

MAIRIE DE PARIS

**FINANCIAL
REPORT**

FINANCIAL YEAR 2012

JUNE 2013

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FOREWORD

The 2012 budget bears testimony, this year once again, to the fact that we fulfilled our undertakings to all Parisians, and to the reliability of our management.

Because Paris has chosen to commit itself to helping the most vulnerable, we have devoted a quarter of our operating budget to a sustained social effort. Housing continued to be a priority, with 6,197 social housing units funded in 2012, exceeding the initial target of 6,000 homes a year. Parisian solidarity is also reaching, more than ever before, beyond the boundaries of Paris. Our contribution to the financial equalisation mechanisms, showing our ambition to help the municipal authorities in the most difficulty, increased by 38%, to a total of €259 M.

Because Paris has chosen to prepare for the future we have maintained a high level of investment, amounting to €1,662 Bn. These investments are changing the face of Paris, increasing the attractiveness of the capital and offering new services and facilities to our fellow citizens. 2012 saw the commissioning of the T3 line extension and the opening of 657 extra places in day-care centres. These investments are turning our capital into a united, sustainable and ecological city.

Our ambition and our commitments are brought to fruition by reliable management devoted to the interests of the people of Paris. This is reflected, this year once again, in the implementation of our budget.

The increase in our operating and investment income allows us to pursue our solidarity efforts and to self-finance 80% of our investments, whilst maintaining stable tax rates and limiting borrowing. In 2012, Paris remains - by far - one of the least heavily indebted major French cities.

In the current financial environment, our political priorities can evidently only be pursued through extremely tight management of our expenditure. The growth in our operating expenses is controlled. We strive each year to generate financial flexibility through the redeployment of resources where they are most useful. Through fair and appropriate reforms, we are committed to improving public service and to modernising the administration.

Over eleven years of sound and rigorous management, we have shown that we can provide our authority with a solid financial footing. The results of the year 2012 reflect the fair, responsible choices made by the municipal team, of which I am very proud.

Bernard Gaudillère

Deputy Mayor of Paris in charge of the budget, finances, semi-public companies and the organisation and operation of the Council of Paris

	CA 2007	CA 2008	CA 2009	CA 2010	CA 2011	CA 2012	évoluti on 2011- 2012 (M€)
Direct contributions	1 682	1 720	2 122	2 292	3 103	3 207	104
Household waste removal tax	358	366	377	414	426	434	8
Street cleaning tax	70	70	70	71	70	104	34
Parking fees	45	47	44	47	63	59	-4
Tax on electricity (City + Department)	70	70	70	78	72	69	-3
Property tax (transfer and additional duties)	940	856	647	928	1 078	1 177	98
Other taxes and duties	51	56	65	67	68	71	3
Taxes and duties	3 215	3 186	3 396	3 897	4 881	5 121	240
<i>Taxes and duties net of payment to FNGIR</i>	<i>3 215</i>	<i>3 186</i>	<i>3 396</i>	<i>3 897</i>	<i>3 997</i>	<i>4 229</i>	<i>232</i>
APA (CNSA) compensation	18	19	19	9	13	12	-2
RMI/RSA (TIPP + FMDI) compensation	260	258	264	260	261	264	3
Other compensations (including TSCA and APRE)	54	64	73	80	76	76	
Compensations for skills transfers	333	341	356	348	350	351	2
General operating grant (DGF)	1 255	1 266	1 270	1 263	1 290	1 259	-30
Compensation grants (DCTP, DCTH, DCTF)	86	72	60	56	60	54	-6
Other grants (DGD, DSI)	16	16	16	16	16	16	
State grants	1 357	1 354	1 345	1 335	1 365	1 329	-36
Subventions et participations : (Recettes CAF, Subsidies and contributionsindus...)	188	176	181	201	201	214	13
Fees paid by tenants and concessionaires	212	195	211	185	226	226	
Fees and income from the use of public property	56	56	59	56	60	66	5
Services provided by Parisians	123	136	147	156	157	169	12
Operating income	391	387	417	397	443	461	18
ZAC surplus	3	1		2	132		-132
Rents (revenues from buildings)	183	192	216	195	184	171	-13
Recovery from beneficiaries	77	91	93	84	86	82	-4
Operations on behalf of third parties	17	17	20	27	35	36	1
ESA repayment	32	30	29	28	30	32	2
Repayment of staff costs	86	74	76	69	74	66	-8
Total other actual operating revenues	396	405	434	403	410	387	-22
Operating income	5 883	5 850	6 129	6 582	7 782	7 865	83
<i>Income net of payment to FNGIR</i>	<i>5 883</i>	<i>5 850</i>	<i>6 129</i>	<i>6 582</i>	<i>6 898</i>	<i>6 973</i>	<i>75</i>
Personnel expenses	1 863	1 930	1 982	2 026	2 059	2 109	51
General expenditures	752	789	798	832	858	833	-26
Social assistance, including:	641	662	692	746	812	853	41
social welfare for children	220	224	234	257	303	336	32
social welfare for the disabled (PCH, ACTP)	39	44	48	49	54	61	7

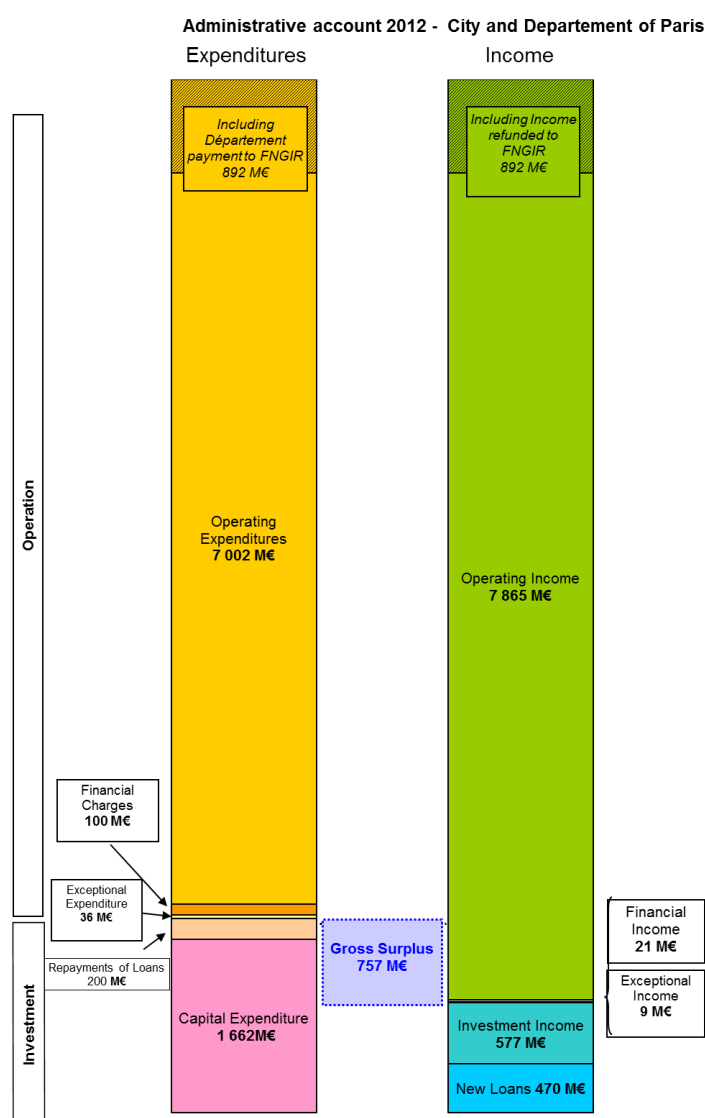
	CA 2007	CA 2008	CA 2009	CA 2010	CA 2011	CA 2012	évoluti on 2011- 2012 (M€)
<i>accommodation for the disabled</i>	108	112	112	120	122	129	6
<i>personal autonomy allowance (APA)</i>	107	119	125	136	138	141	3
<i>accommodation for the elderly</i>	142	140	146	149	153	149	-4
RSA, RMI, future work contracts and PDI	350	334	348	363	359	366	6
<i>Including RMI/RSA allocations</i>	286	271	285	300	297	301	4
Contribution to the Paris' Social Action Centre (CASVP)	285	295	299	313	315	323	8
Total social aid	1 276	1 291	1 339	1 421	1 486	1 542	56
City operating grants	184	193	218	202	204	237	32
Miscellaneous subsidies and contributions	196	202	200	208	223		-223
Subsidies and contributions	380	395	419	410	428	454	26
Police Prefecture	261	268	271	276	280	287	8
Contribution to the Paris region transport authority (STIF)	317	326	335	344	353	360	6
Contribution to the SYCTOM (waste treatment)	113	120	122	127	131	133	2
Contributions	691	714	728	747	764	780	16
FSRIF (Ile-de-France solidarity fund)	103	100	101	86	104	121	18
Property transfer duties (DMTO) equalisation fund					67	80	13
Communal equalisation fund (FPIC)						22	22
Equalisation expenses	103	100	101	86	170	223	52
FNGIR					884	892	8
Other operating expenditures	128	145	180	179	155	170	15
Operating expenditures	5 205	5 365	5 547	5 701	6 804	7 002	199
<i>Operating expenditures excluding FNGIR</i>	<i>5 205</i>	<i>5 365</i>	<i>5 547</i>	<i>5 701</i>	<i>5 919</i>	<i>6 110</i>	<i>191</i>
Operating surplus	678	484	582	881	978	863	-116
Financial income	19	23	13	14	24	21	-3
Financial charges	59	74	60	64	91	100	9
Financial balance	-40	-51	-47	-50	-66	-79	-13
Exceptional income	102	21	20	12	10	9	-1
Exceptional expenditures	63	64	66	47	56	36	-20
Exceptional balance	40	-43	-46	-34	-46	-27	19
Total actual operating income	6 004	5 894	6 163	6 609	7 816	7 895	79
<i>Total actual operating income - net FNGIR</i>	<i>6 004</i>	<i>5 894</i>	<i>6 163</i>	<i>6 609</i>	<i>6 931</i>	<i>7 002</i>	<i>71</i>
Total actual operating expenditure	5 327	5 502	5 673	5 812	6 950	7 138	188
<i>Total actual operating expenditure - excluding FNGIR</i>	<i>5 327</i>	<i>5 502</i>	<i>5 673</i>	<i>5 812</i>	<i>6 066</i>	<i>6 246</i>	<i>180</i>
Gross surplus	678	391	490	797	866	757	-109
Subsidies and grants received	293	283	371	245	282	266	-17
<i>including investment grants received</i>	<i>151</i>	<i>134</i>	<i>93</i>	<i>105</i>	<i>116</i>	<i>49</i>	<i>-67</i>
<i>including police fines</i>	<i>30</i>	<i>24</i>	<i>34</i>	<i>28</i>	<i>35</i>	<i>37</i>	<i>2</i>
<i>including FCTVA (VAT Compensation Fund)</i>	<i>110</i>	<i>117</i>	<i>235</i>	<i>104</i>	<i>125</i>	<i>173</i>	<i>48</i>
Income from sales of capital assets	257	132	118	59	50	107	57
Operations on behalf of third parties	5	5	9	4	5	18	12
Repayments of loans	52	495	260	42	20	32	12

	CA 2007	CA 2008	CA 2009	CA 2010	CA 2011	CA 2012	évoluti on 2011- 2012 (M€)
Other long-term investments	305	39	30	95	120	134	13
Other actual investment income	5	1	5	13	17	21	4
<i>For information, urbanism operations offset and eliminated</i>	79	11	290	637	570	86	-484
Actual investment income	916	955	793	457	495	577	81
Intangible assets	38	28	25	17	19	18	-2
Capital grants	423	322	480	441	470	500	30
Acquisitions	691	596	352	330	201	210	9
<i>including property account</i>	581	443	239	237	123	150	231
Public works	708	577	587	655	808	865	55
Operations on behalf of third parties	16	10	5	11	16	24	8
Loans granted	18	38	6	15		6	6
Other actual capital expenditure	7	16	8	8	36	39	3
<i>For information, urbanism operations offset and eliminated</i>	79	11	290	637	570	84	-484
Actual capital expenditure	1 901	1 587	1 463	1 477	1 551	1 662	109
Capacity to finance capital expenditures	1 605	1 347	1 283	1 254	1 360	1 334	-28
Repayments of loans	72	138	120	125	184	200	16
Financing requirement	367	378	300	348	375	528	153
New loans	359	331	275	340	381	470	89
Working capital at 1st January	372	364	318		285	288	
<i>Change in working capital</i>	-8	-47	-25	-8	6	-58	
Working capital at 31 December	364	318	293	-8	291	230	
Debt outstanding at 1st January	1 845	2 132	2 326	2 481	2 696	2 892	
Debt outstanding at 31 December	2 132	2 326	2 481	2 696	2 892	3 219	
Change in debt outstanding	287	193	155	215	197	327	
Financing capacity	84%	85%	88%	85%	88%	80%	

PRELIMINARY REMARKS

The financial analysis only takes into account the actual revenues and expenditures of the financial period. Entries between the operating and capital sections (referred to as book entries) that are balanced out are not included, unlike in the administrative account (AA) which takes them into account (see tables pages 4 and 5).

