consists generally of bonds with equity warrants. Paris Orléans participates in transactions with enterprise values of between €20 million and €100 million, a niche in which there are an increasing number of LBO transactions for which this type of financing is particularly well-suited. Although mezzanine financing is less profitable than direct equity investment, it is also less risky, and can even be refinanced in the banking market in order to reduce the exposure of Paris Orléans's shareholders equity and thereby improve the profitability of the transactions. The bond portion provides current income, which contributes to the stability of the company's earnings.

In 2006/2007, Paris Orléans invested €47 million in mezzanine deals, compared with €7.5 million in 2005/2006 (see Graph 1).

### 1. Acquisitions




### 2. Disposals



# Consolidated results

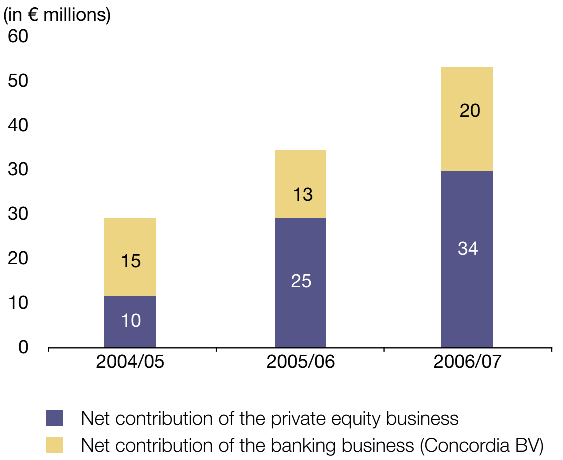
The contribution made by the private equity business to net income was 36% higher than the previous year. The primary sources of revenues came from disposals of listed securities and other disinvestments (€15.6 million), investment funds (€11.5 million) and the sale of the investment in SGIM (€10.3 million, on a consolidated basis).

The banking activity became more important, and its total contribution to consolidated earnings rose from €13 million to €20 million (see Graph 3). The contribution of the banking business to net income in 2005/2006 included the impact of a non-recurring loss on the disposal of the banking activity in Australia.

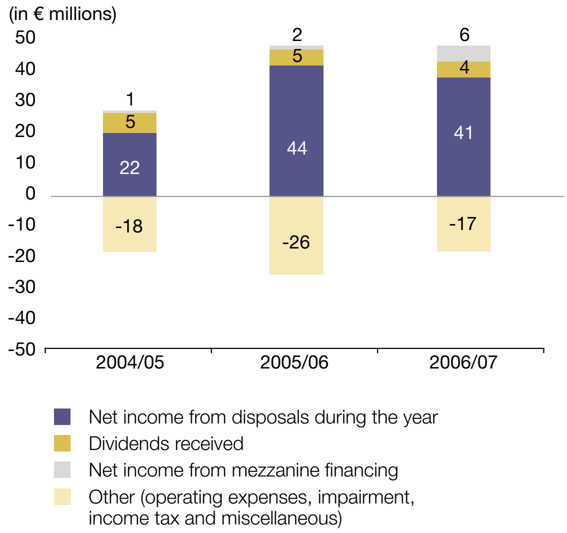
Current annual revenues from bonds issued as part of mezzanine financing increased from €2 million to €6 million (see Graph 4).

The net expense on the line "miscellaneous" fell to €17 million in 2006/2007 from €26 million the previous year, which included a large amount of income tax on capital gains and impairment losses on listed assets (Rallye).

## 3. Contribution of the businesses to consolidated net income*




## 4. Contribution of the private equity business to consolidated net income*




* *All of the company's expenses are allocated to the private equity business.*

# HOLDING ACTIVITIES

# BANKING

## CONCORDIA BV

**Net asset value: €310 million**
**Estimated value: €354 million (1)**

*Paris Orléans and the English branch of the Rothschild family exercise equal, joint control over Concordia BV, the holding company for the Rothschild group's banking activities established in July 2003 when Paris Orléans increased its stake in Rothschilds Continuation Holdings AG.*

*(1) Valuation based on an independent appraisal carried out in July 2006 on the basis of the financial statements as at 31 March 2006.*

The Rothschild group's banking activities are divided into four businesses:

> Investment banking, which comprises advisory services for mergers and acquisitions, advisory services for finance and restructuring, the primary share market (through the ABN Amro Rothschild joint venture) and the private placement of loans and shares;

> Private banking, including trust services, investment management and strategic planning;

> Corporate banking, including direct loans and structuring of financing packages;

> Private equity: a recent business that is under development.

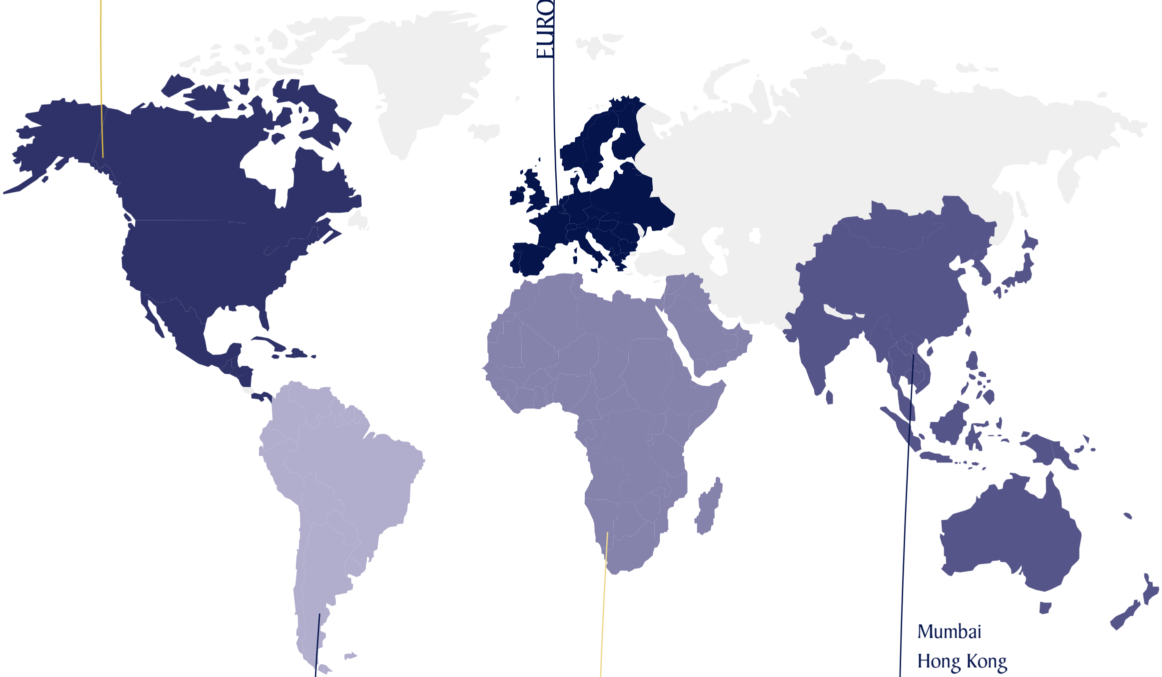
The group operates throughout all continents in all or some of these businesses.

NORTH AMERICA

Bermuda
British Virgin Islands
Cayman Islands
Mexico
Montreal
New York
Toronto
Washington

EUROPE AND MIDDLE EAST

Amsterdam
Athens
Birmingham
Brussels
Budapest
Dubaï
Frankfurt
Geneva
Guernsey
Istanbul
Leeds
Lisbon
London
Luxembourg
Madrid
Manchester
Milan
Moscow
Paris
Prague
Rome
Stockholm
Warsaw
Zurich



SOUTH AMERICA

Santiago
São Paulo

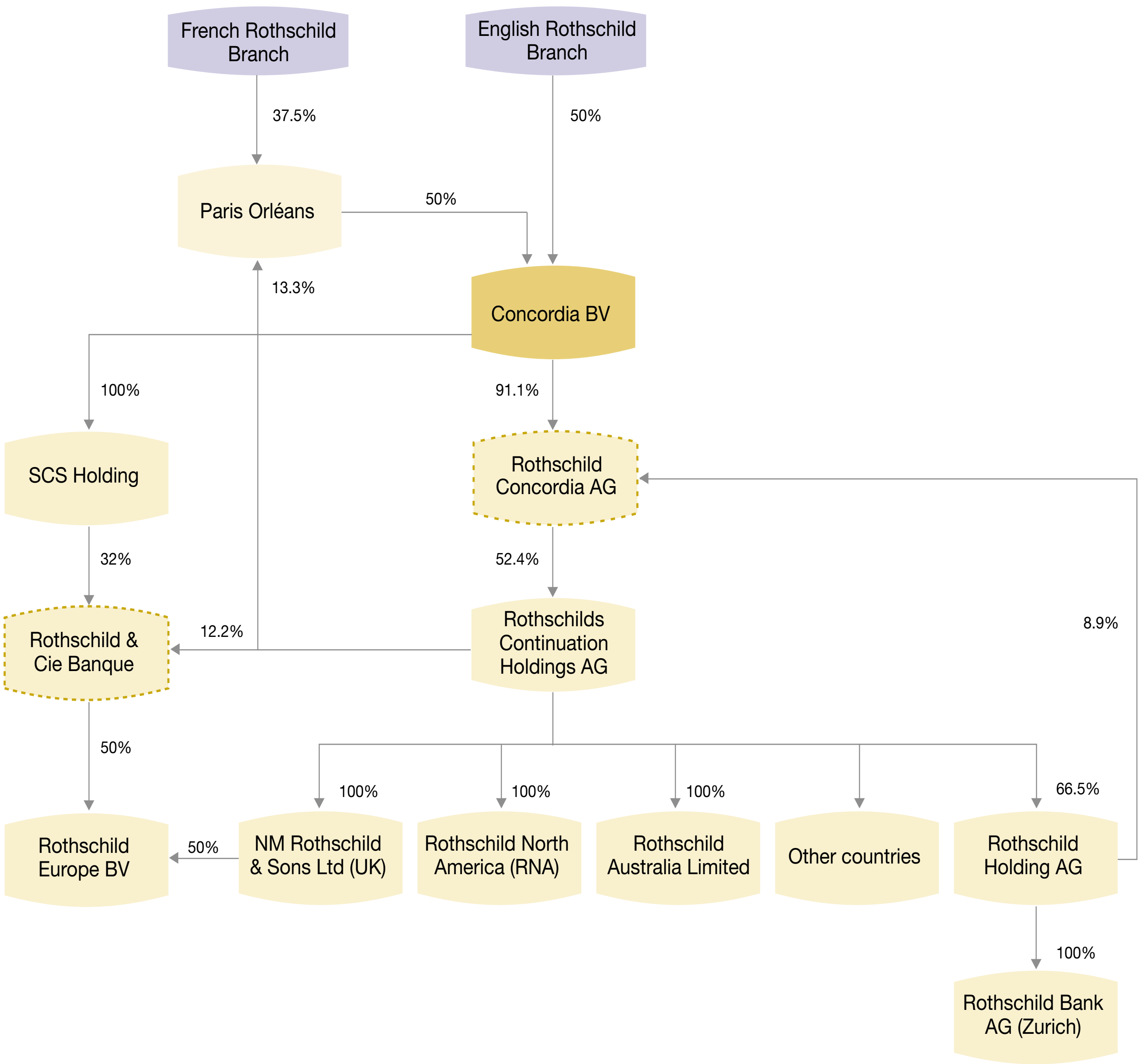
AFRICA

Harare
Johannesburg

ASIA PACIFIC

Mumbai
Hong Kong
Jakarta
Kuala Lumpur
Melbourne
Beijing
Shanghai
Singapore
Sydney
Tokyo

## Concordia BV group organisation chart as at 31 March 2007




As at 31 March 2007, Concordia BV holds:

> 52.40% of Rothschilds Continuation Holdings AG (RCH), a holding company for the group's various banking subsidiaries around the world, including 12.20% of Rothschild & Cie Banque (RCB)(1).

> 32.05% of Rothschild & Cie Banque (RCB).

*(1) This holding resulted from the buyout of two minority shareholders in June and July 2006. Part of the consideration for these buyouts was provided in Paris Orléans stock, and the remainder in cash.*

## Analysis of Concordia BV's consolidated net banking income and current pre-tax income

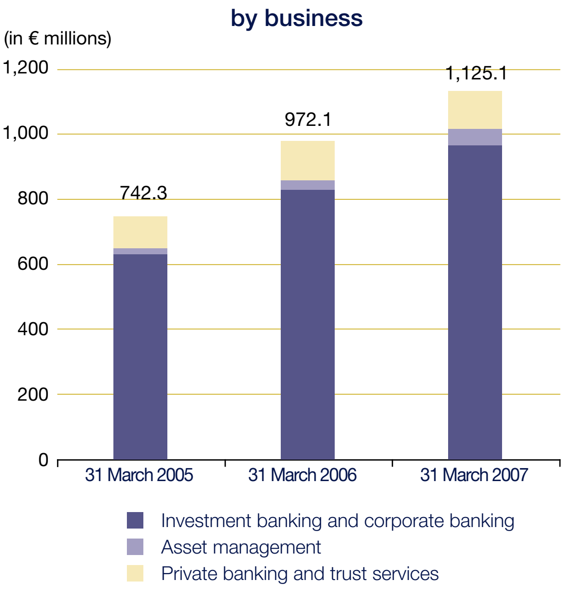
Concordia BV's earnings include:

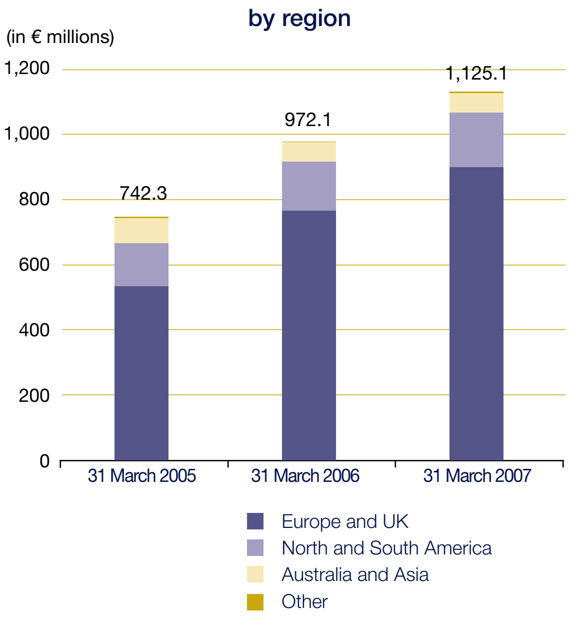
> the earnings of Rothschilds Continuation Holdings AG (RCH), which is fully consolidated,

> 32.05% of the contribution of Rothschild & Cie Banque (RCB), which is accounted for by the equity method.

| *In millions of euros* | 31/03/2007 Net banking income | 31/03/2007 Current pre-tax income | 31/03/2006 (Pro forma) Net banking income | 31/03/2006 (Pro forma) Current pre-tax income |
|---|---|---|---|---|
| **By activity** | | | | |
| Investment banking and corporate banking | 959.1 | 578.8 | 823.4 | 442.8 |
| Asset management | 50.2 | 29.7 | 28.5 | 8.3 |
| Private banking and trust services | 115.8 | 33.2 | 120.2 | 37.7 |
| **Total** | **1,125.1** | **641.7** | **972.1** | **488.8** |
| **By region** | | | | |
| Europe and United Kingdom | 893.6 | 581.4 | 760.8 | 449.9 |
| North and South America | 166.6 | 86.4 | 150.7 | 69.2 |
| Australia and Asia | 60.1 | (28.9) | 59.3 | (30.3) |
| Other | 4.8 | 2.8 | 1.3 | 0.0 |
| **Total** | **1,125.1** | **641.7** | **972.1** | **488.8** |
| **Variable compensation** | | **(458.1)** | | **(368.5)** |
| **Current pre-tax income** | | **183.6** | | **120.3** |

## Analysis of Concordia BV's net banking income over the last three years



# Presentation of results

*To provide a more detailed analysis of the earnings of the Concordia BV group, the consolidated earnings of its two holdings, Rothschilds Continuation Holdings AG (RCH) and Rothschild & Cie Banque (RCB), are presented separately below:*

## Rothschilds Continuation Holdings AG

In financial year 2006/2007, RCH posted its best performance in several years. Earnings were considerably higher than the previous year: investment banking volumes were high, the corporate banking business performed well, and the private banking business made moderate progress.

Under generally favourable conditions, the RCH group generated CHF303 million (€191 million) in operating profit before tax, versus CHF186 million (€120 million) the previous year, and net income (group share) of CHF141.7 million (€89.4 million), versus CHF51.2 million (€33 million), a 176% increase.

Net operating income amounted to CHF1,747 million (€1,100 million) this year, 17% higher than the CHF1,491 million (€962 million) achieved in 2006.

Fees and commissions increased by 19% from CHF1,193 million (€770 million) in 2006 to CHF1,414 million (€890 million), nearly all of which were generated by the investment banking business.

Net interest income rose from CHF206 million (€133 million) in 2006 to CHF227 million (€143 million) this year due to the combined effect of a 5% increase in outstanding loans and higher margins.

General administrative expenses increased by CHF169 million (€87 million), from CHF1,258 million (€812 million) to CHF1,427 million (€898 million), with personnel costs rising from CHF1,009 million (€651 million) to CHF1,169 million (€736 million) due to the increase in variable compensation following the strong increase in turnover.

The company had total consolidated assets of CHF16,483 million (€10,166 million), CHF682 million (€695 million, including the impact of changes in exchange rates) less than the previous financial year. A reduction of CHF1,937 million on the sale of the group's corporate banking activities in Australia was partly offset by the CHF214 million increase in loan assets, by CHF198 million in higher asset values, and by a CHF778 million increase in liquid investments.

Shareholders' equity increased from CHF1,253 million (€793 million) to CHF1,515 million (€934 million).

Throughout the year, capital adequacy ratios remained significantly above the levels required by the Financial Services Authority (FSA), the English regulatory authority for the Concordia BV group.

Following the reorganisation of the group announced 17 July 2007, RCH will hold all of the banking investments and will become the parent company of the Rothschild banking group.

## Rothschild & Cie Banque

All of the divisions were very active during the year, and earnings for the financial year ended 31 December 2006 exceeded the record set in 2005.

In 2006, RCB generated pro forma (net of privileged allocation (*préciput*)) pre-tax current income of €42.7 million, 18% more than the previous year.

Net banking income rose to €385 million, from €315 million the previous year.

Of this €70 million increase (22%), €43 million came from the investment banking business, €20 million from asset management and €7 million from other activities.

Investment banking contributed 76% of RCB's consolidated pre-tax income, and asset management 24% (versus 21% in 2005). The growth of the latter is noteable because it reflects a significant increase during 2006 in the earnings of the asset management business.

This was the first year the financial statements have been published in accordance with International Financial Reporting Standards (IFRS), and the group reported total consolidated assets of €1,052 million, versus €715 million the previous year.

Shareholders' equity (group share), excluding net income for the period, increased from €112 million to €119 million.

In recent years, RCB has considerably increased its involvement in the group's international investment banking activities. RCB holds 50% of the group's investments in European companies, and is working with London to develop new business in Turkey and in the United Arab Emirates.

# Analysis by business

## 1. Investment banking

Under buoyant economic conditions, in 2006 worldwide investment banking activities beat the record set in 2000. Mergers and acquisitions volumes reached USD3,610 billion, a 30% increase over 2005 and 6% more than in 2000.

The globally positive trend for the year included:

> leveraged transactions carried out by the investment funds, which, with a 17% share of the market, now have a firmly established position, and

> the participation of emerging nation-based multinationals, which were responsible for 13% of all transactions reported.

In this context, the Rothschild group generated its highest revenues ever; they were particularly strong in the UK and in France, and in the rest of Europe as well. Within Europe, it is worth noting the significant increase in the contributions from Germany, Italy and the Eastern European countries.

The group continued its global expansion. Operations in Dubai and Abu Dhabi started last year. The success of the group's investments in Turkey may result in an office being opened in that country in the near future.

It is worth noting the significant progress made in India, which generated a profit during the last financial year, and in Asia, although that major geographic region has not yet achieved breakeven.

The investment banking services provided by the group include:

> advisory services for mergers and acquisitions,

> advisory services for financing and assistance in restructuring distressed companies, and

> participation in the primary and secondary capital markets, through the joint venture with ABN Amro.

### Mergers and acquisitions

The year just ended was marked by the high percentage of transactions with private equity funds and with major companies throughout the world, along with an increase in turnover with small- and medium-sized enterprises handled by a specialised team in Paris (Transaction R).

The following table demonstrates to the successful position of the Rothschild group around the globe:

### Ranking of Rothschild group banks by country or region

| Region | 2006 ranking |
|---|---|
| Europe | 5 |
| United Kingdom | 2 |
| France | 2 |
| Germany | 8 |
| Italy | 2 |
| Worldwide | 11 |

*Source: Thomson Financial / Dealogic (by value).*

With 218 transactions completed, the London house headed the list, and was recognised for the fifth year in a row as the most active investment bank in the market. In 2006, Financial News and Euromoney named Rothschild best UK M&A House of the Year, and in 2007 Acquisitions Monthly named Rothschild "M&A Bank of the Year."

With over €200 million revenues from this business, the Paris house continues to expand, thanks to the efforts of its 200-member team of highly skilled and motivated professionals.

Rothschild North America increased its revenues for the third consecutive year and finished the financial year with a profit.

With new teams in Brazil and Mexico, the group increased its visibility in Latin America and completed twenty transactions.

In China, the group has operations in Hong Kong, Beijing and Shanghai. The strong growth of this nation's economy and Chinese companies' commitments to growth generated higher revenues for the group, and the country will remain a major medium- and long-term strategic focus for the Rothschild group.

With operations in Southeast Asia, Singapore, Malaysia and Indonesia, the group is well equipped to handle all opportunities.

The group's coverage of Asia also includes a partnership with Eastern Investment Corporation in South Korea and an alliance with Nomura Securities in Japan.

As mentioned above, the Mumbai team performed strongly last year. Local and international business opportunities in this major nation have been growing considerably for some time now.

### Financing

Providing advisory services for financing and financial restructuring has become a major business for the group, one in which it now operates in North America, Europe and Asia and which continues to grow significantly, especially during periods of volatility in the financial and banking markets.

Companies value the advice of an independent banking house that provides a wide range of advisory services for financing and negotiations with lending banks.

### Primary and secondary capital markets

This last sector, whilst highly competitive, represents a major asset among the services we provide our clients.

The creation of the partnership between Rothschild and ABN Amro in 1996 resulted in the launch of ABN Amro Rothschild, which specialises in the primary and secondary stock markets and has now become an important player in the major equity capital markets.

In 2006, ABN Amro Rothschild ranked 6$^{th}$ in the French league tables among bookrunners on share issues. This placing was achieved from the various mandates obtained on top tier transactions such as bookrunner for the Natixis transaction (€5.5 billion), the largest secondary offering in Europe in 2006.

## 2. Private banking

Private banking services, including investment management and trust, are provided by a network of 600 specialised professionals in Paris, Zurich, London and the Channel Islands, and in Brussels, Frankfurt and Madrid.

New subscriptions and the good performance of the asset portfolio have increased assets under management to around €30 billion (approximately €19 billion of which in France).

In France, the asset management business serves both institutional and private investors.

As stated previously, Paris operations now make a substantial contribution to earnings.

A major effort is underway in the rest of the group, with the changing of the entire senior management team and recruitment of a large number of relationship managers.

This costly investment impacts the profitability of the business in the short term, but is necessary to achieve the group's strategic ambition of growth in the next few years into a core business that will contribute substantially to earnings.

The private bank provides its clients with a wide range of services to optimise the conditions under which their assets are held, along with the allocation of the latter among asset classes. In addition to its advisory services, the group offers a range of proprietary investment products, recognised expertise in alternative management strategies, and the ability to select among the best products offered by the competition.

## 3. Corporate banking

This business includes senior and mezzanine debt for the real estate, natural resources, structured finance and project finance sectors.

Following the sale of the business in Australia in 2006, the group now has a corporate banking presence only in the United Kingdom, where the highly skilled team focuses on market sectors where they have expertise and where there is relatively little competition from the large commercial banks which, with their much larger equity bases, are able to provide high volumes of low-margin loans.

The corporate banking business generated record revenues this year, and required no new provisions against non-performing loans (other than on residual Australian exposures), demonstrating the strength of the business.

The group's strategy consists of using the technical and industry expertise available to create specialised funds composed of several different types of debt, which may be marketed outside the group as a kind of investment vehicle. Several of these initiatives are currently underway.

## 4. Private equity

The group has confirmed its intention of expanding its proprietary trading business, which has, to date, been carried out primarily by your company.

The group intends to develop this activity by capitalising upon the many interesting opportunities it is presented with. The plan is to progressively devote an increasing share of its shareholders' equity to this new business, whilst also increasing amounts invested alongside by third parties.

The close relationships, cultivated by over 800 investment banking specialists worldwide, should enable the group to take advantage of attractive investment opportunities without harming our clients and without competing with the large buyout funds. The latter seek to acquire control of companies, while the group's objective is to seek interesting minority shareholdings that will create value in the medium term.

# LONG-TERM INVESTMENTS

**Following the disposal of SGIM in July 2006, only the group's holding in Les Domaines Barons de Rothschild (DBR) is classified among long-term investments.**

## Les Domaines Barons de Rothschild (Lafite)

Net asset value: €9.6 million
Estimated value: €20.9 million

*"Les Domaines Barons de Rothschild" is the holding company for the group's wine-making activities.*

Les Domaines Barons de Rothschild (DBR) has major holdings in prestigious Bordeaux vineyards including Château Duhart-Milon (Pauillac), Château Rieussec (Sauternes) and Château l'Évangile (Pomerol), and in other vineyards in France and abroad, such as Los Vascos in Chile, Quinta Do Carmo in Portugal, Caro in Argentina and Domaine d'Aussières, an ambitious project in the Languedoc region of France.

DBR also manages and markets the prestigious Château Lafite Rothschild and a range of other renowned wines and liquors through its DBR Distribution trading subsidiary.

The group reported consolidated net income (group share) of €5.2 million in 2006, compared with €13.4 million the previous year, all but €3.6 million of which came from the sale of Chalone Wine Group.

Including Lafite, the group sold 8.5 million bottles of wine in 2006, at a weighted average price of €13.90 per bottle (€8.30 per bottle in 2005).

No one has ever seen a futures campaign like the one for the 2005 vintage. Buoyed by the generally extraordinary quality of the vintage and healthy world economic conditions, it raised the market for the great first growths to hitherto unexplored heights. The price of Lafite quadrupled to €300, twice the previous record, while l'Evangile more than doubled to €100, and the other great vineyards recorded increases of between 50% and 70% to prices the likes of which had never been seen. The market for available wines benefited from this enthusiasm, with strong volumes and firming prices on large lots.

In Chile, sales of Los Vascos have rose sharply again, with case sales increasing 12% to over 380,000.

In Portugal, business was lively for Quinta Do Carmo, which had a difficult year in 2005. Volumes were up by a quarter, and all products reported higher sales thanks mostly to higher demand from export markets.

In Argentina, Bodegas Caro maintained its high growth and increased volumes by a third, despite having run out of its second wine, Amancaya, a victim of its own success. Sales of Caro, the first wine, also profited from this growth.

In Languedoc, Domaine d'Aussières continued its development. The vines remain, on average, very young, but the potential quality is improving increasingly with each new vintage, and the Domaine seems to be winning the battle on the quality front. Sales volumes doubled in comparison with the previous year, and distributors are showing strong interest in the wines produced by this vineyard, although the first launches will require time, as this is a new product.

Volumes of collectors' wines (Pauillac, Medoc, Bordeaux, etc.) fell in 2006. The gap was widened by the temporary loss of sales to certain markets due to a certain amount of destocking.

Moreover, under lively competitive conditions, DBR concentrated on maintaining its margins. The Légende and Saga brands are expanding both their reputation and their numbers of distributors, primarily in Europe.

From an operational standpoint, the 2006 vintage will be remembered in the Bordeaux region as a difficult one, rich in new developments, which required the combined technical expertise and experience of both the growers and the experts. Thanks to these efforts and the impact of a difficult selection process, high-quality blends were obtained, balanced wines with a remarkable potential for aging well.

Elsewhere, the situation varies, with difficult conditions in Portugal (which will not produce any Réserva this year) and beautiful harvests in South America, where the vintage promises both high quality and high quantities. In Languedoc, the 2006 vintage will be of the same quality as the 2005 vintage, despite the problems with weather.

# LEVERAGED BUYOUT TRANSACTIONS

Total leveraged buyouts of €95 million represented 12% of total gross assets. We have presented below several of the more representative holdings in our portfolio of LBO transactions. The other holdings (Cegelec, VVF, Terreal, etc.) were all co-investments alongside investment funds.

## Newstone Courtage (Siaci LBO)

Net asset value: €27.9 million
Estimated value: €63.3 million

Convinced of the increasing importance of the advisory role to be played by brokers in helping their customers grow their personal and property and transport insurance businesses in France and abroad, in April 2007 the shareholders of Assurances et Conseils Saint Honoré (ACSH) and Siaci created the fifth largest French insurance brokerage, the managers of which are also shareholders.

The new group benefits from the alliance of each company's strength in its respective field and from considerable operational and geographical synergies. Siaci is the mainstay of the group in property and transport insurance (IARDT), and especially for complex risks. ACSH, the third largest player in France in personal insurance, is specialised in personal savings and health insurance, group retirement programmes and insurance for expatriate personnel.

On the international side, thanks to the holdings and partnership agreements between Siaci and the JLT group in the UK, the group is now one of the world's few integrated international brokerage networks. The group also benefits from ACSH's international resources for covering expatriates (three administrative centres in Europe, the Middle East and North America). In this way, the group is able to help businesses grow everywhere around the world.

The new company that resulted from the merger has two very balanced life/property and transport businesses and generates annual turnover of nearly €160 million (based on the estimate for 2006).

The group has a diversified client portfolio composed of large groups, and has access to a wide range of French and European insurance companies and reinsurance companies.

The ownership of the company created during the merger to hold the capital of both ACSH and Siaci is balanced among the managers (20% of the capital) of the company; Jardine Lloyd Thomson, the largest European broker (also 20%); Paris Orléans (15%); and La Compagnie Financière (45%).

The group's goal is to reinforce its leading position in corporate risks, both in France and abroad. It will do this primarily by pursuing its growth in the fields of nuclear energy, engineering, construction, aeronautics, luxury goods, retail distribution and transportation, all areas in which it already possesses strong and recognised expertise. In 2007, many new selling methods and synergies have already been set in place.

At the time of the merger, Paris Orléans entire holding was valued at €63.3 million, for an original investment of €27 million in 2003. Paris Orléans received €36 million in cash, and reinvested €27 million by contributing shares to Newstone. The Paris Orléans group's €35 million capital gain on this transaction generated an IRR of 26% over 3.5 years. Including the impact of deferred income and a deferred tax asset from the secondary LBO in 2003, a consolidated capital gain of €59.2 million will be recognised in the financial statements for financial year 2007/2008.

# ONO

**Net asset value: €4.4 million**
**Estimated value: €4.4 million**

In November 2005, Paris Orléans invested €4.4 million alongside JP Morgan Partners, Thomas H. Lee Partners, Quadrangle and Providence in the LBO of ONO, a company created by the merger of Spain's two largest cable operators.

The combined entity constitutes the largest cable provider in Spain, with a triple play offer (cable television, fixed telephone service and high-speed internet) connecting over 6.2 million households as at the end of 2006. For the twelve months ended 31 December 2006, ONO generated pro forma revenues of €1.7 billion, slightly less than 2005, and EBITDA of €564 million, a 25% improvement.

Significant growth opportunities remain in the group's domestic market, as Spain is one of the most dynamic countries in Europe, with among the highest levels of leisure spending and low penetration rates for internet, pay TV and cable access.

ONO represents the only alternative to Telefonica in Spain. The company's excellent management is highly experienced, has always been able to meet its profitability targets, and has successfully integrated several acquisitions.

After focusing in 2006 on incorporating Auna into the new, unified group – setting in place synergies and cost reductions and focusing on operational excellence – 2007 should signal a return to growth, primarily by reshaping the product offer and implementing a new marketing strategy.

# Consolis

**Net asset value: €4 million**
**Estimated value: €4 million**

Paris Orléans co-invested alongside LBO France in the secondary LBO of the Consolis group.

Consolis, the leading European producer of prefabricated concrete products, was created through the 2005 merger of the French company Bonna Sabla with the Finnish Consolis. The group generated €1.2 billion in revenues, with a hundred factories throughout Europe serving both the construction (facades, beams, balconies, hollow-core slabs, etc.) and public works (sewage pipes, railroad cross pieces, components of engineering structures, etc.) markets.

The plan of LBO France and its managers depends nearly entirely on developing a cross-selling strategy and improving the profitability of both Bonna Sabla and Consolis, following the recent merger of the two entities.

# Affiches Parisiennes

**Net asset value: €1.1 million**
**Estimated value: €3.3 million**

Paris Orléans joined with IDI and Euris to take over specialised press group Affiches Parisiennes through an LBO. The group originally comprised four companies that provided legal announcements and formalities services.

Under the leadership of Paris Orléans, the acquiring parties put together an offer that was well received by the company's 230 shareholders, with an acceptance rate of over 90%.

The main achievements to date include the simplification of the organisation chart (mergers between companies within the group), the disposal of the real estate portfolio, and the implementation of procedures intended to improve the company's operating performance.

Affiches Parisiennes also acquired a small legal formalities firm in relation to its development policy, and recently relocated its activity to new, better-situated premises.

In 2006, total revenues and EBITDA amounted to €11.5 million and €1.9 million, respectively.

# Frères Blanc

**Net asset value: €3 million**
**Estimated value: €3 million**

In early 2006, Paris Orléans invested alongside the Caisse des Dépôts et Consignations (CDC) LBO fund in the buyout of the Frères Blanc group of restaurants from the founding family.

At the time, Frères Blanc had 12 restaurants (ten renowned Parisian brasserie-style restaurants and two contemporary-style restaurants), as well as a chain of 12 traditional "Chez Clément" restaurants in Paris and the surrounding region.

Ever since the LBO, the company has embraced an active acquisition policy, investing in prestigious new restaurants such as La Marée, Le Sud and Flora Danica in Paris.

The group repositioned and improved the profitability of the Chez Clément chain, and a first restaurant outside the Paris region was opened in Nantes at the end of 2006.

Frères Blanc intends to pursue this dynamic strategy in 2007, and other openings and acquisitions of restaurants are underway or being explored.

The group is expected to continue to strengthen its position as the leading restaurant group in Paris, and commence growth in the provinces outside Paris in order to become one of the major industry players with a nationwide presence.

Paris Orléans also invested €2 million in the mezzanine financing for the LBO, alongside the mezzanine funds IFE II and Mezzanis.

# LISTED INVESTMENTS

Paris Orléans has listed investments valued at €87 million, representing 11% of total gross assets. The €61 million total investment in the Euris group (Finatis and Rallye) is the largest such investment, followed by the Onet group (€12 million), Foncière Inéa (€5 million) and Publicis (€4 million, net of the shares sold during the financial year).
The other listed holdings include notably investments in IDI (the holding company) and DAB Bank.

## Euris group (Finatis / Rallye)

### Finatis

Net asset value: €12.3 million
Estimated value: €34.9 million

### Rallye

Net asset value: €19.9 million

Estimated value: €26.2 million

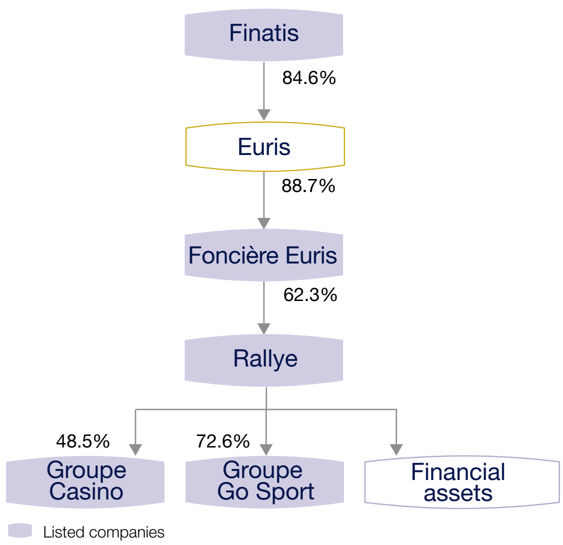
The Euris group has two main activities:

> real estate, through Foncière Euris, and

> retail distribution, with Casino and Go Sport, which are controlled through Rallye.

Paris Orléans, which has invested alongside the Euris group since the late 1980s, is now a shareholder of Finatis, its parent company, and Rallye, its distribution subsidiary, both of which are listed on the stock exchange.

During the financial year, Paris Orléans received €1.4 million in dividends from Finatis and €0.7 million in dividends from Rallye.




Finatis principal asset is its €262 million stake in Euris. Net income amounted to €32.8 million in 2006 (€13.9 million in 2005), and Euris paid €35.3 million in dividends in 2006 (€15.4 million in 2005).

## Key figures for the group's distribution business

| *In millions of euros* | 2006 | 2005 |
|---|---|---|
| RALLYE | | |
| Gross revenues | 23,281 | 21,120 |
| EBITDA | 1,583 | 1,437 |
| Current operating income | 1,045 | 959 |
| Net income (group share) | 147 | 4 |
| CASINO | | |
| Gross revenues | 22,505 | 20,390 |
| EBITDA | 1,560 | 1,424 |
| Current operating income | 1,043 | 966 |
| Net income (group share) | 600 | 344 |
| GO SPORT | | |
| Gross revenues | 771 | 723 |
| EBITDA | 10 | 13 |
| Current operating loss | (12) | (8) |
| Net loss (group share) | (12) | (8) |
| Investments portfolio | | |
| Estimated value of non-current financial assets | 408 | 316 |
| Estimated value of real estate programmes | 103 | 93 |
| Acquisitions | 158 | N/A |
| Disposals | (126) | N/A |
| Fair value adjustment | 70 | N/A |

## Real estate

Foncière Euris is active in several sectors:

> development of real estate assets (primarily shopping centres);

> grocery and specialised distribution, through Rallye's majority shareholdings in Casino and Go Sport;

> management of Rallye's diversified investment portfolio.

Foncière Euris is expanding its real estate activity by signing preferred partnerships with developers who specialise in the design, construction and management of shopping centres. As such, Foncière Euris has partnered with Apsys, the French real estate developer (in France and in Poland), and with Sonae Sierra in Germany.

In 2006, new investment projects were added to the portfolio of future developments in France (five transactions), Poland (two programmes) and Germany (one project).

At the end of 2006, the portfolio under development included 19 transactions, in which Foncière Euris share of the commercial floor space represented over 310,000 m$^2$.

## Retail business

Rallye is the specialised distribution holding company that controls both Casino and Go Sport, a distributor of sporting goods. Rallye also holds a portfolio of financial holdings and real estate programmes.

## Rallye

In 2006, Rallye reported net income (group share) of €147 million, compared with €4 million in 2005. The figure for 2005 included a net charge of €88 million on the unwinding of the Cora option. Current operating income rose 9% to €1.05 billion, reflecting primarily the improved competitiveness of the Casino group's chains in France and abroad, as well as the growing contribution of the investment portfolio to the earnings of the holding company.

## Casino

The Casino distribution group, which holds the chains Géant, Monoprix, and Franprix/Leader Price, had total revenues of €22.5 billion in 2006, up 10.4% over 2005. In France, sales increased by 3.1% to €17.6 billion in 2006. In the rest of the world, they increased by 47.4% to €4.9 billion.

The group's current operating income rose 7.9% in 2006 to €1.04 billion. It was stable (0.2% increase) in France at €852 million, but soared 64.5% outside France to €191 million.

Net income from continuing operations increased 34.7% to €436 million. The group sold its activities in Poland and Taiwan and announced the disposal of its activities in the US for a total of €1.3 billion.

The group's continuing operations report sharply higher sales and operating margins (which rose by 47.4% and by 40 bp, respectively). These performances reflected the favourable impact of the consolidation of CBD and Vindémia for a full year and strong organic growth accompanied by an improvement in margins in Latin America and Asia.

Net income (group share) rose 74.4% to €600 million in 2006.

