



CAISSE D'AMORTISSEMENT DE LA DETTE SOCIALE

Établissement public national administratif (French national public entity)

(Established in Paris, France)

EURO 60,000,000,000

DEBT ISSUANCE PROGRAMME

This Prospectus Supplement (the “**Supplement**”) which has obtained visa n°08-226 on 27 October 2008 from the *Autorité des marchés financiers* (the “**AMF**”) is supplemental to and must be read in conjunction with the Base Prospectus dated 22 May 2008 (the “**Base Prospectus**”) granted visa n°08-104 on 22 May 2008 by the AMF prepared by the *Caisse d'Amortissement de la Dette Sociale* (“**CADES**” or the “**Issuer**”) with respect to the Euro 30,000,000,000 Debt Issuance Programme (the “**Programme**”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been prepared pursuant to Article 16.1 of Directive 2003/71/EC (the “**Prospectus Directive**”) and article 212-25 of the AMF's General Regulation for the purpose of increasing the Programme Size and incorporating the 30 June 2008 semi-annual results of CADES.

By virtue of this Supplement the Programme Size is increased from EURO 30,000,000,000 to up to EURO 60,000,000,000 in aggregate nominal amount of Notes outstanding at any one time under the Programme, in accordance with the decision n°2008-04 of the board of directors (*Conseil d'Administration*) dated 5 August 2008 which has been approved by Christine Lagarde, the French Ministry of Finances and Industry, on 25 September 2008.

Copies of this Supplement will be available without charge (i) on the website of the AMF (www.amf-france.org) and (ii) on the website of the Issuer (www.cades.fr).

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

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RECENT DEVELOPMENT

The French government has announced that the next law for the financing of the social security for 2009 (*projet de loi de financement de la sécurité sociale pour 2009*) which will reach the parliament on October 15, will contain a new transfer of social debt to CADES for a maximal amount of EUR 27bn. In accordance with the organic law of 2005 on social security, in addition to the CRDS (*contribution au remboursement de la dette sociale*) it already receives, CADES will get additional resources of 0.2% of CSG (*contribution sociale généralisée*) for an amount of EUR 2.3bn in 2009. This bill which is going to be discussed in the parliament this autumn should enter into force next January. The new resource level as of January 1, 2009 will enable CADES to amortize its total debt in the same time frame as before.

SELECTED FINANCIAL INFORMATION

GENERAL INFORMATION

1. MISSION STATEMENT

Ordinance No. 96-50 dated 24 January 1996¹ established the Social Security Debt Repayment Fund (*Caisse d'Amortissement de la Dette Sociale - CADES*) on 1 January 1996. CADES is an administrative public agency (*Etablissement Public à Caractère Administratif - EPA*) supervised by the French Minister of the Economy and Finance and the Minister in charge of Social Security.

CADES' mission is to:

- Amortize the social security debt transferred to it, i.e. the cumulative deficits of the Central Agency of Social Security Bodies (*Agence Centrale des Organismes de Sécurité Sociale - ACOSS*); and
- Make payments to various social security funds and organizations.

CADES' mandate has been extended beyond 31 January 2014 as decided initially to until such date as the social security debt transferred to it has been fully extinguished.

In the furtherance of its mission, CADES receives the proceeds of a special tax known as the social security debt repayment contribution (*Contribution pour le Remboursement de la Dette Sociale - CRDS*), introduced in Chapter 2 of the aforementioned Ordinance. It also received the proceeds from the sale of real-estate assets owned and leased by the national agencies falling under the basic social security scheme and ACOSS.

CADES is authorized to borrow funds, in particular via public offerings and the issuance of negotiable debt securities.

Moreover, CADES benefits from repayments of receivables from foreign social security agencies to the national health insurance fund for salaried workers (*Caisse Nationale d'Assurance Maladie des Travailleurs Salariés - CNAMTS*).

Lastly, in accordance with Law No. 2004-810 of 13 August 2004, any future surpluses generated by the health insurance branch of the French social security system will be allocated to CADES. The Social Security Finance Act will define the terms under which this transfer will take place.

2. ORGANIZATION OF THE AGENCY

CADES is overseen by a Board of Directors and a Supervisory Board. It is governed by the provisions of Decree No. 53-1227 dated December 10, 1953 (and amendments thereto), relating to the accounting policies applicable to French administrative public agencies, and of Decree No. 62-1587 dated December 29, 1962 (and amendments thereto), defining general public-sector accounting rules, subject to the legal provisions and regulations specific to CADES (aforementioned Ordinance of 24 January 1996, and Decree No. 96-353 dated 24 April 1996).

Pursuant to the provisions of the aforementioned decrees, financial and accounting transactions fall under the responsibility of Mr. Patrice Ract Madoux, the Authorizing Officer of CADES and Chairman of the Board of Directors, and Mr. Frank Mordacq, its Chief Accounting Officer and Head of CBCM Finances.

- CADES' annual budget is drawn up by 30 November of the previous year by the Board of Directors and approved by the ministers who supervise the agency.

¹ As modified by Social Security Finance Law No. 97-1164 of December 19, 1997, the 2001, 2002 and 2006 Finance Laws, the 2003, 2004 and 2006 Social Security Finance Laws, Law No. 2004-810 of August 13, 2004 relating to health insurance, and Law No. 2005-881 of August 2, 2005.

- Financing is limited to appropriated funds, excluding expenses related to the repayment of loans, financial management costs, and assessment and collection charges.
- The Board of Directors reviews and signs off the accounts drawn up by the Accounting Officer. The financial statements are then forwarded to the General Directorate of Public Accounting (*Direction Général de la Comptabilité Publique - DGCP*) prior to submission to the Government Audit Office (*Cour des Comptes*).
- CADES' Board of Directors examines and approves the accounts. In parallel, the Board ensures that CADES maintains a healthy underlying financial basis over its scheduled lifetime by updating CRDS revenue forecasts on the basis of changes in the amortization schedule of the debt carried on the balance sheet as a liability and debt servicing charges.

Accounting procedures and principles are subject to a contractual, independent audit. In addition, CADES is subject to:

- Financial audits conducted by the government, in accordance with the Order of 29 October 1996, for its administrative management and monitoring of the collection of CRDS revenues, the management and disposal of property owned by national social security agencies, and repayments obtained from foreign social security agencies.
- Independent audits performed by a private audit firm for market transactions, in accordance with the Order of 22 May 1998.
- Audits carried out by the Government Audit Office.

Accounting transactions are recorded by CADES in an information system managed using software that is shared by the Authorizing Officer and the Accounting Officer. The system is networked and features a single database. Authorizations for displaying and processing data have been clearly defined so as to enable the Accounting Officer and the Authorizing Officer to exercise their respective powers.

3. GENERAL PROVISIONS FOR RECORDING ACCOUNTING AND FINANCIAL TRANSACTIONS

Accounting framework

Article 7 of Decree No. 96-353 of 24 April 1996, relating to CADES, calls for the adoption of a special chart of accounts drawn up in accordance with the standard chart of accounts for administrative public agencies (Instruction M 9-1 from the General Directorate of Public Accounting).

This chart of accounts being modelled on the general chart of accounts, it was found to be poorly suited to CADES' activity. Consequently, the Board of Directors decided on 10 October 1996 to adopt the chart of accounts used by credit institutions.

Consequently, both the transactions and the annual financial statements submitted by the Accounting Officer are presented in accordance with standards specific to credit institutions. In addition, separate financial statements are drawn up in accordance with the regulatory standard set out in Instruction M 9-1, for submission to audit organizations.

This specific accounting framework was recommended by an independent consulting firm and validated by the Authorizing Officer, the Accounting Officer, the General Directorate of Public Accounting and the French Accounting Standards Board (*Conseil National de la Comptabilité - CNC*) (Opinion No. 99-04, plenary session of 18 March 1999).

Transactions executed by the Accounting Officer

Transactions executed by CADES' Accounting Officer differ from those traditionally executed by Accounting Officers at other administrative public agencies.

Due to CADES' status as a market participant, specific structures have been set up in conformity with the agency's mission. For example, financing transactions are distinguished from administrative transactions.

1. Financing transactions

The administrative workflow of financing transactions reflects the existence of Front Office, Middle Office and Back Office services.

The Front Office is responsible for transactions in the financial, interest rate and currency markets, in accordance with defined limits and procedures. These routine transactions relate to financing, investment and the management of interest rate and foreign exchange exposures.

A sequentially numbered ticket is issued for each transaction, describing its main features, and validated by the Front Office. The Back Office then verifies and validates the ticket before forwarding it to the Accounting Officer.

The Middle Office gathers information on cash positions, draws up forecasts, provides repayment schedules, and performs a first-level plausibility check of Front Office transactions.

The Back Office records and validates the transactions processed by the Front Office after verifying that formal presentation and threshold requirements are met. The Back Office monitors risk, produces reports and liaises with the Accounting Departments.