The consolidation of the financial analysis of the administrative accounts of the City and the Department of Paris also requires the elimination of the expenditure and revenue flows between the two budgets (€467 M in 2012), mainly consisting of the City's operating contribution to the Department for social welfare (€450 M). In the investment budget, €84 M of balanced expenditure and revenue items were also eliminated. These mainly concerned exchanges of property, concluded on the basis of financial packages with forward payment¹ (€62 M), to which was added €22 M of expenditure that was balanced out for the co-funded works (mainly works relating to the Halle Pajol).



¹ Sales with forward payment are the sale of property assets (land or real estate) for which payment is staggered, with the revenue recorded as and when the payments are made in line with the schedule in the deed of sale. Public accounting rules oblige the municipality to include technical entries in its budget at the conclusion of the sale for the total amount of the sale in revenues and expenditure, in respect of the credit granted to the purchaser.

2012 MARKED BY THE EXTENSION OF A PROACTIVE INVESTMENT POLICY

Investment expenditure has continued in the same vein observed since 2001, rising in 2012 by €111 M (+7.2%) compared to 2011, after eliminating €84 M of items for which income and expenditure balanced out in (see preliminary remarks), coming to €1,662 M, including €1,515 M of credits from the municipal budget and €147 M from the departmental budget.

PUBLIC WORKS EXPENDITURES

Public work expenditures constitute the largest investment expenditure item with €865 M in 2012 (against €808 M in 2011, up 7% on 2011).

PUBLIC SPACES (ROADS AND TRANSPORTS)

Expenditure came to €264 M in 2012.

2012 saw the opening of the extension of the T3 Ivry-La Chappelle tram line (€148 M spent in 2012) and the launch of the redevelopment work on the banks of the Seine (€11.4 M), the right bank development works having been delivered in September 2012.

€105 M went into the public space development operations continued in 2012: €5.2 M for the development work on the canals, €2.5 M for the works linked to the quarries, €2.4 M for Porte de Montmartre in the 18th arrondissement, €2.1 M for the boulevards in the 9th, €1.9 M for Rue de Rennes in the 6th and €1.1 M for the development of the surroundings of the Jean Bouin stadium. In addition, €9.3 M was devoted to further redevelopment works at Place de la République which should be completed in 2013.

Finally, a sum of €10.6 M was devoted to adapting the tunnels of Paris to new standards, with almost €9 M on lighting (including €4.7 M on energy efficient lighting and €1.7 M on routine maintenance), €3 M on road layout, €2.4 M on bike lanes (22.2 km of lanes were created in 2012), €2.3 M on maintenance and renovation of the *périphérique* ring road (including modifications to the transmission network), €1.6 M on bus lanes and street furnishing, €1.4 M on renovating the bridges, and €0.8 M on the development of parking areas for two-wheeled vehicles. €27.2 M was devoted to localised investments, excluding lighting expenditure (safety developments, urban developments, road layout, etc.).

SCHOOLS AND UNIVERSITIES

Expenditure came to €120 M in 2012. Almost €72 M was devoted to primary schools.

Five schools benefited from major development work: Plaine Grand Champs (20th), and the primary schools at 27 Rue de Reuilly (12th), 99 Rue Olivier de Serres (15th), 8-10-20 Rue Le Vau (20th) and 60 Rue Binet (18th).

Concerning secondary schools, €20 M was invested including almost €3 M for Eugène Delacroix (16th) and €2 M for Jacques Decour (9th).

An amount of €12 M was devoted to art schools, mainly to finish the restructuring and extension work on the Ecole Boulle (12th), unveiled in April 2013.

In higher education €12 M was invested, including €10.6 M on the Sorbonne (€9.5 M for the library and €1.1 M for safety works). In addition, €0.87 M was also invested in works on the Engineer School for Industrial Physics and Chemistry (ESPCI).

CULTURE

Expenditure on works came to over €56 M, of which €14.6 M was devoted to the construction and renovation work on conservatories (including €6.5 M on the construction of the conservatory in the 17th

arrondissement and €4.3 M on the redevelopment of the conservatory in the 13th), €7 M on libraries, €4.3 M on theatres, €3.5 M on museums, €1.3 M on artistic education and €3.5 M on the Gaité Lyrique Theatre opened in 2011, for guarantee releases and balances due on contracts.

€8 M was devoted to the maintenance of cultural heritage, including €2 M for renovation works on the Saint-Paul-Saint-Louis Church (4th). €5.8 M was also dedicated to continuing the renovation work on the Louxor Cinema (10th), reopened in April 2013.

SPORTS AND YOUTH FACILITIES

Expenditure on works amounted to €122 M.

€13.6 M was devoted to the Centre du Carreau du Temple (3th), €6.5 M on the stadium and public sports facilities at Auteuil Racecourse, €6.2 M on the ZAC Beaujon sports complex (8th) and €5 M on the Saint-Lazare gymnasium, delivered at the beginning of 2013.

€56 M was devoted to the Jean Bouin stadium (16th), delivery of which is scheduled for 2013. An amount of €8.5 M was devoted to the renovation of local sports facilities (gymnasiums, swimming pools, sports grounds...).

Regarding youth facilities, €10.6 M was dedicated to the construction of the Pajol Youth Hostel (18th), €1.5 M to the construction of the Activity Centre at 1-3 Rue Victor Gelez (11th), €1.5 M to the Tour des Dames Animation Centre and €0.47 M to the Animation Centre at Rue de Rennes (6th).

EARLY CHILDHOOD

In 2012, 657 new places were available in 19 day-care centres run by the city and by associations.

Expenditure on work to extend and improve the supply of places for Paris families represented €43 M.

This concerned 52 operations (new builds and restructuring), notably at the ZAC Cardinet-Chalabre (17th), Rue de la Mare (20th), Rue de Lagny (20th), Rue Pelée (11th) and Rue Falguière (15th). €10 M was also devoted to renovation and compliance work in a variety of different centres.

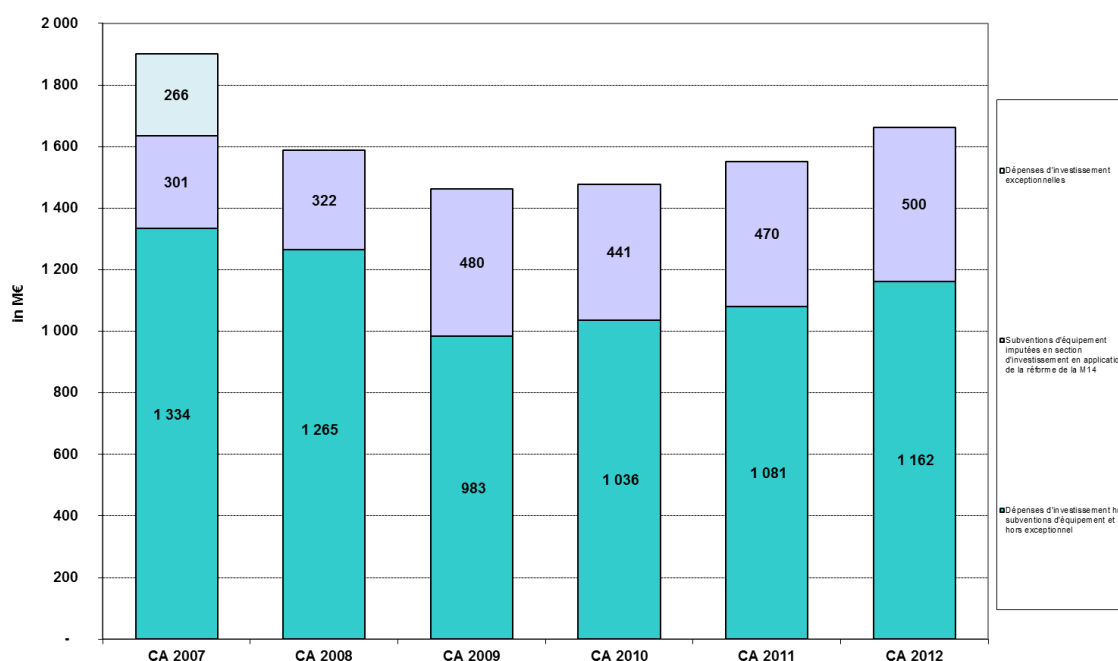
PARKS AND GARDENS, WOODS AND CEMETERIES

Expenditure on works came to more than €34 M, including €22 M devoted to the objective of 30 hectares of new green spaces, €4 M on the maintenance of green spaces and €3.3 M on improving staff workplaces.

Among the major green space development works, €4.6 M was devoted to the second phase of the development of the Clichy-Batignolles Garden (17th), €4.3 M to the development of the lawns at Auteuil Racecourse (16th), €3.3 M to the plant roof of the Porte de Vanves ring road (14th), €2.3 M to the development of the small ring road in the 15th arrondissement, €1.9 M for pollution removal and layout work at Cité Michelet (19th), €0.6 M on the Bois de Vincennes (12th), €0.6 M on the Bois de Boulogne (16th) and €0.4 M to renovate the Buttes Chaumont (19th).

In 2012, almost 3 hectares of new green spaces were opened to the public, including 15,000 m² in the Bois de Vincennes, 10,000m² for the ring road cover area in the 14th arrondissement and two new gardens in the 18th and 19th arrondissements, located respectively at Rue de Jessaint and surrounding the old Hérolde Hospital.

Variations in actual investment expenditures (excluding repayments of loans) from 2007 - 2012
in €M



HERITAGE RENOVATION AND DEVELOPMENT OPERATIONS

Expenditure on works came to €128 M, including €101 M for the redevelopment work on Les Halles, €7 M for the renovation of the thermal centres, €7 M for localised investments and €4.2 M to improve disabled access to buildings.

INVESTMENT GRANTS

The investment grants paid by the Paris municipal authority to outside partners represent the second-biggest item in investment expenditure, with €500 M paid out in 2012, up 6.4% on 2011.

For the housing sector, the priority of the Paris municipality, €359 M was invested, of which:

- €320 M for social housing, financing 6,197 homes in 2012.
- €22 M dedicated to the “Prêt Paris Logement à 0%” system.
- €15 M to eradicate substandard housing and €2 M to support emergency accommodation centres.

(see specific insert on financing social housing p.10)

In addition, €57 M was devoted to roads and transport (of which €35 M for the extension of the T3 line towards Porte de la Chapelle, €6.7 M for the construction of the Rosa Parks RER train station in the 19th arrondissement and €6 M paid to the Autolib’ semi-public syndicate to develop car loan stations), €14 M on early childhood facilities, essentially devoted to creating extra places in day-care centres run by associations, €13 M on social and health affairs, €9.6 M on economic research and development (including €3 M paid to Fonds Paris Innovation Amorçage), €6.7 M on higher education, €6.5 M on school affairs, €5 M on urbanism (including €3.6 M paid to the Paris District Heating Company for the development of the Villette site) and €3 M on cultural affairs.

The investment grants paid in 2012 to the Prefecture de Police came to €15 M, of which €6.3 M for the Paris fire brigade.

ACQUISITIONS

The total amount of expenditure on acquisitions, all tangible fixed assets included, came to €210 M in 2012 (against €201 M in 2011), up by 4.5%.

Land acquisitions have increased from €123 M to €150 M: €72 M was dedicated to social housing and €22 M to the creation of various facilities, including incubators (€10 M), schools, day-care centres and social facilities. In addition, land acquisitions for the Les Halles redevelopment project represented expenditure of €30 M in 2012.

Expenditure for acquisitions of land in development zones from semi-public companies came to €42.3 M (mainly for the Pajol (18th), Olympiades (13th), Paris Rive Gauche (13th) and Cardinet Chalabre (17th) development zones (ZAC).

OTHER INVESTMENT EXPENDITURE

To these main expenditure items must also be added €18 M of expenditure on studies and various investment expenditure representing an amount of €69 M (excluding operations on which expenditure and income offset each other), concerning mainly operations for third parties (€24 M), movements linked to financial relations between the City and the semi-public companies (with €22.6 M devoted to shareholdings and other financial fixed assets) and the contribution to the facilities of the Clichy-Batignolles Development Zone (€14.6 M).