In early 2007, Casino's management decided to "accelerate the pace of managerial and strategic renewal" of two chains, Franprix and Leader Price, which posted disappointing earnings in 2006.

Outside France, Casino established a new profile of profitable growth by selling off its activities in Poland, the US and Taiwan and focusing on its priority target regions in Latin America and Southeast Asia.

Lastly, Casino would like to expand its commitments in activities complementary to distribution, positioned in profitable markets, such as commercial real estate (through Mercialys and L'Immobilière Groupe Casino), consumer credit (with Banque Casino), and e-commerce (CDiscount). Casino is predicting higher organic growth in 2007 than in 2006, and an increase in operating profits.

## Go Sport

In 2006, the Go Sport group's sales growth outpaced the market, reflecting the continued gains in market share posted by the Go Sport and Courir chains of stores.

Consolidated net sales rose 6.7% to €771 million. Net selling income was up 7.8% thanks to the higher sales and a 0.3 point improvement in the sales margin, but was still not enough to absorb the additional charges and non-recurring items.

The action plan committed to for 2007 should improve operating results, above all by selling more store-brand products, controlling operating expenses and closing unprofitable stores.

# Onet

**Net asset value: €7.5 million**
**Estimated value: €12.1 million**

*Onet is France's leading provider of office cleaning services.*

Paris Orléans and AGF became Onet shareholders in October 2005 by purchasing 6.57% of the capital from a minority shareholder through a jointly-owned entity.

Onet is a provider of business services, and offers a wide range of services that are divided into four divisions:

> multi-service cleaning (67% of net sales),

> technologies in extreme environments (12%),

> prevention and security (11%),

> recruitment and temporary employment (9%).

It also distributes cleaning materials and products (1%).

Most of Onet's revenues are generated in France (95%). The rest come from continental Europe (5%), following the creation of Euroliance, a European economic interest group comprising Onet, OCS (a UK company) and Gegenbauer (a German company).

Consolidated revenues increased 12.7% to €1,145 million, with all of the divisions posting good performances. Only the European subsidiaries posted earnings that were below budget and lower than in 2005.

In 2006, operating income rose 22% to €43 million, for an operating margin of 3.8%.

# Foncière Inéa

**Net asset value: €5.0 million**
**Estimated value: €5.6 million**

*Foncière Inéa is a real estate company specialising in commercial properties within and outside of the Paris region.*

In November 2005, Paris Orléans invested €3 million (of a total of €16 million) in a first capital increase for Foncière Inéa (formerly Irélia), a real estate company specialising in commercial properties within and outside of the Paris region, alongside institutional investors (Crédit Mutuel, Crédit Foncier, MACIF) and private investors, and in May 2006 it invested another €2 million (of a total of €37 million) in a second round.

Foncière Inéa holds a portfolio of commercial properties in France that is well diversified, in order to maintain attractive returns for its shareholders and hedge against the fluctuations caused by the various non-simultaneous business cycles which affect the different classes of assets in the real estate market, especially as these cycles are tending to grow shorter.
The Foncière Inéa management team is experienced and well-regarded.

As at 31 May 2007, Foncière Inéa held a portfolio of investments worth €224 million, with an overall net yield of 8.3%, for total floor space of 172,715 m². The total occupancy rate for buildings already delivered came to 79%, while the occupancy rate on buildings to be delivered in 2007 increased to 71% (100% if one includes the rental guarantees).

Foncière Inéa has been listed in Compartment C of the Eurolist Paris index since December 2006, and elected *SIIC* (listed real estate investment company) tax status with effect from 1 January 2007; the latter provides exemption from income taxes subject to certain conditions regarding the distribution of earnings and capital gains on disposals. The IPO raised shareholders' equity to over €100 million.

# INVESTMENT FUNDS

As at 31 March 2007, investment funds represented €61 million of the net asset value of Paris Orléans, and 8% of total gross assets.

## Private equity via funds

€157 million total commitment
€117 million capital called
€109 million distributions
€40 million uncalled commitment

Private equity funds seek to take advantage of financial opportunities in a number of businesses. Specialising in investments at one or more stages of a company's business cycle (start-up, expansion, buyout, etc.), by industry and/or by geographic region or country, these funds invest directly in different companies.

Some funds do not invest directly in companies (e.g. real estate investment funds), or invest only indirectly (e.g. funds of funds and secondary funds).

Investing in private equity funds allows Paris Orléans to diversify risk (secondary funds invest in a great number of companies) and to invest where it has no direct access (e.g. North American real estate funds, distressed debt, etc.).

Valuation of these funds is revised every six months based on information provided by fund managers, and provisions are made for any capital losses.

During financial year 2006/2007, Paris Orléans:

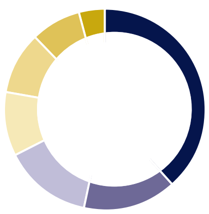
> committed an additional €29 million to 6 new funds,

> was called for €18 million,

> and received €23 million from distributions.

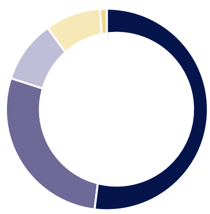
### Analysis of the investment fund portfolio (based on total commitment)

By type of fund



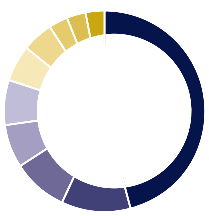
- 38% LBO
- 15% Growth capital
- 14% Venture capital
- 10% Mezzanine
- 10% Secondary
- 8% Distressed
- 4% Real estate

By region



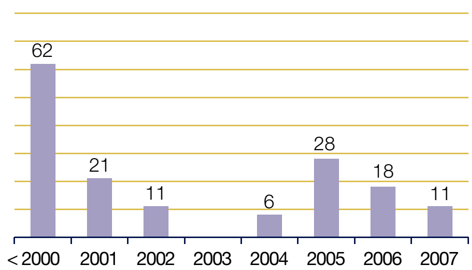
- 52% Europe
- 28% USA
- 10% Eastern Europe
- 9% Asia
- 1% Rest of world

By management company



- 46% Other
- 11% LBO France
- 9% Rothschild
- 7% Carlyle
- 7% Alfa capital
- 6% Euromezzanine
- 5% Landmark
- 3% Lexington
- 3% IDI
- 3% Alpha

By vintage (in € millions)



| Fund (in € or $ millions, depending on original currency) | Fund size | Total commitment | Capital called | Distributions | Uncalled commitment |
|---|---|---|---|---|---|
| **LBO** | | | | | |
| ABN Amro | €153m | €2.0 | €1.9 | €2.2 | €0.1 |
| Apax VII | €900m | €2.5 | €0.7 | | |
| Alpha APEF 3 | €312m | €2.0 | €2.0 | €2.4 | |
| Alpha APEF 4 | €500m | €3.0 | €3.0 | €3.9 | |
| Chequers Capital | €300m | €1.0 | €1.0 | €0.9 | €0.0 |
| Doughty Hanson IV | €1,600m | €3.0 | €2.8 | €0.6 | €0.2 |
| E de R -LBO Fund | €210m | €1.0 | €0.5 | €0.1 | €0.5 |
| Five Arrows Friends and family | €52m | €10.0 | €4.0 | €0.1 | €6.0 |
| Hexagone II | €152m | €3.0 | €0.9 | | €2.1 |
| LBO-LTI | €150m | €1.8 | €1.8 | €4.8 | €0.0 |
| PAI Europe 3 | €1,800m | €5.0 | €4.8 | €5.7 | €0.2 |
| Terra Firma | €2,000m | €2.0 | €1.3 | €0.8 | €0.7 |
| Weinberg - WCP 1 | €420m | €5.0 | €2.1 | | €2.9 |
| White Knight / White Knight VI | €370m | €7.0 | €6.8 | €4.6 | €0.2 |
| White Knight VII | €644m | €5.0 | €2.7 | | €2.3 |
| Sub-total € funds | | €53.3 | €36.3 | €26.0 | €15.2 |
| Carlyle Partners III | $2,500m | $5.0 | $5.0 | $7.2 | |
| Ripplewood II | $1,000m | $2.5 | $2.1 | $0.2 | $0.4 |
| Sub-total $ funds | | $7.5 | $7.1 | $7.4 | $0.4 |
| **Total LBO funds (in € millions)** | | **€61.0** | **€43.6** | **€32.6** | **€17.4** |
| % of Paris Orléans total | | 39% | 37% | 30% | 44% |
| **Venture capital** | | | | | |
| Access Capital | €155m | €2.0 | €1.9 | €1.0 | €0.1 |
| Banexi II | €61m | €1.1 | €1.1 | €1.2 | |
| Banexi III | €151m | €2.0 | €1.7 | €0.6 | €0.3 |
| Carlyle CEVP | €730m | €0.7 | €0.7 | €0.6 | €0.0 |
| E.M.V. | €10m | €0.9 | €0.9 | €2.9 | |
| R Capital Technologies | €70m | €3.5 | €2.8 | €0.1 | €0.7 |
| Sub-total € funds | | €10.3 | €9.1 | €6.4 | €1.1 |
| e-planet (DFJ) | $1,000m | $3.0 | $2.8 | $3.8 | $0.2 |
| Eucalyptus Ventures | $50m | $1.0 | $1.0 | $0.8 | $0.0 |
| Francisco Partners | $1,500m | $2.0 | $2.0 | $1.1 | $0.0 |
| Pequot Ventures II | $540m | $3.0 | $3.0 | $1.2 | |
| Pitango III | $400m | $2.0 | $1.9 | $0.1 | $0.1 |
| Sofinnova Partners V | $250m | $2.8 | $2.6 | $0.7 | $0.1 |
| Sub-total $ funds | | $13.8 | $13.3 | $7.7 | $0.5 |
| **Total Venture capital funds (in € millions)** | | **€23.7** | **€22.1** | **€13.8** | **€1.6** |
| % of Paris Orléans total | | 15% | 19% | 13% | 4% |
| **Growth capital** | | | | | |
| SBF IV | €250m | €5.0 | €1.5 | | €3.5 |
| Sub-total € funds | | €5.0 | €1.5 | | €3.5 |
| Alfa Capital Partners | $200m | $12.5 | $0.3 | | $12.2 |
| Carlyle Asia | $750m | $1.7 | $1.5 | $2.8 | $0.1 |
| Carlyle Asia II | $1,761m | $3.0 | $1.1 | | $1.9 |
| CASOP | $100m | $2.6 | $2.6 | $0.0 | $0.0 |
| Paul Capital Royalty fund | $200m | $2.0 | $2.0 | $1.8 | $0.0 |
| Sub-total $ funds | | $21.8 | $7.4 | $4.6 | $14.4 |
| **Total Growth Capital funds (in € millions)** | | **€22.9** | **€8.6** | **€4.4** | **€14.3** |
| % of Paris Orléans total | | 15% | 7% | 4% | 36% |

| Fund (in € or $ millions, depending on original currency) | Fund size | Total commitment | Capital called | Distributions | Uncalled commitment |
|---|---|---|---|---|---|
| **Mezzanine** | | | | | |
| Euromezzanine III | €212m | €3.0 | €2.6 | €5.0 | €0.4 |
| Euromezzanine IV | €427m | €3.0 | €2.8 | €1.1 | €0.2 |
| Euromezzanine V | €660m | €3.0 | €1.4 | | €1.6 |
| IDI Mezzanine | €90m | €5.0 | €1.9 | | €3.1 |
| IFE II | €300m | €2.0 | €1.1 | | €0.9 |
| Sub-total € funds | | €16.0 | €9.8 | €6.1 | €6.2 |
| **Total Mezzanine funds (in € millions)** | | **€16.0** | **€9.8** | **€6.1** | **€6.2** |
| % of Paris Orléans total | | 10% | 8% | 6% | 16% |
| **Secondary** | | | | | |
| Landmark VI | $150m | $2.0 | $2.0 | $3.9 | |
| Landmark VII | $175m | $7.4 | $7.4 | $10.9 | |
| Landmark Real Estate IV | $100m | $1.8 | $1.6 | $2.2 | $0.2 |
| Lexington I | $240m | $5.0 | $5.0 | $6.4 | |
| Lexington IV | $600m | $1.0 | $1.0 | $1.3 | |
| Sub-total $ funds | | $17.2 | $17.0 | $24.7 | $0.2 |
| **Total Secondary funds (in € millions)** | | **€14.6** | **€14.4** | **€21.0** | **€0.2** |
| % of Paris Orléans total | | 9% | 12% | 19% | 0% |
| **Distressed** | | | | | |
| GS Special Opportunities | $2,500m | $3.5 | $3.5 | $5.4 | |
| Lone Star Fund II | $1,200m | $5.0 | $5.0 | $6.8 | |
| Wexford Euris | $20m | $1.0 | $1.0 | $1.9 | |
| WLR Recovery | $200m | $4.0 | $4.0 | $13.1 | |
| WLR 3 | €1,140m | $1.0 | $0.7 | $0.0 | $0.3 |
| Sub-total $ funds | | $14.5 | $14.2 | $27.2 | $0.3 |
| **Total Distressed funds (in € millions)** | | **€12.3** | **€12.0** | **€23.1** | **€0.3** |
| % of Paris Orléans total | | 8% | 10% | 21% | 1% |
| **Real Estate** | | | | | |
| AG Realty IV | $250m | $2.0 | $2.0 | $1.9 | $0.0 |
| AG Realty V | $400m | $1.5 | $1.4 | $1.8 | $0.1 |
| Carlyle Realty III | $603m | $2.5 | $2.5 | $3.5 | |
| ING Realty | $450m | $2.0 | $2.0 | $2.8 | |
| Sub-total $ funds | | $8.0 | $7.8 | $10.0 | $0.2 |
| **Total Real Estate funds (in € millions)** | | **€6.8** | **€6.8** | **€8.5** | |
| % of Paris Orléans total | | 4% | 6% | 8% | |
| **Total Paris Orléans funds (in € millions)** | | **€157.2** | **€117.3** | **€109.4** | **€40.0** |

# MEZZANINE

### Net asset value: €56.3 million
### Enterprise value: €57.5 million

During financial year 2006/2007, Paris Orléans:

> invested close to €47 million in 13 mezzanine financings, in leveraged buyouts with enterprise values that are usually below €100 million;

> was repaid early, in January 2007, on the Brazos-Tarkett mezzanine financing issued in 2003, due to KKR's acquisition of 50% of the capital of Tarkett. In 3.5 years, this mezzanine financing generated a 27% IRR and a multiple of over 2x our original investment (€2 million invested mid-2003).

Since 2005, Paris Orléans has accelerated the pace of its investments in mezzanine financing of small and medium-sized French LBOs in transactions led by LBO funds on small and medium-sized enterprises such as Hexagone (LBO France), Argos Soditic and Paluel Marmont Capital. Alongside these financings arranged by Paris Orléans, your company also invested in larger mezzanine deals issued by funds such as IDI Mezzanine and IFE II.

Paris Orléans mezzanine portfolio represented €56 million in 18 investments, versus under €12 million in 7 mezzanine investments one year ago, and represented nearly 15% of the group's total private equity assets.

Among the investments made by Paris Orléans during FY 2006/2007, the following best illustrate the group's strategy:

## AOS

### €5 million in mezzanine financing

Paris Orléans and IDI Group invested €10 million in mezzanine financing for AOS, one of the largest European firms to provide corporate real estate and facility management solutions to end-users in the service sector.

Much of AOS's growth comes from real estate consulting services, assistance with implementation, project management, and the outsourcing of services and systems.

The company generated approximately €60 million in revenue, and employs over 400 people. AOS is projecting strong growth in the coming three years thanks to the growth of its real estate consulting and assistance activities, and to its rational geographic expansion into high potential markets, such as Germany, China, the Middle East, etc.

IDI Group and Paris Orléans are helping the company with its business development strategy.

Immediately before this transaction, Studley, a US company with approximately $200 million in revenue that is pursuing the identical strategy and positioning as AOS in the United States, took a minority shareholding in the latter. This capital linking, which resulted in the creation of the AOS Studley brand in Europe, was accompanied by a commercial relationship, allowing powerful synergies to be exploited between the two groups. AOS Studley, already the leading player in the biggest real estate transactions in Paris, is now expanding considerably through its international operations.

# Bouhyer group

### €4.75 million in mezzanine financing

Group Bouhyer is the leading European manufacturer of iron counterweights. These products are used to counterbalance the weight of the loads carried by construction equipment, notably for forklifts, backhoes and other types of mobile cranes, etc. Located in the Brittany region of France, the company manufactures and sells its counterweights, mainly in Europe, through its two foundries, which employ close to 350 people. In 2006, the company had nearly €64 million in sales.

In early 2007, the company was put up for sale by its long-time executive manager; Paris Orléans assisted the buyer, Mr Alain Mimouni, by providing €250 thousand in equity and €4.75 million in mezzanine financing, a total of €5 million.

Paris Orléans expects to actively support the group's rapid development, especially in any acquisitions that may be made.

# Eryma (formerly Siemens SES)

### €4.5 million in mezzanine financing

Paris Orléans invested alongside the Hexagone II fund (managed by LBO France) in the LBO of the French subsidiary of Siemens which specialises in the design, installation and supervision of electronic security systems in France. The company, which only operates in France, employs 320 people in its 24 regional centres, and generates approximately €50 million in sales.

The strategy of the managers and Hexagone II consists of successfully completing the reorganisation of the company as a non-Siemens entity, and then accelerating its growth both organically and through acquisition.

# Edimark

### €4 million in mezzanine financing

Paris Orléans invested alongside Paluel Marmont Capital in the secondary LBO on Edimark Santé, a media group specialised in the medical field with over €10 million in revenues.

The activity is structured into a dozen different medical specialities, each organised around a "printing" business (which publishes over twenty trade publications and puts together tailor-made works) and a "product" business (which produces materials used by pharmaceutical companies for their communications needs).

The strategy adopted by the managers and Paluel Marmont Capital consists of growing the business, especially by acquisition (targets have already been identified).

# REAL ESTATE

Paris Orléans had total real estate holdings of €31 million as at 31 March 2007, representing 4% of total gross assets. In addition to its investments in the European shopping centre transactions detailed below, Paris Orléans takes a modest interest in residential property development projects outside the Paris region, in a partnership with the Les Nouveaux Constructeurs group (in Cannes Mandelieu and Lyon).

## Manufaktura shopping centre (Lodz, Poland)

Net asset value: €1.4 million
Estimated value: €15.0 million

*Development of a downtown shopping and hotel-office complex in Lodz, Poland.*

In 1998, Paris Orléans took a 40% stake alongside Foncière Euris and Foncière Apsys (development of and investment in shopping centres, especially in Poland) in a development project on a 28-hectare plot of land in the centre of Lodz, Poland's second largest city.

This development has transformed the city downtown, replacing what was a real industrial wasteland. The Manufaktura centre offers 110,000 m$^2$ of commercial floor space split between modern buildings and refurbished historical 19th century industrial buildings.

This commercial floor space includes:

> a shopping area with a 235-shop mall, 50 midsize shops and two larger shops (a Real hypermarket and Leroy Merlin DIY/garden retailer);

> a leisure area with a 15-screen IMAX multiplex cinema, restaurants, a bowling alley, a fitness centre and a nightclub;

> a hotel and services complex including a hotel and office building;

> a cultural area featuring the Polish National Museum of Modern Art.

From an operational standpoint, the number of visitors and the revenues of the centre have stabilised at satisfactory levels since it was opened to the public on 17 May 2006.

At that time, over 95% of the overall rental budget had already been secured with signed lease contracts. The commercial appeal of this project for the chain stores became increasingly obvious as the opening day approached and several more leases were signed afterwards, allowing the completion of the building of the shopping area over the Rynek, the central square of Manufaktura so popular with customers.

The partial sales programme, aimed at anchoring the centre with the long-term presence of key chains at the site and thereby fuelling the number of visitors, ended in 2004 with the sale of 13,000 m$^2$ to Leroy Merlin. In all, nearly 32,000 m$^2$ have been sold, including the hypermarket and cinemas in 2003.

A deal was signed with an Austrian hotel operator for the historical buildings in which the hotel and offices will be housed. These buildings will be delivered as is (after the facades have been renovated) to investors, who will then take over development.

The overall cost of the project has been affected by various delays related to the construction work and to administrative permits, raising both fees and financial costs. Increases in raw materials prices, especially for steel, and renovation costs for the historical buildings were also factors. However, the developers were able to take advantage of these delays to improve the project and its market positioning. Furthermore, a significant fall in capitalisation rates has been observed, reflecting Poland's growing appeal to international corporate investors and confirming the extraordinary nature of this project, which has been named one of the country's biggest tourist attractions.

At the end of 2006, Paris Orléans entire €13.5 million investment in current account advances was repaid. The accrued interest on these advances was capitalized, which explains the remaining carrying amount on the transaction. No longer exposed to any risk on this project, Paris Orléans estimated the value of its holding at €15 million as at 31 March 2007.

## Beaugrenelle shopping centre (Paris, 15th arrondissement)

**Net asset value: €2.5 million**
**Estimated value: €2.5 million**

*Redevelopment of the Beaugrenelle shopping centre in Paris 15th arrondissement.*

In January 2003, SCI Pont de Grenelle, in which Paris Orléans holds a 30% stake alongside Foncière Euris (40%) and Foncière Apsys (30%), was chosen by Gecina to take part in redeveloping the Beaugrenelle shopping centre. Gecina had owned all of SCI Beaugrenelle (whose only asset is the shopping centre) shares, but subsequently sold 50% to SCI Pont de Grenelle.

Located on the left bank of the Seine in the 15th arrondissement of Paris, the shopping centre, which opened to the public in 1979, was never successful despite a dense primary catchment area with high purchasing power. Its concrete-dominated design that overlapped with other buildings providing a variety of services resulted in an incoherent structure, which gradually drew in fewer and fewer shoppers. Only complete redevelopment will restore the coherence of these buildings and offer a more fitting commercial structure to local Parisians, meeting state-of-the-art commercial standards.

The architectural design of the project was contracted to Valode & Pistre. The existing structure will be replaced by a new one whose two vast atria are designed to take advantage of natural light and transparency, both sorely lacking in the old centre. The commercial floor space in the new centre will cover 45,000 m² along rue Linois. In terms of stores, the proposed 100 boutiques and 30 midsize retail outlets will update the original offer (clothing, household and personal goods, etc.) with a strong cultural and recreational offer (cinema, bookshop, IT, audio, video, sport and leisure, etc.) occupying about a third of the retail space and complementing existing local stores.

Several key stages have been finalised since the beginning of the project. In September 2004, the Paris city council approved a revision of the Paris urban planning program (PLU), thus making the planned redevelopment a possibility. Then, in June 2005, SCI Beaugrenelle signed a bilateral agreement with the landowner, SEMEA 15 (a semi-public company), for the acquisition of land entitlement for the shopping centre, previously held under a building lease. On the ground, the consultation process with local residents' associations and storeowners is ongoing.

Several important stages were completed during the financial year just ended, and by the end of May 2007, approvals had been obtained from the Departmental Commission for Commercial Facilities (CDEC), an authority whose approval is required for all commercial facility projects, and CDEC Cinéma, as well as a demolition permit and a construction permit for the Charles Michels traffic island. The last building authorisations are expected to be obtained in September 2007.

As the various authorisations needed are being obtained on schedule, work on the Charles Michels traffic island commenced mid-2007, and the shopping centre is expected to be opened to the public in late 2010.

The high quality of the project allowed non-recourse loans to be obtained to finance most of the cost of acquiring the shares of SCI Beaugrenelle and the initial phase of development, thereby enabling Paris Orléans to limit its equity exposure to €2.5 million as at 31 March 2007.

# Alexa shopping centre (Berlin, Alexanderplatz)

**Net asset value: €5.6 million**

**Estimated value: €5.6 million**

*Shopping centre development project in Berlin.*

The project operator is Sonae Imobilaria, a subsidiary of the Sonae group, Portugal's top group in terms of market capitalisation. As bank financing was obtained for nearly 70% of the project cost, Paris Orléans' total investment should be in the order of €6.0 million.

Construction on the shopping centre has commenced on a 2.8 hectare site in the heart of Berlin, near the Alexanderplatz. The catchment area is estimated at around 1.8 million people.

The project includes the development of 55,000 m², including a 45,000 m² shopping area and 10,000 m² of recreational and dining space.

The acquisition of the land from the City of Berlin was finalised at the end of 2004. All administrative approvals including building permits have been obtained and work began in early 2005. The shopping centre is expected to open in the autumn of 2007.

The appeal of this site and project is confirmed by the strong interest shown by German and foreign trade names during the first months of marketing the large and medium-sized floor spaces, and then the boutique shop spaces.

# Loop 5 shopping centre (Weiterstadt, south of Frankfurt)

**Net asset value: €2.8 million**

**Estimated value: €2.8 million**

*Shopping centre development project south of Frankfurt, in a proven commercial zone.*

Sonae Imobiliaria is also the operator of this project. As bank financing was obtained for nearly 80% of the project cost, Paris Orléans' total investment should be in the order of €4.0 million.

The land on which the shopping centre is being built lies along the A5 motorway which leads from the Frankfurt airport (10 minutes away) to the town of Weiterstadt, some 30 kilometres to the south of Frankfurt.

The catchment area is said to include over 700,000 people.

The project calls for the construction of 56,000 m² of commercial floor space, and parking with close to 3,000 spaces.

The land was acquired at the end of 2006. All necessary administrative authorisations, especially building permits, have been obtained, and work started in early 2007. The shopping centre is expected to open in the autumn of 2008.

# GROWTH CAPITAL AND OTHER

Growth capital includes investments in companies whose growth Paris Orléans helps to finance. These holdings represented a total of €12 million as at 31 March 2007, or 1% of total gross assets. Some of these investments were made during the most recent financial year, and are presented below. The other investments correspond to LDR Holding, a company that develops and markets spinal artificial disk (€2.3 million); Europacorp, a Luc Besson film studio (€1.5 million); and Elysair, a "business only" airline operating the Paris-New York route under L'Avion name (€0.8 million).

*The "other" category includes a range of disparate investments that are not easily classified within other categories. It consists largely of Paris Orléans investment certificates held in treasury stock (€14.8 million), the group's stake in the CINV holding company (€6.2 million), and the oil and gas holdings described below.*

## LPCR

Net asset value: €2.3 million

Estimated value: €2.3 million

*LPCR, Les Petits Chaperons Rouges, is the leader in private infant day-care facilities in France.*

Founded in 2001, the company, with its 400-person staff, currently manages 14 establishments (with nearly 700 places) on behalf of corporate and local government clients. LPCR provides a real solution to the sizeable need for infant day-care facilities due to the high birth rate in France. LPCR's facilities provide a range of services extending from ongoing or occasional care to emergency reception of children who are nearly of pre-school age. In May 2006, Paris Orléans subscribed to a €2.3 million capital increase to strengthen the company's shareholders' equity and finance the working capital requirements generated by its growth.

## Gravitation

Net asset value: €1.3 million

Estimated value: €1.3 million

*Gravitation is Charles Beigbeder's personal investment holding company.*

February 2007, Paris Orléans invested €1.3 million in convertible bonds, alongside the Arnault group and the AXA Talents fund in Charles Beigbeder's personal holding company, Gravitation, which holds a strategic 10% holding in the capital of Poweo, the largest independent supplier of energy and gas in France.

Gravitation seeks to develop a proprietary investment business by repeating, in new businesses within markets with high underlying growth trends, the success that Charles Beigbeder has had with Selftrade and Poweo, and to act as a project "incubator" by contributing ideas and financial resources for project growth and strategic financial and operational coaching.

Two projects are already in an advanced stage of development:

> Audacia: FCC debt securitization fund for small and medium-sized enterprises;

> Agrofuel: production of biodiesel fuels.

# Co-investment in Asia

Net asset value: €3.4 million ($4.3 million)

Estimated value: €3.4 million

During the year, Paris Orléans co-invested alongside Crescent (investment fund in which Paris Orléans has a $5 million commitment) in 3 Asian companies:

> Beijing Jade Bird Educational ($1.5 million),

> Masterskill ($1.5 million),

> Atlas Consolidated Mining & Development Corporation ($1.3 million).

## Beijing Jade Bird Educational

Beijing Jade Bird Educational is an information technology training organisation, offering three programmes of study in 177 centres in China:

> software development,

> network engineering,

> software testing.

The company is growing at a rapid pace, and is seeking to continue this growth by expanding into new cities (the company is currently present in only 19 cities), by opening new training centres, and by expanding its programme offer.

The company is aiming to float its shares on the NYSE or the NASDAQ in late 2007 or early 2008.

In June 2007, Paris Orléans increased its investment in the company by $4 million in a pre-IPO investment.

## Masterskill

Masterskill is a private health-care education company in Malaysia, and issues diplomas that are recognised both in Malaysia and abroad.

The company has entered into an agreement with the ministry of health and 57 public and 12 private hospitals, for students to perform periodic internships under real-life conditions and overseen by instructors.

One special skill of these students is their mastery of the English language; Masterskill seeks to make its students “exportable” abroad.

## Atlas Consolidated Mining & Development Corporation

Atlas Consolidated Mining & Development Corporation owns 3 major assets in the Philippines:

> a copper mine in the island of Cebu,

> a nickel mining site on the island of Palawan,

> one of the largest reservoirs of water.

The company is listed on the Philippine stock exchange (market capitalisation as at 23 May 2007: $400 million), and, in cooperation with Crescent, is restoring a Philippine copper mine that had not been operated since the typhoon of 1993. At that time, the mine was one of the five largest copper mines in the world.

The teams are performing all of the studies needed to launch the restoration and return the mine to production as quickly as possible (objective: early 2008), in order to list the company on a regulated market (Toronto or London) just before or as it enters the production phase.

# Oil and gas holdings

**Net asset value: €1.6 million**
**Estimated value: €6.0 million**

Nearly all of the investment in this sector concerns the 4.2% holding in the capital of Total's exploration and production subsidiary in Cameroon. The other oil and gas assets include two very small minority stakes in the capital of two small companies that process and store oil and gas from the North Sea.

During financial year 2006/2007, Paris Orléans received €2.3 million ($2.9 million) in dividends from Total E&P Cameroun in respect of 2005.

As Total E&P Cameroun's earnings continued to benefit from high crude prices in 2006, in June 2007 Paris Orléans received a dividend of approximately €2.9 million ($3.9 million), while the group's revenues from its other oil and gas assets do not exceed €0.2 million per annum.

Revenues grew 12.6% in 2006 to $236 million, as average crude prices remained high, rising from $50.20 per barrel in 2005 to $63.00 in 2006. Net income amounted to $93.6 million in financial year 2006, up 36.1% over 2005.

The production at the recently discovered Bakingili site is in line with expectations, which means that in 2007 production will be similar to the levels achieved in 2005 and 2006, i.e. slightly over 21 million barrels. Other projects also revealed additional oil reserves, thereby reducing the decline in Cameroonian reserves. The discoveries included those in Bakassi, Boa Sud, and in the Dissoni offshore block, in the Rio del Rey region. Other projects are in the midst of a significant exercise launched in 2004 to re-examine all of the seismic data for all of Total E&P Cameroun's mining operations, including those in Njonji, Matanda, Bomana, Bojongo, Bavo Sud and Bakingili Phase II.

The oil and gas sector, which was the group's original business, now represents only a token in the Paris Orléans group's net asset value. In fact, the lack of visibility over the future of this investment leads the group to apply a very conservative valuation to the holding, in spite of the substantial dividend received by Paris Orléans.

# CORPORATE GOVERNANCE

# INFORMATION REGARDING MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

## LIST OF DIRECTORSHIPS AND POSITIONS

In compliance with the provisions of Article L. 225-102-1, Paragraph 3, a list of all directorships and positions held in other companies by each of the directors and officers of the company is presented below:

### Supervisory Board

| Name<br>> Position<br>> Last appointed<br>> Date of birth | Other positions and main directorships held by the members of the Supervisory Board |
|---|---|
| **Éric de ROTHSCHILD**<br>> Chairman of the Supervisory Board<br>> 29/10/2004<br>> 03/10/1940<br><br>Number of Paris Orléans shares held: 226 | **Chairman of the Board of Directors of:**<br>Courcelles Participations (SAS – Paris)<br>**Chairman of:**<br>Rothschild Private Management Limited (United Kingdom)<br>Rothschild Bank AG (Switzerland)<br>Rothschild Holding AG (Switzerland)<br>Société du Château Rieussec (SAS – Paris)<br>**Managing Director of:**<br>Continuation Investments NV (Netherlands)<br>**General Partner of:**<br>Rothschild & Cie Banque (SCS – Paris)<br>Rothschild & Cie Gestion (SCS – Paris)<br>**General Partner of:**<br>Société Viticole de Participation (SCA – Paris)<br>Béro (SCA – Paris)<br>Financière-Rabelais (SCA – Paris)<br>**Managing Director of:**<br>Société civile du Château Duhart Milon Rothschild<br>Société civile Rothschild Conservation<br>**Director of:**<br>Christie's France (SA – Paris)<br>Concordia BV (Netherlands)<br>Fédération Continentale (SA – Paris)<br>NM Rothschild & Sons Limited (United Kingdom)<br>Rothschild North America Inc. (USA)<br>Rothschilds Continuation Holdings AG (Switzerland)<br>Sociedade Agricola Quinta do Carmo (Portugal)<br>SIACI (SA – Paris)<br>Los Vascos (Chile)<br>**Financial controller of**<br>Five Arrows Messieurs de Rothschild Frères (GIE – Paris)<br>Sagitas (GIE – Paris)<br><br>Positions held during the past five years:<br>**Chairman of the Supervisory Board of:**<br>Francarep (SA – Paris)<br>**Chairman of the Board of Directors and Managing Director of:**<br>PO Participations Bancaires (SA – Paris)<br>**Chairman of:**<br>Ponthieu-Rabelais (SAS – Paris)<br>**Managing Director of:**<br>Société civile de Château Lafite Rothschild<br>**Director of:**<br>Marot Participations (SAS – Paris)<br>Chalone Inc. (USA) |

Name
> Position
> Last appointed
> Date of birth

Other positions and main directorships held by the members of the Supervisory Board

**David de ROTHSCHILD**
> Vice-Chairman of the Supervisory Board
> 31/01/2005
> 15/12/1942

Number of Paris Orléans shares held: 7,472

**General Partner of:**
Rothschild & Cie Banque (SCS – Paris)
Rothschild & Cie (SCS – Paris)
Financière-Rabelais (SCA – Paris)

**Chairman of:**
Financière de Reux (SAS – Paris)
Financière de Tournon (SAS – Paris)
Rothschilds Continuation Holdings AG (Switzerland)
NM Rothschild & Sons Ltd (United Kingdom)
SCS Holding (SAS – Paris)
Concordia BV (Netherlands)
Rothschild Holding AG (Switzerland)
Rothschild Concordia AG (Switzerland)

**Managing Director of:**
Continuation Investment NV (Netherlands)
Rothschild Europe BV (Netherlands)

**Director of:**
Rothschild North America (USA)
La Compagnie Financière Martin-Maurel (SA – Marseilles)

**Sole Director of:**
Five Arrows Messieurs de Rothschild Frères (GIE - Paris)
Sagitas (GIE – Paris)

**Member of the Supervisory Board of:**
ABN Amro (Netherlands)
Casino (SA – St-Étienne)
Compagnie Financière Saint-Honoré (SA – Paris)

**Non-voting board member of:**
Euris (SA – Paris)

Positions held during the past five years:

**Chairman of the Management Board of:**
Francarep (SA – Paris)

**Chairman of the Board of Directors of:**
NM Rothschild Corporate Finance Ltd (United Kingdom)

**Chairman of:**
Financière Viticole (SA – Paris)

**Director of:**
AFEP (French Association of Private Companies) (Association under the Law of 1901 – Paris)
De Beers SA (South Africa)
PO Participations Bancaires (SA – Paris)

**General Partner of:**
Rothschild Ferrières (SC – Paris)
Anjou-Rabelais (SNC – Paris)

**Permanent representative of:**
Rothschild & Cie Banque to the board of IDI

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**Claude CHOURAQUI**
> Member of the Supervisory Board
> 29/10/2004
> 12/02/1937

Number of Paris Orléans shares held: 10

**Member of the Supervisory Board of:**
SIACI (SA – Paris)

**Chairman of:**
French American Risk Advisors – FARA Inc. (USA)

**Director of:**
A.R.T. (Assurance et Réinsurance Techniques) (SA – Paris)
Courcelles Participations (SAS – Paris)

Positions held during the past five years:

**Chairman of:**
Marot Participations (SAS – Paris)

**Vice-Chairman of the Supervisory Board of:**
Francarep (SA – Paris)

**Director of:**
Jardine Lloyd Thompson Group plc (United Kingdom)

| Name<br>> Position<br>> Last appointed<br>> Date of birth | Other positions and main directorships held by the members of the Supervisory Board | |
|---|---|---|
| **Russell EDEY**<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 02/08/1942<br><br>Number of Paris Orléans shares held: 10 | **Chairman of:**<br>N M Rothschild & Sons (Hong Kong) Limited (China)<br>Anglogold Ashanti Limited (South Africa)<br>**Vice-Chairman of:**<br>N M Rothschild Corporate Finance Limited (United Kingdom)<br>**Director of:**<br>N M Rothschild & Sons (Singapore) Limited (Singapore)<br>N M Rothschild & Sons (South Africa) Pty Ltd (South Africa)<br>N M Rothschild China Holding AG (Switzerland)<br>Rothschild Australia Limited (Australia)<br>Rothschilds Continuation Limited (United Kingdom)<br>Shield MBCA Limited (United Kingdom)<br>Shield Trust Limited (United Kingdom)<br>Southern Arrows (Proprietary) Limited (South Africa)<br>Old Mutual PLC (United Kingdom) | Positions held during the past five years:<br>**Chairman of:**<br>Anglogold International Holdings SA<br>**Vice-Chairman of:**<br>N M Rothschild & Australia Holdings Pty (Australia)<br>The South African Business Initiative<br>**Director of:**<br>N M Rothschild & Sons (Australia) Limited (Australia)<br>N M Rothschild & Sons Limited (United Kingdom)<br>N M Rothschild & Sons (Washington) LLC<br>RNR Holdings Inc.<br>FKI plc (United Kingdom) |
| **Christian de LABRIFFE**<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 13/03/1947<br><br>Number of Paris Orléans shares held: 30 | **Chairman of:**<br>Transaction R (SAS – Paris)<br>**General Partner of:**<br>Rothschild & Cie Banque (SCS – Paris)<br>**General Partner of:**<br>Rothschild & Cie (SCS – Paris)<br>**Member of the Supervisory Board of:**<br>Financière-Rabelais (SCA – Paris)<br>Group Beneteau (SA – Saint-Gilles-Croix-de-Vie) | **Director of:**<br>Christian Dior SA Paris (SA – Paris)<br>Christian Dior Couture Paris (SA – Paris)<br><br>Positions held during the past five years:<br>**Director of:**<br>Rothschild Conseil International (SA – Paris)<br>Nexity (SA – Paris La Défense) |
| **André LÉVY-LANG**<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 26/11/1937<br><br>Number of Paris Orléans shares held: 390 | **Director of:**<br>AGF (SA – Paris)<br>Scor (SA – Paris La Défense)<br>Dexia SA (Belgium)<br>Schlumberger Limited (Curaçao)<br>Hôpital Américain de Paris (Association – Neuilly) | Institut Europlace de Finance (Association – Paris)<br>Institut des Hautes Études Scientifiques (Association) |
| **Édouard de ROTHSCHILD**<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 27/12/1957<br><br>Number of Paris Orléans shares held: 24,510 | **Chairman of the Supervisory and Strategic Guidance Board of:**<br>Rothschild & Cie Banque (SCS – Paris)<br>**Chairman of:**<br>Holding Financier Jean Goujon (SEP – Paris)<br>France Galop (law of 1901 association – Boulogne)<br>**Director of:**<br>Rothschilds Continuation Holdings AG (Switzerland)<br>Concordia BV (Netherlands)<br>SA Investissements Presse (holding company of the Libération daily newspaper)<br>Positions held during the past five years:<br>**Partner-Managing Director of:**<br>Rothschild & Cie Banque (SCS – Paris)<br>Rothschild & Cie (SCS – Paris) | **Director of:**<br>Rothschild Conseil International (SA – Paris)<br>Rothschild North America (USA)<br>Global Asset Management (United Kingdom)<br>New York University (USA)<br>**Member of the Supervisory Board of:**<br>Imérys (SA – Paris)<br>**Permanent Representative of Rothschild & Cie Banque to the Board of:**<br>Francarep (SA – Paris)<br>PO Participations Bancaires (SA – Paris)<br>**Member of:**<br>Sagitas (GIE)<br>**Member of the Finance Committee of the:**<br>MEDEF (French employers confederation – France) |