The Accounting Officer then records transaction tickets as income or expenses.

2. Administrative transactions

Performance of the administrative section of the budget is done in compliance with the provisions of the Decree of December 29, 1962, which sets forth general public sector accounting policies. Administrative expenses are evidenced by payment orders and income by receipt orders, accompanied by the appropriate supporting vouchers and documents.

After due completion of the control procedures described in Articles 12 and 13 of the aforementioned decree, items of expenditure and income are recognized in the accounts and the amounts are paid or collected.

3. Cash movements

CADES has opened a euro-denominated deposit account in the books of CBCM Finances that is listed in the register of government accounts.

In the books of CADES, entries to the debit of this account record expenses falling within the administrative budget. Only the Accounting Officer may authorize these payments. Entries to the credit of this account record CRDS revenue paid over by the Public Treasury network. This takes the form of daily transfers from General Treasury offices.

Since 1 September 2005, CADES has had its own account with the Banque de France that is distinct from the dedicated Treasury account. Movements to this account comprise all euro-denominated financial transactions completed by CADES and all CRDS revenue paid over by ACOSS. Once again, only the Accounting Officer may authorize expenditures.

The balance on the deposit account is transferred to CADES' own account whenever it reaches a pre-defined threshold.

In addition, CADES has opened accounts with foreign financial institutions in New York, London and Frankfurt.

These are intended to be zero-balance accounts. They record all transactions related to CADES issues in currencies other than the euro and their transformation into euro-denominated structures on the international markets.

Due to management constraints attributable primarily to the time lag between the European, Asian, American and Australian markets, CADES has been dispensed from applying the provision of the Decree of December 29, 1962 which states that only public accounting officers may authorize transactions affecting the financial accounts. Accordingly, the Back Office carries out transactions on CADES' foreign currency accounts.

FINANCIAL HIGHLIGHTS

NET DEBT AT REDEMPTION VALUE (in millions of euros) (*)

At 30 June 2008	70,976
At 30 June 2007	73,584
Au 31 December 2007	72,658

(in millions of euros) (*)	30 June 2008	30 June 2007	31 December 2007
Net profit	1,156	1,017	2,578
Primarily reflecting the following items:			
CRDS net revenue	2,796	2,565	5,681
Payments to the French State	-	-	-
Payments to social security agencies	-	-	-
Interest expenses	(1,639)	(1,546)	(3,101)

(*) Through this document, the letter m is used to denote million and bn to denote billion

BALANCE SHEET

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
ASSETS			
Cash in hand, balances with central banks and post office banks (Note 1)	0.52	-	10.85
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	69.35	2,715.03	1,370.17
Loans and advances to credit institutions (Note 1)			
- Repayable on demand	1.99	0.66	0.28
- Repayable at maturity	3,849.74	74.53	333.46
Intangible assets (Note 2)	-	-	-
Tangible assets (Note 2)	0.18	0.02	0.02
Property assets (Note 13.1)	-	-	-
Other assets (Note 3)	1,131.24	433.37	654.44
Prepayments and accrued income (Note 4)	1,415.03	1,410.83	1,340.34
Total assets	6,468.05	4,634.44	3,709.56
LIABILITIES			
Amounts owed to credit institutions (Note 5)			
- Payable on demand	-	-	-
- Payable at maturity	2,089.37	2,086.59	2,111.68
Debts evidenced by certificates (Note 6)			
- Negotiable debt instruments	3,447.00	641.99	3,480.48
- Bonds and similar instruments	69,678.26	74,880.43	68,611.11
- Other debts evidenced by certificates	-	-	-
Other liabilities (Note 7)	20.23	20.31	19.69
Accruals and deferred income (Note 8)	3,032.19	1,585.73	2,441.94
Sub-total - Debts	78,267.05	79,215.05	76,664.90
Provisions (Note 8)	0.13	0.11	0.11
Property endowment	181.22	181.22	181.22
Profit and loss account brought forward	(73,136.67)	(75,779.35)	(75,714.63)
Profit for the period	1,156.32	1,017.41	2,577.96
Sub-total - Reserves	(71,779.13)	(74,580.72)	(72,995.45)
Total liabilities	6,468.05	4,634.44	3,709.56

PROFIT AND LOSS ACCOUNT

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
<i>Interest receivable and similar income (Note 9)</i>	106.79	144.69	238.96
- From transactions with credit institutions	88.14	40.86	135.38
- From bonds and other fixed income securities	2.13	4.10	21.16
- Other interest receivable and similar income	16.52	99.73	82.42
<i>Interest payable and similar charges (Note 10)</i>	(1,741.97)	(1,686.02)	(3,332.92)
- On transactions with credit institutions	(83.40)	(58.90)	(116.63)
- On bonds and other fixed income securities	(1,604.09)	(1,627.12)	(3,216.29)
- Other interest payable and similar charges	(54.48)	(0.01)	(0.01)
<i>Fees payable (Note 10)</i>	(3.69)	(5.14)	(7.51)
<i>Gains and losses on trading securities (Note 11)</i>	0.02	-	0.02
- Net profit (loss) on foreign exchange transactions	0.02	-	0.02
<i>Gains and losses on investment securities (Note 11.1)</i>	-	-	-
- Net profit (loss) on investment securities	-	-	-
<i>Other operating income - banking</i>	-	-	-
<i>Other operating charges - banking</i>	(0.01)	(0.01)	(0.01)
NET BANKING INCOME	(1,638.86)	(1,546.48)	(3,101.45)
<i>General operating charges (Note 13)</i>	(1.24)	(0.96)	(2.06)
- Staff costs	(0.44)	(0.39)	(0.74)
- Other administrative expenses	(0.80)	(0.57)	(1.32)
<i>Depreciation and provisions - intangible and tangible assets</i>	(0.01)	(0.01)	(0.02)
<i>Other operating income</i>	2,810.73	2,577.99	5,814.76
- Income related to CRDS (Note 12)	2,810.73	2,577.99	5,814.76
- Income from property (Note 13.1)	-	-	-
<i>Other operating charges</i>	(14.30)	(13.14)	(133.27)
- Charges related to CRDS (Note 12)	(14.29)	(13.18)	(69.09)
- Payments to the State (Note 14)	-	-	-
- Payments to social security agencies (Note 14)	-	-	-
- Provision for doubtful debts relating to CRDS (Note 12)	-	-	(64.17)
- Charges related to property (Note 13.1)	(0.01)	0.04	(0.01)
GROSS OPERATING PROFIT	1,156.32	1,017.41	2,577.96
OPERATING PROFIT	1,156.32	1,017.41	2,577.96
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,156.32	1,017.41	2,577.96
- Exceptional income (Note 15)	-	-	-
NET PROFIT FOR THE PERIOD	1,156.32	1,017.41	2,577.96

OFF BALANCE SHEET COMMITMENTS

At	30 June	30 June	31 December
(in millions of euros) (Notes 16 to 18)	2008	2007	2007
COMMITMENTS GIVEN			
Loan commitments			
- Annual payment to the State (Article 4.IV of Ordinance No. 96-50 of 24 January 1996)	-	-	-
- Payments to social security funding organizations (Article 4.IV of Ordinance No. 96-50 of 24 January 1996)	-	2,690.00	-
COMMITMENTS RECEIVED			
Loan commitments			
- Loan commitments by other credit institutions (Note 18)	7,700.00	7,549.99	7,550.00

NOTES TO THE FINANCIAL STATEMENTS

FIRST-HALF HIGHLIGHTS

◆ Financing transactions

Issues

Issues of Euro Medium Term Notes (EMTN) in EUR, JPY, USD, HKD, AUD, GBP, NZD, TRY, ZAR, CAD and MXN enabled CADES to borrow €3,538 million after transformation.

Redemptions

During the first half of 2008, CADES completed the early redemption of twenty EMTN and a further five reached maturity, for a total of €1,670 million.

In addition, two bond issues reached maturity in March and May, for a total of €1,084 million.

Macro hedging

At 30 June 2008, swaps entered into for macro hedging purposes, which consist solely of inflation swaps, totalled €2,050 million.

◆ Credit lines

The €1.5 billion credit facility arranged in February 2005 was renewed in the first half of 2008 until 11 February 2009.

◆ Property management

The agreement between CADES and Caisse Nationale de l'Assurance Vieillesse des Travailleurs Salariés (CNAVTS) for managing real-estate related disputes and claims expired on 31 December 2006. Accordingly, CADES now manages these matters directly, hiring the services of legal counsels and bailiffs to monitor procedures and initiate legal proceedings. The Accounting Officer is responsible for initiating and recording collections in accordance with the supporting documents provided by the Authorizing Officer.

◆ Cancellable swaps

To take advantage of the effects of the inversion of the yield curve since August 2007 (resulting from the increase in 3-month Euribor and the decline in rates at more than 2 years) and the rise in implied volatility, CADES has entered into swaps under which it receives 3-month Euribor less a haircut and pays a fixed rate. These swaps are cancellable by the counterparties a first time six months after inception and then every three months.