FUNDING FOR SOCIAL HOUSING, A PRIORITY ACTION

In the 2008-2014 term of office contract, the Mayor of Paris committed to reaching the threshold of 20% of social housing in 2014, six years ahead of the obligations set out by the SRU law of December 13th 2000.

By January 1st, 2013 Paris had more than 200,000 social housing units (17.76% of main residences) to which must be added the housing projects awaiting delivery, totalling 19.78% of the main homes in Paris.

A LOOK BACK ON 2012

Thanks to the work carried out by the Paris municipal authorities and by social landlords, 6,197 social dwellings (of which 100 dwellings were planned by the Prefecture for the French National Urban Renovation Agency (ARNU)) were subsidised in 2012, thus exceeding the target of 6,000 such dwellings per year.

The number of social dwellings financed as new buildings, acquisitions for rehabilitation and acquisitions for controlled rental programmes respectively came to 2,970, 885 and 2,342.

Of these dwellings, 1,400 (36 ARNU) are classed as PLAI housing (subsidised low-income housing with rent of around €5.70/m²), 1,790 (64 ARNU) are PLUS (social housing financed by the PLUS - low-income housing loans through the Caisse des Dépôts, the eligibility criteria of which correspond to "standard" social dwellings with a rental cost of around €6.40/m²), and 3,007 are PLS (social housing loans - these are intermediate-type social dwellings with rents of €12.60/m²).

66% of these dwellings are family housing (4,120). To meet the diverse expectations of Parisians, housing other than that for families was also financed.

In 2012 this included 578 student dwellings, 303 young workers' residences, 572 dwellings in social residences for migrant workers, 247 boarding houses or social residences for the most disadvantaged and 377 dwellings for the elderly or the disabled, for a total of 2,077 specific dwellings.

Also of note was the overall renovation of 2,466 existing social housing units and the gradual renovation of 1,744 dwellings, totalling the equivalent in overall renovation of 4,210 dwellings in accordance with the standards of the Paris Climate Protection Plan.

Apart from ANRU credits, the appropriations committed by the Paris municipal authorities for social housing came to €352 M, of which €191 M of own funds, €90 M of funds assigned by the State, and €72 M committed through the housing property account.

Additionally, the combat against substandard housing was once again a constant focus of municipal action. In 2012 the sums dedicated to this objective came to €15 M of investment grants.

Below are some of the main operations funded in 2012:

- Completion by Paris Habitat OPH of a new building programme including 75 PLUS dwellings, 2 PLUS CD dwellings, 36 PLAI dwellings (28 ARNU) and 37 PLS dwellings, at 25-27 Avenue Bartholomé, 58 Boulevard Lefebvre and 4-10 Rue Theuriet (17th), with a City grant of €6.3 M.
- Completion by the RIVP of an acquisition for controlled rental programme including 34 PLUS dwellings and 85 PLS dwellings at 117-119 Rue de Montreuil (11th) with a City grant of €6.7 M.
- Completion by Antin Résidence of a transformation project of a home for migrant workers in a social residence including 129 PLA-I dwellings at 23 Rue du Retrait (20th) with a City grant of €5.3 M.
- Transformation by COALLIA HABITAT of homes for migrant workers at 50-52 Rue Clisson (13th) and 13-15 Rue de Lorraine (19th) in two social residences including respectively 182 PLA-I dwellings and 173 PLA-I dwellings with a City grant of €14.7 M.
- Completion by Paris Habitat OPH of a redevelopment project of outside spaces for 738 dwellings on the block of houses at Bièvre (13th) with a City grant of €1.5 M.
- Completion by Coopération et Famille of a Plan Climat rehabilitation programme of 255 dwellings at 225-231 Rue d'Alésia (14th) with a City grant of €3.1 M.
- Completion by RIVP of a Plan Climat rehabilitation programme of the housing complex at 4 Place de la Porte de Bagnolet (20th) including 393 dwellings with a City grant of €4.7 M.
- Completion by RIVP of a residential conversion programme of the housing complex including 467 dwellings at 194-224 Boulevard Macdonald and 2-16 Avenue de la Porte d'Aubervilliers (19th) with a City grant of €1 M.

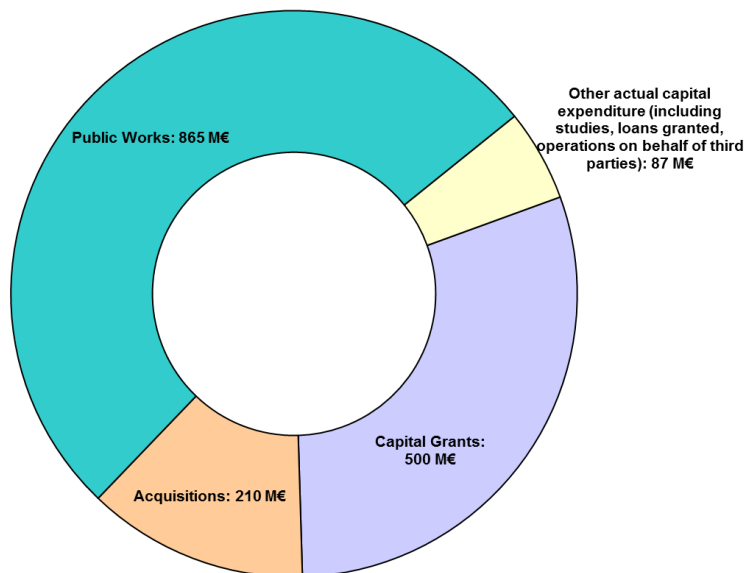
OPERATIONS WITH EXPENDITURE AND INCOME OFFSETTING EACH OTHER AND ELIMINATED FROM THE FINANCIAL ANALYSIS

Operations with expenditure and income offsetting each other (€84 M) in addition to the €1,662 M of investment expenditure and €577 M of investment income, mainly relate to financial packages with the following repayment schedules and land exchanges:

- Acquisition of land in the Paris Rive Gauche development zone concurrent with the revenue from land sold to SEMAPA to carry out the operation, for an amount of €24.8 M in 2012.
- A repayment schedule for the transfer to the Company “Front de Seine Hôtel” of the rights held by the City of the property “Hôtel Novotel Tour Eiffel” at 61 Quai de Grenelle (15th), on which the aforementioned hotel had been built under construction leases, for an amount of €21.3 M.
- A repayment schedule for the transfer to “Société foncière des Murs” of the rights held by the City of Paris on the properties at 2-20 Rue de Cambronne and 7-13 Rue de la Croix Nivert (15th), on which the Arcade hotel was built under a construction lease, for an amount of €13 M.
- The termination of the construction lease relating to the Berger car park (1st), with a compensation payment amounting to €2.2 M.

There is also the elimination of €22 M of property expenditure offset in the budget by revenues as part of co-funded works, most notably for the Halle Pajol.

Distribution of capital expenditures by Paris Local Authority in 2012
in €M



THE APPEAL OF THE PARIS MUNICIPAL AUTHORITY

Since 2001 and particularly since 2008, appeal within the economic, tourism and academic sectors is one of the top priorities of the Paris municipal authority, whose involvement exceeds its required competencies. Paris must strengthen and continue to evolve its status as the world's capital for knowledge, innovation and heritage. It is a major challenge for a 21st Century city. This appeal is focused primarily on three groups: businesses, researchers and students, and tourists.

BUSINESSES

Incubators and laboratories

The Paris department has developed a network of incubators and business service centres in the health and NICT sectors. By the end of this term of office, they will represent floor area of 100,000m²; the financial effort by the Paris local authority in 2012 took the form of payments of operating subsidies representing €3.5 M and capital subsidies of €1 M for the Institut Pierre-Gilles de Gennes incubator project.

In addition, the City of Paris provided Paris Lab, the Paris Region innovation Laboratory, with €1.8 M in financing for its operations and €0.4 M in financing for investments.

PARIS INNOVATION FUND

This fund was endowed with an amount of €3 M in 2012 and is open to innovative companies supported by Paris Lab or hosted in the Paris incubators, for which it provides subsidies or repayable advances of up to €100,000.

COMPETITIVENESS CLUSTERS

Competitiveness clusters are another focus of Departmental innovation policy. In 2012, the City supported the System0tic, Medicen, Cap Digital, Advacity, AStech, Moveo and Finance Innovation competitiveness clusters for an amount equal to €3.2 M.

LOANS ON TRUST AND GUARANTEE FUND:

Amounting to €1.37 M in 2012, these funds and loans include the Oséo-Garantie fund open to start-up or development-phase Paris companies (€0.5 M), the fund run by Paris Réseau Entreprendre, open to young entrepreneurs (€0.3 M), and the Paris Initiatives Entreprises (PIE) local initiative platform (€0.3 M) for the social and solidarity economy.

“PARIS DÉVELOPPEMENT” AGENCY

This agency is one of the main mechanisms created for foreign companies and aiming to develop the economic attractiveness of the capital. The actions of the agency are based around three main priorities:

- Prospecting for and welcoming projects by foreign companies to set up in the area.
- Monitoring foreign companies operating in Paris in order to contribute to keeping them on the territory and to their development.
- Promoting the economic appeal and the international influence of the capital at major real-estate exhibitions and benchmark international events.

In a difficult national and international economic environment, Paris Développement's results in 2012 were very positive; they played a supporting role in the creation of 1,168 jobs and secured 487 within the Paris region. The agency's funds come from membership by French and international companies, as well as a subsidy from the City of Paris (€1.6 M in 2012).

RESEARCHERS AND STUDENTS

In 2012, subsidies for research (€6 M) focused mainly on:

- Attracting overseas researchers to Paris by providing €1.5 M in financing for the Research in Paris call for projects;
- Support for Parisian researchers by financing the Emergence programme (€3.6 M) and the Paris 2030 programme (€0.2 M).

Municipal support for research in 2012 also took the form of capital grants for a total amount of €6.6 M, of which €2.1 M for ENSAM, €1.5 M for Institut Pasteur and €1 M for ESPCI.

Moreover, 2012 was marked by continued work on Hôtel de Lauzun, which from September 2013 will be occupied by the Institute of Advanced Studies which will host top international researchers specialised in the fields of humanities and social sciences, with expenditure amounting to €1.1 M in 2012.

THE APPEAL OF THE PARIS MUNICIPAL AUTHORITY (CONTINUED)

SUPPORT FOR HIGHER EDUCATION

The City of Paris owns and maintains substantial academic property representing over 40% of university property in Paris (Sorbonne, Cordeliers, ENSCP, ENSAM, ESPCI). For this property, the City invested €12 M, of which €10.6 M on safety work and the library at the Sorbonne. €2.5M was also invested in work on the School for Industrial Physics and Chemistry (ESPCI).

In addition to its obligations as the owner of property dedicated to higher education, the City of Paris has responsibility for seven schools which report to it directly: ESPCI (€13.7 M), the Engineering School of the City of Paris (EIVP) (€4.1 M), the City of Paris Vocational School for Graphic Arts and Architecture (ESPAA) (€0.1 M), the Boule, Estienne and Duperré Art Schools and Breuil Horticulture School.

SUPPORT FOR STUDENTS

2012 marked Paris' commitment to strengthening its efforts towards students with the launch of two measures:

- Support for settling in to student accommodation (AILE), intended to help scholarship students who are living for the first time in private accommodation in Paris by sending them a flat rate grant of €900 . In 2012, 310 students were able to benefit from this support. The grant amount paid by the city in March 2012 amounted to more than €2 M.

- Assistance in the creation of associations, in 2012 19 young people were helped with the creation of their association amounting to €5,700 (€300 per person).

Being one of the main hubs of international higher education, each year Paris attracts 55,000 foreign students wishing to pursue their studies and research work.

TOURISTS

Despite a very troubled economic context and the development of new and attractive urban destinations, tourism in Paris retained all of its dynamism in 2012.

Indicators confirmed the level of visits to Paris:

- The total number of tourists in Paris, combining all types of accommodation, is estimated at 29 million people.

- Hotel arrivals in central Paris amount to almost 15.7 million (an increase of 0.2% according to the Economic Observatory of Paris tourism), with almost 37.2 million overnight stays (+1% compared to 2011).

- The average occupancy rate of hotels in central Paris is approaching 80%, with peaks of 91.8% * in June and 87.3% in September.

- French customers declined slightly (-2.7% * compared to 2011) but retained very high levels in 2012, with 13 million overnight stays in hotels.

- In contrast, the number of foreign customers, from all countries, increased by 2.6% *. There was a significant return of overnight visitors from the Americas (+11.2% *) and from emerging markets, including Asia (excluding Japan) (+13%).

- In 2012, Paris hosted 1,013 congresses, an increase of 1.8% compared to 2011, with 625,770 participants.