<table>
<tr><th>Name<br>> Position<br>> Last appointed<br>> Date of birth</th><th colspan="2">Other positions and main directorships held by the members of the Supervisory Board</th></tr>
<tr><td>Robert de ROTHSCHILD<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 14/04/1947<br>Number of Paris Orléans shares held: 15</td><td>None</td><td></td></tr>
<tr><td>Philippe SEREYS<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 28/05/1963<br>Number of Paris Orléans shares held: 10</td><td>Member of the Management Board of:<br>NEM Partners (SA – Paris)<br>Member of the Supervisory Board of:<br>Baron Philippe de Rothschild (SA)<br>GT Finances (SA – Paris)<br>Managing Director of:<br>Baronne Philippine de Rothschild GFA</td><td>Positions held during the past five years:<br>Member of the Board of Directors of:<br>Rothschild France Distribution (SA)<br>Managing Director and member of the Management Board of:<br>Natexis Investment (SCR – Paris)</td></tr>
<tr><td>Gérard WORMS<br>> Member of the Supervisory Board<br>> 29/10/2004<br>> 01/08/1936<br>Number of Paris Orléans shares held: 305</td><td>Director of:<br>Éditions Atlas (SAS – Paris)<br>Cofide (SA – Italy)<br>Member of the Supervisory Board of:<br>Métropole Télévision (SA – Neuilly)<br>Médias et Régies Europe (SA – Paris)<br>Publicis (SA – Paris)<br>Siaci (SA – Paris)</td><td>Positions held during the past five years:<br>Chairman of:<br>Société de Gérance des Immeubles Municipaux (SGIM) (SA – Paris)</td></tr>
<tr><td>Company<br>ROTHSCHILD & CIE BANQUE<br>Registered Office: 29, avenue de Messine 75008 Paris<br>> Member of the Supervisory Board<br>> 29/10/2004</td><td>Number of Paris Orléans shares held directly: 10</td><td>Chairman of:<br>Bastia-Rabelais (SASU – Paris)<br>Chairman and member of the Board of Directors of:<br>Montaigne-Rabelais (SAS – Paris)</td></tr>
<tr><td>Name of the permanent representative of Rothschild & Cie Banque<br>Bernard FRAIGNEAU<br>> 29/10/2004<br>> 01/02/1935</td><td>Managing Director of:<br>Colignon (SC – Paris)<br>Director and Chairman of the Audit Committee of:<br>Foncière Euris (SA – Paris)<br>Director of:<br>Mongoual (SA – Paris)<br>Member of the Supervisory Board and the Audit Committee of:<br>Foncière Inéa (SA – Paris)<br>Vice-Chairman of:<br>La Fondation Zellidja (Paris)<br>Non-voting board member of:<br>Prodware (SA – Paris)</td><td>Positions held during the past five years:<br>Honorary Chairman of:<br>Sophia (SA – Paris)<br>Director of:<br>Sage France (SA – Paris)<br>Valoris (SA – Paris)<br>Member of the Supervisory Board of:<br>Francarep (SA – Paris)<br>Les Domaines Barons de Rothschild (Lafite) (SCA – Paris)<br>XRT (SA – Paris)<br>Member of the Board of Limited Partners of:<br>Rothschild & Cie Banque (SCS – Paris)</td></tr>
</table>

# Management Board

| Name<br>> Position<br>> Last appointed<br>> Date of birth | Other positions and main directorships held by the members of the Supervisory Board | |
|---|---|---|
| **Sylvain HEFES**<br>> Chairman of the Management Board<br>> 31/01/2005<br>> 28/03/1952 | ***Senior advisor* of:**<br>NM Rothschild & Sons (United Kingdom)<br>**Chairman of:**<br>Francarep, Inc. (USA)<br>**Director of:**<br>Five Arrows Capital Limited (British Virgin Islands) | Rothschild Holding AG (Switzerland)<br>Rothschilds Continuation Holdings AG (Switzerland)<br>NYSE Euronext Inc (USA) |
| **Georges BABINET**<br>> Member of the Management Board and Managing Director<br>> 29/10/2004<br>> 11/03/1947 | **Member of the Supervisory Board of:**<br>Les Domaines Barons de Rothschild (Lafite) (SCA – Paris)<br>**Director of:**<br>Five Arrows Capital AG (Switzerland)<br>**Chairman of the Board of Directors and Managing Director of:**<br>K Développement (SA – Paris)<br>**Legal representative of K Développement, Chairman of the Board of Directors of:**<br>Chaptal Investissements (SAS – Paris)<br>**Legal representative of K Développement, Chairman of:**<br>Clarifilter (SAS – Paris)<br>Franinvest (SAS – Paris)<br>HI Trois (SAS – Paris)<br>Manufaktura (SAS – Paris)<br>Narcisse Investissements (SAS – Paris) | PO Capinvest 1 (SAS – Paris)<br>PO Capinvest 2 (SAS – Paris)<br>PO Fonds (SAS – Paris)<br>PO Mezzanine (SAS – Paris)<br>Société Financière et Immobilière de la Rochefoucauld (SFIR) (SAS – Paris)<br>SPCA Deux (SAS – Paris)<br>Verseau (SAS – Paris)<br>***President and Director of:***<br>Francarep Inc. (USA)<br>**Permanent representative of:**<br>Paris Orléans (SA – Paris) to the Board of:<br>Total E & P Cameroun (Cameroon)<br>SPCA Deux (SAS – Paris) to the Board of:<br>Siaci (SA – Paris)<br>Courcelles Participations (SAS – Paris)<br>**Legal representative of SFIR, Managing Director of:**<br>SCI Belfort Maison Carrée (SCI – Paris) |
| **Michele MEZZAROBBA**<br>> Member of the Management Board<br>> 01/04/2006<br>> 25/09/1967 | **Chairman of:**<br>Ponthieu Ventures (SAS – Paris)<br>**Director and Chief Operating Officer of:**<br>K Développement (SA – Paris)<br>**Member of the Supervisory Board of:**<br>Europa Corp. (SA – Paris)<br>**Director and Vice–Chairman of:**<br>Francarep, Inc. (USA)<br>**Director of:**<br>Chaptal Investissements (SAS – Paris)<br>PO Invest 1 (SA – Luxembourg)<br>**Legal representative of Ponthieu Ventures, Chairman of:**<br>Rivoli Participation (SAS – Paris) | **Permanent representative of:**<br>Rivoli Participation to the Board of:<br>Affiches Parisiennes (SA – Paris)<br>Claude et Goy (SA – Paris)<br>**Managing Director of:**<br>Narcisse Investissements (SAS – Paris)<br>PO Capinvest 1 (SAS – Paris)<br>PO Capinvest 2 (SAS – Paris)<br>PO Fonds (SAS – Paris)<br>PO Mezzanine (SAS – Paris)<br>**Managing Director of:**<br>Central Call International (SARL – Paris) |
| **Emmanuel ROTH**<br>> Member of the Management Board<br>> 01/04/2006<br>> 30/10/1968 | **Chairman and Managing Director of:**<br>Treilhard Investissements (formerly PJP Radio) (SA – Paris)<br>**Director and Chief Operating Officer of:**<br>K Développement (SA – Paris)<br>**Director of:**<br>PO Invest 1 (SA – Luxembourg)<br>PO Invest 2 (SA – Luxembourg) | **Director of:**<br>Francarep, Inc. (USA)<br>**Managing Director of:**<br>Narcisse Investissements (SAS – Paris)<br>PO Capinvest 1 (SAS – Paris)<br>PO Capinvest 2 (SAS – Paris)<br>PO Fonds (SAS – Paris)<br>PO Mezzanine (SAS – Paris)<br>Ponthieu Ventures (SAS – Paris)<br>PO Gestion (Association – Paris)<br>**General Partner of:**<br>PO Gestion (Association – Paris) |

# COMPENSATION OF THE DIRECTORS AND OFFICERS

In compliance with the provisions of Article L. 225-102-1 of the French Commercial Code, the total compensation and benefits in kind paid during the financial year just ended to each director and officer of Paris Orléans and the companies controlled by Paris Orléans are presented below:

| | | Financial year 2006/2007 | | | | Financial year 2005/2006 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Compensation + benefits in kind (€ '000) | | Directors' fees | | Compensation + benefits in kind (€ '000) | | Directors' fees |
| Name | Type of appointment | Notes | Fixed | Variable | (€ '000) | Notes | Fixed | Variable | (€ '000) |
| Éric de ROTHSCHILD | Chairman of the Supervisory Board | (1) | | | 6.9 | (1) | | | 13.9 |
| David de ROTHSCHILD | Vice-Chairman of the Supervisory Board | (1)<br>(2) | 471 | 1 030 | 6.9 | (1)<br>(2) | 750 | | 11.1 |
| Claude CHOURAQUI | Member of the Supervisory Board | (1) | | | 6.9 | | | | 7.5 |
| Russell EDEY | Member of the Supervisory Board | (1)<br>(2) | 515 | 269 | 4.1 | | | | 4.8 |
| Christian de LABRIFFE | Member of the Supervisory Board | (1) and (3) | | | 14.0 | (1) and (3) | | | 17.0 |
| André LÉVY-LANG | Member of the Supervisory Board | | | | 8.2 | | | | 4.8 |
| Édouard de ROTHSCHILD | Member of the Supervisory Board | (1) | | | 5.5 | (1) | | | 8.4 |
| Robert de ROTHSCHILD | Member of the Supervisory Board | (1) | | | 2.8 | (1) | | | 8.4 |
| Philippe SEREYS | Member of the Supervisory Board | (1) and (3) | | | 8.0 | (1) and (3) | | | 17.0 |
| Gérard WORMS | Member of the Supervisory Board | (1) and (4) | | | 12.8 | (1) and (4) | | | 21.6 |
| Bernard FRAIGNEAU pour ROTHSCHILD & CIE BANQUE | Member of the Supervisory Board | (1) and (3) | | | 14.0 | (1) and (3) | | | 17.0 |
| Sylvain HEFES | Chairman of the Management Board | (2) | 309 | 1 471 | | (2) | 129 | | |
| Georges BABINET | Managing Director and member of the Management Board | (5) | 210 | 300 | | (5) and (7) | 192 | 338 | |
| Michele MEZZAROBBA | Member of the Management Board | (6) | 180 | 255 | | | - | - | |
| Emmanuel ROTH | Member of the Management Board | (6) | 90 | 262 | | | - | - | |

*(1) Directors' fees received as member of Paris Orléans Supervisory Board.*

*(2) Compensation translated at 31 March 2007€/£ rate.*

*(3) Directors' fees received as member of Paris Orléans Audit Committee.*

*(4) Directors' fees received from SGIM.*

*(5) In addition to the amounts shown, Mr Georges Babinet will receive an annual supplemental pension payment (Art. 39) equal to 20% of the average of salary over the last three years.*

*(6) Effective 1 April 2006, date on which they were appointed.*

*(7) The variable compensation for financial year 2005/2006 included €49 thousand in non-recurring items.*

The company did not grant directors or officers any securities entitling them to immediate or deferred access to the capital.

# OTHER INFORMATION REGARDING THE COMPANY

## Shareholder structure

In compliance with the provisions of Article L. 233-13 of the French Commercial Code, and given the information and notifications received in application of Articles L. 233-7 and L. 233-12 of said code, the identities of shareholders holding more than one twentieth, one tenth, one fifth, one third or two thirds of the share capital or the voting rights as at 31 March 2007 (see table one page 7) are presented below.

## Purchase of own shares by the company

As at 31 March 2007, Paris Orléans no longer owned any of its own shares, although Paris Orléans still holds 66,678 investment certificates with no voting rights attached.

## Treasury stock

As at 31 March 2007, Rothschilds Continuation Holdings AG held 335,000 Paris Orléans shares (13.31% of the capital).

## Controlled companies

As at 31 March 2007, our company controlled the following companies (within the meaning of Article L. 233-3 of the Commercial Code):

> directly: Francarep Inc, K Développement and SFIR;

> indirectly: Central Call International, Chaptal Investissements, Clarifilter SAS, Fin PO, Franinvest, Hi Trois, Narcisse Investissements, Manufaktura, PO Capinvest 1, PO Capinvest 2, PO Fonds (formerly Colisée Investments, PO Invest 1, PO Invest 2, PO NRJ, PO Mezzanine (formerly Franoption), Ponthieu Ventures, SPCA Deux, Verseau, SCI Belfort Maison Carrée, and Treilhard Investissements.

# Acquisitions of controlling interests during financial year 2006/2007

| Company name | Registered Office | Legal form | Business purpose | Number of capital shares or units | % held |
|---|---|---|---|---|---|
| Fin PO | 23, avenue Monterey L-2086 Luxembourg Luxembourg | Public limited company (SA) with *Soparfi* status | Investment | 199,200 shares with par value of €25 | 100% |
| Narcisse Investissements | 23 bis, avenue de Messine 75008 Paris | Simplified joint stock company (SAS) | Investment in the German company Gunterbergstrasse BAB 5 GmbH | 37,000 shares with par value of €1 | 100% |
| PO Capinvest 1 | 23 bis, avenue de Messine 75008 Paris | Simplified joint stock company | Investment | 37,000 shares with par value of €1 | 100% |
| PO Capinvest 2 | 23 bis, avenue de Messine 75008 Paris | Simplified joint stock company | Investment | 37,000 shares with par value of €1 | 100% |
| PO Invest 2 | 23, avenue Monterey L-2086 Luxembourg Luxembourg | Public limited company with *Soparfi* status | Investment | 13,390 shares with par value of €1,000 | 76.92% |
| PO NRJ | 121, avenue de la Faïencerie – L-1511 Luxembourg Luxembourg | Limited liability company (SARL) | Investment | 1,612,500 units with par value of €1 | 100% |
| Treilhard Investissements | 23 bis, avenue de Messine 75008 Paris | Public limited company | Investment | 37,000 shares with par value of €1 | 100% |

# Powers granted to the Management Board by the General Meeting

The table below provides a summary of the different currently valid powers granted to the Management Board by the General Meeting of 29 September 2006:

| Purpose | Resolution no. | Amount | Period | Use during the financial year |
|---|---|---|---|---|
| Issuance of marketable securities with preemptive rights | 8 | Limited to €50 million | 26 months | NA |
| Issuance of marketable securities with no preemptive rights | 9 | Limited to €50 million | 26 months | NA |
| Issuance of marketable securities with no preemptive rights and freedom to fix the issue price | 10 | Limited to 10% of the value of the share capital per year | 26 months | NA |
| Issuance of marketable securities reserved for employees | 11 | €1 million | 18 months | NA |
| Ability to grant warrants and stock options to employees, officers and directors of the company and related companies | 12 | Limited to a number of shares representing more than 3% of the value of the share capital | 38 months | NA |

# Employee stock ownership

In compliance with the provisions of Article L. 225-102 of the Commercial Code, we report on the current status of employee stock ownership of the Company as of the last day of the financial year, i.e. 31 March 2007: 4,219 of the company's shares (0.17% of the company's capital) are held through an employee savings plan.

# Labour data

Warrants and stock options granted to the executive managers and employees: None.

In compliance with order no. 2002-221 of 20 February 2002, the company had 18 employees as at 31 March 2006. During the financial year, there were three new hires. No overtime was worked. Personnel work 37 hours per week and are entitled to 12 additional vacation days per year as of 1 April 2002, following the signature of the agreement pertaining to the organisation and reduction of the work week.

# Tax consolidation

As part of the tax consolidation process, each subsidiary in the tax consolidation group calculates its income tax as if it were taxed on a standalone basis. The process was modified with effect from financial year 2005/2006. The company at the head of the group (Paris Orléans) no longer pays those consolidated subsidiaries that contribute a tax loss a grant equal to the tax savings generated by their tax loss or their long-term capital loss.

# Issuer risk

Paris Orléans does not have any industrial or commercial operations. Its business involves owning financial holdings and does not expose it to any specific risk from an industrial or personal standpoint.

Through its business, it is thus exposed to risks inherent in all capital investment operations. The company is careful to comply with the most stringent ethical regulations and calls on the services of specialized experts whenever this is appropriate.

When examining investment projects, potential specific risks related to target companies' businesses are taken into consideration.

## Interest rate risk

Paris Orléans has established strict administrative procedures and rules to monitor risks related to interest rate markets.

Paris Orléans continuously monitors the diversification of its risks as part of its cash management activities.

Paris Orléans does not use derivatives or options directly in the management of its interest rate risk.

On all of Paris Orléans's debt, it puts an appropriate interest rate swap in place as needed on a case by case basis for each of the borrowings in order to hedge the company against this risk.

## Exchange rate risk

An exchange rate risk on the company's assets is generated by holdings of foreign investments whose market or listed values are expressed in a currency other than the euro.

The company's exposure lies essentially with its holdings in investment funds denominated in US dollars and holdings denominated in British pounds. Only the US dollar risk is hedged with a borrowing.

## Equity market risk

Equity market risk is linked to the payback value of the portfolio of listed investments. Paris Orléans' exposure to equity risk is equal to the payback value of its portfolio of listed investments, i.e. €87.3 million as at 31 March 2007.

The company could use put/call to hedge the risk of a decrease in the value of certain listed investments.

## Liquidity risk

After having repaid €8.5 million of its borrowings during the financial year, as at 31 March 2007, the Paris Orléans group had consolidated financial liabilities of €35 million (excluding accrued interest), including:

> €18 million in short and long-term borrowings denominated in euros;

> €17 million in short and long-term borrowings denominated in US dollars, which are used to hedge the exchange rate risk on US dollar-denominated investments.

At the same time, the company also had €55 million in liquid investments.

Paris Orléans has two confirmed lines of credit, a €25 million line expiring in late 2007 and a USD 30 million line expiring in early 2012.

Paris Orléans can convert the €25 million tranche of revolving credit at the end of 2007 into a five-year amortizing loan. This option is meant to offer Paris Orléans more flexibility when choosing financing for new investments.

Loan agreements include customary legal and financial commitments in this type of transaction and integrate early claim clauses should these commitments not be respected. All these commitments had been respected as at 31 March 2007.

The net debt/equity ratio stood at -2.84% as at 31 March 2007.

### Legal risks

There is no exceptional event, dispute or arbitrage, which could have or has previously had, to the company's knowledge, a significant impact on the financial position, the activity and the results of the company and its group.

### Employee risks

To date, the company has no employee-related disputes.

### Environmental risks

By virtue of the nature of its business, Paris Orléans is not directly subject to material constraints with regard to environmental protection, pollution or recycling. Nevertheless, when reviewing possible investments, the company's teams look at such issues in great depth, which may result, in some instances, in planned investments being abandoned.

## Individual financial statements

Net income rose sharply yet again during the 12 months of financial year 2006/2007, ended 31 March 2007, to €53.39 million, a 52.6% increase over the €34.98 million reported the previous year. The major highlight, which contributed greatly to the improvement in net income, was the sale at the end of July 2006 of the long-standing 58.83% holding in SGIM *(Société de Gérance d'Immeubles Municipaux),* in connection with that company's acquisition and retirement of a portion of its own shares. The sale provided the Paris Orléans parent company with a pre-tax, non-consolidated capital gain of €22.3 million and €33.2 million in cash.

## Proposed allocation of income

Net income from the parent company for the financial year ended 31 March 2007 generated profits of €53,387,151.04, which, when added to the existing €38,883,566.96 balance of retained earnings results in total distributable income of €92,270,718.00.

The following allocation will be proposed to the General Meeting:

| | |
|---|---|
| €101,330.42 | to the legal reserve |
| €12,584,500.00 | for dividend distribution |
| €79,584,887.58 | to retained earnings |
| **€92,270,718.00** | **Total** |

It is proposed that the dividend be increased to €5.00 per share or per investment certificate.

Pursuant to Article 243 of the French General Tax Code, dividends distributed to individuals domiciled in France are wholly eligible for the 40% reduction provided for in Article 158-3 of the General Tax Code.

# Resolutions

Several of the resolutions submitted for your approval are within the purview of the Ordinary General Meeting, while others are within the purview of the Extraordinary General Meeting.

In the light of the Management Board's management report, the remarks of the Supervisory Board and the Independent Auditors' general report on the individual and the consolidated financial statements, we request that the Ordinary General Meeting approve: the individual and the consolidated financial statements for the financial year ended 31 March 2007; the distribution of a dividend of €5 per share; the Independent Auditors' report on regulated and other agreements cited therein; and the transfer of the company's registered office to 23 bis avenue de Messine 75008 Paris.

Moreover, still within the business of the Ordinary General Meeting, in view of the approaching expiry at the end of this General Meeting of the appointments of Messrs Claude Chouraqui, Russell Edey, Christian de Labriffe, André Lévy-Lang, David de Rothschild, Édouard de Rothschild, Éric de Rothschild, Robert de Rothschild, Philippe Sereys, Gérard Worms and Rothschild & Cie Banque as members of the Supervisory Board, and those of Messrs Jacques Getten and Jean-Philippe Thierry as non-voting board members, we request that you approve the renewal of these appointments for a period of three years.

We request that the Extraordinary General Meeting approve the following modifications of the company's Articles of Association:

> Modification of Article 14 of the Articles of Association – Organisation and functioning of the Management Board (new Paragraph 9): to allow the Management Board to meet by videoconference or conference call;

> Modification of Article 17 of the Articles of Association – Organisation and functioning of the Supervisory Board (Paragraph 8): to allow the Supervisory Board to meet by conference call, as the videoconference option has already been provided for;

> Modification of Article 23 of the Articles of Association – Participation in General Meetings (Paragraphs 2 and 3): regarding participation in General Meetings: this modification takes into account the change in regulatory requirements putting an end to the freezing of shares prior to a General Meeting.

Lastly, and in application of the provisions of Article L. 225-129-6 of the Commercial Code, we remind you that when the management report to the annual Ordinary General Meeting reveals that the shares held collectively by employees of the company and related companies (within the meaning of Article L. 225-180 of the Commercial Code) represent less than 3% of the share capital, the Management Board must convene an Extraordinary General Meeting and submit to it a resolution approving a capital increase reserved for those employees participating in an existing or planned employee savings plan.

Consequently, we request that you approve a capital increase in an amount not to exceed €381,000, to be paid in cash or by offsetting certain, liquid claims upon the company, and waive your preemptive rights to the new shares to be issued in favour of the employees of the company participating in an employee savings plan under the conditions provided for in Article L. 225-138-1 of the French Commercial Code and Article L. 443-5 of the French Labour Code.

In compliance with the provisions of Article L. 225-129-1 of the Commercial Code, we request that you provide your Management Board with full powers to establish the other conditions required to issue new shares, and more precisely to:

> increase the capital of the company, within a period not to exceed five years, in one or several transactions, at the Management Board's sole discretion, by issuing new shares, reserved for employees participating in the aforementioned employee savings plan and benefiting from the waiver of the preemptive rights of the existing shareholders, after setting in place an employee savings plan compliant with the provisions of Article L. 443-1 of the French Labour Code within a maximum of six months;

> establish, if required and as allowed by law, the seniority conditions required of employees to subscribe to the capital increase, establishing a precise list of beneficiaries, the number of shares to be allocated to each of them within the aforementioned limit;

> establish, and justify, the definitive price at which the new shares shall be issued, in compliance with the provisions of Article L. 443-5 of the Labour Code. Accordingly, the subscription price shares will be calculated in compliance with the objective methods used to value

shares by taking account of the company's net assets, profitability and business outlook. If the power to apply these methods is not granted, then the subscription price is to be calculated each financial year under the supervision of the Independent Auditor by dividing the net asset value presented in the most recent balance sheet by the number of shares outstanding;

> establish, within the limit of the maximum that has been set, the dividend rights associated with each new share issue;

> establish the opening and closing dates of the subscription period, and collect all subscriptions;

> establish, within the three-year limit allowed by law, the period that subscribers will be given to pay for their subscription, specifying that, in accordance with the law, the shares subscribed to may be paid up at the request of the company or the subscriber, in the form of either periodic payments or by making equal and regular deductions from the subscriber's paycheck;

> collect all amounts received in relation to the paying up of the subscriptions;

> determine whether the new shares are to be subscribed to directly or via a mutual fund;

> certify the number of shares that will effectively be subscribed in connection with all capital increases;

> carry out all required formalities and make all corresponding modifications to the Articles of Association;

> in general, take all measures necessary to carry out capital increases, in accordance with the provisions of all laws and regulation in effect.

In compliance with Article L. 225-138-1 Paragraph 2 of the Commercial Code, as the capital increase is reserved for employees of the company participating in an employee savings plan, the preemptive rights of the shareholders shall be waived.

You will be provided with the Independent Auditors' report on the waiver of preemptive rights. We ask you to note that we are not able to determine the theoretical impacts of the use by the Management Board of the power that it will be granted by the General Meeting on shareholders' share of the company's net assets at the closing of the last financial year, insofar as the issue price of the shares to be so issued will not be known at the time our General Meeting is held.

This explains why, should you choose to approve this proposal, and by application of Article L. 225-129-5 of the Commercial Code, when it uses the powers to be granted it by your General Meeting to carry out the capital increase, the Management Board will have to provide an additional report providing the definitive terms and conditions of the transaction initiated under the authorisation given it by the General Meeting. This report will also have to provide all disclosures currently required by either law or the regulators. The Independent Auditors will also have to prepare an additional report.

# REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

on the conditions for preparing and organising the work of the Supervisory Board and on internal control procedures (Article 117 of the 1 August 2003 Law on Financial Security)

## 1. Corporate governance

Since 29 October 2004, and following the merger with its subsidiary Francarep, Paris Orléans has applied a new administration and management structure with Management Board and a Supervisory Board, as provided for in Articles L. 225-57 to L. 225-93 of the Commercial Code.

The Management Board and the Supervisory Board are assisted by an Audit Committee, the members of which are appointed by the Supervisory Board.

### 1.1. Management Board

#### Composition

Since 1 April 2006, the Management Board of Paris Orléans has comprised four members appointed by the Supervisory Board. The Supervisory Board appointed a Chairman and a Managing Director from among its members.

Mr Sylvain Hefes is the Chairman of the Management Board, and Mr Georges Babinet is the Managing Director.

Messrs Michele Mezzarobba and Emmanuel Roth are both members of the Management Board.

In accordance with the appointments made and the provisions of the company's articles of incorporation, the members of the Management Board carry out their functions for a period of two years.

#### Organisation and functioning

The organisation and operating procedures of the Management Board are established by the law and by the company's Articles of Association.

The Management Board shall meet whenever it is in the interests of the company to do so, upon verbal or written invitation to attend by the Chairman, or at least half of its members, either at the registered office, or any other location.

#### Powers

The Management Board ensures the management of the company in all senses. It approves the yearly and interim individual and consolidated financial statements and determines the main operational and development strategies. The Management Board shall specifically meet for any investment or disposal decisions. Decisions are made unanimously by its members.

The Board is vested with the most extensive powers to act on behalf of the company, subject to the powers expressly granted by law to the Supervisory Board and General Meetings of shareholders.

The Management Board may delegate those of its powers that it deems necessary.

#### Activity during financial year 2006/2007

Between 1 April 2006 and 31 March 2007, the Management Board met on several occasions to examine the interim and annual financial statements and to make decisions regarding new investments and disposals.

Documents containing the agenda and in particular a detailed list of each disposal and new investment under consideration or individual or consolidated financial statement to be examined are provided to each member at least forty-eight hours in advance of each Management Board Meeting.

## 1.2. Supervisory Board

### Composition

The Supervisory Board of Paris Orléans is composed of eleven members.

The Supervisory Board has appointed the following among its members:

Mr Éric de Rothschild, as Chairman,

Mr David de Rothschild, as Vice-Chairman.

In compliance with the provisions of the company's Articles of Association, the members of the Supervisory Board carry out their functions for a period of three years.

Each member of the Supervisory Board must own at least ten of the company's shares.

In the light of the criteria resulting from the recommendations of the so-called Bouton report, the Supervisory Board indicated that, as at 31 March 2007, two of the eleven members qualify as being independent.

### Organisation and functioning

The organisation and operating procedures of the Supervisory Board are established by the law and by the company's Articles of Association.

The Supervisory Board may create committees within its organization, as well as determine their duties and members.

On 5 July 2006, the Supervisory Board adopted its own internal rules of conduct.

### Powers

The Supervisory Board exercises permanent control over management of the company through the Management Board, and provides the latter with authorisation before it engages in any transactions requiring its authorisation.

The Supervisory Board carries out all checks and controls it deems appropriate at any time of year, and may request any documents it considers necessary to the successful completion of its assignment.

It may confer one or more special appointments on its members for one or more specific projects.

### Activity during financial year 2006/2007

Between 1 April 2006 and 31 March 2007, the Supervisory Board met four times, with an average attendance of 68%.

In preparation for these meetings, each member is provided at least forty-eight hours in advance with detailed papers including at a minimum the following:

> the draft minutes of the previous meeting,

> a detailed analysis of the company's net asset value at the most recent date and all changes,

> a description of the company's activities (changes since the last meeting, and changes and new investments since the beginning of the financial year),

> accounting data, with comments,

> proposed budgets (if any), with comments,

> draft press releases.

The Supervisory Board ensures that the market is supplied continuously with reliable information, notably in the form of press releases.

### Compensation of members

The General Meeting is authorised to allocate fixed annual directors' fees to the members of the Supervisory Board. These fees are recorded among the general administrative costs of the company.

The Supervisory Board distributes this compensation among its members as it sees fit. It also determines the compensation of the Chairman and Vice-Chairman.

The Board can also authorize one-time payments to certain of its members for any special assignments or appointments requested of them.

During the financial year just ended, the total compensation received by members of the Supervisory Board amounted to €102 thousand.

As at 31 March 2007, the members of the Supervisory Board and officers of the company, directly and personally, held 1.31% of the capital and 3.07% of the voting rights.

### 1.3 Audit Committee

#### Composition

The Audit Committee is composed of three members.

#### Powers

The Audit Committee is appointed by the Supervisory Board and counts among its members one or more members of the Supervisory Board with expertise in accounting and finance.

The Audit Committee's principal assignments are:

> examining the financial statements firstly submitted to the Management Board, principally as concerns the accounting estimates and assumptions used, and their pertinence to the situations reflected by these financial statements;

> assessing the quality of internal controls;

> ensuring the independence and objectivity of the Independent Auditors belonging to groups providing both audit and advisory functions.

#### Activity during financial year 2006/2007

The Audit Committee met on 8 January 2007 to examine the interim financial statements, and on 28 June 2007 to examine the individual and consolidated financial statements for the financial year ended 31 March 2007.

The Audit Committee reported to the Supervisory Board on its work and proposals.

### 1.4 Compensation of the Management Board

The compensation of the members of the Management Board includes both a fixed and a variable component. The variable component of compensation is calculated each year by the Chairman of the Management Board based on the performances of the group and each of the members.

In the light of the fact that the Chairman of the Management Board holds many positions within the Rothschilds Continuation Holdings AG (RCH) sub-group and its subsidiaries, all of his compensation is paid by the RCH group.

## 2. Organisation of internal controls

The aims of the internal control procedures currently employed within the company are to:

> ensure that all investment decisions made and transactions executed, and the conduct of the company's employees, comply with the guidelines established for company activities by the management bodies, and with all applicable laws and regulations, and with all of the company's values, standards and internal rules; and

> check that the accounting, financial and management information provided to the management bodies accurately reflect the business and financial position of the company.

One of the goals of the internal control system is to prevent and control the risks resulting from the company's business and capital investments and any risk of error or fraud, particularly in the banking, accounting and financial areas. As with any control system, it cannot guarantee fully that all risks will be eliminated completely.

Internal control is organised under the responsibility of the Audit Committee, assisted by an internal controller.

In addition to the control, monitoring and risk committees set up in the subsidiaries of the Rothschild banking group worldwide, Paris Orléans has established internal control procedures for its investment business.

A monthly report is drawn up to monitor changes in the company's assets and liabilities, their value (NAV) and changes in cash flows and forecasts over 12 sliding months.

### 2.1. Procedure for controlling accounting and financial risks for banking group's subsidiaries

As Paris Orléans is not directly involved the Rothschild group's banking business at operational level, the management teams of the primary subsidiaries were requested to provide Paris Orléans with a representation letter in which the banking subsidiary representative describes compliance with all local and group accounting procedures and states that the company's financial statements include all known events at the time of financial year-end potentially affecting the results of the subsidiary.

The main subsidiaries involved in this procedure are:
Concordia BV (Amsterdam),
Rothschilds Continuation Holdings AG (Zug),
Rothschild Concordia AG (Zug),
Rothschilds Continuation Limited (London),
Rothschild Holding AG (Zurich),
Rothschild Australia Limited (Sydney),
Rothschild North America Inc. (New York),
N M Rothschild & Sons (Hong Kong) Limited,
N M Rothschild & Sons (Singapore) Limited.

## 2.2. Control procedures for the investment business

In addition to the Paris Orléans group's holding in the Rothschild group through its 50% holding in Concordia BV, it is also involved in the investment business through its holdings in listed and unlisted companies (private equity) and by commitments in private equity funds.

Each proposed new transaction and disposal for the private equity business is prepared, discussed and approved by an Investment and Monitoring Committee. Following approval by the Investment and Monitoring Committee, the decision is then put before the Management Board for final approval.

### At Investment and Monitoring Committee level

The Investment and Monitoring Committee is composed of the Managing Director, the Director of Business Development, the Chief Financial Officer, the Chief Accountant and all members of the Paris Orléans group investment team. The Committee meets twice a month on average and may be called at any time if needed.

It has the following functions:

> analysing all new deals already studied by the investment team,

> monitoring all existing holdings,

> discussing the potential development of holdings,

> recommending the partial or total sale of passive portfolio investments.

> Committee meetings are organised by the investment team, which prepares a dossier based on the meeting agenda that is circulated to all Committee members prior to each meeting. The manager responsible for each proposal presents the analysis of any new opportunity; the Committee makes a collective decision to pursue the study or not.

A summary is kept of all decisions made by the Investment and Monitoring Committee.

### At Management Board level

The Management Board meets at the request of its Chairman, as required and depending on the proposals it is presented with.

Any acquisition or disposal proposal approved by the Investment and Monitoring Committee is presented to the Management Board for final approval. The Management Board is entitled to unilaterally oppose proposals by the Investment and Monitoring Committee.

It cannot, however, approve investment in or the sale of a holding unless it has previously been discussed by the Investment and Monitoring Committee.

The Management Board makes all decisions regarding the valuation of investments.

Members of the Management Board may be named directors or officers of companies in which the company has invested, if it is warranted.

### At the level of the departments responsible for internal control of the investment business

Each investment decision is written up in an investment summary report prior to any disbursement.

The summary report is prepared by the person responsible for the proposal, and is then reviewed by the treasury department, the accounting department and, lastly, the Chief Financial Officer.

The treasury department is responsible for:

> making payments notably arising from investment decisions,

> investing available cash and monitoring these investments,

> devising the means to meet any financing needs.

The accounting department is responsible for preparing the financial statements.

## 2.3. Control procedures related to the general functioning of the group

### At Supervisory Board level

Certain transactions that do not specifically concern the banking or private equity businesses, but concern the Paris Orléans structure are submitted to the Supervisory Board for authorisation.

### At Management Board level

All subjects related to the company's existence are dealt with collectively by the Management Board.

### At departmental level

#### Control over the preparation and processing of financial and accounting information

*Accounting and financial procedures*

The accounting department is based around a dedicated team of five people, including two chartered accountants and a consolidation specialist, all supervised by the Chief Financial Officer.

In addition to complying with all procedures related to the architecture of the first and second level internal controls implemented by our company, accounting controls concern mainly the valuation of assets and liabilities every six months.

Specifically, each listed and unlisted holding is included in a documented valuation drawn up in conjunction with the investment directors, resulting in additions to or reversals of impairment provisions, if necessary.

Paris Orléans' subsidiary sub-holdings, which are internally managed, are subject to the same controls.

The consolidated subsidiaries and holdings are obliged to provide a consolidation package twice a year, complete for those that are fully consolidated and partial for those consolidated by the equity method, and allowing the fair value of the investments in associates to be tested.

*Budgetary control procedure*

At the end of the financial year, a detailed budget for the following financial year is drawn up in the form of an income statement for each company, consolidated, and compared with the previous year's financial statement by the Chief Financial Officer.

The budget is updated in October and January by the Chief Financial Officer.

When the financial statements are drawn up, a detailed comparison is carried out company by company of the income statement to the budget, and any variances are explained by the accounting department and the Chief Financial Officer.

*Monitoring of cash balances*

Under the terms of the cash pooling agreement among all of the companies controlled by the group, the treasury department manages the cash of the various entities according to scheduled due dates and financing needs.

The overall strategy of the Paris Orléans group is to invest cash:

> in accordance with the short, medium and long-term forecasts of use in the group. Investment allocation in terms of future prospects is thus variable,

> in products offered by known establishments with a proven past performance,

> in low-risk products, or at least those with historical volatility of below 3.0%.

#### Control over the commitments made by the company

All contracts and documents that commit the company can be signed only by a member of the Management Board or the Managing Director of the entity committing itself.

Specific procedures are followed when incurring and paying for expenses (validation by the person responsible for the expense, verification and approval by the Chief Financial Officer upon presentation of the original, etc.).

The Chairman of the Management Board is authorised to sign payments for any amount. Other members of the Management Board are authorised to sign payments up to €100,000, a second signature being required for amounts in excess.

### Subsidiaries monitoring

All wholly-owned subsidiaries comply with the internal control policies established by Paris Orléans.

## Conclusion

Extensive work was carried out on the internal control process during the financial year just ended, taking into account recommendations made by the Independent Auditors.

The internal control system is updated continuously, so that the management bodies can best control the risks associated with Paris Orléans businesses.

# STATUTORY AUDITORS' REPORT

prepared in accordance with article L. 225-235 of the French Company Law (Code de commerce), on the report prepared by the President of the Supervisory Board of Paris Orléans S.A., on the internal control procedures relating to the preparation and processing of financial and accounting information.

Year ended 31 March 2007

*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 is construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of Paris Orléans S.A., and in accordance with article L. 225-235 of the French Company Law *(Code de commerce)*, we report to you on the report prepared by the President of your company in accordance with article L. 225-68 of the French Company Law *(Code de commerce)* for the year ended 31 March 2007.

It is for the President of the Supervisory Board to give an account, in his report, notably of the conditions in which the duties of board of the Supervisory Board are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information and assertions set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional standards applicable in France. These require us to perform procedures to assess the fairness of the information and assertions set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

> obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report;

> examining the assessment of the adequacy and efficiency of the procedures, and notably considering the pertinence of the evaluation process in place and the tests performed;

> performing additional tests, as considered necessary, to those performed in the audit of the accounts, on the design and operation of these procedures, in order to corroborate the information given and the assertions made in this respect in the President's report.

On the basis of these procedures, we have no matters to report in connection with the information and the assertions given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the President of the Supervisory Board's report, prepared in accordance with article L. 225-68 of the French Company Law *(Code commerce)*.