These cancellable swaps, which qualify as micro hedges, are used to transform the variable rate structured transactions to which CADES is party into fixed-rate transactions for at least six months. Each swap is therefore systematically backed to a swap already held in portfolio by CADES.

If the swaps are cancelled CADES reverts to its initial refinancing level.

These swaps with a nominal value of €9,497 million were authorized by the Board of Directors on 28 November 2007. They are designated as micro hedges pursuant to Category b- Rules No. 90-15 and 88-02 of the Banking Regulations (*Règlementation Bancaire*).

EVENTS AFTER THE BALANCE SHEET DATE

Before 30 June 2008, CADES entered into currency swaps with Lehman Brothers International (Europe) offering perfectly efficient hedging of currency-denominated loans. Following the collapse of this investment bank on September 15, 2008, CADES terminated all derivative financial instruments with this counterparty pursuant to the master agreement governing these transactions. It has since entered into new agreements with other bank counterparties. The characteristics

of these agreements are similar to those that were terminated, as a result of which the currency exposure continues to be hedged totally efficiently. CADES does not expect the termination of the original agreements to have a significant negative impact.

ACCOUNTING POLICIES AND METHODS

1. Basis of valuation and presentation

The accounting policies adopted by CADES meet two requirements.

Given that the activity of CADES is essentially financial, the financial statements are prepared in accordance with accounting regulations applicable to credit institutions and financial institutions as well as with generally accepted accounting principles in France. In particular, CADES has applied the accrual concept and the prudence concept.

The presentation of the interim financial statements complies with Regulation 91-01 of 16 January 1991 issued by the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière - CRBF*) relating to the preparation and publication of the annual individual accounts of credit institutions, as modified by Regulation 2000-03 of 4 July 2000 issued by the French Accounting Standard Committee (*Comité de la Réglementation Comptable - CRC*), itself modified by Regulation 2005-04 of 3 November 2005 incorporating into French law the European Directive 86/635 of December 8, 1986 on the annual accounts and consolidated accounts of banks and other financial institutions. With respect to this Directive, the French National Accounting Board (*Conseil National de la Comptabilité - CNC*) formed the opinion that CADES could continue to avail itself of the adaptations set forth in Opinion 99-04 relating to the presentation of those transactions specific to CADES. Accordingly, in its profit and loss account, CADES records operating income and expenses which are mainly composed of the revenue drawn from the CRDS and from property transactions, and payments to the State and social security funding organizations.

These accounts are then aggregated to comply with the chart of accounts applicable to administrative public undertakings in accordance with the requirements of Instruction M9-1, before being submitted to the Government Audit Office.

2. Specific characteristics of CADES

CADES has been tasked with paying down the debt transferred to it. The profit or loss therefore measures its capacity to reduce its own debt.

The profit and loss account should be interpreted in light of the specific mission entrusted to CADES, the sole purpose of which is to extinguish a debt over its scheduled term.

3. Changes in accounting policies and methods compared with previous years

No changes were made to accounting principles and methods during the first half of 2008.

4. Contribution to the repayment of the social security debt

▪ Revenue explicitly allocated to CADES

The social security debt repayment contribution (CRDS) defined by Ordinance No. 96-50 of 24 January 1996, was explicitly created to provide resources to CADES. Article 6 of said Ordinance states that “the proceeds of the contributions created in respect of Chapter 2 of said Ordinance on repayment of the social security debt shall be allocated to Caisse d’Amortissement de la Dette Sociale”.

▪ A broad-based tax

The tax is levied on multiple sources of income. One can distinguish:

- On the one hand, employment income and employment income replacements: salaried income, redundancy payments and retirement indemnities (under certain conditions), retirement and disability pensions, sickness and maternity benefits, housing benefits, family allowances, and child-keeping benefits, etc., and
- On the other hand, revenue from property, from investments, from the sale of precious metals and jewellery, and revenue from gaming.

Contributions assessed on employment income and employment income replacements are paid over daily by ACOSS to CADES as and when they are collected by the central agency.

Contributions assessed on other revenues are centralized by the State's financial agencies (tax collection offices, treasuries and customs and excise agencies) before being paid over to CADES.

- Collection costs borne by CADES

Article 8 of the Ordinance of 24 January 1996 stipulates that CADES shall bear assessment and collection costs. These costs consist of a flat amount defined jointly by the Minister of the Economy and Finance and the Minister in charge of Social Security.

Collection agencies deduct a 0.5% withholding from the contribution paid over to CADES.

CRDS contributions levied on revenue from property entered in the tax assessment register by the Treasury offices are paid over to CADES on the basis of register entries and not the amounts actually collected. In return, a 4.1% withholding is applied to the sums paid over to CADES to cover assessment and collection costs (0.5%) and the cost of tax reductions and bad debts, as provided for by Article 1641 of France's General Tax Code (*Code Général des Impôts*).

Amounts collected by CADES in respect of the CRDS are reported under "Other operating income" in the profit and loss account. Assessment and collection costs are recorded under "Other operating charges".

- Accrual basis accounting

CADES applies the accruals principle in accordance with accounting standards applicable to credit institutions and Articles L114-5 and D-114-4-4 of the Social Security Code establishing the principle whereby social security agencies shall maintain accounting records on a receivable-payable basis.

Accordingly, CRDS contributions paid to collecting agencies are included in the accounts for the period regardless of the date on which these amounts were actually collected. CADES accrues this income on the basis of a notification provided by the collecting agencies indicating amounts assessed for the period not collected at the balance sheet date and CRDS contributions not yet collected by ACOSS.

Provisions against outstanding CRDS contributions are notified to CADES by ACOSS. These provisions are calculated on a statistical basis applying an annual rate determined by reference to an ageing analysis of the receivables. They are deducted from gross amounts receivable as reported in the balance sheet.

5. Private rental property

CADES has sold all the property transferred on 1 January 2000 to CADES in application of Article 9 of Ordinance No. 96-50 of 24 January 1996 and recorded under "Property endowment" as a component of reserves.

Acting on behalf of CADES, CNAVTS managed the residual rights and obligations related to this property until the expiration of the agreement between the two parties on 31 December 2006. Signed in December 1999, this agreement empowered CNAVTS to do all that was necessary in connection with the administration of the properties.

Since 1 January 2007, disputes and claims have been managed internally by CADES, to which end it has entered into an agreement with the lawyer responsible for handling these cases.

CADES' Accounting Officer records expenses and revenue on the basis of the supporting documents submitted by the Authorizing Officer.

6. Transactions denominated in foreign currencies

Foreign currency transactions are recorded on a multi-currency basis and are measured in accordance with the following principles:

- Foreign currency transactions involving balance sheet and off balance sheet items are measured in euro at the rate of exchange ruling on the balance sheet date.
- The rates used at 30 June 2008, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.5764	JPY:	166.44
GBP:	0.79225	HKD:	12.2943
CHF:	1.6056	NZD:	2.0632
AUD:	1.6371	TRY:	1.9323
ZAR:	12.3426	CAD:	1.5942
MXN:	16.2298		

- Foreign currency income and charges are converted into euros at the exchange rate ruling on the date when they were recognized in the profit and loss account.
- Realized and unrealized foreign exchange gains and losses are recognized in the profit and loss account as operating income from banking transactions or operating charges on banking transactions.

7. Repurchase agreements with securities delivered

Top grade securities are acquired by CADES under repurchase agreements for the purpose of investing available cash balances.

Securities received under these agreements are reported under loans and advances to credit institutions.

8. Tangible and intangible fixed assets

Fixed assets are accounted for under the historical cost convention. Tangible fixed assets are depreciated and intangible fixed assets amortized over their estimated useful life.

Tangible fixed assets consist mainly of office equipment and computer equipment.

Intangible fixed assets include software.

9. Bonds

Bonds issued by CADES are reported as a liability in the balance sheet at their nominal value (if redeemed at par) plus accrued interest. Foreign currency bonds are converted into euros at the rate of exchange prevailing on the balance sheet date.

Bonds indexed to inflation (French consumer price index excluding tobacco for all households in Metropolitan France) are measured by reference to a predefined inflation benchmark on the balance sheet date, resulting in the recognition of a redemption premium that is reported as a liability.

Inflation benchmarks:

Consumer price index on 30 June 2008:	117.84667
Cadesi 2011 index:	1.11965
Cadesi 2013 index:	1.17642
Cadesi 2017 index:	1.03915
Cadesi 2019 index:	1.0781

When bonds are issued at a premium, this premium is accounted for as deferred charges and is therefore reported under prepayments and accrued income in the balance sheet. These charges are recognized to the profit and loss account over the life of the bonds under banking operating charges.