- Tourism generated approximately 161,000 direct jobs in 2012.

* Source: Economic Observatory of Paris Tourism

ACTUAL INVESTMENT INCOME ON THE RISE

In 2012 gross revenue amounted to €661 M. Not counting the operations on which expenditure and revenues balanced each other out (€84 M), actual investment income came to €577 M, against €495 M in 2011, i.e. growth of 16.7%.

LAND AND REAL ESTATE SALES

The net amount of land and real estate sales (excluding operations that are offset by expenditure) came to €201 M in 2012, an increase of €24 M on 2011.

Among the main sales completed in 2012, we can mention the transactions related to the Rue du Louvre sale (amounting to €26.9 M), the Avenue Paul Vaillant Couturier transaction (€16.5 M recovered in 2012), the sale to the occupant, Notre-Dame-de-Sainte-Croix, of the property rights held by the City for the housing units at 12-18 Avenue de la Porte des Ternes and 6-10 Rue Gustave Charpentier (17th), amounting to €15 M; the constitution of a parking easement on a section of the public car park at Porte d'Auteuil (16th) amounting to a revenue of €12.5 M; the sale of a care home belonging to the Department of Paris to the current occupant, the Association for Mental Health and Alcoholism (ASM 13, 13th), Rue Albert Bayet, amounting to €11 M; and the big sales to developers, the ZAC Boucicaut (€10 M), the ZAC Bédier (€9.8 M) and the ZAC Beaujon (€1.5 M).

SUBSIDIES AND GRANTS RECEIVED

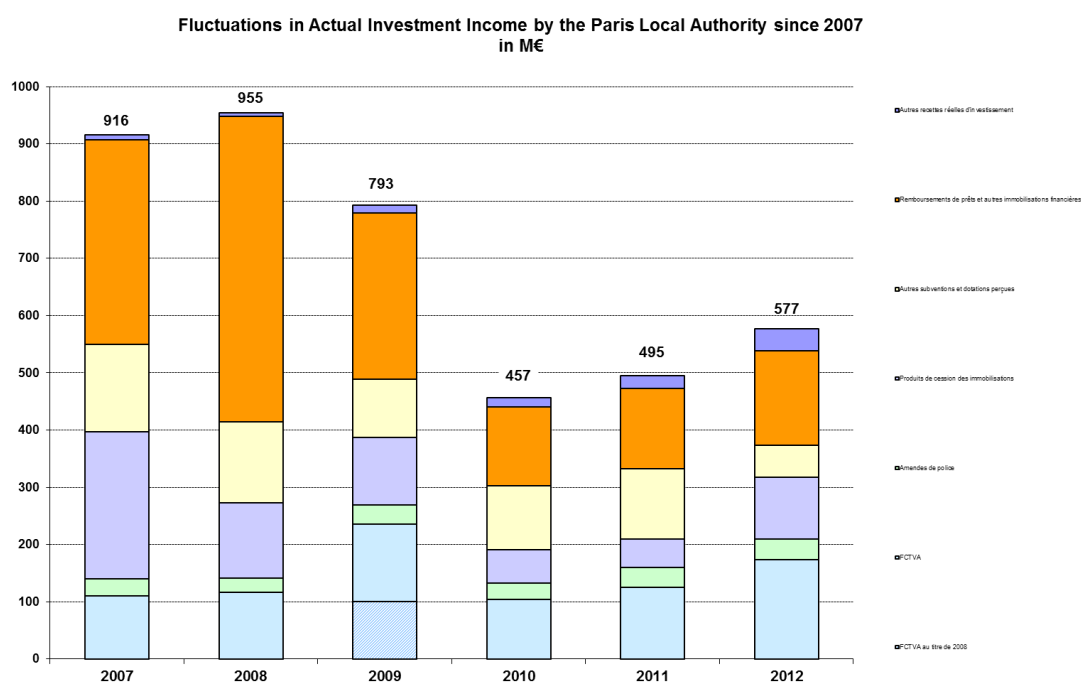
Subsidies and grants received decreased by €16 M compared to 2011, amounting to €266 M.

Below are the three key contrasting changes:

- A sharp increase in FCTVA repayments by the State (+€48 M) due to higher investment expenditures in 2012.
- An increase in revenues resulting from police fines (€2 M).
- A decrease in investment subsidies (-€67 M). This change is explained by a time lag on subsidy payments by the State for the delegations of authority relating to social housing (-€58 M). In addition, the revenue paid by the CAF to day-care centres also declined (-€6 M) after the payment of exceptional revenues for one-off co-financing contracted in 2011.

OTHER INVESTMENT INCOME

The revenue corresponding to work for third parties and transactions under mandate came to €18 M in 2012 (against €5 M in 2011). Repayments of loans stood at €32 M (against €20M in 2011, excluding exceptional revenue), of which €15 M corresponds to repayments of advances by developers, in particular for the ZAC Rungis (€7 M) and the Olympiades operation (€6.4 M).



AS IN 2011, CURRENT OPERATING EXPENSES CONTINUE TO RISE GIVEN GROWING EQUALISATION EXPENSES AND THE INCREASE IN SOCIAL EXPENDITURE

The current operating expenses, including FNGIR, came to €7,002 M against €6,804 M in 2011, an increase of 2.9%, lower than that of 2011. The contribution paid by the Department of Paris to the national guarantee fund (FNGIR), as part of the business tax reform which came into effect in 2011², stood at €892 M in 2012 (compared to €884 M the previous year). This contribution corresponds to the additional revenue cashed following the business tax reform, with expenses and revenues strictly balanced out. Excluding the contribution to the FNGIR, current operating expenses came to €6,110 M, or an increase of 3.2%.

In addition, the expenses relating to equalisation measures increased in 2012, notably due to the creation of the Equalisation Fund of Municipal and Inter-municipal resources (FPIC), to which Paris contributed around €22 M.

Not counting the contribution to the FNGIR and the increase in equalisation expenses, the rise in current operating expenses is 2.4%.

EQUALISATION

The year 2012 was characterised by a new rise in equalisation expenses for Paris, amounting to €223 M, an increase of 30.7% compared to 2011 (+€52 M). The rise in equalisation expenses represents more than a quarter of the increase registered for current operating expenses.

Contribution to the FSRIF stood at €121 M against €104 M in 2011 (+17.0%), and represents 57.7% of the total amount of funds, way ahead of Courbevoie (€12.9 M), the second-biggest contributor with a share of 6.12%, Puteaux (€12.2 M) and Boulogne-Billancourt (€8.8 M).

² For each municipality the difference is calculated, for the resources affected by the reform only, between 2010 income from the basket of resources prior to the reform and theoretical 2010 income from the basket of resources after the reform.

Contribution to the equalisation funds of the DMTO, created in 2011, increased by 19.5% and rose from €67 M to €80 M. The DMTO equalisation fund's resources stood at €578 M in 2012, which is 6.7% of the total amount of DMTO duties received by the departments.

Paris is the biggest contributor, with a contribution of 18.24% of the net total of the fund (*see insert on equalisation, p. 18*).

The first national equalisation provision in the municipal sector, the creation of the Equalisation Fund of Municipal and Inter-municipal resources (FPIC) in 2012 is reflected in the payment of a new contribution of €21.7 M, which represents 14.5% of the total amount of funds (€150 M in 2012) and which will continue to strengthen in the financial years to come.

Paris is the biggest contributor, way ahead of the Seine-Défense (€3.4 M) and Lyon (€2.9 M) urban communities.

SOCIAL EXPENDITURE

Social expenditure came to €1,541 M, or one-quarter of current management expenses (excluding FNGIR). At constant scope³, this expenditure increased by 2.1% compared to 2011 (or +€30.7 M).

The amount of benefits paid as active solidarity income (RSA) saw an increase between 2011 and 2012 (€301 M against €297 M in 2011, with 62,294 beneficiaries in 2012 against 61,001 in 2011). Expenditure from the Integration and Employment Programme (PDIE), in support of reintegration of RSA beneficiaries, increased by 4.4% (€57 M).

Additionally, expenditure on social welfare (Disability compensation benefits and third-party compensation allowances: €61 M) and accommodation (€129 M) for the disabled rose significantly (by +13.5% and +5.2% respectively), through the "2012-2016 Disability Scheme", with the creation of 177 places in 2012 while social welfare for the elderly (€290 M, of which €141 M for the APA and €149 M for accommodation support) remained stable.

2012 was again marked by the increase in expenditure on social welfare for children, which grew by 2.4% at constant perimeter (+€7.2 M) to reach €336M. This growth is mainly due to the rise in the cost of accommodation for unaccompanied foreign minors.

The contribution paid by the City of Paris to the Social Action Centre (CASVP) rose by 2.7% to reach €323 M.

Lastly, the grant paid to the low-income housing fund (FSL) came to €20 M.

(See the insert "AN ACTIVE SOLIDARITY POLICY IN A CRISIS SITUATION" below)

STAFF COSTS

Staff costs stood at €2,109 M, an increase of 2.5% in 2012. This increase (+€33 M) includes the effects of the increase in the minimum wage, the increases for seniority and technical classification (GVT), but also the voluntary measures adopted by the Paris municipal authorities in support of the lowest wages.

OVERHEAD COSTS

Overhead costs amounted to €833M in 2012. At constant scope⁴, the increase in overhead costs came to +2.5% compared to 2011, an increase of €20 M.

This rise is principally the result of the following increases:

³ A change to the accounting classification, which occurred during the year 2012, imposed the registration of open educational action expenses and educational home support for social welfare for children (€25 M in 2012) in the accountable "subsidies" section. They were previously recorded as overhead costs.

⁴ A change to the accounting classification, which occurred during the year 2012, imposed the registration of open educational action expenses and educational home support for social welfare for children (€25 M in 2012) in the accountable "subsidies" section. They were previously recorded as overhead costs. The reform of the financing of school funds has also led to the transfer of school catering expenses to subsidies (€20 M).

- New measures to extend the services rendered to Parisians (Vélib, new places in day-care centres, organisation of sports events for young people).
- Exceptional expenses relating to the organisation of the elections (+€2 M).

Expenses linked to the maintenance and the management of facilities of €6 M for fluids.

AN ACTIVE SOLIDARITY POLICY IN A CRISIS SITUATION

The dynamic increase in social welfare expenditure in 2012 (€853 M mobilised, or +5% on 2011) bears testimony to the support given to the most fragile Parisians in this ongoing crisis.

The legal and optional social welfare expenditure of Paris and the support for associative action in aid of the elderly and the disabled increased by 2.7% compared to 2011, reaching a total of €494 M in 2012. Among this expenditure, €129 M was used for accommodation for the disabled (+5%), €61 M (+13%) for disability compensation benefits (PCH) and third-party compensation allowances (ACTP); €149 M for accommodation for the elderly and €141 M (+2%) for the reduced autonomy allowance (APA).

In 2012 Paris contributed €323 M (+3%) to the Social Action Centre budget of the City of Paris (CASVP). The amount of benefits paid by the CASVP increased by €2.5 M, or 1.4% more than 2011, reaching €182 M, mostly destined for the elderly and the disabled.

At the same time, with the rise in the number of unaccompanied foreign minors (1,812 minors taken into care at end 2012 against 1,692 at end 2011, a rise of 7%), child welfare expenditure continued to rise, reaching a total of €365 M, a rise of 2% (including €336 M of benefits and welfare payments, which rose by €33 M).

The action of the municipal authorities in aid of Parisians in difficulty resulted in the contribution to the low-income housing fund (€20 M) which brings together direct housing aid ("FSL Coeur") and rental intermediation aid ("Louez solidaire et sans risqué"). Of the €182 M of benefits paid by the CASVP, €52 M went towards housing aid (improvements to housing, Paris Logement, Paris Logement Familles Monoparentales, Paris Logement Familles and Paris Logement PA-PH).

Lastly, €19.9 M was spent on promoting health and facilitating access to healthcare (an increase of 29% compared to 2011), including €6.4 M in aid paid by the CASVP (Paris Handicap Protection Santé and the health section of the reformed AVP), and €11.7 M on health, vaccination and screening centres and preventive actions.