The Statutory Auditors

Paris, 6 July 2007

Cailliau Dedouit & Associés

Jean-Jacques Dedouit

Paris-La Défense, 6 July 2007

KPMG Audit
Department of KPMG S.A.
Fabrice Odent
Partner

# FINANCIAL INFORMATION

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

## Assets

| *In thousands of euros* | Notes | **Net amount as at 31/03/2007** | Net amount as at 31/03/2006 |
|---|---|---|---|
| Non-current assets | | | |
| Goodwill | 2 | | - |
| Other intangible assets | | 22 | 37 |
| **Intangible assets** | | **22** | **37** |
| Investment properties | | 131 | 139 |
| Other property, plant and equipment | | 245 | 2,338 |
| **Property, plant and equipment** | | **376** | **2,477** |
| Investments in associates | 3 | 301,525 | 311,092 |
| Financial assets available for sale | 4 | 275,086 | 176,578 |
| Other non-current financial assets | 5 | 8,895 | 18,787 |
| **Non-current financial assets** | | **585,506** | **506,457** |
| **Deferred tax assets** | **6** | **119** | **14,333** |
| Total non-current assets | | 586,023 | 523,304 |
| Current assets | | | |
| **Accounts receivable** | 7 | **9,487** | **5,980** |
| Other financial assets | 8 | 51,940 | 44,683 |
| Cash and cash equivalents | 9 | 2,079 | 13,254 |
| **Current financial assets** | | **54,019** | **57,937** |
| Total current assets | | 63,506 | 63,917 |
| **Other non-current assets held for sale** | **10** | **51,059** | **537,821** |
| **Total assets** | | **700,588** | **1,125,042** |

# Liabilities and shareholders' equity

| *In thousands of euros* | Notes | **Net amount as at 31/03/2007** | Net amount as at 31/03/2006 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 19,179 | 19,179 |
| Share premium | | 317,644 | 317,644 |
| Treasury stock | | (2,274) | (2,274) |
| Fair value changes on financial assets available for sale | | 104,535 | 10,434 |
| Fair value changes on hedging instruments | | (556) | 16 |
| Unrecognised translation differences | | (6,314) | (5,151) |
| Other consolidated reserves (retained earnings) | | 96,654 | 130,800 |
| **Net income (group share)** | | **54,125** | **38,641** |
| **Total shareholders' equity (group share)** | 11 | 582,993 | 509,289 |
| **Minority interests** | 12 | 5,314 | 19,566 |
| **Total shareholders' equity** | | **588,307** | **528,855** |
| **Non-current liabilities** | | | |
| Borrowings and financial liabilities | 13 | 16,572 | 7,731 |
| Provisions for contingencies and charges | 14 | 4,682 | 48 |
| Retirement and related commitments | 15 | 2,676 | 1,391 |
| Deferred income and public grants | 16 | - | 44,924 |
| Other non-current liabilities | | - | - |
| Deferred tax liabilities | 17 | 18,158 | 17,230 |
| **Total non-current liabilities** | | **42,088** | **71,324** |
| **Current liabilities** | | | |
| Accounts payable | | 632 | 2,183 |
| Other operating payables | | 2,296 | 5,409 |
| Current borrowings and loans | 18 | 20,870 | 10,724 |
| Short-term provisions | | - | - |
| Current tax liabilities | 19 | 1,064 | 9,457 |
| **Total current liabilities** | | **24,862** | **27,773** |
| **Liabilities on non-current assets held for sale** | 20 | **45,331** | **497,090** |
| **Total liabilities and shareholders' equity** | | **700,588** | **1,125,042** |

# CONSOLIDATED INCOME STATEMENT FOR THE 12 MONTHS ENDED 31 MARCH 2007

| *In thousands of euros* | Notes | **2006/2007** | 2005/2006 |
|---|---|---|---|
| Interest income | 21 | 4,823 | 1,985 |
| Dividends | 22 | 4,702 | 5,627 |
| Commissions | | 1,040 | - |
| Capital gains | 23 | 28,261 | 39,608 |
| Capital losses | 24 | (981) | (1,476) |
| Impairment of financial assets | 25 | (812) | (5,348) |
| Recovery of provisions for financial assets | 26 | 359 | 73 |
| Other operating income | | 517 | 1,280 |
| Other operating expenses | 27 | (9,819) | (7,973) |
| **Operating income** | | **28,090** | **33,776** |
| Gross interest expense | | (3,148) | (1,611) |
| Income from cash and cash equivalents | | 764 | 752 |
| **Net interest expense** | | **(2,384)** | **(859)** |
| Foreign exchange losses | | (1,144) | (3,919) |
| Foreign exchange gains | | 1,796 | 3,635 |
| Other financial income (expense) | | 696 | 56 |
| **Net financial expense** | | **(1,036)** | **(1,086)** |
| Share of income from investments in associates | 28 | 21,586 | 14,346 |
| Current income tax | | (7,592) | (9,826) |
| Deferred income tax | | 666 | (1,226) |
| Income tax | 29 | (6,926) | (11,052) |
| **Net income before income from operations sold, held for sale or discontinued** | | **41,714** | **35,984** |
| **Net income from operations sold, held for sale or discontinued** | **30** | **12,245** | **4,333** |
| **Consolidated net income** | | **53,959** | **40,317** |
| **Of which, net income (group share)** | **31** | **54,125** | **38,641** |
| **Of which, net income (minority interests)** | | **(166)** | **1,676** |
| | | | |
| Basic earnings per share (in euros) | 32 | 21.50 | 15.35 |
| Diluted earnings per share (in euros) | 32 | 21.50 | 15.35 |
| | | | |
| Basic earnings per share (in euros) - continuing operations | | 16.57 | 14.30 |
| Diluted earnings per share (in euros) - continuing operations | | 16.57 | 14.30 |

# CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (GROUP SHARE) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

The movements in consolidated shareholders' equity as at 31 March 2007 are detailed in the following table:

| *In thousands of euros* | Share capital | Merger premiums | Consolidated reserves | Net income | Exchange differences | Treasury stock | Fair value change on assets available for sale | Fair value change on hedging instruments | Total shareholders' equity (group share) |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 April 2005** | **19,179** | **317,644** | **102,426** | **25,115** | **(5,235)** | **(11,091)** | **-** | **-** | **448,038** |
| Allocation of income | | | 25,115 | (25,115) | | | | | - |
| Fair value changes on financial assets available for sale | | | | | | | 10,434 | | 10,434 |
| Fair value changes on hedging instruments | | | | | | | | 16 | 16 |
| Dividends paid by the consolidating company | | | (7,491) | | | | | | (7,491) |
| Exchange differences on translation | | | | | 84 | | | | 84 |
| Changes in the consolidated reserves of Concordia BV during FY 2005/2006 | | | 15,301 | | | | | | 15,301 |
| Disposal of 310,000 shares with temporary beneficial ownership | | | | | | 8,817 | | | 8,817 |
| Impact of the DBR treasury stock purchase | | | (4,944) | | | | | | (4,944) |
| Other changes | | | 393 | | | | | | 393 |
| **Subtotal of shareholders' equity transactions excluding changes in method and income** | **19,179** | **317,644** | **130,800** | **-** | **(5,151)** | **(2,274)** | **10,434** | **16** | **470,648** |
| Consolidated net income (group share) | | | | 38,641 | | | | | 38,641 |
| **As at 31 March 2006** | **19,179** | **317,644** | **130,800** | **38,641** | **(5,151)** | **(2,274)** | **10,434** | **16** | **509,289** |
| Allocation of income | | | 38,641 | (38,641) | | | | | - |
| Fair value changes on financial assets available for sale | | | (63,036) | | | | 94,101 | | 31,065 |
| Fair value changes on hedging instruments | | | | | | | | (572) | (572) |
| Dividends paid by the consolidating company | | | (9,312) | | | | | | (9,312) |
| Impact of acquisition of minority interests in wholly-controlled companies (1) | | | (1,159) | | | | | | (1,159) |
| Exchange differences on translation | | | | | (1,163) | | | | (1,163) |
| Other changes | | | 720 | | | | | | 720 |
| **Subtotal of shareholders' equity transactions excluding changes in method and income** | | | **(34,146)** | **(38,641)** | **(1,163)** | | **94,101** | **(572)** | **19,579** |
| Consolidated net income (group share) | | | | 54,125 | | | | | 54,125 |
| **As at 31 March 2007** | **19,179** | **317,644** | **96,654** | **54,125** | **(6,314)** | **(2,274)** | **104,535** | **(556)** | **582,993** |

The most noteworthy changes in consolidated shareholders' equity (group share, excluding income) during the year were:

> the distribution of a €9,312 thousand dividend, corresponding to the allocation of net income for financial year 2005/2006,

> the reclassification of €63,036 thousand from consolidated reserves into fair value change on financial assets available for sale, corresponding to differences observed upon the first-time adoption of IAS 32-39 on financial assets available for sale.

*(1) The acquisition of the minority interests of SPCA Deux resulted in the allocation of €1,159 thousand to consolidated reserves, corresponding to the difference between the cost of acquiring the additional interests and the share of the net assets of SPCA Deux acquired at the acquisition date.*

# CONSOLIDATED CASH FLOW STATEMENT

| *In thousands of euros* | **2006/2007** | 2005/2006 |
|---|---|---|
| **Net income from consolidated companies** | **19,743** | **21,639** |
| Depreciation, amortisation, impairment and recoveries | 1,375 | 5,590 |
| Capital gains (losses) after tax on disposals of assets | (27,280) | (25,003) |
| Changes in deferred income taxes | (666) | 1,226 |
| Current income tax | 7,976 | 9,826 |
| Dividends received from associates or from companies held for sale | 9,884 | 10,053 |
| Gross interest expense | 3,148 | 1,611 |
| Other adjustments | (1,563) | (520) |
| **Cash from operating activities before net interest expense and income tax** | **12,617** | **24,422** |
| Change in working capital | (15,195) | 6,820 |
| Current income tax | (7,976) | (9,826) |
| **Net cash flow provided (used) by operating activities** | **(10,554)** | **21,416** |
| Purchase of fixed assets | (132,990) | (77,383) |
| Disposal of fixed assets | 131,668 | 86,429 |
| Impact of changes in percentage ownership | (3,475) | - |
| **Net cash flow provided (used) by investing activities** | **(4,797)** | **9,046** |
| Dividends paid to minority shareholders of consolidated companies | (1,450) | - |
| Acquisitions of minority interests | (1,159) | - |
| Dividends paid by the parent company | (9,311) | (7,491) |
| Gross interest expense | (3,148) | (1,611) |
| Increases / redemptions of borrowings | 18,987 | (23,481) |
| **Net cash flow provided (used) by financing activities** | **3,919** | **(32,583)** |
| Impact of changes in foreign exchange rates | (108) | 73 |
| **Change in cash and cash equivalents** | **(11,540)** | **(2,048)** |
| | | |
| Opening balance | 13,233 | 66,434 |
| Impact of changes in percentage ownership | 386 | (51,153) |
| **Restated opening balance** | **13,619** | **15,281** |
| Closing balance | 2,079 | 13,254 |
| Impact of accounting for highly liquid assets at fair value | - | (21) |
| Restated closing balance | 2,079 | 13,233 |
| **Change in cash and cash equivalents** | **(11,540)** | **(2,048)** |

| | Opening | Change | Closing |
|---|---|---|---|
| Gross cash and cash equivalents (a) | 13,233 | (11,154) | 2,079 |
| Debit balances and current bank overdrafts (b) | - | - | - |
| Net cash and cash equivalents (c) = (a) – (b) | 13,233 | (11,154) | 2,079 |
| Gross financial liabilities (d) | 18,455 | 18,987 | 37,442 |
| **Net financial liabilities (d) – (c)** | **5,222** | **30,141** | **35,363** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(All figures are in thousands of euros, unless otherwise indicated)*

## I. Highlights of the financial year

The highlight of the twelve months of financial year 2006/2007, ended 31 March 2007, was the late July 2006 sale of the long-standing 58.83% holding in SGIM (Société de Gérance d'Immeubles Municipaux), in connection with that company's acquisition and retirement of a portion of its own shares. SGIM financed this acquisition through the sale of its private real estate assets. The sale provided Paris Orléans with €33.2 million in cash, along with net income from this discontinued operation of €10.3 million, including €6.2 million from the profit made by the entity up to the date of sale, and considerably reduced the group's total consolidated assets.

Net income (group share) for the financial year amounted to €54.1 million, a 40% increase over the previous year, due notably to the impact of the aforementioned exit of SGIM from the scope of consolidation, as well as to a 50% improvement in the contribution from companies accounted for by the equity method (associates, partnerships and joint ventures). The increase was particularly remarkable at Concordia BV, which attained €20.1 million for the financial year ended 31 March 2007 (€13.4 million the previous year).

Other than the sale of the stake in SGIM, the main movements in the scope of consolidation concerned primarily the deconsolidation of the Marco Polo Investissements shares held following the latter's merger with IDI, and the entry in the scope of consolidation of PO Mezzanine, a wholly-owned subsidiary of the group that now specialises in investment in mezzanine financing, and Comepar (by the equity method). The other movements concerned internal reclassifications made by the group or recently created investment structures.

In the private equity business, the financial year was marked by numerous investments in equity (€12.8 million in Hélium Syndication, €3 million in Frères Blanc, €2.8 million in Falcon, €2.5 million in Les Petits Chaperons Rouges, and €2 million in Foncière Inéa, to cite the largest ones) and in mezzanine financing (€10 million in Ambroisie Holding/Olympia Group, €6.5 million in AOS, €5.0 million in Eider, €4.75 million in Bouhyer, €4 million in Consolis and €4 million in Edimark, to cite only the largest ones). The group also sold its interests in Matéris (generating a €3 million net capital gain) and paid €4 million for a 10% stake in a shopping centre construction project in Weiterstadt, near Frankfurt in Germany.

Lastly, at the end of November 2006, the registered office of Paris Orléans was relocated to 23 bis avenue de Messine 75008 Paris.

## II. Subsequent events (post-closing)

On 13 April 2007, pursuant to the memorandum of understanding signed 12 February 2007, the Paris Orléans group (primarily through its SPCA Deux subsidiary) sold all of its shares of Courcelles Participations in connection with an LBO for total consideration of €63.3 million. This amount included €36.4 million in cash, while the balance (€26.9 million) was provided in the form of newly issued shares of Newstone Courtage, the new holding company that now controls Siaci. The transaction diluted Paris Orléans group's stake to 14.95% in the holding company for the insurance brokerage group created by the merger of Siaci and ACSH, a subsidiary of the Compagnie Financière Saint-Honoré group; consequently, Paris Orléans will deconsolidate its stake effective 1 April 2007. Including the impact of residual deferred income and a deferred tax asset from the secondary LBO of Siaci in September 2003, this transaction provided Paris Orléans with a consolidated capital gain of €59.2 million, which will be recognised in the 2007/2008 financial statements.

# III. Preparation of the financial statements

The financial statements for the financial year ended 31 March 2007 (FY 2006/2007) of the Paris Orléans group have been prepared in accordance with the International Financial Reporting Standards (IFRS) in effect at the closing date, as adopted in the European Union under Regulation (EC)1606/2002.

They cover the 12-month period from 1 April 2006 to 31 March 2007, and are presented in thousands of euros.

The group applies all International Accounting Standards (IAS) and International Financial and Reporting Standards (IFRS) in effect at the closing date of the consolidated financial statements.

Historical cost accounting is used to account for items in the consolidated financial statements, with the exception of certain classes of assets and liabilities, in accordance with rules prescribed by IFRS. These exceptions are detailed below.

These notes have been prepared with consideration for the clarity, pertinence, accuracy, comparability and materiality of the information provided.

The consolidated financial statements were approved by the Executive Committee of 29 June 2007.

The parent company of the group is Paris Orléans SA, a French public limited company *(société anonyme)* with an Executive Committee and a Supervisory Board. As at 31 March 2007, the company's registered office was located at 23 bis avenue de Messine 75008 Paris. The company is registered in the Paris Registry of Companies *(RCS de Paris)* under the number 302 519 228, and its shares are listed in Compartment B of the Euronext Paris Eurolist.

# IV. Accounting principles and valuation methods

## Summary of significant estimates and assumptions

In order to reconcile the financial statements with the group's accounting methods, management had to make assumptions and estimates that affect the carrying value of expenses, income and asset and liability items. To do this, at each period end the Paris Orléans group draws conclusions from its past experience and all factors pertinent to its business.

The key impacts of these estimates and assumptions appear in the following items:

> The financial assets available for sale held by the group are recognized at their fair value: non-current and current financial assets are estimated at €275,086 thousand and €51,940 thousand, respectively, for a total fair value of €327,026 thousand.

> Goodwill amounted to €29,205 thousand as at 31 March 2007. Of this total, €18,368 thousand is allocated to investments in associates and the remaining €10,837 thousand is allocated to other current assets held for sale. The goodwill figure includes €915 thousand in impairment concerning the investment in Comepar.

## Financial year end of the consolidated companies and groups

Paris Orléans and the French subsidiaries in which it holds a controlling interest of over 50% are consolidated on the basis of a financial year end at March 31, 2007, while Francarep Inc, Hi Trois, Courcelles Participations / Siaci, Centrum Luxembourg, Les Domaines Barons de Rothschild (DBR), Continuation Investments NV (CINV), Franinvest and Rivoli Participation are consolidated on the basis of a December 31, 2006 year end.

If a subsequent event occurs between the closing date of the subsidiary and 31 March 2007 that would have a material impact on the consolidated financial statements, this event is accounted for in the consolidated financial statements of the Paris Orléans group as at 31 March 2007.

## Subsidiaries

Companies controlled by the group are fully consolidated. The notion of control represents the power to direct the financial and operational policies of an affiliated company in order to obtain economic benefits from its activities. To determine control, potential voting rights that may currently be exercised or converted are taken into consideration. The financial statements of the subsidiaries are included in the consolidated financial statements as of the date on which they came under control until the date such control ceases. The interests of minority shareholders are listed in the balance sheet under a separate category in shareholders' equity. The minority interest in income is posted separately in the income statement.

## Joint ventures

Joint ventures, or companies in which the group shares control with partners, are consolidated by the alternative method proposed by IAS 31, i.e. the equity method.

In the case of Concordia BV, the joint control is a result of the decision taken in July 2003 by the English and French branches of the Rothschild family to simplify and unify the management and control structures of all the financial and banking entities that it held in France, the United Kingdom, North America, Switzerland and the rest of the world. Since that date, Concordia BV has been held jointly and equally by the two branches of the family and the governance of the holding company is assumed by a Board of Directors. Paris Orléans and the English branch of the Rothschild family each appoint half of the six members of the Board, and the Chairman does not have a deciding vote.

## Associates

Associates are companies over whose financial and operational decisions the group exercises significant influence (this is assumed when the percentage of voting rights is equal to or greater than 20% but less than 50%), although it does not control them. They are consolidated using the equity method as of the date they came under significant influence until the date that influence ceases. If the group share of the losses of an associate company is greater than its holding in this company, the carrying value of holdings consolidated by the equity method is written off and the group ceases to account for its share in future losses, unless the group has a legal or implicit obligation to suffer losses or make payments on behalf of the associate company.

Any goodwill generated on the initial consolidation of an associate is allocated to the value of the investment in associates.

## Translation of foreign currencies

In the individual financial statements of the group's companies, transactions carried out in foreign currencies are translated at the exchange rate in effect on the transaction date. At the closing date, all assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the closing date. Any resulting exchange differences are recognised as translation gains or losses in the income statement of the consolidated financial statements.

Moreover, in consolidation, the assets and liabilities of the group's companies that are expressed in foreign currencies are translated at the closing exchange rate. Income statement items are converted at the market rate on the transaction date. Exchange differences resulting from the application of these rates are recognised on a specific line under shareholders' equity.

## Segment reporting

As part of the application of IAS 14 "Segment Reporting," the group has chosen the following basis of segmentation:

> Primary segment: distinction between activities under concession, private equity and banking;

> Secondary segment: geographic breakdown of the business.

As at 31 March 2006, the activities under concession included only SGIM; as this company was sold during the financial year, only the line net income from activities disposed of, held for sale or discontinued includes information pertaining to this reporting segment.

The banking activity impacts the Paris Orléans group's consolidated financial statements only – in the balance sheet – through the group's equity method investment in Concordia BV and Rothschild et Cie Banque, and – in the income statement – through the share of income from investments in associates. Segment reporting concerning Concordia BV (banking activity) is presented separatly at the end of these notes.

In addition to the items mentioned in the two previous paragraphs, the other lines of the consolidated balance sheet and income statement of the Paris Orléans group all pertain exclusively to the private equity business.

Insofar as the geographic analysis of activities is concerned, the activities under concession and the private equity business are managed entirely from France (although some financial investments are made in foreign assets, especially in the US) while the banking activity is based entirely abroad, with the exception of the French activities of Rothschild & Compagnie Banque.

## Business combinations and goodwill

Business combinations are accounted for using the purchase method stipulated by IFRS 3 "Business Combinations." Thus, upon initial consolidation of a newly acquired company, the assets, assumed liabilities and any contingent liabilities of the acquired entity are measured at fair value in accordance with the provisions of IFRS. Fair value changes arising on this occasion are assigned to the relevant assets and liabilities, including the share attributable to minority interests. Any residual amount remaining between the purchase price and the acquirer's interest in the fair value of net assets is allocated to goodwill.

Any negative goodwill is recognised immediately in the P&L.

Goodwill generated during the acquisition of a company is disclosed in the balance sheet on a separate line. Goodwill is not amortised and is tested for impairment at least once per year in accordance with the provisions of IAS 36, as described in the paragraph on impairment of assets below.

In the event of an increase in the group stakes in an entity over which it already exercises exclusive control: the difference between the price paid for the additional stake and the share acquired in the net assets of the entity at that date is recorded in other consolidated reserves. Similarly, any reduction in the group's stake in an entity over which it keeps sole control is treated as an equity transaction in the accounts.

Income from companies acquired or sold during the financial year is included in the consolidated income statement respectively from their acquisition date to their disposal date.

## Property, plant and equipment

In accordance with IAS 16 "Property, Plant and Equipment", items should only be recognised as plant, property and equipment if their costs can be measured reliably and they will generate future economic benefits for the group. The initial cost of plant, property or equipment item is broken down according to its main components, as identified by the group. Plant, property and equipment are carried at acquisition cost less accumulated depreciation and any impairment. The former registered office of the group, 50 avenue des Champs Élysées, was reassessed at fair value upon the first-time adoption of IFRS. The values thus determined for these assets were used as their historical cost for the purposes of calculating depreciation. This building was classified to the line other assets held for sale as at 31 March 2007.

Depreciation is calculated by the straight-line method, using the following useful lives:

| **Buildings** | |
|---|---|
| Structures and related works | 40 years |
| Woodwork, partitions and plastering | 20 years |
| Central heating | 20 years |
| Waterproofing/sealing | 12 years |
| Sand-blasting with improvement | 12 years |
| **Other components** | |
| Plant and improvements | 8 to 20 years |
| Vehicles | 4 to 5 years |
| Office equipment | 3 years |
| Office furniture | 10 years |

An asset starts to be depreciated on the date it is ready to be put into service. Land is not depreciated.

Oil and gas assets are depreciated according to the successful effort method whereby only those investments resulting in the discovery of hydrocarbons are capitalised; the others are recognised as expenses during the financial year.

## Investment properties

Investment properties are rental real estate assets and are recognised at their fair value, which corresponds to:

> the reassessed value on adoption of IAS/IFRS for other real estate assets; the value of these assets constitutes their historical cost.

The group has applied the five "buildings" categories for depreciation of investment properties, as mentioned above.

## Impairment of assets

In accordance with IAS 36 "Impairment of Assets", when events or market changes reveal any indication that intangible assets or plant, property and equipment may be impaired, and at least once a year for goodwill, these assets must be reviewed in detail in order to determine whether the asset's carrying value is less than the recoverable amount, defined as the higher of an asset's fair value net of selling costs and its value in use. An asset's value in use is measured individually (unless it does not generate cash flows that are significantly independent from cash flows generated by other assets or groups of assets) using valuation methods deemed appropriate by the group.

Indications of impairment defined by the group are organised around drops in the major financial aggregates (revenue, operating profitability, etc.) adapted to the specific characteristics of each business within the group.

If the recoverable amount is less than the carrying amount, an impairment loss equal to the difference between these two amounts is posted.

At each year end, the group assesses items indicating that a previously posted impairment loss may have decreased or even disappeared. If such an indication exists, the recoverable amount is calculated. An impairment loss recognised in prior years is reversed if the estimates used to determine the recoverable amount of an asset (or group of assets) have changed since the last impairment loss was recognised. If so, the asset's book value is increased up to its recoverable amount. The increased carrying value due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised. A reversal of an impairment loss is recognised as income in the income statement, unless the asset is recognised at its revalued amount, in which case the reversal is treated as a revaluation increase. After recognising the reversal of an impairment loss, amortisation is adjusted for future periods so that the revised book value of the asset (or group of assets) is systematically spread over its remaining useful life.

## Non-current financial assets available for sale

All of the securities held by the group have been classified as available for sale (AFS) assets and are recognised in the balance sheet as non-current assets.

As a result, these securities or financial assets are carried in the balance sheet at their fair value, which is individually estimated at each period end in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" applied to AFS assets. If necessary, impairment is recognised with a distinction being made for a temporary or permanent impairment.

Changes in the fair value of AFS assets are recognised directly in shareholders' equity (group share) under the heading "fair value adjustments on available for sale assets".

At the group level, impairment of fair value is considered permanent if it is at least equal to 20%, over a period of six or more months.

The fair value recorded by the group at each period end is measured according to following criteria, depending on the type of holdings:

> Listed securities: these assets are valued on the basis of the last known closing price;

> Unlisted securities: they are valued case by case using applicable valuation techniques;

> Unlisted equity fund investments: the fair value taken into consideration is the liquidation value as communicated quarterly by the funds' managers and certified annually by the independent auditors of said funds;

> Mezzanine financing: the fair value is calculated after breaking out the embedded derivative (equity warrant) from the loan. The loan is valued by discounting the future cash flows expected to be generated by this asset. The value of the derivative is considered to be equal to zero at the beginning of the transaction, and is calculated during subsequent financial years using a method specifically adapted to each company;

> The fair value of available for sale assets not mentioned above is estimated on a case by case basis using the valuation method deemed appropriate by the group.

## Other non-current financial assets

This item includes mainly loans and receivables related to companies accounted for by the equity method and real estate companies. These assets are measured at amortised cost. If necessary, impairment is recognised to account for impairment risk.

## Treasury stock

Investment certificates constituting the capital of Paris Orléans are treated in the same way as treasury stock and subtracted from shareholders' equity upon their acquisition, without subsequent revaluation.

## Current financial assets

This category of assets is composed of all marketable securities classified as held for trading except for securities that can be recognised as cash equivalents.

At the period end, fair value changes on these assets are recognised in shareholders' equity.

## Derivatives

Derivatives are classified as trading instruments at fair value through profit or loss. Accordingly, fair value adjustments of these instruments are recognised in profit and loss. Derivatives held by the group are strictly speculative and are therefore not designated as hedging items.

## Cash equivalents

Cash equivalents include exclusively short-term liquid investments (recommended investment period less than 3 months) that are highly liquid (disposal possible within one day, or one week at the latest) and have a low risk of changes in value (stable performance and volatility of less than 0.5). Cash equivalents are largely made up of money market unit trusts and mutual funds classified as UCITS [undertakings for collective investment in transferable securities] in euros, which in principle fulfil the aforementioned conditions.

At the balance sheet date, fair value changes on these assets are recognised through profit or loss.

## Financial liabilities

Financial liabilities are evaluated at fair value upon their initial recognition and then at amortised cost using the effective interest method.

## Retirement commitments

Pursuant to these obligations, the group recognises the following commitments in its consolidated financial statements:

> The supplemental retirement allowance for senior managers of the group resulting from the existence of a defined benefit pension scheme presented in Note 14. In accordance with IAS 19 "Employee Benefits," the group's consolidated financial statements contain provisions to cover these benefits, which are estimated on an actuarial basis by an independent appraiser. The estimate is updated each year, taking into account relative assumptions, notably including the retirement age, estimated at 65, the discount rate of financial commitments, a projection of salary increases and an assumption relative to the employee turnover rate;

> Termination benefits expenses are partly outsourced to an insurance company. Paris Orléans recognises a provision for termination benefits that corresponds to the amount the group is responsible for;

> If necessary, a provision for charges related to long-service awards is also recognised.

## Income tax

The income tax heading in the income statement includes current income taxes and changes to deferred taxes. In application of IAS 12, deferred tax, calculated in accordance with the liability method, based on the most current tax rates at the period end date, is recognised on:

> temporary differences between the carrying value of an asset or a liability and its tax base;

> consolidation adjustments, except for non-deductible goodwill.

A deferred tax asset corresponding to unused tax losses is recognised to the extent that it is probable that it can be utilised.

In accordance with the abovementioned standard, deferred tax assets and liabilities are not discounted.

## Provisions for contingencies and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the group recognises a provision in liabilities when a present legal or implicit obligation exists towards a third party which will probably or certainly lead to payment to this third party.

## Recognition of earnings

Private equity: capital gains and losses are recognised on the date the group disposes of the securities; dividends received are recognised depending on the date they were granted by the various General Meetings.

## Net earnings per share

In application of IAS 33 "Earnings Per Share", net earnings per share is calculated by dividing the net income attributable to equity holders of the group by the weighted average number of shares outstanding during the period. If necessary, the weighted average number of shares is adjusted for the full effects of the conversion of dilutive instruments which provide future entitlement to the capital of the parent company. Earnings per share for continuing operations only is indicated separately.

## Detailed information concerning Concordia BV

Considering the importance of Paris Orléans' holding in the Concordia BV sub-group, detailed information to fully understand the latter's financial statements and business is provided in the margin to the note relative to investments in associates, partnerships and joint ventures, at the end of these consolidated notes. It includes the consolidated balance sheet and income statement and excerpts from the notes, including notably segment reporting for the Concordia BV group.

## Format of the consolidated balance sheet

IAS 1 "Presentation of Financial Statements" prescribes a classified balance sheet, separating current and non-current items.

Non-current assets include goodwill; intangible assets; property, plant and equipment; non-current financial assets (passive portfolio holdings, investments in associates, etc.); and deferred tax assets. Current assets include other receivables, marketable securities, cash and cash equivalents (money market type financial investments). Other current assets held for sale are presented separately.

Non-current liabilities include borrowings and financial liabilities with maturities greater than one year (in the opposite case, they are recognised as current liabilities), provisions for contingencies and charges, retirement and related commitments, deferred income, public grants, and deferred tax liabilities. Current liabilities include accounts payable, other operating liabilities and current taxes due. As with assets, liabilities directly associated with current assets held for sale are disclosed separately.

Due to the application of IAS 32 and IAS 39, shareholders' equity includes items that did not exist under the former French accounting standards, such as the available for sale reserve and cash flow hedge reserve.

## Format of the consolidated income statement

Net financial income includes all income and expenses related to the cost of bank financing, foreign exchange differences, and fair value changes on cash equivalents.

Income from discontinued operations and from investments in associates is disclosed separately in the group's income statement.

## Issuer risk

Paris Orléans does not possess industrial or commercial operations. Its business involves owning financial holdings and does not expose it to any specific risk from an industrial or personal standpoint.

Through its business, it is thus exposed only to risks inherent in all capital investment operations. The company is careful to comply with the most stringent ethical regulations and calls on the services of specialized experts whenever this is appropriate.

When examining investment projects, potential specific risks related to the business of target companies are taken into consideration.

### Interest rate risk

Paris Orléans has established strict administrative procedures and rules to monitor risks related to interest rate markets.

Paris Orléans continuously monitors the diversification of its risks as part of its cash management activities.

Paris Orléans does not use derivatives or options directly in the management of its interest rate risk.

All of Paris Orléans' debt was originally variable rate; this exposes the company to the risk associated with rising rates. Consequently, an appropriate interest rate swap was set in place for each of the borrowings in order to hedge the company against this risk.

### Exchange rate risk

An exchange rate risk on the company's assets is generated by holdings of foreign investments whose market or listed values are expressed in a currency other than the euro.

The company's exposure lies essentially with its holdings in investment funds denominated in US dollars and holdings denominated in British pounds. Only the US dollar risk is hedged with a borrowing.

### Equity market risk

Equity market risk is linked to the payback value of the portfolio of listed investments. Paris Orléans's exposure to equity risk is equal to the payback value of its portfolio of listed investments, i.e. €52 million as at 31 March 2007.

The company buys put contracts to hedge the risk of a decrease in the value of certain listed investments.

### Liquidity risk

As at 31 March 2007, the Paris Orléans group had consolidated financial liabilities of €37.4 million, including accrued interest. This debt included €16.6 million in US dollar-denominated borrowings maturing in early 2012 that are used to hedge the exchange rate risk on US dollar-denominated investments.

Loan agreements include customary legal and financial commitments in this type of transaction and integrate early claim clauses should these commitments not be respected. All these commitments had been respected as at 31 March 2007.

At the same time, the company also had €50.5 million in liquid investments.

Paris Orléans has two confirmed lines of credit, a €25 million line that expires 16 November 2007 and a US dollar 30 million line that expires 21 January 2012.

The net debt/equity ratio stood at – 2.84% as at 31 March 2007.

### Legal risks

There is no exceptional event, dispute or arbitration, which could have or has previously had, to the company's knowledge, a significant impact on the financial position, the activity and the results of the company and its group.

### Employee risks

The company is not involved in any employee dispute at present.

### Environmental risks

By the nature of its business, Paris Orléans is not directly concerned by material requirements in terms of protecting the environment, pollution or recycling of materials. However, when analysing potential investments, the teams devote extensive consideration to these subjects, which may lead to these investments being re-evaluated.

### Impact of the potential early application of an adopted standard and the application of standards that have been published but have not yet been adopted by the European Union

The group applies all International Financial Reporting Standards, including all revisions, as adopted by the European Union. As at 31 March 2007, the group has not considered any early application of a standard or implementation of standards or interpretations that are not mandatory.

As at 31 March 2007, the standards and interpretations that have been published but have not yet been adopted by the European Union are the following:

> IFRIC 10 "Interim Financial Reporting and Impairment"

> IFRIC 11 "IFRS 2: Group and Treasury Share Transactions"

> IFRIC 12 "Service Concession Arrangements"

> IFRS 8 "Operating Segments"

Moreover, the following standards and interpretations had been adopted but their application was not yet mandatory as at 31 March 2007:

> IFRS 7 "Financial Instruments: Disclosures"

> IFRIC 8 "Scope of IFRS 2 – Share-based Payment"

> IFRIC 9 "Reassessment of Embedded Derivatives"

To the group's knowledge, these texts would not have materially impacted the group's consolidated financial statements if they had been applied as at 31 March 2007. The impacts of IFRS 7 are being analysed.

# V. Notes to the balance sheet

Changes in the main lines of the balance sheet are analysed in Notes 1 to 19.

## Note 1 Scope of consolidation

The scope of consolidation of the Paris Orléans group is presented in the table below. Please note that the group consolidates all controlled subsidiaries:

| Company | City/Siren no. | 31/03/2007 Group ownership interest | | 31/03/2006 Group ownership interest | | Consolidation method |
|---|---|---|---|---|---|---|
| | | Direct | Indirect | Direct | Indirect | (a) |
| **Paris Orléans** | **23 bis, avenue de Messine - 75008 Paris - France - Siren: 302 519 228** | **Parent company** | | **Parent company** | | **Parent company** |
| Concordia BV (a 50% joint venture) | Amsterdam - Netherlands | 50.00 | - | 50.00 | - | EQ |
| Francarep Canada (Canada) | Calgary - Canada Tax ID Number: 10 18 67 620 | - | - | 100.00 | - | FC |
| Francarep, Inc. (USA) | Cheyenne Wyoming - USA Tax ID Number: 13 29 15 594 | 100.00 | - | 100.00 | - | FC |
| K Développement | Paris - France Siren no.: 447 882 002 | 100.00 | - | 100.00 | - | FC |
| PO Fonds (formerly Colisée Investissements) | Paris - France Siren no.: 349 025 049 | - | 100.00 | 99.85 | 0.04 | FC |
| PO Mezzanine (formerly Franoption) | Paris - France Siren no.: 383 702 081 | - | 100.00 | - | - | FC |
| Ponthieu Ventures | Paris - France Siren no.: 382 304 350 | - | 100.00 | - | 100.00 | FC |
| Société Financière et Immobilière de la Rochefoucauld (SFIR) (sub-consolidation) (b) | Paris - France Siren no.: 342 579 265 | 99.97 | - | 99.97 | - | FC |
| Chaptal Investissements | Paris - France Siren no.: 349 622 506 | - | 99.99 | - | 99.99 | FC |
| PO Capinvest 1 | Paris - France Siren no.: 490 886 777 | - | 100.00 | - | - | FC |
| PO Capinvest 2 | Paris - France Siren no.: 491 590 972 | - | 100.00 | - | - | FC |
| SPCA Deux | Paris - France Siren no.: 431 883 628 | - | 100.00 | - | 95.23 | FC |
| Manufaktura | Paris - France Siren no.: 451 361 166 | - | 95.00 | - | 95.00 | FC |
| Verseau | Paris - France Siren no.: 451 361 083 | - | 95.00 | - | 95.00 | FC |
| PO Invest 1 | Luxembourg B 115 493 | - | 62.86 | 62.86 | - | FC |
| PO Invest 2 | Luxembourg B 124 799 | - | 76.92 | - | - | FC |
| Fin PO | Luxembourg B 117 676 | - | 100.00 | - | - | FC |
| Narcisse Investissements | Paris - France Siren no.: 493 726 137 | - | 100.00 | - | - | FC |
| SGIM | Paris - France Siren no.: 552 038 200 | - | - | 58.83 | - | FC |
| Hi Trois | Paris - France Siren no.: 431 704 162 | - | 100.00 | - | 100.00 | FC |
| Continuation Investments NV (CINV) | Amsterdam - Netherlands RC: 33 295 461 | - | 21.91 | - | 21.91 | EQ |
| Courcelles Participations | Paris - France Siren no.: 449 056 415 | - | 33.95 | - | 32.43 | EQ |
| Domaines Barons de Rothschild (DBR) | Paris - France Siren no.: 308 382 928 | 20.59 | - | 18.48 | 2.11 | EQ |
| Centrum Luxembourg | Luxembourg RC no.: B 85 523 | - | 38.00 | - | 38.00 | EQ |
| Franinvest | Paris - France Siren no.: 413 659 319 | - | 50.00 | - | 50.00 | EQ |
| Rivoli Participation | Paris - France Siren no.: 483 544 177 | - | 29.50 | - | 29.50 | EQ |
| Marco Polo Investissements | Paris - France Siren no.: 450 010 368 | - | - | 29.77 | - | EQ |
| Comepar | Biot - France Siren no.: 398 512 202 | - | 25.00 | - | - | EQ |

*(a) FC: Fully consolidated.*
*EQ: Equity method.*
*(b) SFIR consolidates SCI Belfort Maison Carrée (BMC).*

### Changes to the scope of consolidation

The Paris Orléans group made several changes to its scope of consolidation during 2006/2007, most of them during the second half of the year.

The primary changed concerned the exit of SGIM following the sale of this holding at the end of July 2006. This sale had a major impact, especially on the consolidated balance sheet due to the sharp decline in total assets and liabilities.

In the section regarding exits from the scope of consolidation, it is also worth mentioning the deconsolidation of the 29.77% holding in Marco Polo Investissements (which had been accounted for by the equity method) following its merger into IDI (which is now 0.99% held) and the deconsolidation of Francarep Canada following its liquidation in November 2006.

Many new companies entered the scope due to the group's new investments, including PO Capinvest 1, PO Capinvest 2, Fin PO, PO Invest 2 and Narcisse Investissements, all of which are either fully-owned or have the group as their majority shareholder and are hence fully consolidated. Comepar, in which the group holds a 25% stake since financial year 2004/2005, was consolidated for the first time using the equity method. PO Mezzanine, which now invests in mezzanine financing, is wholly owned by the group and also entered the scope of consolidation.

## Note 2 Goodwill

As at 31 March 2007, all of the goodwill recognised in accordance with IFRS concerned companies accounted for by the equity method. Goodwill is reported under either "Investments in associates" or "Other non-current assets held for sale".

## Note 3 Investments in associates

This line corresponds to the value of holdings consolidated by the equity method discounted for their share of income for the period and for changes to respective shareholders' equity. Changes during the financial year 2006/2007 are presented in a single table summing up all of the IFRS restatements and the changes during the current period.