When bonds are issued at a discount, this discount is accounted for as deferred income. This income is recognized to the profit and loss account over the life of the bonds under banking operating income.

All costs relating to bond issues are charged to the profit and loss account on the date of issue and reported under fees payable.

10. Interest rate and currency swaps

Transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, are recognized in accordance with the regulation issued by the French Banking and Financial Regulatory Committee. Commitments in respect of these transactions are reported as off balance sheet commitments at the contract's nominal value. Accounting principles applied differ according to the nature of these instruments and management intention at inception.

Transactions consist mainly of interest rate swaps and currency swaps entered into for hedging purposes. Interest rate swaps are entered into in compliance with the risk management policy defined by the Board of Directors. Currency swaps are entered into only for the purpose of hedging CADES' foreign exchange exposures.

Income and charges arising on forward financial instruments entered into for the purpose of hedging or managing the global interest rate exposure are recognized to profit or loss pro rata temporis.

Gains and losses on hedging designed to reduce the risk resulting from a particular asset or liability are taken to profit or loss and included under interest receivable and similar income or interest payable and similar charges to match income or charges recognized in respect of the hedged item.

As regards balancing cash payments arising from swaps entered into to hedge a debt instrument on inception, the portion covering issuance costs in respect of the underlying instrument is taken to profit and loss when the cash payment is recognized. This accounting method fairly reflects the asset value of issues transformed by entering into swaps involving cash payments and results in the amount equivalent to the issuance costs being recognized to profit and loss pro rata temporis.

11. Interest rate futures

Firm macro hedging transactions on organized markets (German Bund and BOBL) are recognized in accordance with the regulations issued by the French Banking and Financial Regulatory Committee. Sales of financial futures (Euro Bund and Euro BOBL futures) are recognized as off balance sheet items for their nominal value.

Margin calls are recognized directly to profit or loss. Initial margins are accounted for as deposits paid and reported as assets in the balance sheet. Finally, brokerage fees - which represent trading fees on the sale or purchase of Bunds or BOBL - are recognized directly to profit or loss.

12. Provisions

No general provisions for liabilities and charges are recognized by CADES. When appropriate, provisions in respect of identified risks are set aside in accordance with applicable accounting principles.

13. Taxation

CADES is not assessed to business taxes (corporation tax, value added tax and local business tax) or to apprenticeship tax. The only tax it pays is the payroll tax.

Note that profits on the sale of property transferred by the social security agencies did give rise to the payment of corporation tax.

14. Counterparty risk

CADES' exposure to counterparty risk is limited to two types of transactions: investment transactions and off balance sheet transactions.

For both types of transactions, CADES has signed market agreements modelled on the master agreement drawn up by the French Banking Association (*Fédération Bancaire Française - FBF*) providing for daily margin calls (investment transactions) and weekly margin calls (off balance sheet transactions).

1. Investment transactions

CADES invest cash balances mainly in securities delivered under repurchase agreement but may also buy outright government securities. In exchange for the loan extended to a counterparty, CADES receives full ownership of a government security (OAT, BTAN, BTF) or government guaranteed security over the term of the repurchase agreement. All repurchase agreements are negotiated with French Treasury bond dealers (*Spécialiste en Valeurs du Trésor - SVT*) or with counterparties with an at least double-A rating.

Margins calls are held daily by CADES to provide additional protection against significant fluctuations in market prices for the securities received as collateral.

2. Off balance sheet transactions

To manage its interest rate risk and eliminate the currency risk, CADES enters into transactions in the derivatives markets involving instruments such as interest rate swaps, currency swaps and asset swaps. By using triggers set by reference to each counterparty's rating and by staging weekly margin calls, CADES significantly reduces the residual risk of default for these instruments.

15. Transactions involving investment securities

The portfolio of investment securities is valued in accordance with Regulation 90-01 (as amended) issued by the French Banking and Financial Regulatory Committee. This portfolio, which consists of fixed income government securities, is reported under treasury bills and other bills eligible for refinancing with central banks in the balance sheet.

Securities are reported at their cost of acquisition in the balance sheet. Interest income is reported under interest receivable and similar income from bonds and other fixed income securities.

Unrealized losses give rise to a provision for impairment determined by reference to the most recent quoted price. These provisions are determined individually.

Provisions for impairment set aside and reversed and gains and losses on the sale of investment securities are reported under gains and losses on investment securities in the profit and loss account.

NOTES

BALANCE SHEET

At 30 June 2008 the balance sheet showed total assets of €6.47 billion for a total debt of €78.27 billion resulting in negative reserves of €71.79 billion.

ASSETS

Note 1: Treasury and interbank transactions

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
CENTRAL BANKS AND POST OFFICE BANKS	0.52	-	10.85
Central banks	0.52	-	10.85
TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	69.35	2,715.03	1,370.18
Government securities with a maturity of less than 3 months	69.31	2,710.93	1,366.35
Accrued interest	0.04	4.10	3.83
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	3,851.73	75.19	333.74
Repayable on demand	1.99	0.66	0.28
Debit balances on ordinary accounts	1.99	0.66	0.28
Securities received under open repurchase agreements	-	-	-
Accrued interest	-	-	-
Repayable at maturity	3,849.74	74.53	333.46
Securities received under term repurchase agreements with a maturity of less than 3 months	3,846.35	73.82	333.28
Of which:			
Treasury bills	-	-	-
Bonds	3,846.35	73.82	333.28
Own securities	-	-	-
Accrued interest	3.39	0.71	0.18
Total	3,921.60	2,790.22	1,714.77

Balances with central banks correspond to the euro-denominated account opened by CADES at Banque de France.

Note 2: Intangible and tangible fixed assets

At (in millions of euros)	Gross value at 1 January 2008	Increase	Decrease	Gross value at 30 June 2008	Amortization and depreciation	Net book value 30 June 2008	Net book value 30 June 2007	31 December 2007 Net book value
Intangible assets	0.22	-	-	0.22	(0.22)	-	-	-
Software	0.22	-	-	0.22	(0.22)	-	-	-
Tangible assets	0.60	-	-	0.60	(0.42)	0.18	0.02	0.02
Sundry equipment	0.60	-	-	0.60	(0.42)	0.18	0.02	0.02
Total	0.82	-	-	0.82	(0.64)	0.18	0.02	0.02

Intangible and tangible assets reflect the value of the software and equipment acquired by CADES, net of related amortization and depreciation.

Note 3: Other assets

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
SUNDRY DEBTORS	1,131.24	433.37	654.44
Deposits paid by way of initial margins	1,083.17	394.58	606.37
- <i>Deposits</i>	1,080.76	393.81	604.71
- <i>Accrued interest</i>	2.41	0.77	1.66
Outstanding CRDS contributions to be collected by ACOSS	48.07	38.79	48.07
- <i>Gross amounts receivable</i>	224.34	155.83	224.34
- <i>Provisions</i>	(176.27)	(117.04)	(176.27)
Other debtors in respect of financial transactions	-	-	-
Other debtors in respect of operating charges	-	-	-
Other sundry debtors - CNAV	-	-	-
- <i>Gross amounts receivable</i>	2.09	2.11	2.10
- <i>Provisions</i>	(2.09)	(2.11)	2.10
Total	1,131.24	433.37	654.44

Other assets include:

- Deposits paid by way of initial margins in connection with forward contracts entered into to hedge counterparty risk amounting to €1,083.17 million.
- Outstanding CRDS contributions to be collected by ACOSS amounting to €48.07 million. Provisions totalling €176.27 million have been deducted from the gross amounts receivable of €224.34 million.
- A receivable of €2.09 million, consisting of damages amounting to €1.84 million claimed from a buyer who reneged on a commitment to purchase a group of buildings and sundry debtor balances totalling €0.26 million due from tenants and buyers for which legal proceedings are being managed by CNAVTS. These amounts were provisioned in full at 30 June 2008.