CONTRIBUTIONS AND SUBSIDIES

The contributions provided by the Paris municipal authorities to partners (€780 M in 2012, against €764 M in 2011) saw a moderate increase in 2012 (+2.1%):

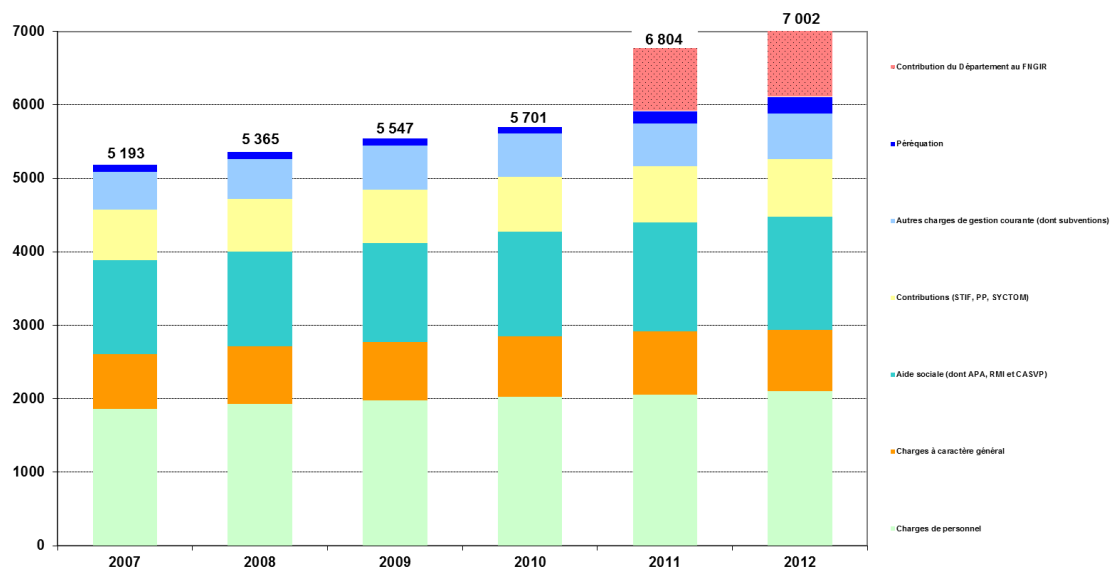
- Paris's contribution to the Ile-de-France Urban Public Transit Association (STIF) reached €360 M (+€7 M compared to 2011), in the pursuit of its goal of reinforcing the public transport resources it offers.
- The contribution to the Prefecture de Police operating budget grew by €7 M to reach an amount of €287 M (+2.7%).
- The contribution made to the Household Waste Treatment Association (SYCTOM) went up by 1.7%, for a total of €133 M, mainly taking into account population and volume effects (+1.5%, with an increase of 24,000 inhabitants).

Regarding the operating subsidies paid out by the City and Department, a change in perimeter took place in 2012 (reform of the financing method for school catering): subsidies rose by 1.4% compared to 2011, or an increase of €6 M. The subsidies for school funds stood at €75 M and the subsidies for day-care centres ran by associations came to €42 M (+€4 M compared to 2011).

OTHER CURRENT OPERATING EXPENSES

Under the other current operating expenses (€170 M against €155 M in 2011), the expenses corresponding to specific arrondissement states came to €128 M and thus rose by €4.7 M, which represents an increase of 3.8% assigned to the local management grants, which reached €116.5 M. The local events grants came to €11.6 M. This increase was the result of the growth in operating loans for local facilities, with the opening of new facilities, including for the most part day-care centres run by the city.

Evolution of operating expenditures of Paris Local Authority from 2007
in M€



THE CONTRIBUTIONS OF PARIS TO ILE-DE-FRANCE PUBLIC OPERATIONS AND FINANCIAL EQUALISATION MECHANISMS

PARIS CONTRIBUTES TO FINANCING SEVERAL ORGANISATIONS INVOLVED IN THE MANAGEMENT OF PUBLIC POLICIES AND SERVICES IN ILE-DE-FRANCE

Regarding transportation services, Paris' contribution to the STIF in 2012 came to €360 M, growth of 1.8% from 2011, which represents 30.38% of the total public contributions made by all 8 departments in the Ile-de-France region. Paris's contribution to the STIF budget made possible the implementation of an expansion in the offerings available in 2012 regarding railway lines, Noctilien (night-time bus) service, buses, and exclusive right-of-way public transit as well as the extension of the T1, T2 and T3 tram lines and the M12 metro line.

A new transit fare operation was set up by the STIF in 2012: unrestricted transport at the weekend for Navigo and Améthyste pass holders with monthly or annual subscriptions.

Regarding waste treatment, the City of Paris contributes to the Household Waste Treatment Association (SYCTOM), which operates in 84 municipalities in 5 departments.

In 2012, Paris's contribution came to €132.9 M, a change of +1.7% from 2011. SYCTOM transferred €12.9 M back to the City of Paris as part of its selective collection waste reuse activities. Indeed, 89.3% of the waste generated by residents of Paris is reused, whether by incineration to produce heat to supply the CPCU, or through material recycling.

Lastly, the contribution of the Department of Paris to the IIBRBS (Grands Lacs de Seine), which carries out flood prevention and low-water replenishment actions for the Seine and Marne rivers, totalled €6.4 M for 2012.

PARISIAN POLICIES EXTEND BEYOND THE CITY LIMITS

The extension of the Vélib' program to adjacent municipalities (around 30 municipalities by the end of 2012), wholly financed by the City of Paris, accounted for an expenditure of €8 M in 2012.

The continued extension work of Autolib' in 2012 was financed with a total subsidy of €6.1 M (to finance the establishment of 491 stations), provided to the Autolib' public joint venture, comprising 46 municipalities in the Île-de-France region. Since December 2011 this new mobility service has allowed the self-service use of electric vehicles in the Paris region (657 stations planned within the Paris city limits and 430 stations in adjacent member municipalities). At the end of December 2012, 729 street-level stations had entered into service (including 473 in Paris and 256 in the other municipalities). Autolib' thus contributes to completing the transportation offerings available and improving the mobility of Ile-de-France residents.

PARIS REAFFIRMS ITS RESOLVE TO PROMOTE THE DEVELOPMENT OF THE ILE-DE-FRANCE REGION WITH ITS INVOLVEMENT IN PARIS MÉTROPOLE

In 2012, the public joint research venture Paris Métropole involved the participation of 203 local authorities and groups of local authorities.

17% of Paris Métropole's budget originated in contributions made by Paris, which totalled €0.3 M in 2012.

Moreover, a contribution of €0.5 M was made in 2012 to The "Atelier international du Grand Paris" (AIGP), a public interest grouping responsible for implementing the "Grand Paris" law, and reconfiguring public transit in Ile-de-France, further to the architectural consultation carried out in 2009.

PARIS SHOWS ITS SOLIDARITY WITH OTHER LESS PRIVILEGED MUNICIPALITIES WITH VARIOUS FINANCIAL EQUALISATION MECHANISMS

Paris is the primary contributor to the various financial equalisation funds set up on the national and regional level. The Ile-de-France Region Solidarity Fund (FSRIF), established in 1991, is intended to offset financial imbalances among the municipalities in the region.

The contribution made by Paris, which totalled €121 M in 2012 (+17% relative to 2011), constitutes 57.5% of the funding for the FSRIF. The FSRIF, financed by 137 municipalities out of the 1281 municipalities in the Ile-de-France region, distributes its funds to 166 municipalities based on weighted criteria (financial potential of the municipality, proportion of social housing facilities and average income per resident).

Participation for the second year running in the National Fund for the Equalisation of Property Transfer Duties (DMTO) involved an expenditure by the Department of Paris totalling €80 M (against €67 M in 2011), which accounted for 18.24% of the net total of the fund. This payout is based on both the stock and the flow of DMTOs. The equalisation fund is distributed among those departments whose per-resident financial potential is below the average financial potential of all departments together.

Paris is the primary net contributor to the DMTO Equalisation Fund, followed by the Hauts-de-Seine Department.

In 2012 the City of Paris contributed for the first time to the Equalisation Fund of Municipal and Inter-municipal funds (FPIC). The total amount of FPIC is defined *ex ante* by law, fixed at €150 M in 2012 it will reach €1 Bn in 2016. With a contribution of more than €22 M, accounting for 14% of the fund, Paris was the largest contributor in 2012. The measure of wealth, used to define both the contributors and beneficiaries of the fund is made via the aggregated financial potential (aggregation of municipal and inter-municipal tax funds).

All in all, expenditures for Paris made for equalisation accounted for €223 M in 2012, compared to €170 M in 2011.

CURRENT OPERATING REVENUES SUPPORTED BY GROWTH IN PROPERTY TAX

Current operating revenues, including FNGIR, totalled €7,865 M. After taking into account the repayment to the FNGIR, the revenues came to €6,973 M against €6,898 M in 2011.

At constant scope, excluding the exceptional repatriation of €132 M of surplus from development zones in 2011, operating revenues increased by 3.1% (+€207 M).

TAX REVENUES

Tax revenues came to a total of €4,229 M for 2012 (+5.8%), excluding FNGIR.

This change is essentially the result of the revenues derived from property tax, and the growth in the direct tax bases as voted by parliament (+1.8%).

The overall revenue from local direct taxation net of the FNGIR came to €2,315 M, which is an increase of €96 M compared to 2011. Tax rates remained strictly stable in 2012, in accordance with the municipality's commitments. This increase is linked to the physical increase in the bases and to the nominal increase decided on each year by parliament.

Revenues from property tax (DMTO and TADE) came to €1,177 M in 2012, compared to €1,078 M for 2011, i.e. +9.1%.

The household waste removal tax (TEOM) grew by almost 1.9% in 2012, as a result of the nominal increase voted in by Parliament and the growth in the tax base, to a total of €434 M.

Street cleaning tax revenues came to €104 M in 2012 (+€34 M), in accordance with the reform voted in by the Council of Paris in 2011. Taking into account the legislative modifications introduced in 2010, the municipality has chosen to retain one sole tariff to replace the eight existing categories in place since the 19th Century, in a bid to restore equality. By introducing a public cleaning service that is the same throughout the whole of Paris, we are able to put an end to the inequality of tariffs based on location.

Parking fees came to €59 M (-€4 M).

End user electricity consumption taxes (TCFE) came to €69 M, a decrease of 4.6% due to the transition period between the local electricity taxes and the end user electricity consumption taxes in 2011. The observed decrease is due to a lower volume of electricity distributed in 2011, as well as the accumulation of substantial advance payments received in 2011 and adjustments carried out in 2012.

Lastly, other taxes and duties grew by €3M due to the growth in tourist taxes, which benefitted the implementation of the new hotel classification system in July 2012.

COMPENSATIONS FOR TRANSFERS OF COMPETENCE

Compensations for transfers of competence paid by the State to the Department posted growth of 0.5%, amounting to €351 M, which do not cover all the expenses transferred.

Ongoing implementation of the RSA has left the Department with net expenses of €35 M for the year 2012 (compared to €36 M in 2011). Only €266 M in revenues (including the additional fraction of domestic tax on petroleum revenues - TIPP - and the departmental job market mobilisation fund - FMDI) were collected to offset €301 M in expenses. The TIPP revenues increased to reach €244 M, and the FMDI payouts, which supplement TIPP revenues, decreased (€15 M in 2012, -€2 M compared to 2011). Furthermore, exceptional revenue of €1.6 M was registered in 2012 for a repayment from the CAF for the financing of the RMI flat-rate premium from 2009 to 2011.

The compensation provided for Assistance to the Elderly (APA), was estimated at €12.8 M by the CNSA for the year 2012 (a growth of €12 M). On an identical scope basis, this grant has seen growth of 4% (+€0.4 M); the expenditure collected for APA came to €141 M.

Lastly, the other compensations, including the TSCA (tax on insurance contracts) and the APRE (personalised labour market reintegration assistance), came to €74 M.

STATE GRANTS

State grants decreased by €36 M in 2012 (-2.6%).

The general operating grant (DGF) decreased by €31 M (-2.4%) compared to 2011, falling from €1,290 M in 2011 to €1,259 M in 2012. This decrease is the result of the capping of the compensatory sections of the grants (salary compensation, surety supplement and block grants from the Department of Paris). This capping finances the growth in the equalisation and inter-municipal grants.

Compensation grants, for land and residence tax exemptions, decreased by 9.8% (-€6 M). The decrease in these grants was the result of the capping to finance the growth of other support provided by the State for the local municipal authorities.