As stated in Note 1 above, Marco Polo Investissements, which had previously been consolidated by the equity method, exited the scope of consolidation following the exchange of shares that took place during the period. Also, Comepar was consolidated for the first time using the equity method; the company's earnings for financial year 2006/2007 also include losses that already existed when the company was first consolidated by the group.

| *In thousands of euros* | Concordia BV | DBR | Courcelles Participations | CINV | Centrum Luxembourg | Rivoli Participation | Marco Polo | Comepar | Franinvest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31/03/2005 (French GAAP)** | **206,878** | **18,222** | **19,019** | **2,048** | **3,344** | **-** | **-** | **-** | **-** | **249,511** |
| Changes of scope | - | - | - | - | - | - | 2,917 | - | - | 2,917 |
| IFRS restatements of shareholders' equity (FY 2004/2005) | (18,283) | 660 | 1,278 | - | - | - | | - | - | (16,345) |
| IFRS restatements of results (FY 2004/2005) | 1,195 | 1,718 | (844) | - | - | - | - | - | - | 2,069 |
| **As at 31/03/2005 (IFRS excluding IAS 31 and IAS 39)** | **189,790** | **20,600** | **19,453** | **2,048** | **3,344** | **-** | **2,917** | **-** | **-** | **238,152** |
| Reclassification of goodwill | 17,101 | 1,526 | 11,178 | - | - | - | - | - | - | 29,805 |
| **As at 31/03/2005 corrected (IFRS excluding IAS 31 and IAS 39)** | **206,891** | **22,126** | **30,631** | **2,048** | **3,344** | **-** | **2,917** | **-** | **-** | **267,957** |
| IAS 32 and IAS 39 restatements (as at 01/04/2005) | 13,985 | - | - | 1,284 | - | - | 280 | - | - | 15,549 |
| **As at 01/04/2005 (including IAS 32 and IAS 39)** | **220,876** | **22,126** | **30,631** | **3,332** | **3,344** | **-** | **3,197** | **-** | **-** | **283,506** |
| Net income for FY 2005/2006 | 13,373 | 895 | 4,026 | (458) | (3,450) | (36) | (1) | - | (3) | 14,346 |
| Changes of scope | 2,746 | (4,231) | - | - | - | 733 | - | - | 24 | (728) |
| Change in translation differences | (2,126) | 688 | 30 | 242 | (43) | - | - | - | - | (1,209) |
| Distribution of dividends | (8,019) | - | - | - | - | - | - | - | - | (8,019) |
| Fair value adjustments | 13,096 | - | - | 1,457 | - | - | 238 | - | 861 | 15,652 |
| Other | 12,571 | (4,944) | (98) | - | - | 15 | - | - | - | 7,544 |
| **As at 31/03/2006** | **252,517** | **14,534** | **34,589** | **4,573** | **(149)** | **712** | **3,434** | **-** | **882** | **311,092** |
| ***Of which goodwill*** | ***17,101*** | ***1,267*** | ***11,178*** | **-** | **-** | **-** | **-** | **-** | **-** | ***29,546*** |
| Net income for FY 2006/2007 | 20,139 | 975 | - | 4,309 | (2,789) | 571 | - | (1,651) | 32 | 23,629 |
| Changes of scope | - | 2 | (757) | - | - | - | (3,434) | 12 | - | (4,518) |
| Change in translation difference | 1,742 | (400) | (52) | (574) | (34) | - | - | - | - | 682 |
| Distribution of dividends | (9,646) | (238) | - | - | - | - | - | - | - | (9,884) |
| Fair value adjustments | 13,613 | - | - | (2,008) | - | 1 | - | - | 3,092 | 14,698 |
| Other | (1,742) | 80 | (33,780) | (1,651) | - | 10 | - | - | - | (38,785) |
| Provision for contingencies and charges | - | - | - | - | 2,972 | - | - | 1,639 | - | 4,611 |
| **As at 31/03/2007** | **276,623** | **14,953** | **-** | **4,649** | **-** | **1,294** | **-** | **-** | **4,006** | **301,525** |
| ***Of which goodwill*** | ***17,101*** | ***1,267*** | **-** | **-** | **-** | **-** | **-** | ***915*** | **-** | ***19,283*** |
| ***Of which impairment of goodwill*** | | | | | | | | ***(915)*** | | ***(915)*** |

## Note 4 Non-current financial assets available for sale

This line represents most of the private equity activity of the Paris Orléans group through direct minority holdings or investments in funds. It consists primarily of passive portfolio holdings. The different holdings are presented in a detailed table at the end of these notes; changes during the financial year appear in the following table:

| Changes during the period | Amount net of impairment of fair value |
|---|---|
| **As at 01/04/2005 (IFRS including IAS 32 and IAS 39)** | **177,738** |
| Increases | 39,807 |
| Decreases | (43,330) |
| Fair value adjustments to the portfolio as at 31 March 2006 | 2,363 |
| **As at 31/03/2006** | **176,578** |
| Changes of scope | 3,884 |
| Increases | 131,484 |
| Decreases | (77,519) |
| Fair value adjustments to the portfolio as at 31 March 2007 | 41,794 |
| Other movements | (1,135) |
| **As at 31/03/2007** | **275,086** |

| | Acquisitions | Disposals |
|---|---|---|
| Rallye | 24,229 | 23,385 |
| Helium syndication | 12,802 | - |
| Publicis | 2,209 | 11,189 |
| Ambroisie Holding (bonds) | 9,989 | - |
| Financière Seni (bonds with equity warrants) | 5,000 | 3,300 |
| Edelweiss (bonds with equity warrants) | 5,000 | - |
| Cast (bonds with equity warrants) | 4,750 | - |
| Financière Florence (bonds with equity warrants) | 4,500 | - |
| Consolis Invest * | 4,000 | - |
| Edimark Santé (bonds with equity warrants) | 4,000 | - |
| François III * | - | 3,926 |
| Carlyle Partners III ** | - | 3,778 |
| White Knight VI * | - | 3,468 |
| APEF 4 ** | - | 3,307 |
| White Knight VII * | 3,067 | - |
| Southeast European Fund IV ** | 3,016 | 1,509 |
| Dag Import (bonds with equity warrants) | 3,000 | - |
| Actoline (VVF) * | 2,970 | - |
| Financière Aramis (bonds with equity warrants) | 2,800 | - |
| Financière Next (bonds with equity warrants) | 2,500 | - |
| **Sub-total** | **93,832** | **53,862** |

| | Acquisitions | Disposals |
|---|---|---|
| **Sub-total reported** | **93,832** | **53,862** |
| Les Petits Chaperons Rouges (shares) | 2,500 | - |
| LDR Holding Corporation | 2,341 | - |
| PAI Europe III - FCPR * | - | 2,201 |
| Weinberg Capital Partners * | 2,151 | - |
| Brazos-Tarkett Sommer (bonds with equity warrants) | - | 2,080 |
| Foncière Inéa | 2,016 | - |
| e-planet ventures (DFJ) ** | - | 2,013 |
| Idi | 1,988 | - |
| Gutenberg | 1,939 | - |
| Frères Blanc (shares) | 1,929 | - |
| Carlyle Realty Partners III ** | - | 1,836 |
| Five Arrows Friends Familly ** | 1,500 | - |
| Financière EVS (bonds with equity warrants) | 1,500 | - |
| APEF 3 ** | - | 1,372 |
| Euromezzanine IV * | - | 1,300 |
| Gravitation (convertible bonds) | 1,250 | - |
| Crescent Jade (shares) ** | 1,180 | - |
| Doughty Hanson IV ** | 1,159 | - |
| Frères Blanc (shares) | 1,146 | - |
| Terra Firma Capital Partners II ** | - | 1,092 |
| PAI Europe III - LP ** | - | 1,034 |
| WFS Global (bonds) | 1,000 | - |
| Other | 14,053 | 10,729 |
| **Total** | **131,484** | **77,519** |

** FCPR-type venture capital fund.*
*** Foreign funds.*

Most significant fair value adjustments as at 31 March 2007 (excluding disposals):

| | |
|---|---|
| Finatis | 10,944 |
| Total E&P Cameroun | 7,828 |
| Rallye | 6,342 |
| PAI Europe III | 4,193 |
| APEF 4 | 2,545 |
| White Knight VI | 2,104 |
| Carlyle Partners III | 1,772 |
| Euromezzanine IV | 1,264 |
| APEF 3 | 1,076 |
| e-planet ventures (DFJ) | 1,032 |
| ABN Amro Capital | 794 |
| SCI Lyon Bachut | 720 |
| White Knight VI Bis | 715 |
| Euromezzanine III | (1,041) |
| Carlyle TBC | (1,014) |
| Other | 2,520 |
| **Total** | **41,794** |

## Note 5 Other non-current financial assets

As at 31 March 2007, total other non-current financial assets of €8,895 thousand included notably:

> €2,511 thousand in financing for the renovation of the Beaugrenelle shopping centre in Paris' 15th Arrondissement,

> €2,466 thousand in advances made in connection with other real estate development activities,

> €1,760 thousand in capitalised interest, and

> €1,708 thousand in loans.

## Note 6 Deferred tax assets

This line is comprised essentially of temporary differences on the negative fair value adjustment recognised on financial assets available for sale issued by Francarep Inc.

## Note 7 Accounts receivable

As at 31 March 2007, accounts receivable included a €6,500 thousand advance made to AOS Holding Partners while mezzanine financing was being arranged.

## Note 8 Current financial assets

This line includes marketable securities and short-term liquid investments whose maturity, liquidity or volatility preclude them from being classified as cash equivalents.

As at 31 March 2007, these current financial assets available for sale totalled €51,940 thousand, of which €50,000 thousand were contributed by Paris Orléans and €1,940 thousand by Francarep Inc.

## Note 9 Cash and cash equivalents

This line includes available funds and marketable securities (investment trusts and mutual funds) that comply with the criteria established in Section IV "Accounting rules and methods".

## Note 10 Other non-current assets held for sale

As at 31 March 2006, other non-current assets held for sale included only the assets of SGIM (totalling €537,821 thousand), which Paris Orléans had already decided to dispose of.

As at 31 March 2007, this line included €49,013 thousand in assets on the coming sale of Courcelles Participations, which had until now been consolidated by the equity method, and €2,046 thousand in assets for SCI Belfort Maison Carrée, which was in the process of being sold at the end of the financial year.

## Note 11 Shareholders' equity (group share)

Changes in consolidated shareholders' equity (group share) as at 31 March 2007 are presented in a separate table of the financial statements.

## Note 12 Minority interests

Changes of minority interests over the period are as follows:

| *In thousands of euros* | **From 01/04/2006 to 31/03/2007** | From 01/04/2005 to 31/03/2006 |
|---|---|---|
| **Opening balance** | **19,566** | **16,776** |
| Changes of scope | (12,651) | 2,600 |
| Distribution of SGIM dividends | (1,450) | (1,424) |
| Other movements | 15 | (62) |
| Net result for the period | (166) | 1,676 |
| **Closing balance** | **5,314** | **19,566** |

The line "changes of scope" reflected essentially the deconsolidation of SGIM following its sale, which decreased this line by €15,307 thousand, and a €434 thousand decrease brought on by the group's acquisition of the minority interests of SPCA Deux. Conversely, the line increased by €3,090 thousand with the first-time consolidation of PO Invest 2.

As at 31 March 2007, minority interests contained positive contributions of respectively €2,603 thousand and €3,052 thousand from PO Invest 1 and PO Invest 2, and negative €278 thousand from Manufaktura (Centrum NS).

## Note 13 Borrowings and financial liabilities

As at 31 March 2007, this line included a US dollar-denominated loan from BNP Paribas maturing in early 2012.

## Note 14 Provisions for contingencies and charges

Movements during the financial year can be analysed as follows:

| Type of provision | Balance as at 01/04/2006 | Charge for the period | Recovery during the period (used) | Reversal during the period (unused) | Other movements | **Balance as at 31/03/2007** |
|---|---|---|---|---|---|---|
| **Provision for contingencies** | | | | | | |
| Foreign exchange losses | - | - | - | - | - | - |
| Other contingencies | 48 | 71 | 48 | - | - | 71 |
| **Total** | **48** | **71** | **48** | **-** | **-** | **71** |
| **Provisions for charges** | | | | | | |
| Restoration of oil and gas sites | - | - | - | - | - | - |
| Share in the negative net assets of companies accounted for by the equity method | | | | | | |
| – Comepar | - | 1,640 | - | - | - | 1,640 |
| – Centrum Luxembourg | - | 2,789 | - | - | 182 | 2,971 |
| Other charges | - | - | - | - | - | - |
| **Total** | **-** | **4,429** | **-** | **-** | **182** | **4,611** |
| **Total provisions** | **48** | **4,500** | **48** | **-** | **182** | **4,682** |

The €48 thousand provision for a risk on derivatives that appeared in the financial statements at 31 March 2006 was recovered in full during the financial year following the unwinding of the transaction during that period.

A €71 thousand contingency provision was recognised in the financial statements as at 31 March 2007 in relation to a dispute regarding the sale, at the end of 2006, of the minority stake held in the BVC- Stimula group.

A €4,611 thousand contingency provision was set aside for financial year 2006/2007 that corresponded to the group's share of losses in the negative net assets of Comepar and Centrum NS.

## Note 15 Retirement and related commitments

As at 31 March 2007, the entire balance concerned only one supplemental retirement scheme for managers of Paris Orléans. All managers are eligible for the supplemental retirement scheme, which guarantees them an additional annual retirement allowance equal to 20% of their average gross salary during their last three full years of active employment within the company. These rights become vested only when the participant leaves the company to retire, and provided that he fulfils the following conditions at this time: a reference salary of over four times the Social Security upper limit, lenght of service of no less than 5 years and aged 60. The present value of the capital to be set aside amounted to €2,676 thousand. The coverage of this scheme has been outsourced to an insurance company.

Retirement and related commitments as at 31 March 2007 increased in comparison with 31 March 2006 due to the Paris Orléans group having taken over the supplemental retirement commitment granted to a senior manager of SGIM.

## Note 16 Deferred income and public grants

The deferred income reported on the balance sheet of the previous year that concerned the Siaci sub-group was reclassified in liabilities related to current assets held for sale.

## Note 17 Deferred tax liabilities

As at 31 March 2007, most of the deferred tax liabilities concerned financial assets available for sale. The amount was reduced by a €921 thousand deferred tax asset on the retirement commitments of Paris Orléans.

## Note 18 Current portion of borrowings and financial liabilities

As at 31 March 2007, this line is composed essentially of an €18,000 thousand borrowing from BNP Paribas that matures in less than one year. The balance includes current bank lines maturing in less than one year.

## Note 19 Current tax liabilities

The current tax liability, which amounted to €1,070 thousand as at 31 March 2007, included the balance of income taxes due by Paris Orléans (€295 thousand) and PO Mezzanine (€775 thousand).

## Note 20 Liabilities directly associated with non-current assets held for sale

These included essentially the capital gain in 2003 on the secondary LBO on Siaci. As this transaction had no impact on the group's percentage holding in Siaci, the capital gain was eliminated in the consolidated financial statements. The deferred income can be taken into profit or loss only once the holding of the Siaci sub-group is disposed of, either in part or in full.

# VI. Notes to the income statement

Paris Orléans had consolidated net income (group share) of €54.12 million as at 31 March 2007, compared with €38.64 million as at 31 March 2006.

The increase reflects:

> among the activities disposed of, the €10,281 thousand after-tax gain on the sale of SGIM. This amount includes the €6.3 million in net income SGIM earned up to the date on which it exited the Paris Orléans scope of consolidation, €5 million of which came from the sale of SGIM's private assets;

> a share of income from investments in associates that increased sharply over the comparable period of the previous year to €21,586 thousand, to which Concordia BV and CINV contributed respectively €20,139 thousand and €4,310 thousand,

> capital gains being maintained at a satisfactory level, combined with a significant reduction in charges for permanent impairment (€812 thousand in FY 2006/2007, compared with €5,348 thousand the previous year).

Changes in the main lines are analysed in Notes 21 through 31.

## Note 21 Interest income

Interest income may be analysed in the following manner:

| *In thousands of euros* | **31/03/2007** |
|---|---|
| Ambroisie Holding | 1,098 |
| Centrum NS | 469 |
| Frères Blanc | 423 |
| Thermocoax (bonds with equity warrants) | 358 |
| Financière Aramis | 280 |
| Financière La Providence (bonds with equity warrants) | 265 |
| Alexa | 208 |
| S.I. | 194 |
| Financière SENI | 171 |
| Other | 1,357 |
| **Total** | **4,823** |

## Note 22 Dividends

The group received the following dividends during the financial year:

| *In thousands of euros* | 31/03/2007 | 31/03/2006 |
|---|---|---|
| Total E&P Cameroun | 2,297 | 1,803 |
| Finatis | 1,415 | 1,820 |
| Rallye | 667 | 908 |
| Publicis | 137 | 260 |
| Norsea Pipeline | 108 | - |
| Other | 78 | 836 |
| **Total** | **4,702** | **5,627** |

## Note 23 Capital gains

This line may be analysed in the following manner:

| *In thousands of euros* | 31/03/2007 |
|---|---|
| Publicis | 8,309 |
| Additional payment on FMCF | 4,141 |
| François 3 | 3,242 |
| BSA Brazos | 1,714 |
| e-planet ventures (DFJ) | 1,700 |
| Carlyle Partners 3 | 1,571 |
| PAI Europe III | 1,260 |
| APEF 4 | 930 |
| Carlyle TBC | 757 |
| Euromezzanine 3 | 721 |
| Other | 3,916 |
| **Total** | **28,261** |

## Note 24 Capital losses

This line may be analysed in the following manner:

| *In thousands of euros* | 31/03/2007 |
|---|---|
| Courcelles Participations | 941 |
| Other | 40 |
| **Total** | **981** |

## Note 25 Impairment of financial assets

This line may be analysed in the following manner:

| *In thousands of euros* | 31/03/2007 |
|---|---|
| Black Vodka | 547 |
| Lone Star Fund II | 248 |
| Other | 17 |
| **Total** | **812** |

## Note 26 Recovery of provisions for financial assets

This line may be analysed in the following manner:

| *In thousands of euros* | 31/03/2007 |
|---|---|
| Recovery on options | 311 |
| Other | 48 |
| **Total** | **359** |

## Note 27 Other operating expenses

This line may be analysed in the following manner:

| *In thousands of euros* | 31/03/2007 | 31/03/2006 |
|---|---|---|
| Salaries and payroll taxes | 4,113 | 3,416 |
| Other purchases and external charges | 3,626 | 2,850 |
| Share of losses of real estate development companies | - | 516 |
| Taxes other than those on income | 440 | 328 |
| Other operating expenses | 1,640 | 864 |
| **Total** | **9,819** | **7,973** |

## Note 28 Share of income from investments in associates

Among the most significant components of the line "share of income from investments in associates" during financial year 2006/2007, it is worth mentioning the significant improvement in the positive contribution made by the Concordia BV group, which reached €20,139 thousand for FY 2006/2007 (compared with €13,373 thousand the previous year), including a €10,909 thousand non-recurrent provision (Paris Orléans group share) on risk related to the Rothschilds Continuation Holdings (RCH) sub-group's mining activities. This provision should be analysed in the light of a €6,873 thousand provision (Paris Orléans group share) recognised by RCH itself. The difference corresponds to the net value of Paris Orléans' evaluation of the risk on this group of companies compared to the prevailing valuation calculated at the time that the RCH sub-consolidation financial statements were prepared. Similarly, Continuation Investments NV posted much higher earnings after selling off investments in the mining sector under highly favourable conditions.

The negative contribution from Centrum Luxembourg was attributable to the operational start-up of the Manufaktura shopping centre, which was inaugurated in mid-May 2006. It should also be noted that the first-time consolidation of the Comepar group resulted in the recognition of €1,651 thousand in losses.

| *In thousands of euros* | **31/03/2007** | 31/03/2006 |
|---|---|---|
| Concordia BV | 20,139 | 13,373 |
| Courcelles Participations*** | - | 4,026 |
| Les Domaines Barons de Rothschild - DBR | 975 | 895 |
| Centrum Luxembourg | (2,789) | (3,450) |
| Comepar* | (1,651) | - |
| Continuation Investments NV | 4,309 | (458) |
| Rivoli Participation | 571 | (36) |
| Marco Polo** | - | (1) |
| Franinvest | 32 | (3) |
| **Total** | **21,586** | **14,346** |

** Entry in the scope of consolidation during the financial year.*
*** Exit from the scope of consolidation during the financial year.*
**** 2006/2007 net income classified in activities held for sale.*

## Note 29 Analysis of tax expense

| *In thousands of euros* | Base | CIT at 33.3% |
|---|---|---|
| **Overall net income** | **53,959** | |
| **Adjustments** | | |
| Share of income from investments in associates | (21,586) | |
| Income tax (CIT) | 7,310 | |
| **Income from consolidated companies before CIT** | **39,683** | **13,228** |
| Consolidation adjustments (deferred taxes, fair value adjustments, impairment recoveries and charges, etc.) | | 575 |
| Tax loss carryforwards | | 41 |
| Differences in rates (social contribution on earnings, long-term capital gains, venture capital firms [SCR], US taxes) | | (3,668) |
| Discontinued or sold operations | | (3,850) |
| Permanent differences | | 227 |
| Temporary differences | | 757 |
| **Consolidated income tax** | | **7,310** |
| **Effective tax rate** | | |
| Net income (group share) | 54,125 | |
| Net income (minority interests) | (166) | |
| Income tax | 7,310 | |
| **Total gross income** | **61,269** | |
| **Effective tax rate** | **11.93%** | |
| **Effective tax rate on earnings other than those from operations sold, held for sale or discontinued (and excluding companies accounted for by the equity method)** | **27.02%** | |

The Paris Orléans group posted a relatively low effective tax rate for financial year 2006/2007 due to two factors in particular. First of all, the tax treatment applicable to the disposal of the holding in SGIM by the company's acquisition of its treasury stock (as the parent-subsidiary treatment can be beneficial for the treatment of distributions of dividends) kept the net tax on this transaction to €372 thousand, which explains the impact of discontinued or sold operations in the reconciliation of the consolidated tax expense to the theoretical tax calculated at the rate of 33.3%. Second, the differences in the rates used for long-term capital gains and the company's status as a venture capital firm (SCR) decreased the company's tax expense by €2,009 thousand and €2,051 thousand, respectively.

## Note 30 Net income from discontinued operations

Net income from discontinued or held-for-sale operations concerned notably SGIM (€10,281 thousand) and Courcelles Participations (€2,043 thousand).

## Note 31 Net income (group share)

Analysis of contributions to consolidated net income (group share) by group company:

| *In thousands of euros* | **2006/2007** | 2005/2006 |
|---|---|---|
| Paris Orléans | 21,706 | 18,085 |
| Concordia BV* | 20,139 | 13,373 |
| Ponthieu Ventures | 6,181 | 713 |
| Courcelles Participations / SIACI* | 2,043 | 4,026 |
| SGIM | 6,301 | 2,489 |
| PO Mezzanine | 1,257 | - |
| Francarep Canada | - | 1,852 |
| Francarep Inc. | 768 | 1,229 |
| Hi Trois | (131) | 1,020 |
| Les Domaines Barons de Rothschild - DBR* | 975 | 895 |
| Centrum Luxembourg NS* | (2,789) | (3,450) |
| SPCA Deux | (2,042) | (944) |
| K Développement | (1,855) | (1,254) |
| Comepar* | (1,651) | - |
| Continuation Investments NV* | 4,309 | (458) |
| Rivoli Participation* | 571 | (36) |
| Other fully-consolidated companies | (1,689) | 1,105 |
| Other companies accounted for by the equity method | 32 | (4) |
| **Net income - group share** | **54,125** | **38,641** |

** Accounted for by the equity method.*

## Note 32 Earnings per share

Given the absence of instruments that could potentially have a dilutive effect on capital (share purchase warrants, etc.), earnings per share are obtained by simply dividing total net income for financial year 2006/2007 by the 2,516,900 shares and investment certificates outstanding as at 31 March 2007.

Net earnings per share (group share) for the financial year ended 31 March 2007 amounted to €21.50, compared with €15.35 for the previous year. Earnings per share from continuing operations amounted to €16.57 as at 31 March 2007 compared with €14.30 as at 31 March 2006.

# VII. Other information

## Tax consolidation

Paris Orléans is the head of a tax group that includes the following companies, all of which are domiciled at 23 bis avenue de Messine 75008 Paris:

> K Développement
> SPCA Deux
> SFIR
> PO Fonds (formerly Colisée Investissements)
> Manufaktura
> Verseau
> Chaptal Investissements

The option of filing as a consolidated tax group, which was first exercised for the financial year that began 1 April 2004, was taken for a five-year period ending 31 March 2009.

As part of the tax consolidation process, each subsidiary in the tax consolidation group calculates its income tax as if it were taxed on a standalone basis.

## Employee data

The 15-person average workforce of the fully-consolidated companies during financial year 2006/2007 included 13 executives and 2 employees.

## Related parties

The term "related parties" includes all companies under joint control or holdings over which the group exercises notable influence, and the main executive managers of the Paris Orléans group. Transactions with related companies are carried out at market prices.

| *In thousands of euros* | Income from related parties (interest) | Expenses from related parties | Accounts receivable from related parties | Accounts payable to related parties |
|---|---|---|---|---|
| **Companies accounted for by the equity method** | | | | |
| Concordia BV | - | - | - | - |
| DBR | - | - | - | - |
| Courcelles Participations | - | - | - | - |
| CINV | - | - | - | - |
| Centrum Luxembourg | 469 | - | 1,258 | - |
| Rivoli Participation | 41 | - | 400 | 4 |
| Franinvest | 169 | - | 7,687 | - |
| **Total companies accounted for by the equity method** | **679** | **-** | **9,345** | **4** |
| **Other related parties** | | | | |
| Comepar (real estate development partnership) | 103 | - | 5,156 | 167 |
| Ixel International | - | - | 9 | - |
| Clarifilter | 4 | - | 36 | - |
| Central Call International | - | - | 2 | 2 |
| Alexanderplatz / Alexa | 209 | - | 2,982 | - |
| **Total other related parties** | **316** | **-** | **8,185** | **169** |
| **Total** | **995** | **-** | **17,530** | **173** |

For the group as a whole (Paris Orléans, companies controlled by the company or those controlling it), the members of the Executive Committee received the following during financial year 2006/2007:

| | |
|---|---|
| Fixed compensation | €623.0 thousand |
| Variable compensation | €1,498.5 thousand |
| Total short-term benefits | €2,121.5 thousand |

Moreover, in relation to retirement and related commitments (Note 14), the net present value of the capital to be set aside in favour of the corporate directors and officers under the terms of the supplemental retirement scheme for the managers of Paris Orléans amounted to €2,676 thousand.

## Off-balance sheet commitments as at 31 March 2007

The off-balance sheet commitments as at 31 March 2007 are presented in the table below:

| *In thousands of euros* | Total | Executive Managers | Subsidiaries | Affiliates | Other related companies | Other |
|---|---|---|---|---|---|---|
| **Commitments granted** | | | | | | |
| Guarantee in favour of Société Générale for 50% of the Centrum Luxembourg NS subsidiary's commitments on its €20 million line of credit | 10,000 | - | - | - | - | 10,000 |
| Guarantee in favour of Gecina for 50% of Apsys' commitments on SCI du Pont de Grenelle | 8,000 | - | - | - | - | 8,000 |
| Guarantee in favour of Crédit Commercial de France on a €10,435 thousand borrowing | 10,435 | - | - | - | - | 10,435 |
| Investment commitments in various funds | 39,778 | - | - | - | - | 39,778 |
| Asset-liability guarantee provided as part the sale of the holding in Bomart Longuet (total guarantee is capped, with a €10 thousand deductible) | 1,570 | - | - | - | - | 1,570 |
| Asset-liability guarantee provided through 31 December 2008 as part of the sale of the holding in Business Value Challenge (total guarantee is capped) | 283 | - | - | - | - | 283 |
| **Total** | **70,066** | **-** | **-** | **-** | **-** | **70,066** |
| **Commitments received** | | | | | | |
| Counter-guarantee given by Foncière Euris in connection with the Apsys' commitments on Gecina | 4,568 | - | - | - | - | 4,568 |
| Senior claim on mezzanine investments in the following target companies controlled by LBO holding companies: | | | | | | |
| - Market Maker | 3,000 | - | - | - | - | 3,000 |
| - Eider | 5,000 | - | - | - | - | 5,000 |
| - Olympia | 8,855 | - | - | - | - | 8,855 |
| Subordinated (after the senior bankers) claim on mezzanine investments in the following target companies controlled by LBO holding companies: | | | | | | |
| - Thermocoax | 2,000 | - | - | - | - | 2,000 |
| - S.I. | 1,400 | - | - | - | - | 1,400 |
| - Frères Blanc | 2,000 | - | - | - | - | 2,000 |
| - La Providence | 2,050 | - | - | - | - | 2,050 |
| - Médiascience | 1,300 | - | - | - | - | 1,300 |
| - Seni | 1,700 | - | - | - | - | 1,700 |
| - Atos | 2,800 | - | - | - | - | 2,800 |
| - Lansay | 2,500 | - | - | - | - | 2,500 |
| - EVS | 1,500 | - | - | - | - | 1,500 |
| - Edimark | 4,000 | - | - | - | - | 4,000 |
| - WFS | 1,000 | - | - | - | - | 1,000 |
| - Casema | 1,000 | - | - | - | - | 1,000 |
| - Bouhyer | 4,750 | - | - | - | - | 4,750 |
| - Eryma | 4,500 | - | - | - | - | 4,500 |
| Pledge of 45,768 shares of Rothschild & Cie Banque | 10,435 | - | - | - | - | 10,435 |
| Line of credit from BNP Paribas usable by discounting of eligible bills: expires 16/11/2007 | 25,000 | - | - | - | - | 25,000 |
| Line of credit in dollars from BNP Paribas : expires 21/01/2012 | 5,925 | - | - | - | - | 5,925 |
| Commitment from Clarifilter to repay its previously waived debt in the event of a turnaround in the company's earnings | 464 | - | - | 464 | - | - |
| **Total** | **95,747** | **-** | **-** | **464** | **-** | **95,283** |
| Mutual commitments | None | - | - | - | - | None |

### Other commitments

The executive managers of Paris Orléans' investment team (the "Managers") are expected to contribute to the increase in value of the group's investments. Accordingly, Paris Orléans has established a carried interest programme to allow the Managers to share in the growth of its private equity business, whereby they will receive a portion of any net capital gain Paris Orléans makes on the sale of securities it had acquired.

The implementation of this programme gave rise to the creation of a formal association including both the Managers and Paris Orléans (PO Gestion), whose relationships are governed by an associates' pact. PO Gestion also signed an investment contract with Paris Orléans that establishes the terms and conditions under which the Managers may, through PO Gestion, share in the profits and risks associated with the Paris Orléans securities portfolio.

The carried interest programme is applicable to all investments made between 1 April 2006 and 31 March 2009 (the "Reference Period"), and Paris Orléans' total investment is limited to €100 million.

Accordingly, Paris Orléans provided PO Gestion with promises of sale that allow the latter to acquire, during the Reference Period, at the initial payback value for Paris Orléans, a share of these securities or units or shares of the direct or indirect holding companies. These promises of sale could represent up to 10% of the investments carried out during this period.

In exchange for Paris Orléans' commitments under the promises, PO Gestion is required to pay a premium corresponding to the value of the options resulting from said promises, on the date each promise is executed.

When securities acquired during the Reference Period are sold, or should the control of Paris Orléans change, and in any event on 31 March 2014 at the latest, the rights of the parties under the terms of the investment contract will be liquidated. Accordingly, PO Gestion will receive a share of any net capital gain made, subject to a 7% preferential payout for said period set aside for Paris Orléans.

Moreover, as part of the "Manufaktura" project to create 120,000 m² of shopping space in Lodz, Poland, Paris Orléans committed to covering all production costs over €80 million with the Rheinhyp-Bre Bank Hipoteczny (Eurohypo). Current budget data indicate that the final cost of the project should be less than this amount.

## Changes in financial commitments during financial year 2006/2007

| Commitments given | As at 31/03/2007 | As at 31/03/2006 |
|---|---|---|
| Guarantees given and other commitments | 30,288 | 31,530 |
| Investment commitments* | 39,778 | 32,639 |
| **Total** | **70,066** | **64,169** |

| Commitments received | As at 31/03/2007 | As at 31/03/2006 |
|---|---|---|
| Undrawn BNP Paribas lines of credit | 30,925 | 27,000 |
| Pledges of shares and equity warrants in our favour | 59,790 | 21,185 |
| Counter-guarantees received | 5,032 | 216,690 |
| **Total** | **95,747** | **264,875** |

*(*) The last line corresponds to our total commitment to invest in funds. It should be noted that in practice, however, the group is rarely called upon to release all of the funds committed.*

Counter-guarantees received fell sharply due solely to the deconsolidation of SGIM.

Pledges of shares and equity warrants increased due to the high volume of investments in mezzanine financing during the financial year.

Paris Orléans confirms that it has not omitted any significant current or potential future off-balance sheet commitment as defined by the accounting standards in effect.

## Non-current financial assets available for sale

| | As at 31 March 2007 IFRS fair value | As at 31 March 2006 IFRS fair value |
|---|---|---|
| **Listed securities** | **81,193** | **68,058** |
| Finatis | 41,035 | 29,708 |
| Rallye | 26,233 | 19,046 |
| Foncière Inéa | 5,344 | 3,003 |
| Publicis | 3,616 | 12,258 |
| DAB | 2,126 | 2,126 |
| Idi | 2,053 | - |
| Black Vodka (Blavod) | 340 | 990 |
| Waterford Wedgwood | 446 | 344 |
| Métropole TV (M6)* | - | 583 |
| **Other securities** | **105,894** | **29,122** |
| Total E & P Cameroun | 13,100 | 5,272 |
| Helium syndication | 12,801 | - |
| Ambroisie Holding (bonds) | 8,855 | - |
| Multitel Gamma | 7,000 | 7,000 |
| Edelweiss (bonds with equity warrants) | 5,000 | - |
| Cast (bonds with equity warrants) | 4,750 | - |
| Financière Florence (bonds with equity warrants) | 4,500 | - |
| Edimark santé (bonds with equity warrants) | 4,000 | - |
| Dag Import (bonds with equity warrants) | 3,000 | - |
| Financière Aramis (bonds with equity warrants) | 2,800 | - |
| SEP Parinvest | 2,773 | - |
| Financière La Providence (bonds with equity warrants) | 2,698 | 2,050 |
| AlexanderPlatz | 2,694 | 2,694 |
| Financière Next (bonds with equity warrants) | 2,500 | - |
| LDR Holding Corporation | 2,341 | - |
| Les Petits Chaperons Rouges (shares) | 2,300 | - |
| Thermocoax Holding (bonds with equity warrants) | 2,036 | 2,000 |
| Financière Frères Blanc (bonds with equity warrants) | 2,000 | 2,000 |
| Other unlisted securities | 20,746 | 8,107 |
| **Investment funds** | **76,242** | **67,669** |
| PAI Europe III | 4,193 | 2,201 |
| Consolis Invest | 4,000 | - |
| Five Arrows Friends and Family | 3,808 | 2,359 |
| White Knight VI Bis | 3,534 | 1,958 |
| Euromezzanine IV | 3,260 | 3,296 |
| Cegelec | 2,999 | 3,000 |
| Actoline | 2,970 | - |
| Doughty Hanson IV | 2,769 | 1,356 |
| R Capital Technologies | 2,760 | 2,529 |
| White Knight VII | 2,629 | - |
| APEF 4 | 2,545 | 3,216 |
| White Knight VI | 2,264 | 3,628 |
| Terréal Invest | 1,999 | 2,000 |
| Weinberg Capital Partners | 1,975 | 46 |
| CASOP | 1,957 | 1,217 |
| Idi Mezzanine | 1,904 | 1,012 |
| Carlyle Partners III | 1,772 | 3,759 |
| Euromezzanine V | 1,499 | 415 |
| Carlyle Realty Partners III | 1,404 | 2,350 |
| Ripplewood Partners II | 1,423 | 677 |
| SigmaBleyzer Southeast European Fund (SBF IV) | 1,310 | - |
| Sofinnova Ventures Partners V | 1,188 | 2,141 |
| Francisco Partners | 1,138 | 1,369 |
| Banexi Ventures 3 | 1,095 | 1,092 |
| IFE II | 1,094 | 496 |
| Access Capital | 1,089 | 1,484 |
| e-planet ventures (DFJ) | 1,078 | 1,859 |
| APEF 3 | 1,076 | 1,372 |
| François III | 8 | 3,926 |
| Other funds | 15,502 | 18,911 |
| **Total securities and investment funds** | **263,329** | **164,849** |
| **Receivables related to investments** | **11,757** | **11,729** |
| Total non-current financial assets available for sale | 275,086 | 176,578 |

** Sold or paid back during the financial year.*

Paris Orléans informs the reader that the following disclosures (consolidated balance sheet, consolidated income statement, movements in shareholder's equity, consolidated cash flow statement, notes to the financial statements) were established by Concordia BV.

# CONCORDIA BV GROUP

## A. Consolidated Balance Sheet

**For the year ended 31 March 2007**

### Assets

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Cash and balances with banks | 717,666 | 423,275 |
| Derivative financial instruments | 43,543 | 38,150 |
| Loans and advances to banks | 505,706 | 626,305 |
| Loans and advances to customers | 3,119,129 | 3,064,469 |
| Debt and equity securities | 4,705,441 | 4,647,212 |
| Other participating interests | 328,790 | 252,774 |
| Investments in associates and partnerships | 77,713 | 37,001 |
| Intangible assets | 227,626 | 227,924 |
| Property, plant and equipment | 115,878 | 105,618 |
| Current tax assets | 909 | 2,173 |
| Deferred tax assets | 76,665 | 71,776 |
| Disposal group assets classified as held for sale | 54,076 | 1,225,898 |
| Other assets | 424,068 | 369,047 |
| **Total assets** | **10,397,210** | **11,091,622** |

### Liabilities and shareholders' equity

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| **Liabilities** | | |
| Deposits by banks | 3,517,930 | 3,074,708 |
| Due to customers | 2,686,087 | 2,734,123 |
| Derivative financial instruments | 72,621 | 73,164 |
| Debt securities in issue | 1,293,626 | 1,487,804 |
| Subordinated loan capital | 274,578 | 289,603 |
| Other liabilities | 204,487 | 207,317 |
| Current tax liabilities | 16,004 | 30,522 |
| Deferred tax liabilities | 30,153 | 24,453 |
| Accruals and deferred income | 650,151 | 479,966 |
| Disposal group liabilities classified as held for sale | 39,219 | 1,140,969 |
| **Total liabilities** | **8,784,856** | **9,542,629** |
| **Shareholders' equity** | | |
| Share capital | 464,875 | 464,875 |
| Share premium | 149,776 | 149,776 |
| Retained earnings | 62,521 | 36,937 |
| Amounts recognised directly in equity relating to disposal group held for sale | 311 | 177 |
| Other reserves | 76,887 | 46,320 |
| **Total shareholders' equity attributable to equity holders of the parent** | **754,370** | **698,085** |
| Minority interests | 857,984 | 850,908 |
| **Total equity and liabilities** | **10,397,210** | **11,091,622** |

## B. Consolidated Income Statement

### For the year ended 31 March 2007

| *In thousands of euros* | 2007 | 2006 (Pro forma) | 2006 |
|---|---|---|---|
| Interest and similar income | 567,224 | 545,664 | 545,664 |
| Interest expense and similar charges | (407,570) | (396,412) | (384,715) |
| **Net interest income** | **159,654** | **149,252** | **160,949** |
| Fee and commission income | 938,265 | 845,943 | 845,943 |
| Fee and commission expense | (48,290) | (76,585) | (76,585) |
| Dividend income | 14,085 | 9,162 | 9,162 |
| Net trading income | 15,132 | 26,398 | 35,922 |
| Gains less losses from debt and equity securities | 3,318 | 4,381 | 4,381 |
| Share of operating profit of associates and partnerships | 14,644 | 12,867 | 12,867 |
| Other operating income | 28,755 | 19,030 | 19,030 |
| **Total operating income** | **1,125,563** | **990,448** | **1,011,669** |
| Impairment (losses)/recoveries on loans and advances | 1,621 | (16,994) | (16,994) |
| Impairment losses on debt and equity securities | (2,036) | (1,371) | (1,371) |
| **Net operating income** | **1,125,148** | **972,083** | **993,304** |
| Operating expenses | (898,758) | (811,606) | (811,606) |
| Depreciation and amortisation | (12,493) | (15,189) | (15,189) |
| **Operating profit before tax** | **213,897** | **145,288** | **166,509** |
| Non-operating income/(expense), net | (30,314) | (24,945) | (24,945) |
| **Profit before income tax** | **183,583** | **120,343** | **141,564** |
| Income tax expense | (59,203) | (59,854) | (66,322) |
| **Profit for the financial year** | **124,380** | **60,489** | **75,242** |
| - Equity holders of the parent company | 48,350 | 22,910 | 26,746 |
| - Minority interest | 76,030 | 37,579 | 48,496 |
| **Total** | **124,380** | **60,489** | **75,242** |

In accordance with IFRS as adopted by the EU, US dollar, Euro and Sterling perpetual subordinated debt instruments of the Concordia BV Group were accounted for as equity minority interests in the period 1 April 2005 to 30 March 2006. With effect from 30 March 2006, the US dollar and Euro perpetual subordinated debt instruments were reclassified as liabilities following the issuance of cumulative redeemable preference shares by certain subsidiaries.