Movements in provisions against outstanding CRDS contributions to be collected by ACOSS and in respect of sundry debtors are detailed in the table below:

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
Provisions brought forward	178.37	119.20	119.20
Provisions set aside - property	-	-	-
Provisions set aside - CRDS	-	-	64.20
Provisions reversed - property	-	(0.05)	(0.06)
Provisions reversed - CRDS	-	-	(4.97)
Provisions carried forward	178.37	119.15	178.37

Note 4: Prepayments and accrued income

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
ACCRUED INCOME	1,186.77	1,105.53	1,116.39
On forward interest rate instruments	316.58	230.92	233.45
On forward currency instruments	339.41	401.49	293.20
On CRDS revenues (Article 6 of Ordinance No. 96-50)	530.78	473.12	589.74
On property sales (Article 9 of Ordinance No. 96-50)	-	-	-
Other accrued income	-	-	-
CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	0.32	1.33	0.73
DEFERRED CHARGES	197.44	223.18	206.09
Issuance premiums on bonds and EMTN	197.44	223.18	206.09
Other deferred charges	-	-	-
PREPAYMENTS	11.05	8.83	11.32
Prepaid administrative expenses	0.08	0.05	0.01
Prepaid interest on negotiable debt instruments	10.97	8.78	11.31
Other prepayments	-	-	-
OTHER	19.45	71.96	5.82
Currency adjustment accounts	19.45	71.96	5.82
Property rental adjustment account	-	-	-
Sundry	-	-	-
Total	1,415.03	1,410.83	1,340.35

Prepayments and accrued income consist in transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected. They include:

- Accrued income relating to CRDS contributions for €530.78 million and to financial instruments amounting to €316.58 million for interest rate instruments and to €339.41 million for currency instruments.
- Balancing cash payments on forward financial instruments amounting to €0.32 million to be recognized to profit and loss over time.
- Issuance premiums on bonds and EMTN amounting to €197.44 million to be recognized to profit and loss over time.
- Prepayments amounting to €11.05 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments.
- Currency adjustment accounts amounting to €19.45 million, being technical accounts used to recognize to profit and loss adjustments arising on the measurement of off balance sheet commitments.

LIABILITIES

Liabilities draw a distinction between the reserves and the other liabilities of CADES.

Reserves consist of the profit and loss account brought forward, the profit or loss for the period and the property endowment. At 30 June 2008, CADES had negative reserves of €71,779.1 million. These negative reserves correspond to the debt transferred to CADES amounting to €34,148.5 million and €47,310 million pursuant to the Law of 13 August 2004, less amounts that have been credited to reserves and which are composed of the accumulated profits generated by CADES since 1996 amounting to €9,413.6 million, the property endowment on 1 January 2000 amounting to €181.2 million, and the payment received from ACOSS amounting to €64.7 million by way of an adjustment of the deficits assumed by CADES from 1999 to 2006.

Liabilities, which amounted to €78,267 million at 30 June 2008, consist mainly of amounts due to credit institutions totalling €2,089.33 million, debts evidenced by certificates totalling €73,125.26 million, accruals and deferred income totalling €3,032.19 million and other liabilities totalling €20.23 million.

Note 5: Treasury and interbank transactions

At	30 June 2008				Total	30 June	31 December
	Up to 3	Over 3	Over 1	Over 5		2007	2007
(in millions of euros)	months	months	year	years			
	and up	and up	and up				
	to 1	to 5	to 5				
	year	years	years				
AMOUNTS OWED TO CENTRAL BANKS							
Amounts owed to credit institutions	54.12	1,891.83	143.42	-	2,089.37	2,086.59	2,111.68
Repayable on demand	-	-	-	-	-	-	-
Credit balances on ordinary accounts	-	-	-	-	-	-	-
Repayable at maturity	54.12	1,891.83	143.42	-	2,089.37	2,086.59	2,111.68
Securities given under repurchase agreements	-	-	-	-	-	-	-
Accounts and deposits	-	1,891.78	143.42	-	2,035.20	2,032.40	2,032.43
Of which: Euro	-	1,891.78	50.00	-	1,941.78	1,941.78	1,941.78
Other currencies	-	-	93.42	-	93.42	90.62	90.65
Accrued interest	54.12	0.05	-	-	54.17	54.19	79.25
Total	54.12	1,891.83	143.42	-	2,089.37	2,086.59	2,111.68

Amounts owed to credit institutions correspond to repurchase agreements and private placements, details of which are provided below:

Short term (up to 1 year)

- DEM 1 billion (€ 511 million) at step up rates (4.47% from 29 December 1997 to 29 December 2000 then 5.885% until 29 December 2008)

- DEM 700 million (€ 358 million) at step up rates (4.18% from 9 January 1998 to 9 January 2001 then 5.715% until 9 January 2009)

- DEM 500 million (€ 256 million) at step up rates (4.18% from 7 January 1998 to 7 January 2001 then 5.72% until 7 January 2009)

- DEM 1.5 billion (€ 767 million) at step up rates (4.47% from 5 January 1998 to 5 January 2001 then 5.885% until 5 January 2009)

Medium term (over 1 year and up to 5 years)

- CHF 150 million at floating rate indexed to 1-month Libor CHF (-0.31 %) maturing 30 June 2010

- € 50 million at floating rate indexed to 1-month Euribor (-0.23%) maturing June 21, 2010

These debts totalled €2.09 billion, including accrued interest amounting to €54.17 million.

Note 6: Debts evidenced by certificates

At (in millions of euros)	30 June 2008				Total	30 June 2007	31 December 2007
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years			
NEGOTIABLE DEBT INSTRUMENTS	3,113.42	322.58	-	11.0	3,447.00	641.99	3,480.48
Treasury bills denominated in euro	-	-	-	-	-	-	60.00
Treasury bills denominated in other currencies	-	-	-	-	-	-	-
EMTN denominated in euro	-	-	-	11.0	11.00	11.00	11.00
Commercial paper denominated in euro	239.70	40.00	-	-	279.70	20.00	185.34
Commercial paper denominated in other currencies	2,873.72	282.58	-	-	3,156.30	610.88	3,224.14
Other negotiable debt instruments denominated in foreign currencies	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	0.11	-
BONDS	1,908.07	7,731.56	25,723.15	34,315.48	69,678.26	74,880.43	68,611.11
Bonds denominated in euro	-	4,446.21	16,083.78	30,842.35	51,372.34	53,992.91	51,642.11
Bonds denominated in other currencies	-	-	-	-	-	756.68	695.44
EMTN denominated in euro	20.00	1,276.16	202.00	1,290.00	2,788.16	3,169.16	2,788.16
EMTN denominated in other currencies	1,121.82	1,177.24	9,437.30	2,183.13	13,919.49	15,174.90	12,615.62
Accrued interest	766.25	831.95	0.07	-	1,598.27	1,786.78	1,049.78
Total	5,021.49	8,054.14	25,723.15	34,326.48	73,125.26	75,522.42	72,091.59

Debts evidenced by certificates are analyzed below:

They comprise:

- Negotiable debt instruments totalling €3,447.00 million
- Bonds and similar instruments totalling €69,678.26 million

1. Bonds

Short term (up to 1 year)

- Euro-fungible 5.125 % bonds maturing October 2008 (ISIN code FR0000571259) amounting to €4,044.5 million

- Non-redenominated bonds at step up rates (4.63% from December 17, 1997 to December 17, 2001 then 5.94% until December 17, 2008) (ISIN code XS0082832493) amounting to FRF 2,635 million (€401.7 million) featuring a redemption-at-par provision exercisable after the fourth year that was not exercised by the holder

Medium term (over 1 year and up to 5 years)

- 3.75% bonds maturing July 2009 (ISIN code FR0010093377) amounting to €3 billion

- 3.125% bonds maturing July 2010 (ISIN code FR0010173773) amounting to €4 billion

- 4.6% bonds maturing July 2010 (ISIN code FR0000209611) amounting to €228.67 million

- Bonds indexed to French inflation excluding tobacco maturing July 2011 (ISIN code FR0000489734) amounting to €2,855.1 million taking into account tap issues and a €305.1 million redemption premium (measured by reference to the most recent inflation index published at 30 June 2008). Based on market expectations, CADES estimates the redemption premium will reach €660.9 million at maturity.

- Euro-fungible 5.25% bonds maturing October 2012 (ISIN code FR0000571366) amounting to €3 billion

- 3.25% bonds maturing April 2013 (ISIN code FR0010249763) amounting to €3 billion

Long term (over 5 years)

- Bonds indexed to French inflation excluding tobacco maturing July 2013 (ISIN code FR0000492308) amounting to €3,646.9 million taking into account tap issues and a €546.9 million redemption premium (measured by reference to the most recent inflation index published at 30 June 2008). Based on market expectations, CADES estimates the redemption premium will reach €1,079.2 million at maturity.

- 4% bonds maturing October 2014 (ISIN code FR0010120410) amounting to €4 billion

- 3.625 % bonds maturing April 2015 (ISIN code FR0010163329) amounting to €3 billion

- 3.625 % bonds maturing April 2016 (ISIN code FR0010301747) amounting to €3 billion

- 4.125% bonds maturing April 2017 (ISIN code FR0010456434) amounting to €3 billion

- Bonds indexed to French inflation excluding tobacco maturing July 2017 (ISIN code FR0010359679) amounting to €2,078.3 million taking into account tap issues and a €78.3 million redemption premium (measured by reference to the most recent inflation index published at 30 June 2008). Based on market expectations, CADES estimates the redemption premium will reach €160.1 million at maturity.

- Bonds indexed to French inflation excluding tobacco maturing July 2019 (ISIN code FR0010137554) amounting to €1,617.1 million taking into account tap issues and a €117.1 million redemption premium (measured by reference to the most recent inflation index published at 30 June 2008). Based on market expectations, CADES estimates the redemption premium will reach €228.5 million at maturity.