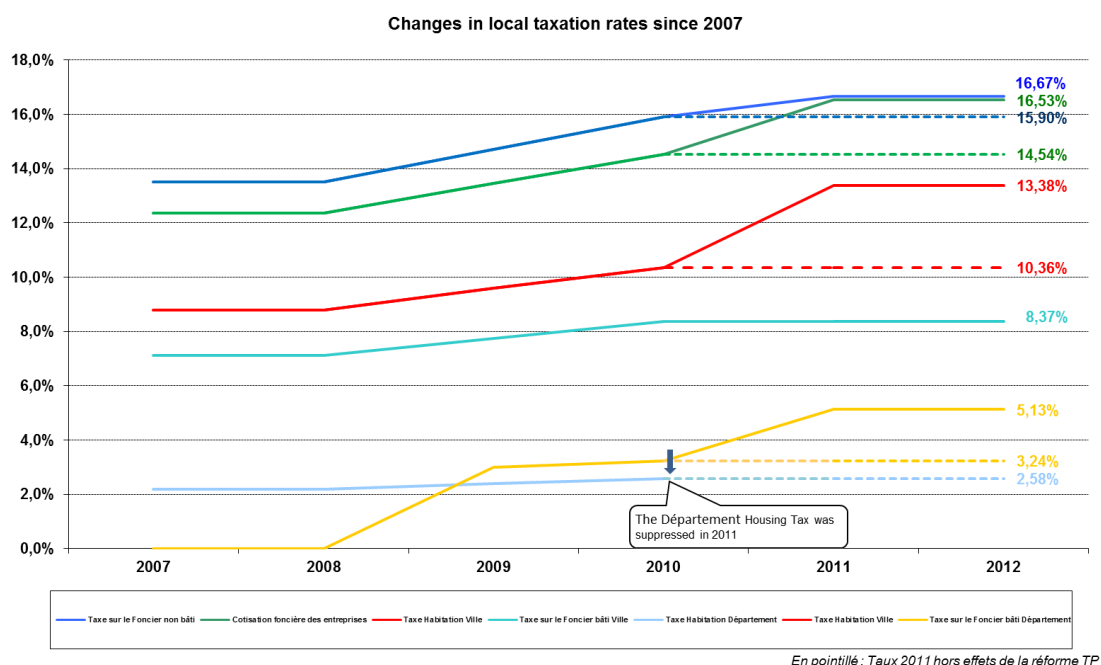
The general decentralisation grant (DGD) and the special teachers' grant (DSI) increased slightly compared to 2011 (€16 M, 1.7%).

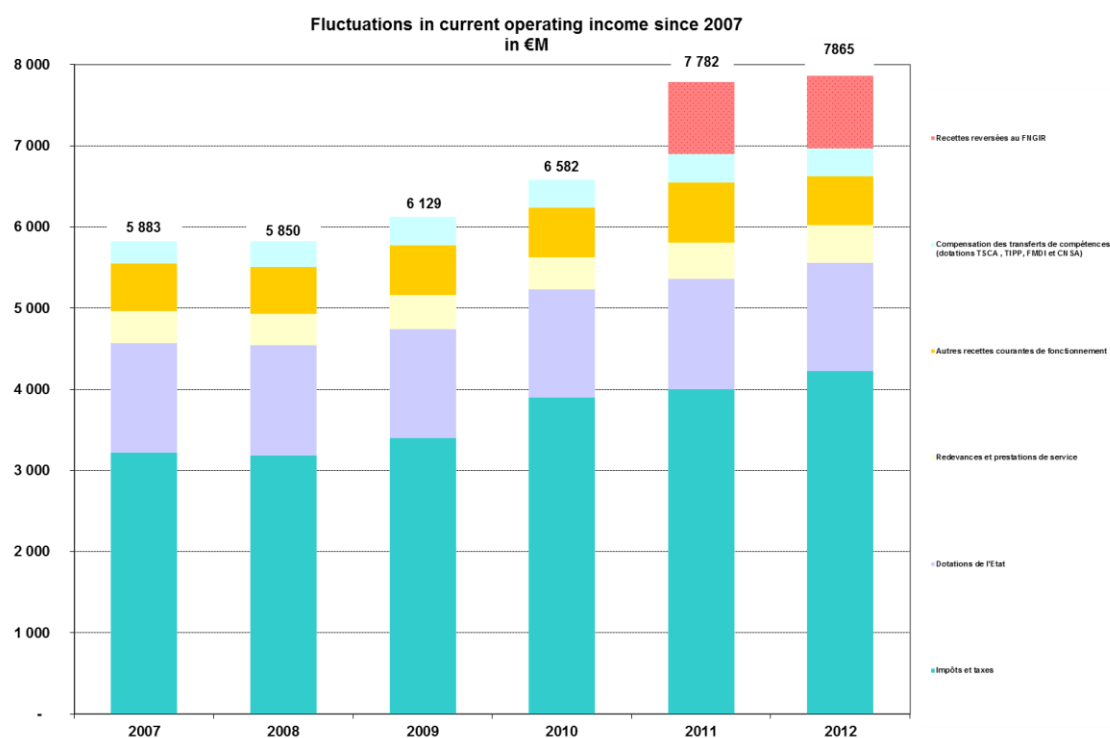
OPERATING INCOME AND DUTIES

Operating income and duties came to €461 M (+11.5%), against €443 M in 2011, of which €291 M results from duties for the use of public domains and €169 M contributions from users in Paris.

Overall, the duties paid by farmers and concessionaires were stable. The growth in duties collected from establishments and facilities within the conceded urban areas should be highlighted, with a notable increase in revenues paid for the use of the network of €9 M compared to 2011. Public domain usage fees, including roadway and terrace duties, have also seen an increase, reaching €66 M in 2012 (+€6 M compared to 2011). In addition, the revenues from rents received in the housing and residence sector decreased by €12 M resulting from the termination of the contracts made with RIVP.

The contributions from users in Paris have seen an increase of €12 M, resulting mainly from the increase in revenues received from family contributions at day-care centres, after the opening of 120 extra municipal places; revenues recorded in the cultural sector (+€6 M) thanks to the opening of new facilities; revenues received within the school sector (+€5 M), mainly due to accounting adjustments made in 2011.





FINANCIAL OPERATIONS AND EXCEPTIONAL OPERATIONS

EXCEPTIONAL EXPENSES

A large decrease in exceptional expenses was observed in 2012 compared to 2011 (€36 M against €56 M in 2011).

This change can be explained by a decrease in litigation costs, 2011 having been marked by €9 M of compensation paid out following a fire in the urban renewal project at ZAC Paris Rive Gauche.

The volume of cancelled shares from prior years, requested by public accounts, decreased by €2 M compared to 2011 and reached €14 M.

The ZAC deficits are slightly increasing, however; they came to €8 M (including €3 M for the Château Rouge operation in the 18th arrondissement; €3 M for the Cardeurs-Vitrue operation in St-Blaise GPRU, in the 20th; and €1M for the Halle Pajol operation in the 18th), compared to €7 M in 2011.

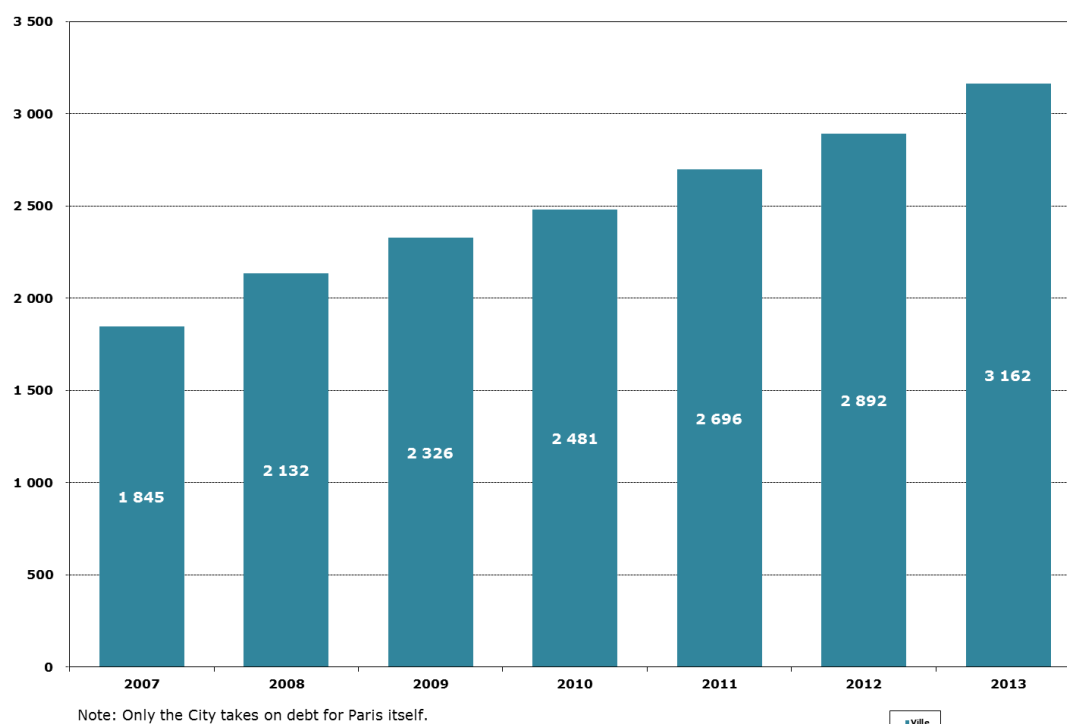
EXCEPTIONAL INCOME

Exceptional income saw a slight decrease compared to 2011 (€9 M in 2012 compared to €10 M in 2011), this is explained by the decrease in the amount of mandates cancelled for previous years.

DEBT AND LIQUIDITY MANAGEMENT

The continuation of active debt and liquidity management has allowed Paris to profit from interest rates that remained low throughout the year, and since outstanding debts and bonds have gone up (+€270 M, including the loan repayment of €200 M), financial expenses came to €100 M against €91 M in 2011.

Evolution of the outstanding debt of the Paris Local Authority as of 1st January
from year 2007 to 2013



EFFICIENT FINANCIAL MANAGEMENT

Borrowing allows local authorities to spread out over time the financial burden of building facilities for the benefit of several generations of Parisians. The City of Paris has a consistent dedication to obtaining the best possible financial conditions for its loans, and for such purposes it has sought to diversify its sources of financing.

Thus, so as to be able to raise funds directly from financial markets, as a supplement to its recourse to traditional bank loans, the City began a programme in 2004 to issue “EMTN” (“Euro Medium Term Notes”) securities. This legal framework enables it to borrow more rapidly and at better costs, by issuing debt securities to institutional investors such as insurance companies, including those outside the euro area.

In 2012, as part of its EMTN programme, the City was able to source funds at attractive conditions, in spite of the European sovereign debt crisis. The City thus made eight private placements on the Euro market for a total of €470 M. This recourse to euro bond issuance, carried out through six different banking groups, allowed the City to save significant financial expenses for the duration of the issues compared to the financial conditions that it would have obtained by borrowing directly from banks.

These loans altogether allowed the City to fund itself at a rate close to 3% (3.25% on average over the year for an average maturity of 15 years), corresponding to a spread of 25 basis points above the average rate of OATs (French fungible treasury bonds) with the same maturity (i.e. only 0.25% more than the average rate of financing for the State, which has the best credit rating in France on the financial markets).

In keeping with its methodology, Standard & Poor's opinion is that “the institutional and financial framework of the local authorities does not allow them to be rated higher than the French State itself,” and has thus, at the beginning of 2012, also downgraded the City of Paris from AAA to AA + following its action on the rating of the French Republic. However, Standard & Poor's is still in the opinion that the “indicative credit quality” of the City of Paris is still at the highest level possible. Additionally, the City of Paris continues to be rated AAA by the rating agency Fitch, although prospects went from stable to negative in December 2011 due to a change in prospects attributed to the French State by the agency, for the same reasons of methodology.

SAVINGS KEEPING THE SELF-FINANCING CAPACITY HIGH SELF-FINANCING

The self-financing capacity of the Paris municipal authorities amounted to €1,334 M, against €1,360 M in 2011 (-2%). This level permits the funding of 80% of investment financing requirements.

As the result of growth in actual operating income which was less dynamic than that of current operating expenses, most notably due to the effect of the increase in vertical and horizontal equalisations (+€88 M in total), gross savings decreased by €109 M (-12.9%) between the administrative account statements for 2011 and 2012, falling from €866 M to €757 M. Excluding exceptional repatriation of €132 M of surplus from development zones in 2011, gross savings have increased by 3.2% (+€23 M).

BORROWING

At the end of fiscal year 2012, with respect to investment expenditure (€1,662 M), borrowing requirement amounted to €528 M.

In order to limit the amount of new loans, part of this requirement has been filled by the mobilisation of working capital of up to €58 M.

New loans were contracted during the year, amounting to €470 M. Despite a difficult context combining a scarce supply of bank credit and turmoil on the financial markets, the City was able to borrow at a rate close to 3% during the year 2012 (see insert on this subject).