It is the view of the Directors that accounting for these US dollar and Euro perpetual instruments as equity minority interests in the period ending 31 March 2006 did not fully reflect their economic characteristics. It also makes a year on year comparison of the results difficult, because all the perpetual instruments were treated as liabilities in 2004/2005 and all, apart from the Sterling perpetual debt, have been treated as liabilities again from 31 March 2006. Accordingly, the pro forma income statement above shows the results for the year ended 31 March 2006 as they would have been presented had the US dollar and Euro perpetual subordinated debt instruments been classified as liabilities throughout this period. Note 11 provides further explanation of this matter.

## C. Reconciliation of movements in shareholders' equity

### 1. Shareholders' equity

| *In thousands of euros* | Share capital | Share premium | Retained earnings | Translation reserve | Available for sale reserve | Equity related to disposal groups held for sale | Hedging reserve | Total |
|---|---|---|---|---|---|---|---|---|
| Concordia BV group | | | | | | | | |
| **At 1 April 2005** | **464,875** | **149,776** | **(4,374)** | **(9,480)** | **34,217** | **-** | **(211)** | **634,803** |
| Change in percentage ownership | - | - | 5,491 | (136) | 1,248 | - | (3) | 6,600 |
| Profit for the year | - | - | 26,746 | - | - | - | - | 26,746 |
| Shareholders' dividends | - | - | (16,038) | - | - | - | - | (16,038) |
| Actuarial gains/(losses) on defined benefit funds | - | - | (389) | - | - | - | - | (389) |
| Gains/(losses) from changes in fair value | - | - | - | - | 28,891 | - | (30) | 28,861 |
| Exchange differences on translation | - | - | - | (3,311) | (562) | - | 3 | (3,870) |
| Fair value and exchange adjustment on subordinated debt | - | - | 29,083 | - | - | - | - | 29,083 |
| Net (gains)/losses transferred to income on disposal and impairment | - | - | - | - | (3,294) | - | 62 | (3,232) |
| Employee share trust share (purchase)/sale | - | - | (6,120) | - | - | - | - | (6,120) |
| Transfers | - | - | 774 | (774) | (177) | 177 | - | - |
| Other | - | - | 1,764 | (32) | (91) | - | - | 1,641 |
| **At 31 March 2006** | **464,875** | **149,776** | **36,937** | **(13,733)** | **60,232** | **177** | **(179)** | **698,085** |
| Profit for the year | - | - | 48,350 | - | - | - | - | 48,350 |
| Shareholders' dividends | - | - | (19,292) | - | - | - | - | (19,292) |
| Actuarial gains/(losses) on defined benefit funds | - | - | (1,716) | - | - | - | - | (1,716) |
| Gains/(losses) from changes in fair value | - | - | (292) | - | 36,152 | 145 | (947) | 35,058 |
| Net (gains)/losses transferred to income on disposal and impairment | - | - | - | - | (4,755) | - | - | (4,755) |
| Exchange differences on translation | - | - | - | (131) | (999) | (4) | - | (1,134) |
| Recycling of translation reserve on disposal of subsidiary | - | - | - | 3,616 | - | - | - | 3,616 |
| Purchase of interest from minority | - | - | (540) | - | 310 | - | - | (230) |
| Employee share trust share (purchase)/sale | - | - | 18,026 | - | - | - | - | 18,026 |
| Change in percentage ownership | - | - | (18,828) | - | (2,687) | (7) | 8 | (21,514) |
| Other | - | - | (124) | - | - | - | - | (124) |
| **At 31 March 2007** | **464,875** | **149,776** | **62,521** | **(10,248)** | **88,253** | **311** | **(1,118)** | **754,370** |

Reserves consist of the following (all net of taxes):

Available For Sale Reserve - cumulative net unrealised gains/(losses) on fair value changes of available for sale investments until the investment is derecognised.

Translation Reserve - net gains/(losses) arising from the translation of the financial statements of foreign operations. Further, where there are disposals in the Group, the cumulative translation differences relating to the disposals are recycled through the income statement.

Hedging Reserve - change in fair value of derivative instruments designated as cash flow hedges.

Disposal Group Held For Sale - equity element related to disposal group.

## 2. Minority interest

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| **At 1 April** | **850,908** | **1,012,303** |
| Profit for the period | 76,030 | 48,496 |
| Shareholders' dividends | (22,353) | (19,915) |
| Actuarial gains/(losses) on defined benefit funds | (1,158) | (737) |
| Gains/(losses) from changes in fair value | 55,397 | 28,636 |
| Net (gains)/losses transferred to income on disposal and impairment | (7,111) | - |
| Exchange differences on translation | (11,782) | (10,969) |
| Recycling of translation reserve on disposal of subsidiary | 2,943 | - |
| Interest on perpetual subordinated debt (net of tax) | (11,617) | (19,647) |
| Fair value and exchange adjustment on subordinated debt | - | 21,839 |
| Effect of reclassifying subordinated debt from equity to debt | - | (304,262) |
| Minority interest from consolidation of equity interest in property fund | 157,930 | 111,995 |
| Deconsolidation of equity interest in property fund | (264,209) | - |
| Purchase of interest from minority | (2,021) | (5,441) |
| Employee share trust share purchase | 14,677 | (4,516) |
| Change in percentage ownership | 21,183 | (6,637) |
| Equity related to disposal group held for sale | 119 | 131 |
| Cash flow hedge | (771) | 24 |
| Other | (181) | (392) |
| **At 31 March** | **857,984** | **850,908** |

Minority interest consists of:

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Perpetual Fixed Rate Subordinated Notes 9 per cent (£125 million) | 217,750 | 212,042 |
| Minority interest from consolidation of equity interest in property fund | - | 109,839 |
| Other minority interests | 640,234 | 529,027 |
| **Closing** | **857,984** | **850,908** |

Where there is a change in minority interest during the year movements in constituent lines of the minority interest reconciliation are recognised based on the closing minority interest percentage. The difference between a significant opening and closing minority interest percentage is recognised in a specific line of the reconciliation table.

# Notes to the consolidated financial statements

## Summary of significant accounting policies

Concordia BV ("the Company") is a company incorporated in the Netherlands. The group financial statements consolidate those of the Company and its subsidiaries and jointly-controlled entities (together referred to as "the Group") and equity account for the Group's interests in associates. The Company financial statements present information about the company as a separate entity and not about its group.

### Basis of preparation

The consolidated financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, endorsed by the European Union ("EU"). The financial statements are prepared under the historical cost convention, except for available-for-sale investments, financial assets held for trading and all derivative contracts, which are stated at their fair value.

The principal accounting policies set out below have been consistently applied in the presentation of the Group financial statements.

The Group has adopted, in relation to financial guarantee contracts, amendments to IAS 39 *Financial instruments: recognition and measurement* and IFRS 4 *Insurance Contracts*, which apply for periods commencing on or after 1 January 2006.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2007, and have not been applied in preparing these consolidated financial statements:

IFRS 7 *Financial instruments: Disclosures* will be adopted by the Group effective 1 April 2007. The standard has no impact on recognition, measurement and presentation of financial instruments. Accordingly, it will have no effect on profit or on equity. Rather, it requires entities to provide disclosures in their financial statements that enable users to evaluate: a) the significance of financial instruments for the entity's financial position and performance; and b) the nature and extent of the credit, market and liquidity risks arising from financial instruments during the period and at the reporting date, and how the entity manages those risks. The principles of IFRS 7 complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 *Financial Instruments: Presentation* and IAS 39.

IFRIC 8 *Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of the goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2008 financial statements, but is not expected to have any impact on the consolidated financial statements

IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the consolidated financial statements.

IFRIC 11 *Group and Treasury Share Transactions* was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 March 2007. IFRIC 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments required are obtained. The interpretation also provides guidance on whether share-based payment arrangements in which suppliers of goods or services to an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Group applies IFRS 2 *Share-based Payment* in the same manner as set out in IFRIC 11. Therefore, there will be no impact on the consolidated financial statements.

### Basis of consolidation

The financial statements of the Group are made up to 31 March 2007 and consolidate the audited financial statements of the Company and its subsidiary undertakings. In order to avoid undue delay in the preparation of the consolidated financial statements, or in order to comply with local law, the financial statements of certain subsidiary undertakings are made up to 31 December 2006.

### Subsidiary undertakings

Subsidiary undertakings are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally as a result of a shareholding of more than one half of the voting rights so as to obtain benefits from the activities of the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which the Group acquires control, and cease to be consolidated from the date that control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiary undertakings. The cost of an acquisition is measured as the fair value of the assets given as consideration, shares issued or liabilities undertaken at the date of acquisition, plus any costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net identifiable assets and fair value of contingent liabilities of the subsidiary undertaking acquired is recorded as goodwill. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated on consolidation. The accounting policies used by subsidiary undertakings in their consolidation returns are consistent with the policies adopted by the Group.

The financial statements of the Group's subsidiary undertakings are made up either to the balance sheet date of the company, or to a date not earlier than three months before the balance sheet date. They are adjusted, where necessary, to conform with the accounting policies of the Group and for any material transactions or events that occur between the two dates.

### Associated undertakings

An associated undertaking is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

The Group's investments in associated undertakings are initially recorded at cost. Subsequently they are increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the associated undertaking. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. Goodwill arising on the acquisition of an associated undertaking is included in the cost of the investment (net of any accumulated impairment loss).

The Group's share of the post-tax results of associated undertakings is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting policies of the group and for any material transactions or events that occur between the two dates.

### Joint ventures

Joint ventures, in which the Group has a contractual arrangement with one or more parties to undertake activities jointly, may take the form of a jointly controlled entity or a jointly controlled operation.

A jointly controlled entity is a joint venture that involves the establishment of an entity in which each venturer has an interest. Jointly controlled entities are consolidated using the proportional consolidation method, under which the Group's financial statements include its share of the joint venture's assets, liabilities, income and expenses on a line-by-line basis. Proportional consolidation is discontinued when the Group no longer exercises joint control over the entity.

Jointly controlled operations are those joint ventures involving the use of the assets and other resources of the venturers themselves, rather than the establishment of an entity. The Group includes in its financial statements all the assets that it controls and the liabilities and expenses that it incurs in the course of pursuing the joint operation, and its share of the income from the joint operation.

## Foreign exchange

The consolidated financial statements are presented in Euros, which is the Company's functional currency and the Group's reporting currency. Items included in the financial statements of each of the Group's entities are measured using their functional currency. The functional currency is the currency of the primary economic environment in which the entity operates.

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Their balance sheets are translated at the exchange rate at the end of the period. Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates and joint ventures are taken to shareholders' equity. On disposal of a foreign entity, these translation differences are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary items that are denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on equities classified as at fair value through profit or loss are reported as part of the fair value gain or loss in the income statement. Translation differences on equities classified as available for sale are included in the available-for-sale reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

## Derivative financial instruments and hedge accounting

### Derivatives

Derivatives are initially recognised at fair value and are subsequently measured at fair value with changes in fair value recognised in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

### Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and where the hybrid contract itself is not carried at fair value through profit and loss, the embedded derivative is separated and reported at fair value with gains and losses being recognised in the income statement.

### Hedge accounting

The Group may apply either fair value or cash flow hedge accounting when transactions meet the criteria for hedge accounting treatment set out in IAS 39. At the inception of the hedge, the Group assesses whether the hedging derivatives meet the effectiveness criteria of IAS 39 in offsetting changes in the fair value or cash flows of the hedged items. The Group then documents the relationship between the hedging instrument and the hedged item. It also records its risk management objectives, its strategy for undertaking the hedge transaction and the methods used to assess the effectiveness of the hedging relationship.

After inception, effectiveness is tested on an on-going basis. Hedge accounting is discontinued when it is determined that a derivative has ceased to be highly effective, or when the derivative or the hedged item is derecognised, or when the forecast transaction is no longer expected to occur.

### Fair value hedge accounting

Changes in value of fair value hedge derivatives are recorded in the income statement, together with fair value changes to the underlying hedged item in respect of the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the difference between the carrying value of the hedged item on termination of the hedging relationship and the value at which it would have been carried had the hedge never existed is amortised to the income statement over the residual period to maturity based on a recalculated effective interest rate. Where the hedged item is an available-for-sale equity security, the adjustment remains in equity until the disposal of the equity security.

### Cash flow hedge accounting

Changes in the fair value of the effective portion of derivatives designated as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised in the income statement.

Amounts accumulated in equity are recycled to the income statement when the item being hedged impacts profit or loss.

When hedge accounting is discontinued, any cumulative gain or loss in equity remains in equity and is only recognised in the income statement when the forecast transaction is recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative balance in equity is immediately transferred to the income statement.

### Net investment hedge

Hedges of net investments in foreign operations are accounted for in a way similar to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are transferred to the income statement when the foreign operation is disposed of.

### Trading income

Trading income arises from movements in the fair value of financial assets held for trading and financial assets designated at fair value through profit or loss.

### Fee and commission income

The Group earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

Fees and commissions that are an integral part of a loan, and loan commitments fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Portfolio and other management fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

### Interest income and expense

Interest receivable and payable represents all interest arising out of banking activities, including lending and deposit-taking business, interest on related hedging transactions and interest on debt securities. Interest on all financial instruments, excluding those classified as held for trading or designated at fair value through profit or loss, is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Group considers all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts as well as all fees and transaction costs, that are an integral part of the loan.

### Financial assets and liabilities

Financial assets and liabilities are recognised on trade date and derecognised on either trade date, if applicable, or on maturity or repayment.

On initial recognition, IAS 39 requires that financial assets be classified into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale. The Group does not hold any assets that are classified as held-to-maturity investments.

#### Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, (i.e. primarily acquired for the purpose of selling in the short term), derivatives that are not designated as cash flow or net investment hedges, and any financial assets that are designated as fair value through profit or loss on inception. These financial assets are initially recognised at fair value, with transaction costs recorded immediately in the income statements, and are subsequently measured at fair value. Gains and losses arising from changes in fair value or on derecognition are recognised in the income statement as net trading income. Interest and dividend income from financial assets at fair value through profit or loss is recognised in trading income.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans which are intended to be sold in the short term are classified as held for trading and are recorded at fair value through profit or loss.

Loans and receivables are initially recorded at fair value, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

### Available-for-sale investments

Available-for-sale investments comprise non-derivative financial assets that are either designated as available for sale on initial recognition or are not classified into the categories described above. Available-for-sale investments include loans that do not meet the criteria for classification as loans and receivables as they are quoted in an active market. They are initially recognised at fair value, including direct and incremental transaction costs, and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity until the financial asset is sold, at which time the cumulative gain or loss is transferred to the income statement. Interest (determined using the effective interest rate method), impairment losses and translation differences on monetary items are recognised in the income statement as they arise. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

### Determination of fair value

The fair value of quoted investments in active markets is based on current bid prices. For other financial assets, the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation methods commonly used by market participants. The fair value of short-term debtors is equal to invoice value.

### Financial liabilities

Except for derivatives, which are classified as at fair value through profit or loss on initial recognition, all financial liabilities are carried at amortised cost, using the effective interest rate method.

### Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at fair value, and the initial fair value is amortised over the life of the guarantee. The guarantee liabilities is subsequently carried at the higher of the amortised amount and the expected present value of any expected payment (when a payment under the guarantee has become probable).

### Derecognition

The Group derecognises a financial asset when:

1. the contractual rights to cash flows arising from the financial assets have expired; or
2. it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset; or
3. it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of the asset, but no longer retains control of the asset.

## Securitisation transactions

The Group has issued debt securities or has entered into funding arrangements with lenders in order to finance specific financial assets.

In general, both the assets and the related liabilities from these transactions are held on the group's balance sheet. However, to the extent that the risks and returns associated with the financial instruments have been transferred to a third party, the assets and liabilities are derecognised in whole or in part.

Interests in securitised financial assets may be retained or taken in the form of senior or subordinated tranches of debt securities, or other residual interests. Such retained interests are primarily recorded as available-for-sale assets.

## Impairment of financial assets

Assets carried at amortised cost are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment losses are incurred if two conditions are met. Firstly, there must be objective evidence of impairment as a result of one or more events occurring after initial recognition of the asset (a "loss event"). Secondly, that loss event must have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

1. significant financial difficulty of the issuer;
2. a breach of contract, such as a default or delinquency in interest or principal repayment;
3. granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
4. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

### Impairments of loans and receivables

The Group first assesses whether objective evidence of impairment exists: individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment losses are calculated on a collective basis for any losses on loans that are subject to individual assessment for impairment, where those losses have been incurred but not yet identified. Collective assessment is also used for homogeneous groups of loans that are not considered individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it is included in a collective assessment for impairment with other assets with similar risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account. The amount of the loss is recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a financial asset reflects the cash flows that may result from scheduled interest payments, principal repayments or other payments due, including liquidation of collateral where available. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the fair value of any underlying collateral or guarantees in the group's favour. Each impaired asset is assessed on its merits, and the relevant Credit Committee reviews the workout strategy and estimate of cash flows considered recoverable on a regular basis. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Collectively assessed credit risk allowances cover credit losses inherent in portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contain impaired assets but the individual impaired items cannot yet be identified. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Future cash flows are estimated on the basis of historical loss experience. These estimates are subject to regular review and adjusted to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The accuracy of the allowances made depends on how accurately the Group estimates future cash flows for specific counterparty allowances and provisions and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgement, the Group believes that its allowances and provisions are reasonable and supportable.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate which was used to discount the future cash flows for the purpose of measuring the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an objective event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance for loan impairment.The amount of the reversal is recognised in the income statement.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. Recoveries received in respect of loans previously written off are recorded as a decrease in the impairment losses on loans and advances and recorded in the income statement in the year in which the recovery was made.

### Impairments of available-for-sale assets

Available-for-sale assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

For equity shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered evidence of impairment. If any such evidence exists, the cumulative loss is removed from equity and recognised in the income statement. Recognised impairment losses on equity shares classified as available for sale are not reversed through the income statement, but are recorded in equity.

Impairment of available-for-sale debt securities is based on the same criteria as for all other financial assets. If in a subsequent period the fair value of a debt instrument classified as available for sale increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

The loss recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

### Debt/ equity classification

Under IFRS the legal form of the transaction takes precedence over its economic substance in determining how it should be classified. The critical feature in differentiating a debt instrument from an equity instrument is the existence of a contractual obligation of the Group to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Group will classify the financial instrument as equity; otherwise it will be classified as a liability and carried at amortised cost.

### Goodwill and intangible assets

Goodwill in an associate or subsidiary represents the excess, at the date of acquisition, of an acquisition's cost over the fair value of the Group's share of net identifiable assets acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separate.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment, or more frequently when circumstances indicate that its carrying amount is too high. Goodwill is allocated to cash-generating units for the purposes of impairment testing. If the net present value of each of the cash-generating unit's forecast cash flows is insufficient to support its carrying value, then the goodwill is impaired. Impairment losses on goodwill are recognised in the income statement and are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets comprise acquired intellectual property rights, which are carried at cost less accumulated amortisation and impairment losses. The costs are amortised on the basis of an estimated useful life of ten years. Intellectual property rights are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If such evidence exists, an impairment test is performed.

### Property, plant and equipment

All property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Deemed cost refers to where, on transition to IFRS, the group elected to treat the fair value of an item of plant, property and equipment at the IFRS transition date as its deemed cost, as permitted by IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Computer equipment | 3-5 years |
| Software development | 3-5 years |
| Cars | 3-5 years |
| Fixtures and fittings | 3-10 years |
| Leasehold improvements | 5-15 years |
| Buildings | 50 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in the income statement.

### Impairment of property, plant and equipment

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

## Finance and operating leases

### Where the Group is the lessor

#### Finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest receivable over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

#### Operating leases

Assets acquired for use by customers under operating lease agreements, including initial direct costs incurred by the lessor in negotiating an operating lease, are capitalised in the relevant category of fixed assets. Depreciation is charged on a straight-line basis to write down the value of the asset to the expected residual value over a period consistent with other assets of a similar type.

Operating lease income and the initial direct costs are then recognised in other operating income on a straight-line basis over the period of the lease.

### Where the Group is the lessee

The Group has entered into operating leases. The total payments made under those operating leases are charged to the income statement as operating expenses.

## Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturities of less than three months, including cash and non-restricted balances with central banks, certificates of deposit and loans and advances to banks.

## Pensions

The Group's post retirement benefit arrangements are described in note 25. The Group operates a number of pension and other post retirement benefit schemes, both funded and unfunded, and of the defined benefit and defined contribution types. For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the income statement.

The defined benefit schemes are accounted for using the option permitted by the amendment made to IAS 19 *Employee Benefits*, which the Group has adopted early, whereby actuarial gains and losses are recognised outside profit or loss and presented in the statement of recognised income and expense. The amount recognised in the balance sheet in respect of defined benefit schemes is the difference between the present value of the defined benefit obligation at the balance sheet date, and the fair value of the plan's assets, if any. Independent actuaries calculate the defined benefit obligation annually using the projected unit credit method. The obligations' present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currencies in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

## Share based payments

The Group has entered into cash-settled share-based payment transactions. Where share-based payments are used to pay for employees' services, the fair value of the services received is initially measured by reference to the fair value of the instruments granted to them at the date they are granted. The cost of the services is recognised within staff costs in the income statement and is re-measured at each reporting date and at the date of settlement. Any vesting rights are taken into account when determining the rights to payment.

Interest-free staff loans to employees are accounted for under IAS 39 by recognising the loan at fair value (i.e. at a discount). The cost of the employee benefit is spread over the period in which the benefit is expected to accrue. In practice, the effect of this is offset in the income statement by the accretion of the discount on the loan back up to par value over the same period.

## Taxation

Tax payable on profits and deferred tax are recognised in the income statement, except to the extent that they relate to items that are recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or the deferred tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, deferred profit share arrangements, revaluation of certain financial instruments including derivative contracts, provisions for post-retirement benefits and tax losses carried forward.

Deferred tax assets, including the tax effects of income tax losses available for carry forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising from investments in subsidiaries and associates, unless the timing of the reversal of the temporary difference is controlled by a third party or it is probable that the difference will reverse in the foreseeable future.

### Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared by the Company's shareholders at the Annual General Meeting or, in the case of interim dividends, when they are paid.

### Fiduciary activities

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the income arising therefrom are excluded from these financial statements, as they are not assets or income of the group.

### Provisions and contingencies

Provisions are recognised only when the Group has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

The Group recognises provisions in respect of onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Group's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

### Commodities

Where stocks of gold and silver bullion are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, they are measured at fair value less costs to sell. Any movements in fair value of these stocks are recognised in the income statement. Where commodities in the Group are not actively traded, they are measured at the lower of cost and net realisable value.

### Non current assets and disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal group are available for immediate sale in their present condition and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale, the asset or disposal group is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset or disposal group to fair value less costs to sell. Any gain for a subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

# Notes to the Financial Statements for the year ended 31 March 2007

## 1. Segmental split by business and geography

| *In thousands of euros* | 31 March 2007 | | 31 March 2006 (Pro forma) | |
|---|---|---|---|---|
| | **Net operating income** | **Profit before tax** | Net operating income | Profit before tax |
| **By Business** | | | | |
| Investment & Commercial Banking | 959,073 | 578,754 | 823,399 | 442,839 |
| Asset Management | 50,241 | 29,742 | 28,447 | 8,311 |
| Private Banking & Trust | 115,834 | 33,248 | 120,237 | 37,676 |
| **Total** | **1,125,148** | **641,744** | **972,083** | **488,826** |
| **By Region** | | | | |
| UK & Europe | 893,659 | 581,430 | 760,763 | 449,934 |
| Americas | 166,617 | 86,417 | 150,734 | 69,246 |
| Australia and Asia | 60,067 | (28,860) | 59,275 | (30,305) |
| Other | 4,805 | 2,757 | 1,311 | (49) |
| **Total** | **1,125,148** | **641,744** | **972,083** | **488,826** |
| **Profit before profit share** | | **641,744** | | **488,826** |
| **Profit share** | | **(458,161)** | | **(368,483)** |
| **Profit after profit share** | | **183,583** | | **120,343** |

## 2. Non-operating income/(expense), net

Non-operating income/(expense), net consists of the following amounts:

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Disposal of other participating interests | 9,680 | 4,907 |
| Disposal of Australian banking group | (8,459) | (29,852) |
| Allowance for credit losses on loans and advances | (8,598) | - |
| Gains/(losses) on other exposures | (22,937) | - |
| **Total** | **(30,314)** | **(24,945)** |

Allowances for credit losses on loans and advances and other exposures are charged to non-operating income/(expense), net in cases where the exposure relates to the banking operations of Australia which are no longer part of the group's core business and are being run off.

The result on the disposal of the Australian banking group includes €6,557,000 of cumulative translation losses recycled from reserves. Further detail on the disposal is set out in notes 16 and 17.

## 3. Taxation

### Tax charged/(credited) to the income statement

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Current tax: | | |
| - Current period | 54,541 | 61,184 |
| - Prior year adjustments | (228) | 1,701 |
| - Overseas tax | 2,256 | 287 |
| - Unrecoverable dividend withholding tax | 1,077 | 893 |
| - Share of tax of associates | 4,689 | 3,956 |
| - Other | - | 41 |
| Total current tax | 62,335 | 68,062 |
| Deferred tax | | |
| - Origination and reversal of timing differences | (4,618) | (4,975) |
| - Prior year losses utilised | - | 6,487 |
| - Changes in tax rates | 196 | (284) |
| - Other, including prior year adjustments | 1,290 | (2,968) |
| Total deferred tax | (3,132) | (1,740) |
| **Total tax charged to income statement** | **59,203** | **66,322** |

The deferred tax credit disclosed above includes a credit of €1,581,000 (2006: €nil) that relates to the disposal group held for sale.

### Tax on items credited/(charged) to equity

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Tax effects of adopting IAS 32 and IAS 39 | - | (2,264) |
| Current tax on available-for-sale investments | 2,783 | 152 |
| Tax on available-for-sale investments | (6,470) | (3,803) |
| Tax on cash flow hedges | 735 | (24) |
| Tax on actuarial gains and losses on defined benefit pension schemes | 1,108 | (933) |
| Deferred tax on fair value and exchange adjustment on subordinated debt | - | 3,473 |
| **Total tax credited/(charged) to equity** | **(1,844)** | **(3,399)** |

The tax charged on income differs from the theoretical amount that would arise using the standard tax rate as follows:

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Profit before tax | 183,583 | 141,564 |
| Tax calculated at The Netherlands corporation tax rate of 30% (2006: 30%) | 55,075 | 42,469 |
| Adjustment to tax charge in respect of prior years | 1,078 | (2,837) |
| Write off of previously recognised deferred tax asset | - | 7,418 |
| Losses for which no deferred tax asset is recognised | 1,967 | 6,489 |
| Non tax deductible expenses | 9,075 | 18,787 |
| Effect of different tax rates in other countries | 1,422 | (3,057) |
| Income not subject to tax | (2,328) | 307 |
| Previously unrecorded tax losses now recognised | (6,475) | (3,377) |
| Other | (611) | 123 |
| **Total tax charged to income statement** | **59,203** | **66,322** |

## 4. Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from an "underlying" (i.e. another financial instrument, an index or some other variable). Typically the underlying is an interest rate, a currency exchange rate or the price of a debt or equity security. The majority of derivative contracts are negotiated as to amount, tenor and price between the Group and its counterparties, whether other professionals or customers, and are known as "over the counter" ("OTC") derivatives. The remainder are standardised in terms of their amounts and settlement dates and are bought and sold in organised markets, and are known as exchange traded derivatives.

Derivative instruments are carried at fair value, shown in the balance sheet as separate totals of positive replacement values (assets) and negative replacement values (liabilities). Positive replacement values represent the cost to the group of replacing all transactions with a fair value in the group's favour if the counterparties default. Negative replacement values represent the cost to the group's counterparties of replacing all their transactions with the group with a fair value in the counterparties' favour if the group were to default. Positive and negative replacement values on different transactions are only netted if there is legal right of set-off, the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in replacement values of derivative instruments are recognised in trading income unless they qualify as hedges for accounting purposes.

The group uses the following derivative financial instruments for both trading and hedging purposes:

> Forward contracts and futures - contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are OTC contracts, whereas futures are exchange traded derivatives.

> Interest rate swaps - transactions in which two parties exchange interest cash flows on a specified notional amount for a predetermined period. Most swaps are OTC instruments. Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency.

> Options - contractual agreements under which the seller grants the purchaser the right but not the obligation to buy or sell by or at a future date a specified quantity of a financial instrument at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be transacted OTC or on a regulated exchange.

Derivatives may be transacted for trading or hedging purposes. Trading involves taking positions with the intention of profiting from changes in market variables such as interest rates. The Group also enters into derivative transactions for the purpose of hedging exposures in the non-trading book. The accounting treatment of hedge transactions depends on the nature of the hedging relationship and whether the hedge qualifies as such for accounting purposes. Derivative transactions that qualify as hedges for accounting purposes are either fair value or cash flow hedges.

The table below reflects positive and negative replacement values for contracts held at year end.

### Contracts where hedge accounting is not used

| | Notional principal | | Positive fair value | | Negative fair value | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| **Foreign exchange contracts** | | | | | | |
| Forward foreign exchange deals | 1,187,430 | 1,723,817 | 17,435 | 11,379 | 17,076 | 17,402 |
| Currency swaps | - | 121,895 | - | 1,362 | - | 3,198 |
| OTC options bought and sold | 403,414 | 264,048 | 1,590 | 1,481 | 1,647 | 1,481 |
| | 1,590,844 | 2,109,760 | 19,025 | 14,222 | 18,723 | 22,081 |
| **Interest rate contracts** | | | | | | |
| Swaps | 642,883 | 2,239,630 | 5,598 | 20,606 | 4,534 | 10,747 |
| OTC options bought and sold | 707,878 | 685,825 | 2,929 | 2,602 | 2,774 | 2,602 |
| Exchange traded futures | - | 224,007 | - | 125 | - | 214 |
| | 1,350,761 | 3,149,462 | 8,527 | 23,333 | 7,308 | 13,563 |
| **Precious metal and commodity contracts** | | | | | | |
| Forward commodities contracts | 29,618 | 1,436,339 | - | 113,573 | 18,253 | 64,486 |
| OTC options bought and sold | - | 781,149 | - | 17,393 | - | 17,445 |
| Exchange traded futures | - | 67,729 | - | 1,460 | - | 154 |
| | 29,618 | 2,285,217 | - | 132,426 | 18,253 | 82,085 |
| **Other contracts** | | | | | | |
| Forward deals/agreements | 151 | 23 | 977 | 333 | 132 | - |
| | 151 | 23 | 977 | 333 | 132 | - |
| **Sub-total** | **2,971,374** | **7,544,462** | **28,529** | **170,314** | **44,416** | **117,729** |

### Contracts where hedge accounting is used

| | Notional principal | | Positive fair value | | Negative fair value | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| **Foreign exchange contracts** | | | | | | |
| Swaps | - | 3,046 | - | 4 | - | 4 |
| | - | 3,046 | - | 4 | - | 4 |
| **Interest rate contracts** | | | | | | |
| Swaps | 1,161,063 | 1,373,533 | 15,014 | 7,285 | 28,205 | 33,264 |
| | 1,161,063 | 1,373,533 | 15,014 | 7,285 | 28,205 | 33,264 |
| **Sub-total** | **1,161,063** | **1,376,579** | **15,014** | **7,289** | **28,205** | **33,268** |

| | Notional principal | | Positive fair value | | Negative fair value | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| **Total derivative contracts** | **4,132,437** | **8,921,041** | **43,543** | **177,603** | **72,621** | **150,997** |
| Amounts transferred to disposal groups held for sale | - | 2,949,822 | - | 139,453 | - | 77,833 |
| **Total derivative contracts per balance sheet** | **4,132,437** | **5,971,219** | **43,543** | **38,150** | **72,621** | **73,164** |

## 5. Loans and advances to banks and customers

### Loans and advances to banks

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Loans and advances to banks | 505,706 | 628,783 |
| Allowance for credit losses | - | (2,478) |
| **At 31 March** | **505,706** | **626,305** |

### Loans and advances to customers

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Loans and advances to customers | 3,115,616 | 3,106,799 |
| Loans and advances held for trading - at fair value | 46,319 | - |
| Allowance for credit losses | (42,806) | (42,330) |
| **At 31 March** | **3,119,129** | **3,064,469** |

### Allowance for Credit Losses

| *In thousands of euros* | Specific | Collective | Total |
|---|---|---|---|
| **At 1 April 2006** | **31,195** | **11,135** | **42,330** |
| Charge to income statement | 6,147 | 626 | 6,773 |
| Amounts written off | (11,323) | - | (11,323) |
| Recoveries of items previously written off | 6,795 | - | 6,795 |
| Foreign currency translation and other adjustments | (2,095) | 326 | (1,769) |
| **At 31 March 2007** | **30,719** | **12,087** | **42,806** |

The €6,773,000 net charge to the income statement in the movement table includes a charge of €8,598,000 within non-operating income/(expense), net and relates to the banking business in Australia, which are no longer part of the Group's core business and are being run off. The impairment recoveries of €1,621,000 on the face of the income statement additionally include a credit of €204,000, that relates to amounts held in the balance sheet as a disposal group, but which have not been charged to non-operating income/(expense), net.

## 6. Debt and equity securities

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| **Securities available for sale** | | |
| Debt securities – at fair value: | | |
| - Listed | 2,962,210 | 2,717,214 |
| - Unlisted | 1,705,985 | 1,782,086 |
| Equity securities – at fair value: | | |
| - Listed | 6,774 | 2,968 |
| - Unlisted | 23,997 | 37,388 |
| Allowance for impairment | (5,516) | (9,923) |
| **Total securities available for sale** | **4,693,450** | **4,529,733** |
| **Financial assets at fair value through profit or loss** | | |
| Equity securities - listed | 8,536 | 14,709 |
| Equity securities - unlisted | 3,148 | - |
| Debt securities - listed | 307 | 102,770 |
| **Total financial assets at fair value through profit or loss** | **11,991** | **117,479** |
| **Total debt and equity securities** | **4,705,441** | **4,647,212** |

Gains and losses from debt and equity securities recognised in the income statement comprise:

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Disposal of available-for-sale securities | 1,781 | 2,890 |
| Impairment of available-for-sale securities | (2,036) | (1,371) |
| Movements in securities held at fair value through the profit or loss | 1,537 | 1,070 |
| Exchange gains and losses | - | 421 |
| **Total** | **1,282** | **3,010** |

The movement in debt and equity securities may be summarised as follows:

| *In thousands of euros* | Available for sale | Fair value through profit or loss | Total |
|---|---|---|---|
| **At 1 April 2006** | **4,529,733** | **117,479** | **4,647,212** |
| Deconsolidation of a subsidiary | (255,589) | - | (255,589) |
| Additions | 3,059,003 | 3,790 | 3,062,793 |
| Disposals (sale and redemption) | (2,766,576) | (4,948) | (2,771,524) |
| Gains/(losses) from changes in fair value | 58,438 | 1,495 | 59,933 |
| Allowance for impairment | (2,036) | - | (2,036) |
| Exchange differences | (31,195) | (10,364) | (41,559) |
| Other | 101,672 | (95,461) | 6,211 |
| **At 31 March 2007** | **4,693,450** | **11,991** | **4,705,441** |

## 7. Other participating interests

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| **Other participating interests - available for sale** | | |
| Equity securities – at fair value: | | |
| - Listed | 196,677 | 162,596 |
| - Unlisted | 132,113 | 90,178 |
| **Total other participating interests - available for sale** | **328,790** | **252,774** |

Gains on disposal of certain other participating interests amount to €9,680,000 (2006: €4,907,000). These gains are shown in the consolidated income statement within non-operating income/(expense), net.

The movement in other participating interests may be summarised as follows:

| *In thousands of euros* | Total |
|---|---|
| **At 1 April 2006** | **252,774** |
| Additions | 11 |
| Disposals | (19,855) |
| Gains from changes in fair value | 102,654 |
| Exchange differences | (6,794) |
| **At 31 March 2007** | **328,790** |

Other participating interests include shares held in Paris Orléans SA 13.3% (2006: 16.3%), Les Domaines Barons de Rothschild (Lafite) 10.0% (2006: 10.0%), Banque Privée Edmond de Rothschild SA 8.4% (2006: 8.4%) and The Economist Newspaper Limited 3.9% (2006: 3.9%).

## 8. Investments in associated undertakings and partnerships

| In thousands of euros | 2007 Associated undertakings | 2007 Partnerships | 2007 Total | 2006 Associated undertakings | 2006 Partnerships | 2006 Total |
|---|---|---|---|---|---|---|
| **At 1 April** | **6,267** | **30,734** | **37,001** | **5,153** | **27,835** | **32,988** |
| Additions | 7,680 | 38,331 | 46,011 | 827 | 1,875 | 2,702 |
| Disposals | (3,511) | - | (3,511) | (1,404) | - | (1,404) |
| Share of results (net of tax) | 561 | 9,394 | 9,955 | 530 | 8,380 | 8,910 |
| Dividends | (1,461) | (9,730) | (11,191) | (677) | (7,356) | (8,033) |
| Exchange differences | 50 | (1,199) | (1,149) | (180) | - | (180) |
| Other | 286 | 311 | 597 | 2,018 | - | 2,018 |
| **At 31 March** | **9,872** | **67,841** | **77,713** | **6,267** | **30,734** | **37,001** |

Interests in associated undertakings and partnerships include the Group's partnership interest in Rothschild & Cie Banque ("RCB").

During the year, a majority owned subsidiary undertaking in the Group acquired an interest in RCB. This interest is in the form of *commanditaires* shares (limited partner shares) and represents an economic interest to the equity shareholders of the Group of approximately 2% to 4%, depending on overall performance. This interest is treated as an investment.

The Group also has an interest in *commandités* shares (general partner shares), which represents an economic interest to the equity shareholders of the group of approximately 9% to 12% (March 2006: 9% to 12%) depending on overall performance. This interest has been held since July 2003 and has been equity accounted. Goodwill relating to this partnership interest is included within intangible assets.

## 9. Intangible assets

| *In thousands of euros* | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| **Cost at 1 April 2006** | **227,029** | **1,325** | **228,354** |
| Additions | - | 570 | 570 |
| Disposals | - | (278) | (278) |
| Transfer | - | 1,625 | 1,625 |
| Other | - | 4 | 4 |
| Exchange rate changes | (869) | 353 | (516) |
| **At 31 March 2007** | **226,160** | **3,599** | **229,759** |
| Accumulated amortisation at 1 April 2006 | - | 430 | 430 |
| Amortisation charge | - | 680 | 680 |
| Disposals | - | (148) | (148) |
| Transfer | - | 848 | 848 |
| Other | - | 99 | 99 |
| Exchange rate changes | - | 224 | 224 |
| **At 31 March 2007** | **-** | **2,133** | **2,133** |
| **Net book value at 31 March 2007** | **226,160** | **1,466** | **227,626** |

## 10. Debt securities in issue

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Medium-term floating rate notes | 900,000 | 799,997 |
| Certificates of deposit in issue | 387,968 | 532,172 |
| Commercial mortgage-backed notes | - | 149,687 |
| Other debt securities | 5,658 | 5,948 |
| **Total** | **1,293,626** | **1,487,804** |

Medium term notes are issued under a Euro Medium Term Note programme in the UK. These notes are issued at a floating rate of interest and have residual maturities of between two and five years at 31 March 2007. Certificates of deposit issued by the Group have original maturity dates of up to ten months and are issued at a fixed rate of interest.

Commercial mortgage-backed notes issued by special purpose entities as part of the Real Estate Capital securitisation programme were repaid in April 2006.