- 4% bonds maturing October 2019 (ISIN code FR0010143743) amounting to €3 billion

- 3.750% bonds maturing October 2020 (ISIN code FR0010198036) amounting to €4 billion

- 4.375% bonds maturing October 2021 (ISIN code FR0010347989) amounting to €3.5 billion

2. Bond equivalents

- Bond equivalents are Euro Medium Term Notes (EMTN) issued as part of a program, for which the ceiling was raised from €10 billion to €20 billion, arranged in 1998 with a pool of banks. At 30 June 2008 there were 90 outstanding EMTN in euro and in other currencies (GBP, HKD, USD, JPY, NZD, AUD, TRY, ZAR, CAD and MXN) totalling €16,707 million.

All in all, debts evidenced by certificates maturing within 1 year totalled €13,075 million at 30 June 2008 (€11,916 million at 31 December 2007), while €25,723 million will mature between 1 and 5 years (€22,604 million at 31 December 2007) and €34,326 million after 5 years (€37,571 million at 31 December 2007).

Compared with prior years, there was a relative decrease in long-term debt at 30 June 2008 as indicated by the table below:

Debt	30 June 2008	30 June 2007	31 December 2007
Short term (under 1 year)	17.9%	12.8%	16.5%
Medium term	35.2%	33.3%	31.4%
Long term (over 5 years)	46.9%	53.9%	52.1%

As regards the breakdown between debts denominated in euro and other currencies, there was a relative increase in foreign currency debt at **30 June 2008** as indicated by the table below:

Debt	30 June 2008	30 June 2007	31 December 2007
In foreign currencies	23.9%	21.9%	24.4%
In euros	76.1%	78.1%	75.6%

Note 6.1: Analysis of transactions in euro and foreign currencies before and after hedging

This note analyzes the effect of hedging transactions on the initial debt and breaks down interest rates before and after hedging. It provides both accounting and financial information related to the value and hedging of instruments at maturity.

(in millions of euros)	Initial debt		Hedging transactions		Final debt	
	Foreign currencies	Euros	Foreign currencies	Euros	Foreign currencies	Euros
Euro denominated debt		56,393		19,581		75,974
Foreign currency denominated debt		Value in euro at 30 June 2008		Value in euro at 30 June 2008		
CHF	165	102	(165)	(102)	-	-
GBP	418	527	(418)	(527)	-	-
JPY	29,100	175	(29,100)	(175)	-	-
USD	23,285	14,771	(23,285)	(14,771)	-	-
HKD	200	16	(200)	(16)	-	-
AUD	1,529	934	(1,529)	(934)	-	-
NZD	563	273	(563)	(273)	-	-
TRY	100	52	(100)	(52)	-	-
ZAR	490	40	(490)	(40)	-	-
CAD	400	251	(400)	(251)	-	-
MXN	450	28	(450)	(28)	-	-
Sub-total foreign currencies		17,169		(17,169)		-
Total		73,562		2,412		75,974

The table above provides a breakdown of the initial nominal debt between issues in euros and those in foreign currencies. Since all transactions in foreign currencies have been hedged, the debt of CADES is in fact entirely in euros. Hedging transactions have therefore enabled CADES to eliminate the impact of exchange rate fluctuations on its debt.

The table below shows the breakdown of debt between fixed and floating rate instruments. Hedging impacts the initial breakdown, such that in the final analysis 67% of the debt bears fixed rates, 17% floating rates and 16% rates indexed to inflation.

Breakdown of debt in euro and foreign currencies before and after hedging

(in millions of euros)	Initial debt				Hedging transactions		Final debt			
	Foreign currencies	Euros	Total	%	Foreign currencies	Euros	Foreign currencies	Euros	Total	%
Fixed rates										
Negotiable debt instruments	-	-	-	-	-	-	-	-	-	-
EMTN (1)	13,111	1,641	14,752		(13,111)	8,856	-	10,497	10,497	
Bonds	-	41,175	41,175		-	(229)	-	40,946	40,946	
Private placements	-	1,892	1,892	-	-	-	-	1,892	1,892	
Swaps - macro hedging	-	-	-	-	-	(2,050)	-	(2,050)	(2,050)	
Total fixed rates	13,111	44,708	57,819	79%	(13,111)	6,577	-	51,285	51,285	67%
Floating rates										
Negotiable debt instruments	3,157	291	3,448		(3,157)	3,198	-	3,489	3,489	
EMTN	808	1,147	1,955		(808)	7,431	-	8,578	8,578	
Bonds	-	-	-		-	229	-	229	229	
Private placements	93	50	143		(93)	96	-	146	146	
Swaps - macro hedging	-	-	-		-	-	-	-	-	
Total floating rates	4,058	1,488	5,546	7%	(4,058)	10,954	-	12,442	12,442	17%
Indexed rates										
Bonds	-	10,197	10,197		-	-	-	10,197	10,197	
Swaps - macro hedging	-	-	-		-	2,050	-	2,050	2,050	
Total indexed rates	-	10,197	10,197	14%	-	2,050	-	12,247	12,247	16%
Total	17,169	56,393	73,562	-	(17,169)	19,581	-	75,974	75,974	100%

(1) Includes €9,497 million that corresponds to the hedging of cancellable swaps issued at rates fixed for 3 months that can subsequently be transformed into floating rates.

Note 7: Other liabilities

At	30 June	30 June	31 December
(in millions of euros)	2008	2007	2007
DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS	-	2.01	0.02
- Deposits	-	2.01	-
- Accrued interest	-	-	0.02
OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS	1.32	0.57	0.82
OTHER CREDITORS IN RESPECT OF OPERATING CHARGES	18.91	17.73	18.85
Payments to the State	-	-	-
Tax	-	-	-
Social security	0.06	0.07	-
Trade creditors	0.02	-	-
Sundry creditors - ACOSS	18.83	17.66	18.83
Other sundry creditors	-	-	0.02
Total	20.23	20.31	19.69

Other liabilities correspond to:

- Deposits received by way of initial margins in respect of contracts on forward markets and repurchase agreements put in place to hedge counterparty risk. There was no liability in this respect at 30 June 2008.
- Credit balance with ACOSS amounting to €18.83 million, consisting of credit notes received from ACOSS.
- Credit balance with CNAV amounting to €0.02 million.

Note 8: Accruals, deferred income and provisions

At (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
ACCRUALS	418.67	295.31	330.04
Accruals on forward interest rate instruments	303.87	198.50	210.16
Accruals on forward currency instruments	105.63	94.06	116.22
Fees payable in respect of market transactions	-	-	-
Accruals in respect of operating charges	0.24	0.20	0.22
Accruals in respect of CRDS collection costs	2.71	2.47	3.22
Other accruals	6.22	0.08	0.22
CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	57.75	48.08	49.90
DEFERRED INCOME	139.58	174.43	156.10
Issuance premiums on bonds	139.58	174.43	156.10
Other deferred income	-	-	-
OTHER	2,416.19	1,067.91	1,905.90
Currency adjustment accounts	2416.05	1,067.87	1,905.90
Sundry	0.14	0.04	-
Total	3,032.19	1,585.73	2,441.94

Accruals and deferred income, which total €3,032.19 million, consist in transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected. They include:

- Accrued expenses in respect of interest rate swaps amounting to €303.87 million and on the euro leg of currency swaps amounting to €105.63 million, as well as accruals in respect of CRDS collection costs amounting to €2.71 million and sundry accruals.
- Balancing cash payments on currency swaps amounting to €57.75 million that are to be spread.
- Deferred income amounting to €139.58 million, corresponding to premiums on bond redemptions.
- Currency adjustment accounts amounting to €2,416.05 million, being technical accounts used to recognize to profit and loss adjustments arising on the measurement of off balance sheet commitments.

Movements in the provision for retirement indemnities are detailed in the table below:

At (in millions of euros)	31 December 2007	Set aside	Reversed	30 June 2008
Provisions	0.11	0.02	-	0.13
Provision for retirement indemnities	0.11	0.02	-	0.13
Total	0.11	0.02	-	0.13

PROFIT AND LOSS ACCOUNT

In arriving at the profit for the period, net banking income is reported separately from other operating income and charges.

(in millions of euros)

Net banking income:	(1,638.86)
Other operating income and charges:	<u>2,795.18</u>
Gross operating profit and net profit for the period:	1,156.32

A specific mission has been entrusted to CADES, which is to extinguish a debt over its scheduled term. The profit for the year measures its capacity to redeem its debt.

Net banking income

Net banking income consists of the cost of debt, the income generated from cash positions and the net profit or loss on financial transactions.