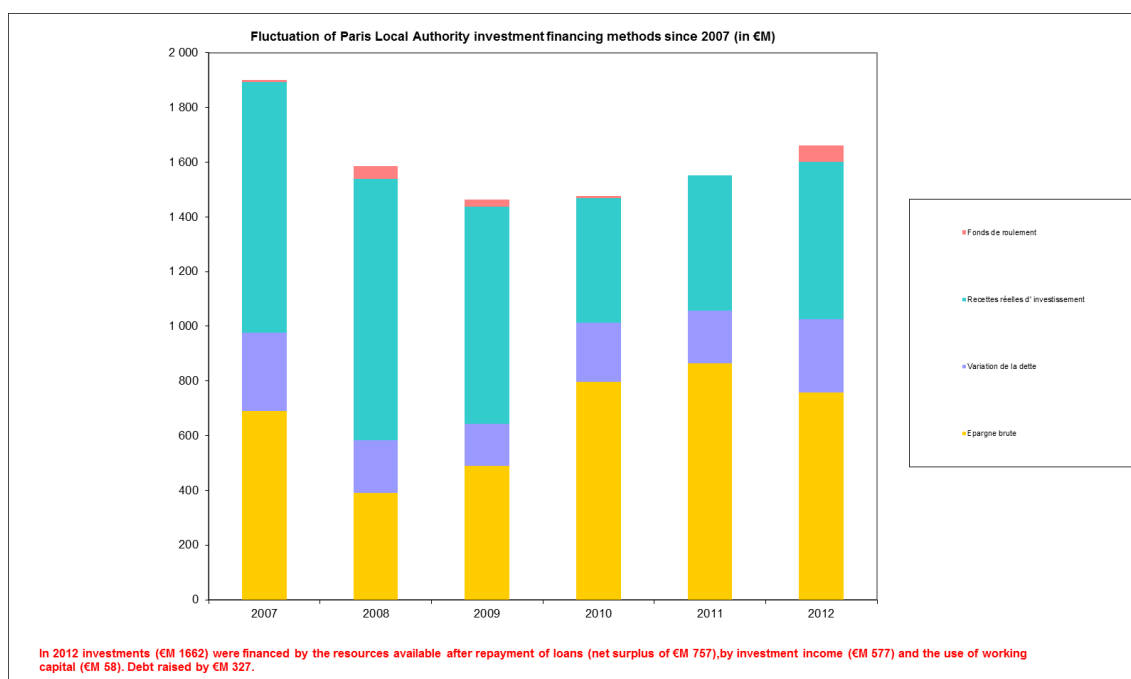
The change in outstanding bank debt and bonds totalled €270 M in 2012, compared to €197 M in 2011, the amount of loan repayments by the municipal authority being higher in 2012 (amounting to €200 M against €184 M in 2011).

WORKING CAPITAL

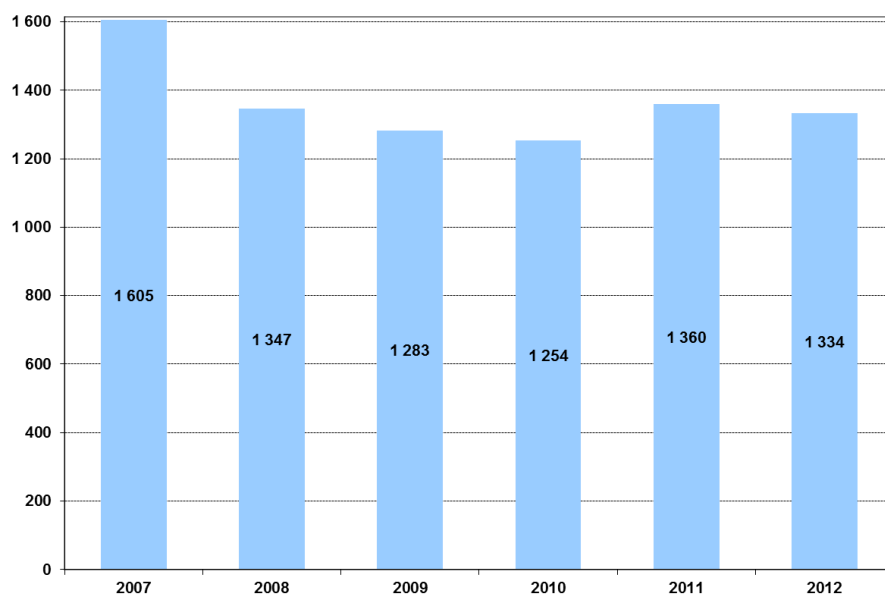
In the municipal budget, working capital decreased by €38 M, bringing it to €191 M at year-end.

In the departmental budget, for which, as in previous years, there was no recourse to borrowing, working capital decreased by €20 M to €39 M.

In the City and Department consolidated accounts, the working capital for the Paris municipal authorities thus totalled €230 M at December 31, 2012.

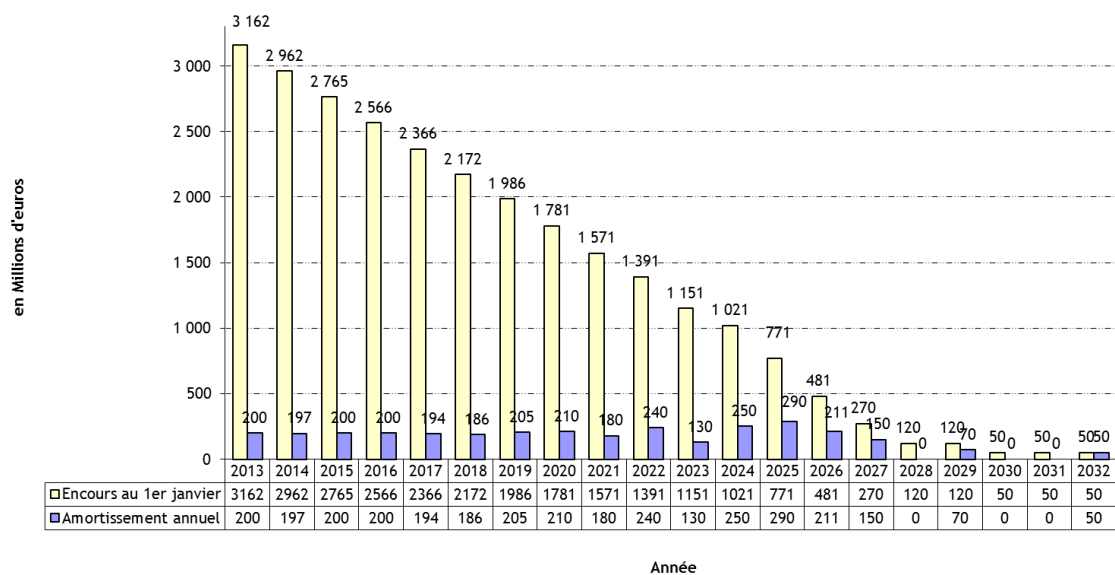


Investment financing capacity of Paris Local Authority since 2007
(in €M)



Financing capacity excluding non-recurring investment income until 2010..

Debt (loans and bonds) amortisation schedule as of 1st January 2013

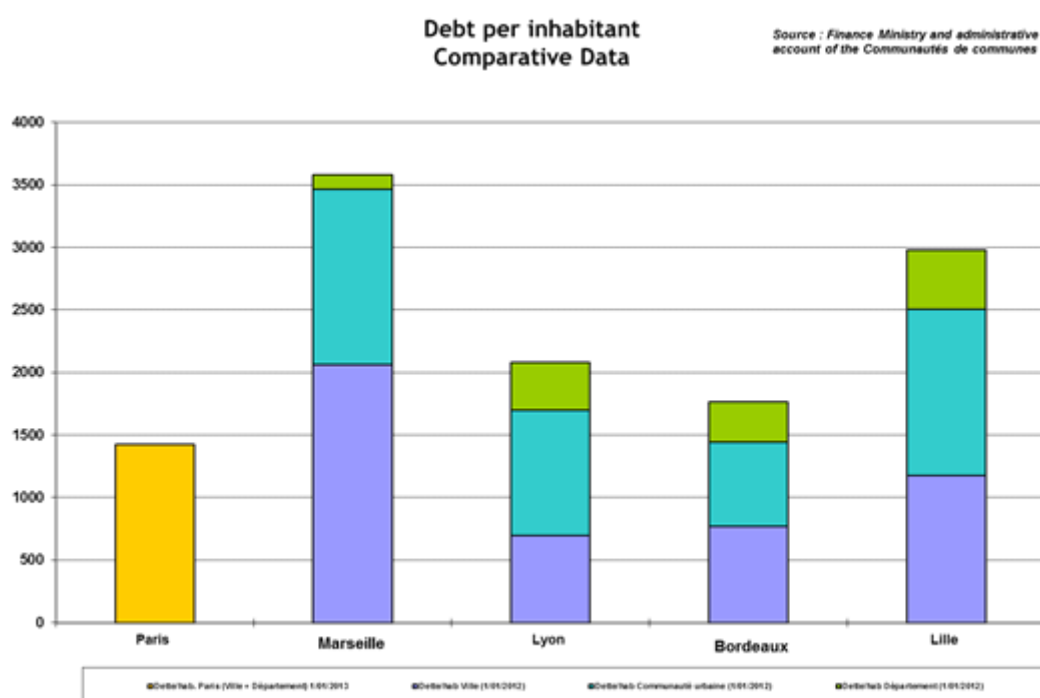


IN 2012, PARIS IS STILL ONE OF THE LEAST INDEBTED OF THE MAJOR MUNICIPAL AUTHORITIES

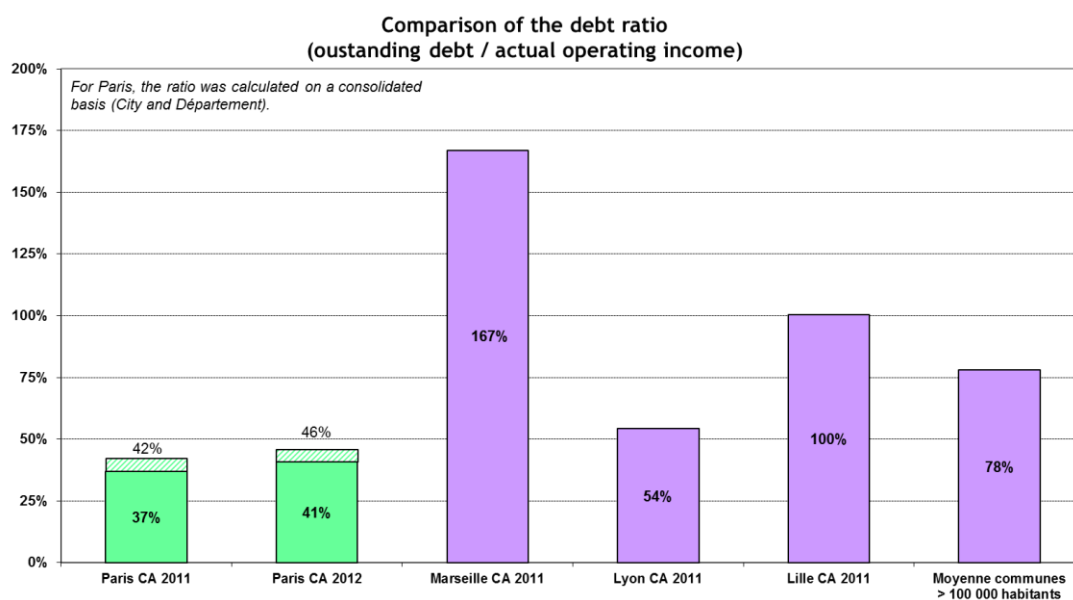
Debts outstanding totalled €3,162 M at the end of the year 2012.

Outstanding total debt amounted to €3.219 Bn at 31/12/2012, including the municipal authority's commitments in the form of forward payments related to capital acquisitions, resulting from the railway reconstruction operations during the development of the ZAC Clichy-Batignolles, amounting to €56.7 M. The category of "other debts" traces a marginal source of debt for the City, with respect to the amounts raised through bonds or bank loans, which will remain extremely limited over the coming financial years.

In 2012, Paris remained one of the least heavily municipal authorities in France, with a debt/actual operating income ratio of 41%, and 46% excluding the effect of the business tax reform (net debt/revenue repayments to FNGIR), whereas the nationwide average for all municipalities with more than 100,000 inhabitants was estimated at 78% by December 31st, 2011⁵.



⁵ Source: DGCL - the 2011 municipal accounts: individual data.