## 11. Subordinated loan capital

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| **At 1 April** | **289,603** | **79,443** |
| Subordinated debt issued in year | - | 15,511 |
| Redeemable Preference Shares issued in the year | - | 144 |
| Amounts transferred to disposal groups held for sale | - | (58,963) |
| Reclassification of subordinated debt instruments | - | 304,262 |
| Fair value and exchange adjustment on reclassification of subordinated debt instruments | - | (47,448) |
| Exchange and other adjustments | (15,025) | (3,346) |
| **At 31 March** | **274,578** | **289,603** |

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| £100,000 Cumulative Redeemable Preference Shares | 147 | 143 |
| €500 Cumulative Redeemable Preference Shares | 1 | 1 |
| Floating Rate Subordinated Notes due 2009/2010 (A$78.5 million) | - | 46,286 |
| Fixed Rate Subordinated Notes due 2009 6.75% (A$21.5 million) | - | 12,677 |
| Floating Rate Subordinated Notes due 2015 (US$45 million) | 33,663 | 37,130 |
| Perpetual Floating Rate Subordinated Notes (€150 million) | 128,560 | 128,560 |
| Perpetual Floating Rate Subordinated Notes (US$200 million) | 112,207 | 123,769 |
| **Sub-total** | **274,578** | **348,566** |
| Amounts transferred to disposal groups held for sale | - | (58,963) |
| **Total** | **274,578** | **289,603** |

### Dated subordinated debt

The issue by Rothschilds Continuation Finance B.V. ("RCF B.V."), a subsidiary undertaking incorporated in the Netherlands, of US$45 million subordinated floating-rate notes due 2015 has been guaranteed on a subordinated basis by Rothschilds Continuation Limited ("RCL"). RCL is the Group's principal holding company in the UK.

NM Rothschild & Sons (Australia) Limited issued A$78.5 million and A$21.5 million subordinated notes with an original maturity of at least 5 years, constituting lower Tier 2 capital as defined by the Australian Prudential Regulation Authority for capital adequacy purposes. These subordinated notes were issued 6 December 2004 (A$53.5 million floating-rate and A$21.5 million at 6.75%) maturing 6 December 2009 and 10 August 2005 (A$25 million floating-rate) maturing 10 August 2010. The group transferred these notes as part of the sale of the Australian banking subsidiary in July 2006.

### Perpetual subordinated debt

An issue by Rothschilds Continuation Finance (CI) Limited (a subsidiary undertaking incorporated in Guernsey) of £125 million 9 per cent subordinated guaranteed notes has been guaranteed on a subordinated basis by RCL. The issue by RCF B.V. (a subsidiary undertaking incorporated in the Netherlands) of US$200 million primary capital undated guaranteed floating-rate notes has been guaranteed on a subordinated basis by RCL.

Rothschilds Continuation Finance PLC (a subsidiary undertaking incorporated in the United Kingdom) has issued €150 million of floating-rate perpetual subordinated guaranteed notes. These are guaranteed on a subordinated basis by N M Rothschild & Sons Limited ("NMR"), the Group's merchant banking subsidiary undertaking in the United Kingdom.

In accordance with the requirements of IAS 32 *Financial Instruments: Disclosure and Presentation* the perpetual subordinated debt instruments were accounted for as equity minority interests from 1 April 2005 (the date of adoption of IAS 32 and IAS 39) to 30 March 2006.

IAS 32 requires financial instruments to be accounted for as equity instruments where there is no contractual obligation to repay principal or to pay interest. Where the subordinated debt instruments are perpetual, there is no contractual obligation to repay principal. Moreover, the terms of the instruments permit interest payments to be waived unless the issuer has paid a dividend in the preceding six months. The payment of dividends on ordinary shares is not considered sufficient to cause the instruments to be classified as liabilities, because the Group controls the payment of dividends on ordinary shares.

On 30 March 2006, RCF B.V. and NMR issued €500 and £100,000 cumulative redeemable preference shares respectively, both with mandatory 5 per cent dividends, payable quarterly. Because the payment of interest on these preference shares is compulsory, the payment of interest on the perpetual debt instruments to which they are subordinated is also, in effect, compulsory. Both the US$200 million and the €150 million subordinated notes are senior to these new preference shares, and these subordinated notes have therefore been reclassified as liabilities on 30 March 2006. In accordance with the requirements of IAS 39, on reclassification as liabilities the debt instruments were recognised at their fair value on 30 March 2006.

There continues to be no contractual obligation to repay principal or to pay interest on the £125 million notes. Therefore, these notes continue to be treated as equity in the Group's accounts and are disclosed as part of minority interest (note 2).

It is the view of the Directors that accounting for the US$200 million notes and €150 million notes as equity instruments in the period from 1 April 2005 to 30 March 2006 does not fully reflect their economic characteristics; although there is no contractual obligation to pay interest, there is a clear economic compulsion to do so. For a bank, the interest payments are in effect an obligation except in extremis.

The Group's pro forma income statement, therefore, shows the results for the year ended 31 March 2006 as they would have been presented had the US$200 million notes and €150 million notes been classified as liabilities throughout that year. The key differences between the pro forma results and those reflected in the financial statements are as follows:

1. Interest payable on the US$200 million notes and €150 million notes for the period 1 April 2005 to 30 March 2006 of €11,697,000 has been treated as an amount due to a minority interest. In the pro forma results, the interest is treated as an expense.

2. An interest rate swap that hedges the interest rate exposure on one of these subordinated debt instruments does not qualify for hedge accounting until the debt is reclassified as a liability. Losses on the swap contract for the period to 30 March 2006 of €5,359,000 are reflected in net trading income in the income statement. In the pro forma results, the interest rate swap is treated as a cash flow hedge throughout the year, with gains and losses on the effective portion of the hedge reflected in the hedging reserve.

3. Foreign exchange translation losses of €14,363,000 on the US$200 million notes and €150 million notes in the period 1 April 2005 to 30 March 2006 have been recognised directly in retained earnings; in the pro forma results, these losses are recognised in net trading income in the income statement.

## 12. Other liabilities

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Accounts payable | 95,721 | 60,499 |
| Defined benefit post-retirement schemes | 65,665 | 107,144 |
| Provisions | 21,830 | 17,407 |
| Other liabilities | 21,271 | 22,267 |
| **Total** | **204,487** | **207,317** |

## 13. Deferred income taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2006: 30%).

The movement on the deferred tax account is as follows:

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| **Net asset at 1 April** | **47,323** | **61,339** |
| **Recognised in income statement** | | |
| Income statement credit/(charge) | 1,551 | 1,740 |
| Exchange differences | 2,507 | 409 |
| **Recognised in equity** | | |
| Defined benefit pension arrangements | | |
| - Fair value measurement | 1,498 | (1,315) |
| - Transfer to income | (390) | - |
| Securities available for sale | | |
| - Fair value measurement | (7,760) | (4,367) |
| - Transfer to income | 1,290 | 787 |
| Cash flow hedges | | |
| - Fair value measurement | 644 | 30 |
| - Transfer to income | 91 | (56) |
| Other recognised in equity | | |
| - Fair value measurement | - | 1,976 |
| - Transfer to income | - | 1 |
| Disposal of subsidiary | (1,704) | - |
| Reclassifications from current tax | 1,420 | (13,094) |
| Other | 42 | (127) |
| **Net asset at 31 March** | **46,512** | **47,323** |

Deferred tax net assets are attributable to the following items:

| *In thousands of euros* | **2007** | 2006 |
|---|---|---|
| Accelerated tax depreciation | 11,311 | 15,086 |
| Deferred profit share arrangements | 49,018 | 23,618 |
| Defined benefit pension liabilities | 12,818 | 24,823 |
| Securities available for sale | (2,780) | (2,698) |
| Cash flow hedges | 873 | 133 |
| Tax losses carried forward | 1,122 | 40 |
| Provisions | 3,320 | 3,066 |
| Other temporary differences | 983 | 7,708 |
| **Total** | **76,665** | **71,776** |

Deferred tax net liabilities are attributable to the following items:

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Defined benefit pension liabilities | 102 | 80 |
| Securities available for sale | 22,334 | 16,404 |
| Other temporary differences | 7,717 | 7,969 |
| **Total** | **30,153** | **24,453** |

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforcable right to set off and the balance relates to income tax levied by the same tax authority on the same taxable entity. There must also be the intention and the will to settle on a net basis or to realise the assets and liabilities simultaneously.

The deferred tax charge/(credit) in the income statement comprises the following temporary differences:

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Accelerated tax depreciation | 4,220 | (441) |
| Pensions and other post retirement benefits | 13,491 | 2,173 |
| Allowances for loan losses | (242) | 1,354 |
| Tax losses carried forward | 315 | 5,270 |
| Deferred profit share arrangements | (21,907) | (11,255) |
| Securities available for sale | (166) | - |
| Other temporary differences | 1,157 | 1,159 |
| **Total** | **(3,132)** | **(1,740)** |

The deferred tax credit disclosed above includes a credit of €1,581,000 (2006: €nil) that relates to the disposal group held for sale.

Deferred tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries and other interests as it is not anticipated that such profits will be distributed in the foreseeable future.

## 14. Contingent liabilities and commitments

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| **Guarantees** | | |
| Guarantees and irrevocable letters of credit | 108,728 | 235,410 |
| Guarantees on standby letters of credit | 24,919 | 19,989 |
| Other contingent liabilities | 60 | 1,081 |
| | **133,707** | **256,480** |
| **Commitments** | | |
| Undrawn formal standby facilities and other commitments to lend | 864,086 | 915,860 |
| Underwriting commitments | 395,646 | 77,809 |
| Capital commitments | - | 70 |
| Other commitments | 30,212 | 104,339 |
| | **1,289,944** | **1,098,078** |

Underwriting commitments represent the Group's share of ABN AMRO Rothschild's underwriting commitments in equity capital markets transactions.

From time to time the Group is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, the directors do not believe that there are any potential or actual proceedings or other claims that will have a material adverse impact on the Group's financial position.

## 15. Dividends per share

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Euros per share | Total in thousands of euros | Euros per share | Total in thousands of euros |
| Equity Interests | | | | |
| Interim dividend (paid) | 4.15 | 19,292 | 3.45 | 16,038 |
| | **4.15** | **19,292** | **3.45** | **16,038** |

Interim dividends of €4.15 per share were paid in the year (2006: €3.45 per share). An interim dividend of €1.80 per share (€8.4 million) relating to the 2007/2008 financial year was paid on 17 April 2007.

## 16. Disposal groups held for sale

Following a review of the Group's operations, the group decided to concentrate on developing further the successful investment banking activities in Australia. As a result of this decision, as at 31 March 2006, the Group reached agreement in principle to sell most of the non-investment banking businesses in Australia, including banking and treasury, to the Investec group. The non-investment banking businesses were referred to in these accounts as at 31 March 2006 as a disposal group. The sale to Investec occurred on 7 July 2006.

Certain of the remaining non-investment banking business assets and liabilities still meet the definition of a disposal group in IFRS 5 *Non current assets held for sale and discontinued operations.* Certain other assets, part of the disposal group at March 2006, no longer meet this definition and have been reclassified into appropriate lines of the balance sheet.

At March 2006, the carrying value of the disposal group exceeded its fair value less costs to sell by an amount of €29,852,000. This sum was charged in the income statement for the year ended 31 March 2007 under non-operating income/(expenses), net.

The major categories of assets and liabilities classified as held for sale are set out below:

| *In thousands of euros* | 2007 | 2006 |
|---|---|---|
| Cash and balances with central banks | 5,796 | 4,915 |
| Loans and advances to banks | 3,636 | 35,262 |
| Trading securities | - | 357,182 |
| Derivative financial instruments | - | 139,453 |
| Loans and advances to customers | 2,366 | 302,332 |
| Debt and equity securities | 701 | 332,136 |
| Property, plant and equipment | - | - |
| Deferred tax assets | 1,526 | - |
| Other assets | 40,051 | 54,618 |
| **Total assets** | **54,076** | **1,225,898** |
| Deposits by banks | 34,205 | 142,189 |
| Due to customers | - | 219,293 |
| Derivative financial instruments | - | 77,833 |
| Debt securities in issue | - | 594,003 |
| Subordinated loan capital | - | 58,963 |
| Other liabilities | - | 35,344 |
| Accruals and deferred income | 5,014 | 13,344 |
| **Total liabilities** | **39,219** | **1,140,969** |

## 17. Disposal and deconsolidation of subsidiary undertaking

On 7 July 2006, the Group disposed of 100% of the share capital of its Australian subsidiary N M Rothschild Australia Holdings Pty Limited. The Group retained the investment banking business. It also retained certain other assets and liabilities which are either being run-off or sold.

The disposed businesses contributed operating income of €404,000 to the group for the period from 1 April 2006 to 7 July 2006.

The details of assets and liabilities disposed of and the disposal consideration are as follows:

| *In thousands of euros* | |
|---|---|
| Cash and balances with central banks | 10,854 |
| Loans and advances to banks | 46,467 |
| Trading securities | 307,174 |
| Derivative financial instruments | 146,959 |
| Loans and advances to customers | 301,564 |
| Securities available for sale | 324,466 |
| Property, plant and equipment | 807 |
| Other assets | 10,719 |
| **Total assets** | **1,149,010** |
| Deposits by banks | 196,055 |
| Due to customers | 103,648 |
| Derivative financial instruments | 106,446 |
| Debt securities in issue | 535,249 |
| Subordinated loan capital | 59,099 |
| Other liabilities | 8,584 |
| **Total liabilities** | **1,009,081** |
| **Net assets** | **139,929** |
| Proceeds from sale (discharged by cash) | 109,709 |
| Less: cash and cash equivalents in subsidiary sold | (10,854) |
| **Net cash inflow on sale** | **98,855** |

A loss on disposal of €8,459,000 has been recognised in the income statement under non-operating income/(expense), net. This loss includes a recycled translation loss of €6,557,000, the release of the provision charged to the income statement in year ended 31 March 2006 of €29,852,000, as well as other transaction costs.

In addition, on 31 March 2007, the Group deconsolidated its one per cent equity interest in a property fund due to a restructuring of the management arrangements relating to this fund.

The details of assets and liabilities that were deconsolidated are as follows:

| *In thousands of euros* | |
|---|---|
| Cash and balances with central banks | 6,554 |
| Investment securities | 255,589 |
| Other assets | 3,068 |
| **Total assets** | **265,211** |
| Other liabilities | 1,002 |
| Minority interest | 264,209 |
| **Total liabilities** | **265,211** |
| **Net assets** | **-** |
| Proceeds from deconsolidation (discharged by cash) | - |
| Less: cash and cash equivalents in subsidiary deconsolidated | (6,554) |
| **Net cash inflow on deconsolidation** | **(6,554)** |

Consolidating the property fund contributed operating income of €16,708,000 to the Group for the year from 1 April 2006 to 31 March 2007, all of which was attributable to minority interest.

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2007

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

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

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Paris Orléans S.A. for the year ended 31 March 2007.

The consolidated financial statements have been approved by the Executive Committee. Our role is to express an opinion on these financial statements based on our audit.

## 1. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the group as at 31 March 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

## 2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Company Law *(Code de Commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

### Accounting principles

Part IV of the appendix "Accounting principles, rules and methods" sets out the accounting rules and methods regarding presentation and evaluation. In the framework of our assessment of the accounting rules and principles adopted by your group, we have verified the appropriateness of these accounting methods, as well as the information provided in the Notes, and have made sure of their correct application.

### Accounting estimates

As exposed in first paragraph of part IV "Summary of significant judgments and estimates" of the appendix, the management of your company proceeds to accounting estimates, notably concerning the assessment of the fair value of financial assets held for sale and the amount of goodwills.

Our work consisted in assessing the appropriate character of methods applied, in verifying, when applicable, independent valuation reports, in examining data used and available documentation, in appreciating the assumptions on which the estimates are made, and in making sure that the notes to the consolidated financial statements provide an accurate information.

We also proceeded to the appreciation of the reasonable character of these assessments.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## 3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information relative to the group, given in the parent company's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris-La Défense, 6 July 2007

KPMG Audit
Department of KPMG S.A.
Fabrice Odent
Partner

Paris, 6 July 2007

Cailliau Dedouit & Associés

Jean-Jacques Dedouit

# INDIVIDUAL FINANCIAL STATEMENTS

# BALANCE SHEET AS AT 31 MARCH 2007

## Assets

| | | 31/03/2007 | | | 31/03/2006 |
|---|---|---|---|---|---|
| *In euros* | Notes | Gross value | Depreciation, amortisation and provisions | Net carrying amount | Net carrying amount |
| Non-current assets | | | | | |
| **Intangible assets** | 1 | | | | |
| Concessions, patents, similar rights | | 155,913 | 134,304 | 21,609 | 36,948 |
| Other intangible assets | | - | - | - | - |
| | | **155,913** | **134,304** | **21,609** | **36,948** |
| **Property, plant and equipment** | 2 | | | | |
| Land | | 88,930 | - | 88,930 | 88,930 |
| Buildings | | 193,178 | 151,564 | 41,614 | 50,507 |
| Other property, plant and equipment | | 347,925 | 131,471 | 216,454 | 221,510 |
| | | **630,033** | **283,036** | **346,997** | **360,947** |
| **Non-current financial assets** | | | | | |
| Participating interests | 3 | 390,925,130 | - | 390,925,130 | 396,856,672 |
| Receivables related to participating interests | 4 | 2,981,367 | - | 2,981,367 | 55,338,364 |
| Portfolio holdings | 5 | 60,105,791 | 12,895,622 | 47,210,169 | 78,479,144 |
| Receivables related to portfolio holdings | 6 | 839,533 | - | 839,533 | 362,856 |
| Loans | 7 | 1,376,570 | 818,289 | 558,282 | 613,574 |
| Other non-current financial assets | 7 | 5,036 | - | 5,036 | 36,585 |
| | | **456,233,429** | **13,713,911** | **442,519,518** | **531,687,194** |
| Total non-current assets | | 457,019,375 | 14,131,250 | 442,888,124 | 532,085,090 |
| Current assets | | | | | |
| **Accounts receivable** | 8 | 153,776,782 | - | 153,776,782 | 1,615,067 |
| **Marketable securities** | 9 | | | | |
| Treasury stock | | - | - | - | - |
| Other securities | | 46,598,658 | - | 46,598,658 | 49,521,526 |
| **Cash management instruments** | | - | - | - | - |
| **Cash** | | 1,060,640 | | 1,060,640 | 103,643 |
| Total non-current assets | | 201,436,080 | - | 201,436,080 | 51,240,236 |
| **Prepaid expenses** | 10 | 74,173 | - | 74,173 | 157,618 |
| **Unrealised translation losses** | 11 | 1,404,691 | - | 1,404,691 | 1,348,901 |
| **Total assets** | | **659,934,319** | **14,131,250** | **645,803,069** | **584,831,844** |

# Liabilities and shareholders' equity

| *In euros* | Notes | **31/03/2007** | 31/03/2006 |
|---|---|---|---|
| Shareholders' equity | 12 | | |
| **Share capital** | | 19,178,778 | 19,178,778 |
| **Additional paid-in capital** | | 317,644,230 | 317,644,230 |
| **Reserves** | | | |
| Legal reserves | | 1,816,547 | 67,400 |
| Regulated reserves | | - | - |
| Other reserves | | 153,044,324 | 153,044,324 |
| **Retained earnings** | | 38,883,567 | 14,960,618 |
| **Net income for the period** | | **53,387,151** | **34,982,939** |
| **Regulated provisions** | | 46,919 | 44,199 |
| **Total shareholders' equity** | | **584,001,516** | **539,922,489** |
| Provisions for contingencies and charges | 13 | | |
| Provisions for contingencies | | 457,290 | 364,365 |
| **Total provisions** | | **457,290** | **364,365** |
| Liabilities | | | |
| **Financial liabilities** | | | |
| Borrowings and other financial liabilities - Banks | 14 | 34,865,240 | 18,287,048 |
| Borrowings and other financial liabilities - Others | 15 | 6,300,818 | 11,977,063 |
| **Operating liabilities** | 16 | | |
| Accounts payable | | 523,261 | 383,853 |
| Tax and social liabilities | | 1,632,447 | 9,598,434 |
| **Other liabilities** | 17 | | |
| Liabilities on non-current assets and related accounts | | - | 1,490,410 |
| Miscellaneous liabilities | | 15,981,172 | 1,775,862 |
| Deferred income | | - | 213 |
| Cash management instruments | | - | - |
| **Total liabilities** | | **59,302,938** | **43,512,882** |
| **Unrealised translation gains** | **18** | **2,041,324** | **1,032,109** |
| **Total liabilities and shareholders' equity** | | **645,803,069** | **584,831,844** |

# INCOME STATEMENT AS AT 31 MARCH 2007

| *In euros* | Notes | **2006/2007** | 2005/2006 |
|---|---|---|---|
| Income transactions | | | |
| **Operating income transactions** | | | |
| Operating revenues | 19 | 572,682 | 620,580 |
| Operating income | 20 | (7,926,211) | (6,643,071) |
| **Operating income** | | **(7,353,529)** | **(6,022,491)** |
| **Other income transactions** | | | |
| Income from participating interests and portfolio holdings | 21 | 20,432,305 | 16,809,076 |
| Other financial income | 22 | 4,606,165 | 1,600,077 |
| Capital gains (losses) on disposals of marketable securities | 23 | 497,163 | 526,194 |
| Recoveries of provisions on other income transations | 24 | 675,395 | 1,278,238 |
| Financial expenses | 25 | (3,035,072) | (3,311,293) |
| Charges to provisions for financial risks | 24 | (457,290) | (675,395) |
| **Income from other income transactions** | | **22,718,665** | **16,226,898** |
| **Income from joint ventures** | | | |
| Share of profit (loss) | | - | - |
| **Current income before tax** | | **15,365,136** | **10,204,407** |
| **Capital transactions** | | | |
| Capital gains on disposals of participating interests and portfolio holdings | 26 | 42,768,805 | 33,527,000 |
| Recoveries of impairment of participating interests and portfolio holdings | 27 | 8,902,842 | 6,474,303 |
| Capital losses on disposals of participating interests and portfolio holdings | 28 | (6,978,995) | (7,692,069) |
| Charges to impairment of participating interests and portfolio holdings | 29 | (466,484) | (1,291,447) |
| **Income from capital transactions** | | **44,226,169** | **31,017,787** |
| Income tax | 30 | 6,204,154 | 6,239,254 |
| **Net income** | | **53,387,151** | **34,982,939** |

# APPENDIX

*(All figures are in thousands of euros, unless otherwise indicated)*

## I. Highlights of the financial year

Net income rose sharply yet again during the 12 months of financial year 2006/2007, ended 31 March 2007, to €53.39 million, a 52.6% increase over the €34.98 million reported the previous year. The major highlight, which contributed greatly to the improvement in net income, was the sale at the end of July 2006 of the long-standing 58.83% holding in SGIM (Société de Gérance d'Immeubles Municipaux), in connection with that company's acquisition and retirement of a portion of its own shares. The sale provided the Paris Orléans parent company with a pre-tax, non-consolidated capital gain of €22.3 million and €33.2 million in cash.

The company also altered its investment policy regarding investment funds and mezzanine financing, and no longer invests directly in either of these two categories of assets. The Paris Orléans group now invests in funds and mezzanine deals through two wholly-controlled sub-holdings, PO Fonds and PO Mezzanine, which specialise in these types of investments. As part of this reorganisation, Paris Orléans transferred all of its transferable investments in funds, notably the FCPR-type venture capital funds, to PO Fonds. In the portfolio of participating interests, the company acquired 2.11% of the capital of DBR from its Ponthieu Ventures subsidiary for €2,147 thousand, and sold its investments in PO Fonds (formerly Colisée Investissements) and PO Invest 1 to its K Développement subsidiary.

At the end of 2006, Paris Orléans liquidated its Francarep Canada subsidiary, which contributed €2,387 thousand to pre-tax earnings, including €1,540 thousand on the recovery of impairment provisions on the shares.

In the private equity business, it is worth mentioning the pre-tax capital gains of €6,632 thousand and €3,242 thousand recorded on the sales of shares of Publicis and units of the François 3 venture capital fund (Matéris), respectively.

Lastly, the company's registered office, which had been domiciled at 50 avenue des Champs-Élysées 75008 Paris, was relocated at the end of November 2006 to 23 bis avenue de Messine 75008 Paris.

## II. Subsequent events (post-closing)

No major event took place at the start of financial year 2007/2008. Paris Orléans continued to support its subsidiaries, which have continued to invest actively.

## III. Accounting principles and valuation methods

To ensure operating continuity and consistency of methods and to adhere to the principles of prudence and reliability, the financial statements are prepared in accordance with the provisions of French law (1999 General Chart of Accounts) and with the accounting principles generally accepted in France.

To provide pertinent reporting on the company's business, the income statement is presented in accordance with the so-called "TIAP" model for other non-current holdings in the passive investment portfolio ("portfolio holdings") recommended by the French National Accounting Council (CNC) for financial companies.

Income transactions are split in two: operating income transactions (at the top of the income statement) and other income transactions (primarily financial transactions).

Current income corresponds to "income from ordinary activities", i.e. "all activities in which the company engages in the normal course of its business, and any related activities that it carries out on an accessory basis or as an extension of its ordinary activities".

Operating profit does, however, include non-recurring income and expenses from events which are clearly separate from the company's ordinary activities and which are not, therefore, deemed to occur on a frequent or regular basis.

Capital transactions include transactions concerning holdings classified as non-current assets.

The main accounting methods applied are as follows:

> Intangible assets and property, plant and equipment are valued at their acquisition cost and amortised and depreciated in the following manner:

| | Depreciable life | Method |
|---|---|---|
| Start-up costs | 3 years | straight-line |
| Software | 3 years | straight-line |
| Buildings | 20 years | straight-line |
| Plant and general improvements | 8 to 10 years | straight-line |
| Vehicles | 4 to 5 years | straight-line |
| Office equipment | 3 years | declining-balance |
| Office furniture | 10 years | straight-line |

> Non-current financial assets are valued at their historical acquisition cost. The values of holdings denominated in foreign currencies are translated into euros at the exchange rate in effect on the transaction date. All loans and receivables denominated in foreign currencies classified among non-current financial assets are translated at the closing rate of the financial year.

Participating interests and portfolio holdings are recognised at their acquisition cost. An impairment loss is recognised when inventory value is below acquisition cost.

The inventory values of participating interests and portfolio holdings are recognised in the following manner:

– unlisted securities: market value. The latter is obtained using either the company's share of the book or re-appraised net assets of the holding or the price used for a recent transaction on the security;

- treasury stock: last price of the financial year;

- listed securities: last quoted price of the financial year.

Dividends are recorded in the month in which it is decided to distribute them.

Insofar as FCPR-type venture capital funds are concerned, in accordance with the practices of other investors, since 2002 only amounts actually disbursed are recognised, while all remaining commitments are recorded as off-balance sheet commitments.

> Receivables are recognised at their nominal value. An impairment loss is recognised when the inventory value is lower than the carrying cost. Receivables denominated in foreign currencies are translated at the closing rate of the financial year.

> Marketable securities are recognised at their acquisition cost. When their overall inventory value is lower than their acquisition cost, an impairment loss is recognised. The inventory value is equal to the last price of the financial year for listed shares and bonds, investment trusts and mutual funds.

> Transactions denominated in foreign currencies are recognised at the rate on the transaction date. At the end of the financial year, all assets and liabilities are converted at the closing rate. For items covered by an exchange rate hedge, these are offset so that only the net balances are shown.

> Impairment is recognised to take account of unrealised losses; only the uncovered portions of transactions for which an exchange rate hedge has been set in place are subject to impairment.

## Recognition of foreign currency-denominated securities and assets covered by hedging

Paris Orléans uses foreign currency-denominated loans to hedge certain of its acquisitions of securities and other assets denominated in foreign currencies. The exchange difference between the historical rate and the weighted average rate on the loans is recognised as the loan principal is repaid. This accounting treatment resulted in a €52 thousand net expense for the period.

# IV. Notes to the balance sheet

## Note 1 Intangible assets

Changes in gross values and amortisation during the financial year:

| *In thousands of euros* | 01/04/2006 | Acquisitions | Sales/Disposals | **31/03/2007** |
|---|---|---|---|---|
| Intangible assets | | | | |
| Software | 151 | 5 | - | 156 |
| Other intangible assets | - | - | - | - |
| **Total gross values** | **151** | **5** | **-** | **156** |
| Amortisation | | Increases | Decreases | |
| Software | 114 | 20 | - | 134 |
| Other intangible assets | - | - | - | - |
| **Total amortisation** | **114** | **20** | **-** | **134** |
| **Total net values** | **37** | **(15)** | **-** | **22** |

## Note 2 Property, plant and equipment

Changes in property, plant and equipment during the financial year:

| *In thousands of euros* | 01/04/2006 | Acquisitions | Sales/Disposals | **31/03/2007** |
|---|---|---|---|---|
| Property, plant and equipment | | | | |
| I - Land | 89 | - | - | 89 |
| II - Other | | | | |
| - buildings | 193 | - | - | 193 |
| - plant and improvements | 348 | 2 | 348 | 2 |
| - vehicles | 140 | 47 | - | 187 |
| - office equipment | 71 | 3 | 28 | 46 |
| - office furniture | 89 | 89 | 65 | 113 |
| **Total gross values** | **930** | **141** | **441** | **630** |
| Depreciation | | Increases | Decreases | |
| II - Other | | | | |
| - buildings | 143 | 9 | - | 152 |
| - plant and improvements | 255 | 12 | 267 | - |
| - vehicles | 52 | 30 | - | 82 |
| - office equipment | 50 | 14 | 27 | 37 |
| - office furniture | 71 | 5 | 64 | 12 |
| **Total depreciation** | **571** | **70** | **358** | **283** |
| **Total net values** | **359** | **71** | **83** | **347** |

In connection with the relocation of the company's registered office to 23 bis avenue de Messine 75008 Paris at the end of November 2006, all of the existing plant and improvements and some of the office equipment and furniture of the former offices at 50 avenue des Champs-Élysées 75008 Paris were scrapped.

Acquisitions during the financial year included two vehicles and some office furniture.

## Note 3 Participating interests

Analysis of changes during financial year 2006/2007:

| Participating interests *(in thousands of euros)* | 01/04/2006 | Acquisitions/ Increases | Sales/Disposals/ Reclassifications | **31/03/2007** |
|---|---|---|---|---|
| **Gross value** | 399,580 | 14,434 | 23,089 | 390,925 |
| | | Increases | Decreases | |
| **Impairment** | 2,723 | - | 2,723 | - |
| **Net value** | **396,857** | **14,434** | **20,366** | **390,925** |

Nearly all of the increase for the financial year was attributable to the reclassification of 280,000 shares of Finatis from portfolio holdings to participating interests. With a value of €11,904 thousand, these shares were reclassified after the company's holding in Finatis crossed the 5% threshold in June 2006, following the acquisition of 3,000 additional shares for €383 thousand.

Paris Orléans also acquired shares of Les Domaines Barons de Rothschild (DBR) worth €2,147 thousand shares, representing 2.11% of DBR's capital, from its Ponthieu Ventures subsidiary, increasing Paris Orléans's percentage holding to 20.59%.

The most important of the disposals during the financial year concerned the company's entire investment in SGIM, whose recognised payback value amounted to €10,887 thousand (see Section I of the notes to the individual financial statements). Following the merger-absorption of Marco Polo Investissements into IDI, Paris Orléans, which held 29.77% of the capital of the former, saw its percentage holding in the latter reduced to 0.99%, and was consequently obliged to reclassify its IDI shares as portfolio holdings in the amount of €2,980 thousand, which was reduced to €1,987 thousand following the cancellation of Marco Polo's uncalled capital.

Paris Orléans also transferred two of its investments, PO Invest 1 and PO Fonds (formerly Colisée Investissements), to its K Développement subsidiary for the respective sums of €4,400 thousand and €1,568 thousand, and liquidated its Francarep Canada subsidiary, the gross investment in which amounted to €3,245 thousand.

As at 31 March 2007, the gross values of the company's participating interests could be analysed in the following manner:

| *In thousands of euros* | |
|---|---|
| Concordia BV | 309,852 |
| K Développement | 30,763 |
| Les Domaines Barons de Rothschild (DBR) | 17,324 |
| Francarep Inc | 11,182 |
| Finatis | 12,287 |
| SFIR | 4,148 |
| Alexanderplatz | 2,693 |
| Paris Orléans investment certificates | 2,676 |
| **Total** | **390,925** |

As at 31 March 2007, no impairment had been recorded on any participating interest.

## Note 4 Receivables related to participating interests

Analysis of changes during financial year 2006/2007:

| Receivables related to participating interests *(in thousands of euros)* | 01/04/2006 | Acquisitions | Sales/ Disposals/ Redemptions/ Reclassifications | **31/03/2007** |
|---|---|---|---|---|
| **Gross and net value** | **55,338** | **230** | **52,587** | **2,981** |

All current account advances to controlled associated companies were reclassified as other receivables in current assets at 31 March 2007, to reflect the fact that these amounts are due. At the end of the financial year, receivables related to the participating interests included only two advances (along with all accrued interest) to Alexa and Alexanderplatz.

## Note 5 Portfolio holdings

This heading includes all non-current strategic portfolio investments (TIAP) that cannot be classified as participating interests. The changes during financial year 2006/2007 may be analysed in the following manner:

| Portfolio holdings *(in thousands of euros)* | 01/04/2006 | Acquisitions/ Reclassifications | Sales/Disposals/ Reclassifications | **31/03/2007** |
|---|---|---|---|---|
| **Gross value** | 97,088 | 37,956 | 74,938 | 60,106 |
| | | Increases | Decreases | |
| **Provisions for impairment** | 18,609 | 467 | 6,180 | 12,896 |
| **Net value** | **78,479** | **37,489** | **68,758** | **47,210** |

The primary acquisitions during the financial year concerned the following securities:

| *In thousands of euros* | |
|---|---|
| Rallye | 24,229 |
| Publicis | 2,209 |
| Five Arrows Friends Family | 1,500 |
| Weinberg Capital Partners | 1,464 |
| Doughty Hanson 4 | 1,159 |

The most significant sales or disposals during the financial year concerned the following securities:

| *In thousands of euros* | |
|---|---|
| Rallye | 19,687 |
| Finatis | 11,904 |
| Five Arrows Friends Family | 4,000 |
| Cegelec Invest | 3,000 |
| R Capital Technologies | 2,708 |
| White Knight VI | 2,679 |
| Publicis | 2,473 |
| White Knight VI Bis | 2,072 |
| APEF 4 | 2,070 |
| Brazos | 2,000 |
| Terreal Investment | 2,000 |
| Casop | 1,675 |
| Carlyle Partners III | 1,618 |
| Weinberg Capital Partners | 1,564 |
| PAI Europe III | 1,505 |
| Euromezzanine V | 1,350 |
| Idi Mezzanine | 1,335 |
| Terra Firma Capital Partners II | 1,129 |
| Euromezzanine IV | 1,092 |
| IFE II Sicar | 1,054 |

## Note 6 Receivables related to portfolio holdings

This line included the accrued interest on several mezzanine investments, including Financière La Providence (€233 thousand), Financière Médiascience (€107 thousand), SI (€141 thousand), Financière Frères Blanc (€149 thousand) and Thermocoax Holding (€209 thousand). Of the total, €203 thousand is currently due.

## Note 7 Loans and other non-current financial assets

“Loans” includes USD1,485 thousand in advances to SEP Financière Bagatelle (half of which has been written down), which was discounted at the 31 March 2007 rate to a net present value of €558 thousand. Other non-current financial assets are comprised solely of margin deposits. All loans and other non-current financial assets mature in less than one year.

## Note 8 Accounts receivable

The €153,777 thousand total consisted nearly entirely of:

> Group and associated companies' advances and current accounts (€153,355 thousand), primarily in connection with the cash pooling programme, and current accounts related to the tax consolidation group (€57 thousand, details of which are provided below);

| Group and associated companies' current accounts *(in thousands of euros)* | Principal | Interest | Total |
|---|---|---|---|
| Group | | | |
| **Current accounts** | | | |
| PO Mezzanine (euros) | 30,139 | 79 | 30,218 |
| PO Mezzanine (US dollars) | 8,855 | 363 | 9,218 |
| PO Fonds | 34,631 | 41 | 34,672 |
| K Développement | 30,593 | 252 | 30,845 |
| SPCA Deux | 25,621 | 999 | 26,620 |
| PO Capinvest 2 | 9,237 | 69 | 9,306 |
| Manufaktura | 3,437 | 503 | 3,940 |
| PO Capinvest 1 | 3,620 | 56 | 3,676 |
| Verseau | 3,010 | 98 | 3,108 |
| Hi Trois | 936 | 15 | 951 |
| Chaptal Investissements | 381 | 4 | 385 |
| Narcisse Investissements | 332 | 1 | 333 |
| Clarifilter | 36 | - | 36 |
| Fin PO | 20 | - | 20 |
| **Sub-total** | **150,848** | **2,480** | **153,328** |
| **Tax consolidation** | | | |
| Société Financière et Immobilière de la Rochefoucauld (SFIR) | 5 | - | 5 |
| SPCA Deux | 52 | - | 52 |
| **Sub-total** | **57** | - | **57** |
| Associated companies' current accounts | | | |
| Financière Bagatelle | 25 | - | 25 |
| Ixel International | 2 | - | 2 |
| **Sub-total** | **27** | **-** | **27** |
| **Total** | **150,932** | **2,480** | **153,412** |

> repayments of withholding taxes to be obtained (€178 thousand); and

> trade accounts receivable (€163 thousand).

All of these receivables are due.

## Note 9 Marketable securities

As at 31 March 2007, marketable securities (€46,599 thousand) consisted solely of mutual funds and short-term liquid investments. The inventory value of these securities amounted to €50,005 thousand, for an unrealised capital gain of €3,406 thousand.

## Note 10 Prepaid expenses

These pertained solely to operating expenses (insurance, rent, maintenance, etc.).

## Note 11 Unrealised translation losses

Unrealised translation losses are recognised on differences between the equivalent value in euros (at the closing rate) of portfolio holdings and other non-current financial assets denominated in dollars and their historical value. As at 31 March 2007, these amounted to €1,405 thousand, of which €948 thousand was covered by a foreign currency hedge, while a provision for exchange rate risk was recognised on the remaining €457 thousand.

## Note 12 Shareholders' equity

Changes in shareholders' equity during financial year 2006/2007 may be analysed in the following manner:

| | Share capital | Additional paid-in capital | Legal reserves | Other reserves | Retained earnings | Regulated provisions | Net income for the period | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 31/03/2006** | **19,179** | **317,644** | **67** | **153,044** | **14,961** | **44** | **34,983** | **539,922** |
| Appropriation of net income for FY 2005/2006 | - | - | 1,749 | - | 33,234 | - | (34,983) | - |
| Distribution of dividends* | - | - | | - | (9,311) | - | - | (9,311) |
| Net income for FY 2006/2007 | - | - | - | - | - | - | 53,387 | 53,387 |
| Change in investment provisions | - | - | - | - | - | 3 | - | 3 |
| **Closing balance as at 31/03/2007** | **19,179** | **317,644** | **1,816** | **153,044** | **38,884** | **47** | **53,387** | **584,001** |

** The dividends distributed during financial year 2006/2007 in respect of the previous year were €253 thousand lower than the amount approved in the second resolution proposed to the Ordinary General Meeting of 29 September 2006, as no dividends were paid on treasury stock (investment certificates).*

As at 31 March 2007, the share capital included 2,450,222 shares and 66,678 investment certificates with a par value of €7.62.

### Company ownership of treasury stock

As at 31 March 2007, Paris Orléans held 66,678 (i.e. 100%) of its own investment certificates. The company did not buy or sell any of its own shares during financial year 2006/2007.

## Note 13 Provisions for contingencies and charges

Details of this line are presented in the summary below:

| | Opening balance | Charge for the period | Recovery for the period (provision used) | Change of method | Other changes | Closing balance |
|---|---|---|---|---|---|---|
| Provisions for contingencies | 364 | - | - | - | - | 457 |
| – insufficient hedging of foreign currency risk | 317 | 457 | (317) | - | - | 457 |
| – losses on futures markets (OTC options) | 47 | - | (47) | - | - | - |
| Provisions for charges | - | - | - | - | - | - |
| **Total provisions for contingencies and charges** | **364** | **457** | **(364)** | **-** | **-** | **457** |

Non application of the preferential method: the non application of the preferential method of accounting for retirement commitments, as recommended by French General Chart of Accounts, did not have a material impact on the total assets or current income of the company.