Note 9: Banking income

Period ended	30 June 2008	30 June 2007	31 December 2007
(in millions of euros)			
INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS	88.14	40.86	135.38
Interest receivable - Demand loans and advances and open repurchase agreements	0.17	0.22	0.49
Interest from ordinary accounts in debit	0.02	0.03	0.15
Interest from loans	-	-	-
Interest from securities delivered under repurchase agreements	0.15	0.19	0.34
Interest receivable - Term loans, advances and repurchase agreements	68.52	24.06	92.20
Interest from loans denominated in euros	-	-	-
Interest from loans denominated in other currencies	-	-	-
Interest from securities delivered under repurchase agreements	68.52	24.06	92.20
Other interest receivable	19.45	16.58	42.69
INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES	2.13	4.10	21.16
Interest from fixed-income securities	2.13	4.10	21.16
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	16.52	99.73	84.42
Amortization of premiums on issue	16.52	18.85	37.17
Net profit on hedging transactions	-	80.88	45.25
Profit on repurchase of own securities	-	-	-
Total	106.79	144.69	238.96

This income includes:

- Interest receivable and similar income from transactions with credit institutions amounting to €88.14 million, of which €68.52 million from investing surplus cash balances via repurchase agreements with delivery of the securities.
- Interest from fixed income securities amounting to €2.13 million
- The amortization of bond premiums on issue amounting to €16.52 million

Note 10: Cost of debt

Period ended	30 June 2008	30 June 2007	31 December 2007
(in millions of euros)			
INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS	83.40	58.90	116.63
Interest payable - Demand loans and open repurchase agreements	0.01	0.07	0.16
Interest on ordinary accounts in credit	-	0.05	0.13
Interest on overnight loans	0.01	0.02	0.03
Interest on securities delivered under repurchase agreements	-	-	-
Interest receivable - Term loans and repurchase agreements	57.44	58.78	116.06
Interest on CDC loan (transfer of debt)	-	-	-
Interest on multi-currency credit	-	1.44	1.45
Interest on securities delivered under repurchase agreements	0.21	0.43	0.51
Interest on private placements	57.23	56.91	114.10
Other interest receivable	25.95	0.05	0.41
INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES	1,604.09	1,627.12	3,216.29
Interest on debts evidenced by certificates	1,604.09	1,627.11	3,216.28
Interest on negotiable debt instruments denominated in euros	6.37	4.21	8.50
Interest on negotiable debt instruments denominated in other currencies	59.92	35.59	99.95
Interest on bonds and equivalents denominated in euros	1,019.47	1,069.88	2,157.95
Interest on bonds and equivalents denominated in other currencies	284.50	394.26	726.70
Other charges on debt instruments evidenced by certificates	233.83	123.17	223.19
OTHER INTEREST PAYABLE AND SIMILAR CHARGES	54.48	0.01	0.01
FEES PAYABLE	3.69	5.14	7.51
Fees on term loans with credit institutions	0.07	0.07	0.14
Fees on negotiable debt instruments issued	0.82	0.21	0.68
Fees on bonds	2.75	4.82	6.60
Other fees on securities transactions	0.05	0.04	0.09
Other fees	-	-	-
Total	1,745.66	1,691.16	3,340.43

Interest payable and similar charges on CADES' debt increased by 3.2% compared with the first half of 2007 and consist of:

- Charges amounting to €1,604.09 million in respect of debts evidenced by certificates, including €215 million in respect of the amortization of redemption premiums on index-linked bonds issued by CADES and €13.5 million in respect of the amortization of premiums on bond issues.
- Interest amounting to €83.40 million on transactions with credit institutions, consisting of interest on private placements, margin calls and the amortization of discounts and premiums.
- Fees amounting to €3.69 million.
- Other interest payable and similar charges, which include mainly net losses on currency swaps amounting to €59.34 million, on inflation swaps amounting to €27.30 and on interest swaps in respect of loans and equivalents amounting to €25.48 million.

The decrease in fees payable compared with the first half of 2007 was due to the lesser volumes of bonds issued at the start of the first half of 2008.

Note 11: Gains and losses on trading securities

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
NET PROFIT ON FOREIGN EXCHANGE TRANSACTIONS			
Other foreign exchange transactions	0.02	-	0.02
Total	0.02	-	0.02

In accordance with the requirements of Regulation 2000-03 on the presentation of financial statements issued by the French Accounting Standards Committee, gains and losses on instruments used to hedge interest rate and currency risks are reported under interest receivable and similar income or interest payable and similar charges (see Note 9). The net profit on foreign exchange transactions comprises solely gains and losses determined on the periodic measurement of foreign currency accounts that have not been hedged.

Note 11.1: Gains and losses on investment securities

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
NET PROFIT ON INVESTMENT SECURITIES	-	-	-
Net profit on investment securities	-	-	-
Total	-	-	-

Other operating income and charges

Other operating income and charges consist mainly of specific income and charges dealt with by Ordinance No. 96-50 of 24 January 1996 (CRDS contributions, property asset sales, and payments to the State and social security funding organizations), of general operating charges, and of fixed asset amortization and depreciation charges.

Note 12: Net revenues allocated to CADES under Ordinance No. 96-50 of 24 January 1996

The table below details revenue allocated to CADES under Article 6 of Ordinance No. 96-50 of 24 January 1996 after deducting assessment and collection costs and losses on outstanding CRDS contributions (write-offs, waivers, cancellation and forgiveness of debt).

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
NET CRDS revenues (Article 6)	2,796.44	2,564.81	5,740.69
CRDS contributions levied on wages and salaries (ACOSS)	2,525.61	2,366.52	5,020.63
CRDS contributions levied on property assets	6.20	7.72	338.59
CRDS contributions levied on investment income	200.74	132.52	256.27
CRDS contributions levied on precious metals and jewellery sales	1.42	1.44	2.83
CRDS contributions on gaming	62.48	56.61	122.24
CRDS exemption offsets (travel vouchers and voluntary community services)	-	-	0.13

Details of revenues arising from Article 6 of Ordinance No. 96-50 of 24 January 1996

CRDS revenue, net of collection costs, amounted to €2,796.44 million, an increase of 9% compared with the first half of 2007. The table below provides a breakdown of income and charges relating to the CRDS.

CRDS levied on wages and salaries (which is collected by ACOSS) represents 90.3% of the total. This change mainly reflects the increase in payrolls. The remaining CRDS proceeds (which are collected by the Treasury offices) are levied mainly on capital (property and investment income) and on gaming. The increase in revenue from investment income is due to the fact the CRDS is now withheld at source by the banks, which has modified the dates on which it is paid over to CADES.

Income receivable at 30 June 2008 represents gross CRDS amounts collected in July.

Repayments relating to amounts written off prior to 31 December 1999 (pursuant to EC regulations and bilateral social security agreements) received from foreign countries have been paid over by CNAMTS to CADES since 31 December 1997 to the extent this does not create a new or aggravate an existing deficit in the books of CNAMTS. Given that CNAMTS has been in deficit from 1998 to 2007, the €216.77 million recovered during this period were not paid over to CADES.

Since Law No. 2004-810 of 13 August 2004 no surplus has been generated by the health branch of the Social Security.

CRDS REVENUES (in millions of euros)	(a)	CRDS COSTS	(b)	Net revenues (a-b)
CRDS levied on wages and salaries (Article 14)	2,538.30	Write-offs, waivers, cancellation and forgiveness of debt	-	2,525.60
		Assessment and collection costs	12.70	
CRDS levied on property (Article 15)	6.46	Assessment and collection costs	0.26	6.20
CRDS levied on investment income (Article 16)	201.75	Assessment and collection costs	1.01	200.74
CRDS levied on sale of precious metals and jewellery (Article 17)	1.43	Assessment and collection costs	0.01	1.42
CRDS levied on gaming proceeds (Article 18)	62.80	Assessment and collection costs	0.31	62.49
CRDS due pursuant to Law No. 2006- 1770 of December 30, 2006 and Law No. 2006-586 of 23 May 2006	-		-	-
Reversal of provisions on outstanding CRDS	-	Provisions on outstanding CRDS	-	-
Total	2,810.73	Total	14.29	2,796.44

Note 13: General operating charges

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
STAFF COSTS	0.44	0.39	0.73
Wages and salaries	0.34	0.27	0.53
Social security charges	0.11	0.12	0.20
OTHER ADMINISTRATIVE EXPENSES	0.80	0.57	1.33
Taxes and duties	0.04	0.03	0.07
External services	0.76	0.54	1.26
Total	1.24	0.96	2.06

General operating charges correspond to expenditure falling within the scope of the administrative budget. They do not include the acquisition and the amortization and depreciation of fixed assets (see Note 2). The 29.2% increase compared with the first half of 2007 reflects mainly an increase in external services, more specifically fees.

LIST OF STAFF POSITIONS AT 30 JUNE 2008

Non-civil servant employees:

- 1 senior front office manager (grade A)
- 3 assistant front office managers (grade A)
- 1 senior back office manager (grade A)
- 1 assistant back office manager (grade A),
- 1 bilingual executive secretary (grade C).