Source : database DGCL/Minefi

CONSOLIDATED FINANCIAL BALANCES 2007-2012

	AA 2007	AA 2008	AA 2009	AA 2010	AA 2011	AA 2012	Variation 2012 / 2011
Operating Income	5 883	5 850	6 129	6 582	7 782	7 865	1,1%
<i>excluding FNGIR</i>				6 582	6 898	6 973	1,1%
Operating expenses	5 193	5 365	5 547	5 701	6 804	7 002	2,9%
<i>excluding FNGIR</i>				5 701	5 919	6 110	3,2%
Operating surplus	690	484	582	881	978	863	-11,8%
Financial Balance	-40	-51	-47	-50	- 66	-79	18,9%
Non-recurring Balance	40	-43	-46	-34	- 46	- 27	-41,8%
Total operating income	6 004	5 894	6 163	6 609	7 816	7 895	1,0%
Total operating expenditure	5 315	5 502	5 673	5 812	6 950	7 138	2,7%
Gross surplus	689	391	490	797	866	757	-12,5%
Loan repayments (including revolving credits)	72	138	120	125	184	200	8,8%
Net surplus	618	254	370	672	682	557	-18,3%
Actual investment income	916	955	793	457	495	577	16,7%
Investment financing capacity	1 605	1 347	1 283	1 254	1 360	1 334	-1,9%
Actual capital expenditures	1 901	1 587	1 463	1 477	1 551	1 662	7,2%
Financing requirement	367	378	300	348	375	528	40,8%
New loans	359	331	275	340	381	470	23,4%
Working capital as of 1/1	372	364	318	293	285	288	
Variation in working capital	-8	-47	-25	-8	6	-58	
Working capital as of 31/12	364	318	293	285	291	230	
Outstanding debt as of 1/1	1 845	2 132	2 325	2 480	2 695	2 892	
Outstanding debt as of 31/12	2 132	2 325	2 480	2 695	2 892	3 219	
Variation in outstanding debt	287	193	155	215	197	327	
Financing capacity	84,5%	84,9%	87,7%	85%	88%	80%	

ADMINISTRATIVE ACCOUNT OF THE CITY (2012)

Financial Balance:

OPERATING SECTION			
Expenditure		Revenues	
<u>Real operations</u>			
Chapters 011, 012, 65, 656, 014	4 492 787 238,60	Accounts 70 to 75 + 013	5 298 897 865,18
66 Financial expenses	99 807 129,53	76 Financial income	19 706 993,98
67 Exceptional expenses	33 896 881,21	77 Exceptional income	137 258 719,28
Total real expenditure	4 626 491 249,34	Total actual and mixed revenues	5 455 863 578,44
Balance of actual operations			829 372 329,10
<u>Book entries between sections</u>			
Total expenditure book entries	488 334 042,02	Total income book entries	56 928 650,52
Total (actual operations and book entries)	5 114 825 291,36	Total (actual and book entry income)	5 512 792 228,96
002 Deficit brought forward	0,00	002 Surplus brought forward	193 516 154,86
		Cumulative income	5 706 308 383,82
Operating income		Surplus:	591 483 092,46

CAPITAL SECTION			
Expenditure		Revenues	
<u>Real operations</u>			
Financial expenses		Own external resources	
10 Payment of grants	5 000 000,00	10 Miscellaneous grants and funds (except 1068)	171 189 647,61
13 Subsidies	0,00	138 Non-allocated investment grants	0,00
		27 Repayment of loans	190 054 690,10
16 Repayment of loans (excluding revolving credit)	683 565,02		
16449 Revolving credit	425 000 000,00	Other permanent external resources	
		20 Intangible assets	20 076,99
		204 Capital Grants	2 363 100,00
		21 Tangible fixed assets	11 498 632,66
		23 Fixed assets in progress	7 556 430,88
26 Shareholdings	15 610 002,16	26 Disposal of shareholdings and related receivables	0,00
27 Other financial assets	57 649 375,35	13 (except 138) Subsidies	50 884 802,29
Capital expenditure		Other non-permanent external resources	
20 Intangible assets	17 255 882,99	163 Debenture loans	470 723 900,94
204 Capital grants paid	399 918 957,30	164 Loans from credit institutions (excluding revolving credit)	
21 Tangible fixed assets	235 228 843,30	16449 Revolving credit	225 000 000,00
23 Fixed assets in progress	842 327 094,91	165 Deposits and guarantees received	141 736,08
		168 Other loans and similar debts	2 287 065,29
45 Operations on behalf of third parties	19 321 997,06	45 Operations for third parties	18 961 046,93
Total actual expenditures	2 017 995 718,09	Total actual revenues	1 150 681 129,77
Self-financing requirement (expenses - income)		867 314 588,32	
<u>Book entries within the section</u>			
Total	333 678 159,86	Total	333 678 159,86
<u>Book entries between sections</u>			
Total	56 928 650,52	Total	488 334 042,02
Total (real operations and book entries)	2 408 602 528,47	Total (real operations and book entries)	1 972 693 331,65
D001 Income brought forward n-1	461 074 382,07	R1068 Allocation n-1	496 833 685,00
Total capital expenditure	2 869 676 910,54	Total capital income	2 469 527 016,65
Balance of capital section		Deficit	400 149 893,89

THE DEPARTEMENT'S ADMINISTRATIVE ACCOUNT (2012)

Financial Balance:

OPERATING SECTION			
Expenditure		Revenues	
<u>Real and mixed operations</u>			
Chapters 011, 012, 65, 6586, 014	2 469 812 484,69	Accounts 70, 73, 74, 75, 013	2 747 122 137,73
016 APA	140 640 807,93	016 APA	11 995 551,58
015/017 RSA	365 642 412,86	015/017 RSA	273 603 511,31
66 Financial expenses	138,65	76 Financial income	1 110 405,13
67 Exceptional expenses	2 106 444,36	77 exceptional income	12 735 337,72
68 Provision for loss	0,00	78 Write-back of provisions	0,00
Total actual and mixed expenditure	2 978 202 288,49	Total actual and mixed revenues	3 046 566 943,47
Balance of real and mixed operations		68 364 654,98	
<u>Book entries between sections</u>			
Total expenditure entries	91 369 571,89	Total income entries	77 232 912,26
Total (actual operations and book entries)	3 069 571 860,38	Total (actual operations and book entries)	3 123 799 855,73
D002 Deficit brought forward	0,00	R002 Surplus brought forward	55 055 783,35
Total operating expenditure	3 069 571 860,38	Total operating income	3 178 855 639,08
Operating income		Excédent : 109 283 778,70	

CAPITAL SECTION			
Expenditure		Revenues	
<u>Real operations</u>			
DEPARTMENT EQUIPMENT (direct invts)	41 264 351,13	10 (except 1068) Own external resources	6 564 736,30
<u>Capital expenditure</u>			
20 Intangible assets	407 349,85	20 Intangible assets	0,00
21 Tangible assets	2 004 022,06	23 Fixed assets in progress	93 883,60
23 Fixed assets in progress	38 813 670,74	27 Other financial assets	118 916,85
		274 Repayments of loans	0,00
018 RSA	39 308,48	018 RSA	0,00
		13 Capital grants received	39 688 367,95
NON-DEPARTMENT EQUIPMENT	100 292 417,47		
		165 Deposits and guarantees received	0,00
204 Capital grants paid	100 292 417,47	204 Capital grants paid	0,00
45 Works for third parties	10 001 508,02	45 Third party contributions to works done on their behalf	18 067 594,41
<u>Financial expenses</u>			
165 Deposits and guarantees given	0,00		
26 Shareholdings	1 058 465,74		
27 Other financial assets	236 500,00		
10 Miscellaneous grants and funds	0,00		
Total real expenditure	152 853 242,36	Total real revenues	64 533 499,11
Self-financing requirement (expenses - income)		88 319 743,25	
<u>Book entries within the section</u>			
Total	6 079 515,13	Total	6 079 515,13
<u>Book entries between sections</u>			
Total	77 232 912,26	Total	91 369 571,89
Total (real operations and book entries)	236 165 669,75	Total (real operations and book entries)	161 982 586,13
D001 Income brought forward n-1	35 869 726,94	R1068 Allocation n-1	39 193 654,00
Total capital expenditure	272 035 396,69	Total capital income	201 176 240,13
Balance of capital section		Deficit: 70 859 156,56	

KEY FINANCIAL RATIOS OF THE PARIS COMMUNITY (CITY AND DEPARTEMENT)

AA 2007	AA 2008	AA 2009	AA 2010	AA 2011	AA 2012
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1 . Net savings ratio

Net savings / Actual operating revenues	10,3%	4,3%	5,8%	10,2%	8,7%	7,1%
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Measures the municipality's ability to generate positive net surplus

2 . Indebtedness indicators

Debt capital outstanding / Actual operating income	35,5%	39,5%	39,0%	40,8%	37,0%	40,8%
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Debt capital outstanding / Gross surplus	3,1	5,9	5,1	3,4	3,3	4,3
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Number of years required to repay debt capital

Debt outstanding / Population (in euros)	993	1 083	1 156	1 207	1 295	1 426
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3 . Structure cost rigidity indicator

Personnel expenses / Actual operating revenues	31,0%	32,8%	31,2%	30,7%	26,3%	26,7%
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Measures the room for manoeuvre in terms of expense reduction

4 . Coefficient of use of tax potential (City only)

Revenue derived from 4 direct taxes (TH, TFB, TFNB, TF	58,0%	57,4%	57,0%	59,6%	61,1%	55,4%
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Measures fiscal room for manoeuvre (ability to increase rates and hence revenues)

5 . Tax effort (City only)

Revenue derived from 3 direct taxes (TH, TFB, TFNB) /	48,3%	48,1%	47,9%	49,3%	52,0%	45,2%
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Measures fiscal room for manoeuvre with household taxes (ability to increase rates and hence revenues)

FINANCIAL ANALYSIS GLOSSARY

OPERATING INCOME

All actual operating income excluding financial and exceptional income. They include, inter alia, direct and indirect taxes, grants and contributions from the State and local authorities and fees and charges for services.

OPERATING EXPENSES

All current operating expenses excluding financial and exceptional expenses. They include, inter alia, staff expenses, overhead costs, subsidies and contributions.

OPERATING SURPLUS

The difference between operating income and operating expenses.

GROSS SURPLUS

Financial and exceptional balances are added to the Operating surplus. Gross surplus is the amount available to finance the expenses reflected in the capital section once the authorities' operating expenses have been covered. They are primarily allocated to the repayment of the capital portion of debt.

REPAYMENT OF LOANS

The loan amount repaid during the year, which may include a reduction in the revolving credit ceiling.

NET SURPLUS

The difference between the gross surplus and the repayment of loans. Positive net savings indicate that the authority is able to repay the principal of its debt exclusively by using the surplus of its operating revenues over its operating expenses. Negative net savings indicate that the authority must allocate a portion of its investment income to debt repayments, to the detriment of the financing of investments.

ACTUAL INVESTMENT INCOME

The sum of all investment incomes excluding book entries, borrowings and revolving credit. It comprises the FCTVA, police fines and repayments of loans granted by the authority.

REVOLVING CREDIT

Revolving credits are a type of loan used as part of the active debt management approach. Revolving credits are only drawn in the event of a cash shortfall and only bring about charges when they are used, contrary to conventional loans.

INVESTMENT FINANCING CAPACITY

The sum of net surplus and actual investment income.

ACTUAL CAPITAL EXPENDITURE

All the capital expenditures, i.e. mandated payment credit, excluding book entries and excluding loan repayments. Among others, it includes expenses related to acquisitions, works, and loans granted by the authority.

FINANCING REQUIREMENT FOR CAPITAL EXPENDITURES

The difference between actual capital expenditures and the investment financing capacity. It is the portion of the actual capital expenditure that can only be financed by debt or working capital. In the preliminary budget, the investment financing requirement is financed exclusively from loans, except if the n-1 working capital is brought forward.

WORKING CAPITAL FUND

The sum of the capitalised operating surplus, plus the balance of the operating section n-1 and the balance of the capital section n-1. It is equal to the balance of the net surpluses or deficits of the previous financial years.

VAT COMPENSATION FUND (FCTVA)

The purpose of the FCTVA is the refund by the State of the VAT paid by the municipal authorities on a portion of their capital expenditure. Until 2009 the compensation came two years later: the FCTVA of year n related to actual capital expenditure incurred in year n-2. In 2009, in the framework of the government's stimulus plan, the State made an early payment to the local authorities for the amount corresponding to the capital expenditure made in 2008, provided that this capital expenditure reached at least a threshold set as being the average of actual equipment expenditure recorded over the previous four fiscal years. The Paris municipal authorities received a double FCTVA payment in 2009, corresponding to the expenditures made in 2007 and 2008. In 2010, the payments were once again based on an annual rate and the City received €104 M for the expenditures of 2009.

ÎLE-DE-FRANCE SOLIDARITY FUND (FSRIF)

The purpose of the FSRIF is to offset the disparities in terms of tax bases between the municipalities of the Île-de-France region and to improve living in the most disadvantaged municipalities. It is funded by collecting tax resources from the better-off municipalities.