## Note 14 Borrowings and financial liabilities – banks

This line may be analysed in the following manner:

| | | Maturity | |
|---|---|---|---|
| *In thousands of euros* | Total | Less than 1 year | Between 1 and 5 years |
| Tranche 2 of BNP Paribas medium-term loan | 18,000 | 18,000 | - |
| BNP US dollar-denominated loan | 16,572 | - | 16,572 |
| Accrued interest and bank overdrafts | 293 | 293 | - |
| **Total borrowings and financial liabilities** | **34,865** | **18,293** | **16,572** |

Both loans have a variable rate of interest. The US dollar-denominated loan is used to hedge the exchange rate risk on USD investments.

## Note 15 Borrowings and financial liabilities – other

Nearly all of this €6,301 thousand line pertains to advances from the Francarep Inc subsidiary, including accrued interest. These advances mature in less than one year.

## Note 16 Operating liabilities

These include accounts payable of €523 thousand and tax and social liabilities of €1,632 thousand, including a €294 thousand balance on income tax for FY 2006/2007. All amounts are due in less than one year.

## Note 17 Other liabilities

This €15,981 thousand line includes notably €15,445 thousand from the company's current accounts with related companies, including Ponthieu Ventures (€6,879 thousand), Francarep Inc (€4,505 thousand) and SFIR (€2,673 thousand), and €1,389 thousand from tax consolidation, primarily on K Développement (€871 thousand) and Chaptal Investissements (€403 thousand). This line also includes €103 thousand of accrued expenses and €369 thousand in bonuses received from PO Gestion representing options granted under the carried interest programme (see Section VI – E: Off-balance sheet commitments). All of these liabilities are due.

## Note 18 Unrealised translation gain

A €1,831 thousand unrealised translation gain on the US dollar loan from BNP Paribas used to hedge the company's assets in US dollars accounted for nearly all of the line; fair value adjustments on advances from the Francarep Inc subsidiary as at 31 March 2007 accounted for the remaining €210 thousand.

# V. Notes to the income statement

Net income for financial year 2006/2007 amounted to €53,387 thousand, a 52.6% increase over the €34,983 thousand reported the previous year.

Changes in the primary lines of the income statement may be analysed in the following manner:

## Note 19 Operating revenues

Operating revenues consist primarily of expenses passed on to related companies.

## Note 20 Operating expenses

This line may be analysed in the following manner:

Actual operating expenses, excluding any expenses passed on to the subsidiaries, amounted to €7,224 thousand (1.23% of shareholders' equity).

| *In thousands of euros* | **Financial year 2006/2007** | Financial year 2005/2006 |
|---|---|---|
| Purchases and external charges | 2,977 | 2,340 |
| Taxes other than those on income | 406 | 302 |
| Salaries and payroll taxes | 4,113 | 3,416 |
| Depreciation and amortization | 97 | 109 |
| Other expenses | 156 | 209 |
| **Total** | **7,749** | **6,376** |

## Note 21 Income from participating interests and portfolio holdings

Details regarding income from participating interests and portfolio holdings during financial year 2006/2007 are provided in the table below:

| *In thousands of euros* | **Financial year 2006/2007** | Financial year 2005/2006 |
|---|---|---|
| **Participating interests** | | |
| - Dividend from Concordia BV | 9,646 | 8,019 |
| - Dividend from SGIM | 2,072 | 2,034 |
| - Dividend from K Développement | 1,569 | - |
| - Finatis | 1,415 | - |
| - Dividend from SFIR | 692 | 281 |
| - Dividend from DBR | 237 | - |
| - Dividend from Franinvest | - | 1 |
| - Interest income | - | 370 |
| **Total** | **15,631** | **10,705** |
| **Portfolio holdings** | | |
| - Dividend from Total E&P Cameroun | 2,297 | 1,803 |
| - Dividend from Finatis | - | 1,820 |
| - Dividend from Rallye | 667 | 908 |
| - Dividend from Publicis | 121 | 260 |
| - Dividend from Norsea Pipeline | 108 | 107 |
| - Dividend from Métropole TV (M6) | - | 154 |
| - Interest and other income | 1,608 | 1,052 |
| **Total** | **4,801** | **6,104** |
| **Total income from participating interests and portfolio holdings** | **20,432** | **16,809** |

It is especially worth noting the €1,569 thousand dividend received from K Développement (no dividend was received during the 2005/2006 financial year) and the €1,627 thousand (20.3%) increase in the dividend received from Concordia BV. The dividend from Total E &P Cameroun was up 27.4%, while the dividend paid by SGIM remained stable. Only the dividends from Finatis and Rallye were significantly lower than the previous year.

## Note 22 Other financial income

Other financial income includes primarily interest on advances to group companies, commissions and a foreign exchange gain. The group companies contributing the most to this line were SPCA Deux (€997 thousand), PO Mezzanine (€694 thousand), PO Fonds (€615 thousand), K Développement (€506 thousand) and Manufaktura (€503 thousand). Other financial income also included €444 thousand in underwriting commissions.

## Note 23 Income, expenses and gains from cash management activities

This line includes €536 thousand in capital gains and €39 thousand in capital losses on disposals of marketable securities.

## Note 24 Charges to and recoveries of provisions on other income transactions

The €675 thousand recovery of provisions included €364 thousand on the provisions set aside as at 31 March 2006 to cover the risk of foreign exchange losses on the unhedged portion of the company's US dollar-denominated assets (the charge to provisions covering the same type of risk as at 31 March 2007 amounted to €457 thousand), and €311 thousand to cover the risk of losses on market transactions (sale of calls on Publicis shares).

## Note 25 Financial expenses

| *In thousands of euros* | **Financial year 2006/2007** | Financial year 2005/2006 |
|---|---|---|
| Medium-term borrowings | 482 | 1,133 |
| Foreign exchange losses | 341 | 1,296 |
| Expenses on sales of options | 978 | - |
| Other interest expense | 1,234 | 882 |
| **Total** | **3,035** | **3,311** |

Interest expense on medium-term borrowings decreased during the year due primarily to the repayment of debt. Foreign exchange losses fell 74% during the financial year (the significant losses in FY 2005/2006 were attributable to the distributions of the Lexington II and Lexington III funds. The €978 thousand in expenses on sales of options represented losses on market transactions recorded on the sale of calls on shares of Publicis. Other interest expense includes €526 thousand in interest on current accounts (€308 thousand of which for Francarep Inc) and €708 thousand in interest on bank overdrafts.

## Note 26 Capital gains on disposals of participating interests and portfolio holdings

Capital gains on sales of participating interests totalled €23,661 thousand, nearly all of which was the €22,314 thousand capital gain recorded by Paris Orléans on the July 2006 sale of its 37,673 shares of SGIM to SGIM (in connection with that company's acquisition of a portion of its own shares in order to retire them). A €847 thousand liquidation bonus was also recorded on Francarep Canada, while the conversion of the Marco Polo Investissements shares into IDI shares generated a €497 thousand gain.

Paris Orléans generated €19,107 thousand in capital gains on disposals of portfolio holdings, versus €22,771 thousand the previous year. The largest capital gains came from the disposals of another block of the company's holdings of Publicis shares (€6,631 thousand) and all of its Brazos equity warrants (€1,714 thousand), and of US and European investment funds (€4,992 thousand in all, including €1,571 thousand for Carlyle Partners III) and venture capital funds (€5,770 thousand in all, including €3,242 thousand for François 3 and €1,260 thousand for PAI Europe III).

## Note 27 Recovery of impairment on participating interests and portfolio holdings

Recoveries of impairment of participating interests amounted to €2,723 thousand, including €1,183 thousand for PO Fonds and €1,539 thousand for Francarep Canada. Total recoveries of impairment of portfolio holdings came to €6,179 thousand, including most notably the shares of Rallye (€5,120 thousand) and Waterford Wedgwood (€103 thousand); the Pequot Private Equity Fund 2 (€230 thousand), Five Arrows (€141 thousand) and Carlyle CEVP (€111 thousand) mutual funds; and the Banexi Ventures 3 (€134 thousand) and White Knight VI bis (€114 thousand) venture capital funds. The remaining €226 thousand balance came from recoveries – each less than €100 thousand – of impairment provisions on other mutual funds and venture capital funds.

## Note 28 Capital losses on disposals of participating interests and portfolio holdings

The only capital loss recorded by the company on the sale of a participating interest concerned PO Fonds (€1,183 thousand). It should be noted that this loss was offset by the recovery of an equal amount of impairment (see Note 27, above).

Nearly the entire capital loss recorded on portfolio holdings came from the sale of Rallye shares (€5,789 thousand).

## Note 29 Provisions for impairment of participating interests and portfolio holdings

The only impairment losses booked concerned portfolio holdings, and more specifically the US and Asia Lone Star Fund 2 (€332 thousand), Casop Co-Investment (€72 thousand), Sofinnova Ventures Partners (€58 thousand) and Ripplewood Partners 2 (€3 thousand) funds.

## Note 30 Income tax

Income tax expense for financial year 2006/2007 includes the €6,205 thousand income tax for the tax consolidation group; a total of €152 thousand in income tax credits received from the subsidiaries through tax consolidation (€65 thousand for Chaptal Investissements, €52 thousand for SPCA Deux and €35 thousand for SFIR); and a €151 thousand revised assessment on the tax audits performed on financial years 2003 and 2004/2005 for Francarep and Paris Orléans.

# VI. Other information

## A. Employee data

The 15-person average workforce in financial year 2006/2007 included 13 executives and 2 employees.

## B. Compensation of management bodies

The members of the Supervisory Board will receive €102,000 in directors' fees in respect of financial year 2006/2007. The members of the Executive Committee were paid total compensation of €12 thousand by Paris Orléans in their role as corporate officers (excluding any salary payments related to technical or operational duties).

## C. Tax consolidation

Paris Orléans is the head of a tax group that includes the following companies, all of which are domiciled at 23 bis avenue de Messine 75008 Paris:

> K Développement

> SPCA Deux

> SFIR

> PO Fonds (formerly Colisée Investissements)

> Manufaktura

> Verseau

> Chaptal Investissements

The option of filing as a consolidated tax group, which was first exercised for the financial year that began 1 April 2004, was taken for a five-year period ending 31 March 2009.

As part of the tax consolidation process, each subsidiary in the tax consolidation group calculates its income tax as if it were taxed on a standalone basis.

## D. Consolidation

Paris Orléans, the parent company of the Paris Orléans group, prepared consolidated financial statements as at 31 March 2007.

## E. Off-balance sheet commitments

The off-balance sheet commitments as at 31 March 2007 are presented in the table below:

| | Total | Executive Managers | Subsidiaries | Investments | Other related companies | Other |
|---|---|---|---|---|---|---|
| **Commitments given** | | | | | | |
| Termination benefits (1) | - | - | - | - | - | - |
| Guarantee in favour of Société Générale for 50% of the Centrum Luxembourg NS subsidiary's commitments on its €20 million line of credit | 10,000 | - | - | - | - | 10,000 |
| Guarantee in favour of Gecina for 50% of Apsys' commitments on SCI du Pont de Grenelle | 8,000 | - | - | - | - | 8,000 |
| Guarantee in favour of Crédit Commercial de France on a €10,435 thousand borrowing | 10,435 | - | - | - | - | 10,435 |
| Investment commitments in various funds | 3,286 | - | - | - | - | 3,286 |
| **Total** | **31,721** | **-** | **-** | **-** | **-** | **31,721** |
| **Retirement commitments (2)** | **2,676** | **-** | **-** | **-** | **-** | **2,676** |
| **Commitments received** | | | | | | |
| Counter-guarantee given by Foncière Euris in connection with the Apsys's commitments on Gecina | 4,568 | - | - | - | - | 4,568 |
| Subordinated claim (after the senior bankers) on mezzanine investments in the following target companies controlled by LBO holding companies: | | | | | | |
| - Thermocoax | 2,000 | - | - | - | - | 2,000 |
| - S.I. | 1,400 | - | - | - | - | 1,400 |
| - Frères Blanc | 2,000 | - | - | - | - | 2,000 |
| - La Providence | 2,050 | - | - | - | - | 2,050 |
| - Médiascience | 1,300 | - | - | - | - | 1,300 |
| Pledge of 45,768 shares of Rothschild & Cie Banque | 10,435 | - | - | - | - | 10,435 |
| Line of credit from BNP Paribas usable by discounting of eligible bills: expires 16/11/2007 | 25,000 | - | - | - | - | 25,000 |
| Line of credit in dollars from BNP Paribas: expires 21/01/2012 | 5,925 | - | - | - | - | 5,925 |
| **Total** | **54,678** | **-** | **-** | **-** | **-** | **54,678** |
| Reciprocal commitments | None | - | - | - | - | None |

*(1) Termination benefits*

This expense is outsourced with an insurance company.

*(2) Supplemental retirement for managers*

All managers are eligible for the supplemental retirement scheme, which guarantees them an additional annual retirement allowance equal to 20% of their average gross salary during their last three full years of active employment within the company. These rights become vested only when the participant leaves the company to retire, and provided that he fulfils the following conditions at the time: a reference salary of over four times the Social Security upper limit, lenght of service than 5 years, and aged 60. The average annual contribution amounted to €549.7 thousand, and the present value of the capital to be set aside amounted to €2,676 thousand (net of all payments already made), as at 31 March 2007. The coverage of this scheme has been outsourced to an insurance company.

**Other commitments:**

The executive managers of Paris Orléans's investment team (the "Managers") are expected to contribute to the increase in value of Paris Orléans's investments. Accordingly, Paris Orléans has established a carried interest programme to allow the Managers to share in the growth of its private equity business, whereby they will receive a portion of any net capital gain Paris Orléans makes when it sells securities it had acquired.

The implementation of this programme resulted in the creation of a formal association that includes both the Managers and Paris Orléans (PO Gestion), whose relationships are governed by an associates' pact. PO Gestion also entered into an investment arrangement with Paris Orléans that establishes the terms and conditions under which the Managers may, through PO Gestion, share in the profits and risks associated with the Paris Orléans securities portfolio.

The carried interest programme is applicable to all investments made between 1 April 2006 and 31 March 2009 (the "Reference Period"), and Paris Orléans' total investment is limited to €100 million.

Accordingly, Paris Orléans provided PO Gestion with promises of sale that allow the latter to acquire, during the Reference Period, at the initial payback value for Paris Orléans, a share of these securities or units or shares of the direct or indirect holding companies. These promises of sale could represent up to 10% of the investments carried out during this period.

In exchange for Paris Orléans' commitments under the promises, PO Gestion is required to pay a premium corresponding to the value of the options resulting from said promises, on the date each promise is executed.

When securities acquired during the Reference Period are sold, or should the control of Paris Orléans change, and in any event on 31 March 2014 at the latest, the rights of the parties under the terms of the investment contract will be liquidated. Accordingly, PO Gestion will receive a share of any net capital gain made, subject to a 7% preferential payout for said period set aside for Paris Orléans.

Moreover, as part of the "Manufaktura" project to create 120,000 m² of commercial space in Lodz, Poland, Paris Orléans committed to covering all production costs over €80 million with the Rheinhyp-Bre Bank Hipoteczny (Eurohypo). Current budget data indicate that the final cost of the project should be less than this amount.

Nearly all of the most significant changes in off-balance sheet commitments given related to the transfer of holdings in investment funds to the PO Fonds subsidiary, which assumed the associated investment commitments. Among the commitments received, it is worth noting the increase in the unused bank line of credit and the disappearance of €2,000 thousand in guarantees on the bonds with equity warrants issued by Brazos, which were sold during the financial year.

## Changes in financial commitments during financial year 2006/2007

| Commitments given | **As at 31/03/2007** | As at 31/03/2006 |
|---|---|---|
| - guarantees given and other commitments | 28,435 | 28,748 |
| - investment commitments* | 3,286 | 32,117 |
| **Total** | **31,721** | **60,865** |

| Commitments received | **As at 31/03/2007** | As at 31/03/2006 |
|---|---|---|
| - undrawn BNP Paribas lines of credit | 30,925 | 27,000 |
| - pledges of shares and equity warrants in our favour | 19,185 | 21,185 |
| - counter-guarantees received | 4,568 | 4,568 |
| **Total** | **54,678** | **52,753** |

** The last line corresponds to our total commitment to invest in funds. It should be noted that in practice, however, the group is rarely called upon to release all of the funds to which it has committed.*

Paris Orléans confirms that it has not omitted any significant current or potential future off-balance sheet commitment as defined by the accounting standards in effect.

## F. Analysis of subsidiaries and participating interests

*In thousands of euros*

| Companies or groups of companies | Share capital | APIC, reserves and retained earnings excluding net income for the period** | Share of capital held (in %) | Carrying value of shares held | | Outstanding loans and advances from the company | Guarantees given by the company | Gross revenues (excluding VAT) for the last financial year (or net banking income) | Net income (loss) for the last financial year** | Dividends received by the company during the financial year | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross | Net | | | | | | |
| **Detailed information** | | | | | | | | | | | |
| **A - Subsidiaries (company holds at least 50% of capital)** | | | | | | | | | | | |
| Concordia BV (Netherlands)* | 464,875 | 241,145 | 50.00 | 309,852 | 309,852 | - | - | 1,125,148 | 48,350 | 9,646 | |
| SFIR (Paris)* | 3,297 | 334 | 99.97 | 4,148 | 4,148 | - | - | - | 40 | 692 | |
| Kdéveloppement (Paris) | 21,315 | 216 | 100.00 | 30,763 | 30,763 | - | - | | (372) | 1,569 | |
| Francarep Inc (USA) | 10 | 17,843 | 100.00 | 11,182 | 11,182 | - | - | - | 664 | - | €1 = $1.3318 |
| **B - Participating interests (company holds 10% to 50% of capital** | | | | | | | | | | | |
| Les Domaines Barons de Rothschild (Paris)* | 18,476 | 42,817 | 20.59 | 17,324 | 17,324 | - | - | 45,094 | 5,227 | 237 | |
| Alexanderplatz (Germany) | 25 | 27,333 | 10.00 | 2,694 | 2,694 | - | - | | (144) | | |
| Finatis (Paris)* *** | 85 | 360 | 5.00 | 12,287 | 12,287 | - | - | 23,291 | 68 | 1,415 | |

** Consolidated figures.*
*** Reserves and net income (group share).*
**** In € millions.*

## G. Estimated value of the portfolio of portfolio holdings

### Fixed assets in the portfolio activity (TIAP)

| In thousands of euros | As at 31/03/2007 Gross book value | As at 31/03/2007 Net book value | As at 31/03/2007 Estimated value | As at 31/03/2006 Gross book value | As at 31/03/2006 Net book value | As at 31/03/2006 Estimated value | Valuation method as at 31/03/2006 |
|---|---|---|---|---|---|---|---|
| **Stock trade** | **29,454** | **23,951** | **30,454** | **37,095** | **26,355** | **50,735** | |
| Rallye | 19,891 | 19,891 | 26,233 | 15,349 | 10,228 | 10,228 | idem |
| Waterford Wedgwood | 3,107 | 446 | 446 | 3,107 | 343 | 343 | idem |
| Moulinex | 2,491 | - | - | 2,491 | - | - | idem |
| DAB | 2,137 | 1,786 | 1,786 | 2,137 | 1,786 | 1,786 | idem |
| Publicis | 1,829 | 1,829 | 1,989 | 2,093 | 2,093 | 8,670 | idem |
| Finatis | - | - | - | 11,904 | 11,904 | 29,708 | idem |
| Other TIAP (<100 k€) | - | - | - | 7 | - | - | idem |
| **At cost** | **5,288** | **5,288** | **5,354** | **8,820** | **8,820** | **8,823** | |
| Financière Frères Blanc (bonds with warrants) | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | idem |
| IDI | 1,988 | 1,988 | 2,053 | - | - | - | idem |
| Financière Médiascience (bonds with warrants) | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | idem |
| Cegelec | - | - | - | 3,000 | 3,000 | 3,000 | idem |
| Terreal Invest | - | - | - | 2,000 | 2,000 | 2,000 | idem |
| IFE II | - | - | - | 496 | 496 | 496 | idem |
| Other TIAP (<100 k€) | 1 | 1 | 1 | 23 | 23 | 26 | idem |
| **Market value** | **25,363** | **17,971** | **51,543** | **51,180** | **43,304** | **66,899** | |
| Novalliance | 2,623 | - | - | 2,623 | - | - | idem |
| Doughty Hanson IV | 2,226 | 2,226 | 2,769 | 1,067 | 1,067 | 1,356 | idem |
| Financière Providence (bonds with warrants) | 2,050 | 2,050 | 2,698 | 2,050 | 2,050 | 2,050 | Shareholder's equity |
| Diveo | 2,035 | - | - | 2,035 | - | - | idem |
| Thermocoax Holding (bonds with warrants) | 2,000 | 2,000 | 2,036 | 2,000 | 2,000 | 2,000 | Shareholder's equity |
| Pequot Private Equity Fund 2 | 1,722 | 439 | 618 | 1,947 | 434 | 551 | idem |
| Euromezzanine IV | 1,677 | 1,677 | 3,260 | 2,769 | 2,769 | 3,296 | idem |
| Sofinnova Ventures Partners V | 1,605 | 951 | 1,188 | 2,182 | 1,587 | 1,864 | idem |
| Total E & P Cameroun | 1,552 | 1,552 | 13,100 | 1,552 | 1,552 | 5,272 | idem |
| Ripplewood Partners II | 1,429 | 1,330 | 1,423 | 753 | 657 | 667 | idem |
| S.I. (bonds with warrants) | 1,400 | 1,400 | 1,563 | 1,400 | 1,400 | 1,400 | Shareholder's equity |
| Banexi Ventures 3 | 1,126 | 1,095 | 1,095 | 1,257 | 1,092 | 1,092 | idem |
| Access Capital | 824 | 824 | 1,079 | 1,424 | 1,424 | 1,474 | idem |
| Lone Star Fund 2 | 657 | 146 | 220 | 805 | 626 | 875 | idem |
| Francisco Partners | 571 | 571 | 1,138 | 832 | 832 | 1,335 | idem |
| Terra Firma Capital Partners II | 451 | 451 | 789 | 1,199 | 1,162 | 1,162 | idem |
| Casop Co-investissement | 379 | 306 | 343 | 408 | 408 | 416 | idem |
| PAI Europe III - C2 | 349 | 349 | 901 | 1,294 | 1,294 | 1,415 | idem |
| Paul Capital Royalty | 146 | 146 | 634 | 130 | 130 | 622 | idem |
| White Knight VI | 124 | 124 | 2,264 | 2,803 | 2,803 | 3,628 | idem |
| Carlyle CEVP | 122 | 122 | 178 | 414 | 303 | 303 | idem |
| Lexington Capital Partners 1 | 104 | 18 | 26 | 294 | 193 | 258 | idem |
| PAI Europe III - FCPR | - | - | 4,193 | 1,505 | 1,505 | 2,201 | idem |
| APEF 4 | - | - | 2,545 | 1,980 | 1,980 | 3,216 | idem |
| Carlyle Partners III | - | - | 1,772 | 1,639 | 1,639 | 3,799 | idem |
| APEF 3 | - | - | 1,076 | 320 | 320 | 1,372 | idem |
| Other TIAP (<100 k€) | 193 | 193 | 4,635 | 14,499 | 14,077 | 25,274 | idem |
| **Total** | **60,106** | **47,210** | **87,350** | **97,095** | **78,479** | **126,457** | |

# FINANCIAL SUMMARY OF PARIS ORLÉANS OVER THE LAST FIVE FINANCIAL YEARS

| *In euros* | 2002 | 2003/2004 | 2004/2005 | 2005/2006 | **2006/2007** |
|---|---|---|---|---|---|
| **1. Capital at end of period** | | | | | |
| a) Share capital | 18,043,909 | 18,043,909 | 19,178,778 | 19,178,778 | 19,178,778 |
| b) Number of shares and investment certificates issued | 2,367,967 | 2,367,967 | 2,516,900 | 2,516,900 | 2,516,900 |
| c) Number of shares and investment certificates (excluding treasury stock and company's own investment certificates) | 2,367,967 | 2,367,967 | 2,450,222 | 2,450,222 | 2,450,222 |
| d) Number of shares and investment certificates with dividend rights at the date of the General Meeting | 2,367,967 | 2,367,967 | 2,516,900 | 2,516,900 | 2,516,900 |
| (e) Maximum number of shares to be issued | | | | | |
| – through the conversion of bonds | - | - | - | - | - |
| – through the exercise of warrants | - | - | - | - | - |
| **2. Overall results from effective operations** | | | | | |
| a) Revenues (financial and operating income) excluding VAT | 12,069,967 | 5,030,212 | 28,786,029 | 27,561,723 | 35,725,252 |
| b) Income before tax, depreciation, amortisation and provisions | 10,189,566 | 7,106,537 | 9,139,735 | 35,700,117 | 51,029,036 |
| c) Corporate income tax* | (565,698) | 3,090,843 | (1,112,125) | 6,239,254 | 6,204,154 |
| d) Income after tax, depreciation, amortisation and provisions | 10,736,735 | 3,986,589 | 16,385,260 | 34,982,939 | 53,387,151 |
| e) Dividends (excluding treasury stock) | 5,446,324 | 6,156,714 | 7,490,777 | 9,564,220 | 12,251,110 |
| **3. Income from operations per share** | | | | | |
| a) Income after tax, but before depreciation, amortisation and provisions | 4.54 | 1.69 | 3.87 | 11.71 | 17.81 |
| b) Income after tax, depreciation, amortisation and provisions | 4.53 | 1.68 | 6.51 | 13.90 | 21.21 |
| c) Dividend per share | 2.30 | 2.60 | 3.50 | 3.80 | 5.00 |
| **4. Employee data** | | | | | |
| a) Average number of employees | 1 | 1 | 14 | 15 | 15 |
| b) Total payroll | 88,500 | 75,900 | 3,626,721 | 2,049,208 | 2,476,250 |
| c) Total benefits (social security, works council, etc.) | 38,377 | 33,807 | 1,749,019 | 1,366,619 | 1,636,325 |

** Negative amounts represent tax credits.*

# STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENT

Year ended 31 March 2007

*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 qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report, together with the Statutory Auditors' report addressing financial and accounting information in the President's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2007, on:

> the audit of the accompanying annual financial statements of Paris Orléans,
> the justification of our assessments,
> the specific verifications and information required by law.

These annual financial statements have been approved by the Executive Committee. Our role is to express an opinion on these financial statements based on our audit.

## I. Opinion on the annual financial statements

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

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company at 31 March 2007 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

## II. Justification of assessments

In accordance with the requirements of article L. 823-9 of the French Company Law *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

### Accounting principles

Note III "Accounting principles, rules and methods" sets out the accounting rules and methods regarding presentation and evaluation. In the framework of our assessment of the accounting rules and principles adopted by your company, we have verified the appropriateness of these accounting methods, as well as the information provided in the Notes, and have made sure of their correct application.

### Accounting estimates

As it uses to be every financial year, your company carried out significant accounting estimates concerning in particular the appraisal of shares held as investments and of fixed assets in portfolio activity. We have verified the methods applied and ascertained that these methods were complying with the principles set out in note III "Accounting principles, rules and methods".

The assessments were thus made in the context of the performance of our audit of the annual financial statements taken as a whole and therefore contributed to the formation of our unqualified audit opinion expressed in the first part of this report.

## III. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

> the fair presentation and the conformity with the annual financial statements of the information given in the Executive Committee's Report, and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements;

> the fair presentation of the information given in the Executive Committee's Report in respect of remunerations and benefits granted to the relevant Directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders have been properly disclosed in the Executive Committee's Report.

The Statutory Auditors

Paris, 6 July 2007
Cailliau Dedouit & Associés

Jean-Jacques Dedouit

Paris-La Défense, 6 July 2007
KPMG Audit
Department of KPMG S.A.
Fabrice Odent
Partner

# SPECIAL REPORT OF THE STATUTORY AUDITORS

Year ended 31 March 2007

*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 your company, we hereby report to you on the regulated agreements and commitments with third parties.

## 1. Agreement and commitment authorized during the financial year

In accordance with article L. 225-88 of the French Company Law *(Code de commerce)*, we have been advised of agreements and commitments which were authorized by your Supervisory Board.

We are not required to ascertain whether any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of agreements and commitments indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article R. 225-58 of the French Company Law *(Code de commerce)*, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We conducted our work in accordance with French professional standards. These standards require that we perform procedures to verify that the information given to us is consistent with the documentation from which it has been extracted.

**Nature and purpose of the agreement or of the commitment**

Sub-renting at Rothschild & Company of the buildings located at 23 bis avenue de Messine.

Pursuant to this agreement, your company support, during the course of the year, an expense amounting to €189,237.09 (including all taxes) for the rent and €75,813.28 (including all taxes) for the service charge.

**Persons concerned**

Mr David de Rothschild, Vice President of the Supervisory Board,

Mr Christian de Labriffe, member of the Supervisroy Board.

**Nature and purpose of the agreement or of the commitment**

Association of the teams of investments to the possible appreciations carried out by Paris Orleans for his activity of capital-investment.

For this agreement, no expense supported by your company during the course of the year.

**Persons concerned**

Mr Sylvain Hefes, President of the Executive Committee,

Mr Georges Babinet, member of the Executive Committee and Managing Director,

Mr Emmanuel Roth, member of the Executive Committee,

Mr Michele Mezzarobba, member of the Executive Commitee.

## 2. Agreement and commitment approved during previous financial years that remained in force during the last financial year

In addition, in accordance with the French Company Law *(Code de commerce)*, we have been advised that the following agreements and commitments, approved in prior financial years, remained effective during the year ended 31 March 2007.

| | |
|---|---|
| **Nature and purpose of the agreement or of the commitment** | Assistance agreement between Paris Orléans and Bero.<br>Pursuant to this agreement, your company incurred expenses amounting to €173,430 (including all taxes) during the course of the year. |
| **Persons concerned** | Mr Éric de Rothschild, President of the Supervisory Board. |
| **Nature and purpose of the agreement or of the commitment** | Service agreement between Paris Orléans and Rothschild & Cie Banque.<br>Pursuant to this agreement, your company incurred expenses amounting to €11,046.08 (including all taxes) during the course of the year. |
| **Persons concerned** | Mr Éric de Rothschild, President of the Supervisory Board,<br>Mr David de Rothschild, Vice President of the Supervisory Board,<br>Mr Édouard de Rothschild, member of the Supervisory Board,<br>Mr Christian de Labriffe, member of the Supervisory Board. |

Paris and Paris-La Défense July 6, 2007

The Statutory Auditors

Cailliau Dedouit & Associés

Jean-Jacques Dedouit

KPMG Audit

Department of KPMG S.A.

Fabrice Odent

Partner

# STATUTORY AUDITOR'S SPECIAL REPORT ON CAPITAL INCREASES RESERVED FOR COMPANY EMPLOYEES, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

## Joint Shareholders Meeting 25 September 2007 (23rd resolution)

*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 your company, and in compliance with Article L. 225-135 of French Company Law *(Code de commerce)*, we hereby submit to you our report on the project of capital increases reserved for a amount of €381,000, which you are being asked to approve.

Based on its report, the Executive Committee seeks the authority to approve the terms and conditions of this operation and to cancel your preferential subscription right.

We perfomed procedures that we consider it necessary in the eyes of the professional guidelines of the National Company of the Statutory Auditors relating at this mission. These procedures consisted to verify the methods used for determining the issue price.

Subject to the later examination of the capital increase conditions proposed, we do not have observation to formulate on the methods used for determining the issue price given in the Executive Committee's Report.

As the issue price has not yet been determined, we do not express an opinion on the final conditions for the increase in capital, and, consequently, on the proposed cancellation of preferential subscription rights, the principle of which is, however, inherent to the operation submitted for your approval.

In accordance with Article R. 225-116 of French Company Law *(Code de commerce)*, we will issue a supplementary report when the issues are carried out by the Executive Committee.

Paris and Paris-La Défense 6 July 2007

The Statutory Auditors

Cailliau Dedouit & Associés

Jean-Jacques Dedouit

KPMG Audit

Department of KPMG S.A.

Fabrice Odent

Partner

# DRAFT RESOLUTIONS

## Resolutions submitted to the Ordinary Annual General Meeting

### First resolution: Approval of the financial statements for the fiscal year ended 31 March 2007

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the following:

> the Management Board's report on the company's operations for the 2006/2007 fiscal year, as well as the financial statements for the fiscal year ended 31 March 2007;

> the Supervisory Board's report; and

> the Statutory Auditors' report on the annual financial statements;

and approved the financial statements for the fiscal year ended 31 March 2007 as presented, along with the transactions described in the reports and reflected in the financial statements.

### Second resolution: Appropriation of the fiscal year earnings and dividend distribution

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's and Supervisory Board's reports and approved the following appropriation of the fiscal year earnings of €53,387,151.04:

| | |
|---|---|
| > legal reserve | €101,330.42 |
| > dividend distribution (€5 per share) | €12,584,500.00 |
| > retained earnings | €40,701,320.62 |

The dividend will be paid on a date set by the Management Board.

Dividends paid to individuals residing in France are eligible for the 40% tax deduction set forth in Article 158-3-2 of the French General Tax Code, in accordance with Article 243b of the French General Tax Code.

As required by French legislation, the following table is provided summarising the dividends paid by the company over the past three fiscal years.

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| Dividend per share (€) | 2.60 | 3.50 | 3.80 |
| Tax credit (€) | 1.30 | (1) | (2) |
| **Total per share (€)** | **3.90** | **(1)** | **(2)** |

*(1) Eligible for the 50% tax deduction for individuals residing in France set forth in Article 158-3-2 of the French General Tax Code.*

*(2) Eligible for the 40% tax deduction for individuals residing in France set forth in Article 158-3-2 of the French General Tax Code.*

### Third resolution: Approval of the consolidated financial statements for the fiscal year ended 31 March 2007

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report, Supervisory Board's report, and Statutory Auditors' report on the consolidated financial statements for the fiscal year ended 31 March 2007 and approved these financial statements as presented, along with the transactions described in the reports and reflected in the financial statements.

## Fourth resolution: Approval of a related-party transaction governed by Articles L. 225-86 *et seq.* of the French Commercial Code

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, heard the statutory Auditors' report on related-party transactions governed by Articles L. 225-86 *et seq.* of the French Commercial Code and approved the agreement reached with Rothschild & Cie on 31 October 2006 to sub-let the 5th floor of the building at 23b Avenue de Messine, 75008 Paris, France.

## Fifth resolution: Approval of a related-party transaction governed by Articles L. 225-86 *et seq.* of the French Commercial Code

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, heard the Statutory Auditors' report on related-party transactions governed by Articles L. 225-86 *et seq.* of the French Commercial Code and approved the agreement reached with PO Gestion on 4 October 2006 to set up a carried interest for the senior managers of Paris Orléans' investment team.

## Sixth resolution: Approval to relocate the company's head office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, approved the Supervisory Board's decision of 29 September 2006 to relocate the company's head office to 23b Avenue de Messine, 75008 Paris, France, effective 27 November 2006, and amend Article 5 of the company's Articles of Association accordingly.

## Seventh resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Claude Chouraqui as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Eighth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Russell Edey as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Ninth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Christian de Labriffe as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Tenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of André Lévy-Lang as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Eleventh resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of David de Rothschild as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Twelfth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Édouard de Rothschild as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Thirteenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Éric de Rothschild as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Fourteenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Robert de Rothschild as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Fifteenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Philippe Sereys as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Sixteenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Gérard Worms as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Seventeenth resolution: Renewal of a Supervisory Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Rothschild & Cie Banque as Supervisory Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Eighteenth resolution: Renewal of a Non-Voting Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Jacques Getten as Non-Voting Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

## Nineteenth resolution: Renewal of a Non-Voting Board Member's term of office

The Annual General Meeting, held in accordance with the quorum and majority rules for the company's ordinary shareholders' meetings, reviewed the Management Board's report and decided to renew the term of office of Jean-Philippe Thierry as Non-Voting Board Member for another three years, until the end of the Annual General Meeting to be held in 2010 to approve the financial statements for the fiscal year ended 31 March 2010.

# Resolutions submitted to the Extraordinary General Meeting

## Twentieth resolution: Amendment to Article 14 of the company's Articles of Association to allow the Management Board to meet by videoconference or other form of telecommunications

The Extraordinary General Meeting, held in accordance with the quorum and majority rules for the company's extraordinary shareholders' meetings, decided to amend Article 14 of the company's Articles of Association, upon the recommendation of the Management Board. The following paragraph, Paragraph 9, will be added to Article 14:

"Management Board Members can participate in Management Board meetings by videoconference or other form of telecommunications, subject to the applicable regulations governing Management Board meetings. Members participating through these means will be considered as present for the purposes of calculating a quorum and a majority."

## Twenty-first resolution: Amendment to Article 17 of the company's Articles of Association to allow the Supervisory Board to meet by telecommunication

The Extraordinary General Meeting, held in accordance with the quorum and majority rules for the company's extraordinary shareholders' meetings, decided to amend Paragraph 8 of Article 17 of the company's Articles of Association to allow for participation in Supervisory Board meetings by telecommunication as well as by videoconference, upon the recommendation of the Management Board. Paragraph 8 will now read as follows:

"Supervisory Board Members participating in Supervisory Board meetings by means of videoconference or other form of telecommunications will be considered as present for the purposes of calculating a quorum and a majority, subject to the applicable regulations governing Supervisory Board meetings and within the regulatory limits set forth for making certain decisions."

## Twenty-second resolution: Amendment to Article 23 of the company's Articles of Association related to attendance at shareholders' meetings

The Extraordinary General Meeting, held in accordance with the quorum and majority rules for the company's extraordinary shareholders' meetings, decided to replace Paragraphs 1 and 2 of Article 23 of the company's Articles of Association with the following text, upon the recommendation of the Management Board:

"Shareholders can participate in the company's shareholders' meetings provided that their shares are recorded as follows before midnight (Paris time) of the third working day preceding the shareholders' meeting, and in accordance with the applicable regulations:

> For registered shares – ownership must be recorded in the register held by the company,

> For bearer shares – ownership must be recorded in the register held by the designated financial intermediary."

## Twenty-third resolution: Share issue for the company's employees

The Extraordinary General Meeting, held in accordance with the quorum and majority rules for the company's extraordinary shareholders' meetings, reviewed the Management Board's report and the Statutory Auditors' special report and decided, in order to comply with Article L. 225-129-6 of the French Commercial Code, to issue 50,000 new shares with a par value of €7.62 each, for a total cash capital increase of €381,000. These shares will be available to members of the company's employee savings plan, in accordance with Article L. 225-138-1 of the French Commercial Code and Article L. 443-5 of the French Labour Code, and must be fully paid-up in either cash or against a guaranteed, liquid, and immediately payable claim. These shares will not have pre-emptive rights.

The Extraordinary General Meeting granted the Management Board all the powers needed to carry out this share issue, along with the permission to delegate tasks as needed and in accordance with applicable regulations. More specifically, the Management Board has been authorised to:

> issue shares without pre-emptive rights for members of the company's savings plan, through one or more transactions and upon its own discretion, for a period of up to five years (after the company has set up a company savings plan in accordance with Article L. 443-1 of the French Commercial Code, which must take place within six months);

> set the seniority criteria for purchasing the shares, if applicable, and list the beneficiaries and the number shares to be granted to each one, within the limits set by law;

> establish and provide justification for the price at which the shares will be issued, in accordance with Article L. 443-5 of the French Commercial Code;

> set the total amount of each share issue, with a maximum of €381,000, and the dividend rights date;

> set the opening and closing dates for each share subscription period and collect subscription requests;

> set the deadline by which the shares must be fully paid for, within the statutory limit of three years after the subscription date; the company or the employees purchasing the shares have the right to request that payments be made through periodic instalments or through regular, uniform deductions from the employee's wages;

> collect payment for the shares;

> determine whether the shares must be subscribed for directly or through an investment fund;

> mark the completion of each share issue at the amount of shares that have actually been subscribed;

> complete the formalities related to each share issue and amend the company's Articles of Association accordingly; and

> more generally, take whatever measures needed to carry out the share issue, in accordance with the applicable regulations.

## Twenty-fourth resolution: Powers for formalities

The Annual General Meeting grants full powers to the Chairman of the Management Board, his or her delegates, and the bearer of an original, copy, or excerpt of these meeting minutes to carry out all administrative formalities, filings, and publications required by law.

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