Civil servants:

- 1 general office manager (grade A),
- 1 administrative manager (grade B).

Note 13.1: Property assets and property management

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
REVENUES FROM PROPERTY ASSETS	-	-	-
Property sales	-	-	-
Rental income	-	-	-
Exceptional income	-	-	-
CHARGES ON PROPERTY ASSETS	0.01	0.04	0.01
Expenses on property sales	-	-	-
Change in unsold inventory	-	-	-
Staff costs	-	-	-
External services	0.01	0.01	0.04
Taxes	-	-	-
Exceptional charges	-	-	0.03
Provisions set aside	-	-	-
Provisions reversed	-	0.05	0.06

All the properties transferred to CADES on 1 January 2000 were sold over the next three years. Since 2007 CADES has managed the run-off of the last properties, sold in 2003, and disputes. Virtually no revenue is being generated while charges amounted to €0.01 million (following the reversal of a provision amounting to €0.06 million on 31 December 2007).

Note 14: Other non-banking operating charges

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
Payments to the State	-	-	-
Payments to the Social Security	-	-	-
Total	-	-	-

Note 15: Exceptional Income

Period ended (in millions of euros)	30 June 2008	30 June 2007	31 December 2007
Statutory limitation of debt - administrative budget	-	-	-
Statutory limitation of debt - financing budget	-	-	-
Expenses related to CRDS revenues	-	-	-
Forgiveness of CRDS due	-	-	-
Provisions set aside in respect of outstanding CRDS	-	-	-
Total	-	-	-

OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments, as reported, distinguish between commitments given and commitments received and are analyzed between loan commitments, guarantee obligations and guarantees on securities. Certain commitments are not recorded on the face of the accounts, being commitments in respect of currency transactions and forward financial instruments. Information regarding these commitments is provided in Notes 16 and 17 below.

Note 16: Currency transactions

At (in millions of euros)	30 June 2008		30 June 2007		31 December 2007	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
FORWARD TRANSACTIONS	17,245.37	-	16,697.38	-	16,687.59	-
Hedging transactions over the counter						
Forward exchanges against euro	3,156.30	-	610.88	-	3,224.14	-
Up to 1 year	3,156.30	-	610.88	-	3,224.14	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Currency swaps against euros	14,089.07	-	16,086.50	-	13,463.45	-
Up to 1 year	2,299.06	-	3,893.55	-	1,823.63	-
From 1 to 5 years	9,606.88	-	9,426.08	-	8,989.46	-
Over 5 years	2,183.13	-	2,766.87	-	2,650.36	-
Isolated transactions over-the-counter						
Forward exchanges	-	-	-	-	-	-
Currency swaps against euros	-	-	-	-	-	-
Up to 1 year	-	-	-	-	-	-

Forward exchange contracts against euros correspond to forward purchases entered into for the purpose of hedging commercial paper denominated in foreign currencies. The increase in forward exchanges against euros is attributable to the increase in foreign currency EMTN.

Note 17: Forward financial instruments

At	30 June	30 June	31 December
(in millions of euros)	2008	2007	2007
INTEREST RATE INSTRUMENTS	-	-	-
Organized markets and equivalents	-	-	-
Firm transactions entered into for hedging purposes	-	-	-
Euro BOBL futures contracts (5 years)	-	-	-
Euro Bund futures contracts (10 years)	-	-	-
Other firm transactions	-	-	-
Options entered into for hedging purposes	-	-	-
Other options	-	-	-
Over the counter	13,488.15	4,783.63	5,096.63
Firm transactions entered into for hedging purposes	-	-	-
Interest rate swaps in euros	13,488.15	4,783.63	5,096.63
Micro hedging	11,437.86	2,626.58	2,939.58
- Up to 1 year	220.00	735.90	349.90
- From 1 to 5 years	8,963.01	600.68	1,249.68
- Over 5 years	2,254.85	1,290.00	1,340.00
Macro hedging	2,050.29	2,157.05	2,157.05
- Up to 1 year	100.00	20.00	120.00
- From 1 to 5 years	1,165.00	1,265.00	1,165.00
- Over 5 years	785.29	872.05	872.05
Currency swaps	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-

As regards interest rate swaps entered into by CADES:

- Swaps entered into for macro hedging purposes consist exclusively of inflation swaps; and
- Swaps cancellable by counterparties with a nominal value of €9,497 million have been entered into for micro hedging purposes.

Note 18: Other off balance sheet commitments

At	30 June	30 June	31 December
(in millions of euros)	2008	2007	2007
LOAN COMMITMENTS			
<i>Commitments received from credit institutions</i>			
- Backup credit lines	700.00	549.99	550.00
- Multi-currency credit lines	5,000.00	5,000.00	5,000.00
- Other credit lines	2,000.00	2,000.00	2,000.00
Commitments given			
Payments to the State	-	-	-
Payments to social security funding organizations	-	2,690.00	-

Commitments received include loan commitments for four backup credit lines totalling €700 million, a multi-currency credit line amounting to €5 billion (arranged in 2004, this facility was reduced from €10 billion to its current level in August 2006, and renewed for one year in August 2007) and credit lines totalling €2 billion (the €1.5 billion credit line was renewed in February 2007 and the €0.5 billion credit line in December 2007).

Commitments given represent the unused balance of the €50 billion commitment arising from the Health Insurance Law of 13 August 2004. This balance was discharged after the publication of Decree No. 2007-1750 of December 12, 2007 establishing the definitive health insurance deficit. This law stipulates that future surpluses generated by the health insurance system will be allocated as a matter of priority to CADES.

Note 19: Abridged statements**BALANCE SHEET**

At	30 June
(in millions of euros)	2008
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD AT 1 JANUARY 2008	(73,136.7)
PROFIT FOR THE 6 MONTHS ENDED 30 JUNE 2008	1,156.3
PROPERTY ENDOWMENT	181.2
DEBT TO BE REPAYED AT 30 JUNE 2008	(71,799.2)
Represented by:	
Liabilities towards third parties	
- Borrowings falling due within 1 year	15,021.6
- Borrowings falling due after 1 year	60,193.1
- Other creditors, accruals and deferred income	3,052.4
Less assets held by CADES	
- Financial investments	(3,921.6)
- Other debtors, prepayments and accrued income	(2,546.3)

PROFIT AND LOSS ACCOUNT

6 months ended	30 June
(in millions of euros)	2008
NET CRDS REVENUES	2,796.4
NET REVENUES FROM PROPERTY	-
Interest payable and similar charges	(1,742.0)
Fees	(3.7)
Interest receivable and similar income	106.8
NET FINANCIAL CHARGES	(1,638.9)
Operating charges	(1.2)
OPERATING PROFIT	1,156.3
Payments to the State	-
Exceptional income	-
NET PROFIT FOR THE 6 MONTHS ENDED 30 JUNE 2008	1,156.3

OTHER INFORMATION

The table below provides information on market value, comparing the debt at market value to the debt at book value as at 30 June 2008.

Debt at market value comprises the following elements:

- (a) The value of the fixed rate bonds and inflation indexed bonds based on the average market price on 30 June 2008.
- (b) The value of unlisted securities issued by CADES obtained using the CADES zero coupon curve as at 31 December 2007. Options embedded in certain of these securities were valued using an internal model based on standard valuation software developed and marketed by an independent service provider.
- (c) The value of derivatives used to transform part of the debt through micro hedging. Options embedded in certain of these instruments were valued using the same internal model.
- (d) The value of derivatives used for macro hedging.
- (e) The present value at 30 June 2008 of the collateral, repurchase agreements and bank balances.

(in millions of euros)	Debt at redemption value		Debt at market value	Market value of hedging transactions
	At maturity	At 30 June 2008	At 30 June 2008	At 30 June 2008
Up to 1 year	8,901.26	8,910.47	9,124.80	479.50
From 1 to 5 years	27,660.06	27,409.44	27,617.58	1,291.30
Over 5 years	36,289.04	34,655.59	33,483.49	339.30
Swaps	69.69	-	69.69	69.70
Total	72,920.05	70,975.50	70,295.56	2,179.80
Floating rates	7,433.66	7,443.50	7,439.27	1,206.20
Indexed rates	12,081.53	10,197.00	10,669.23	-
Fixed rates	53,335.17	53,335.00	52,117.37	903.90
Swaps	69.69	-	69.69	69.70
Total	72,920.05	70,975.50	70,295.56	2,179.80

Explanation of variances:

The difference between the market value of the debt and its book value is explained by the following factors:

- The market value of fixed rate loans has declined because of the rise in interest rates.
- Market value factors in the present value of future coupons whereas the redemption value is on a flat basis.
- Gains and losses on macro hedging and inflation swaps impact market value one way or the other.

The above information covers much of the activities of CADES, the main activity of which is to transform in the best possible conditions the debt raised on the financial markets.

AUDITORS LIMITED REVIEW REPORT



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CADES
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Rapport d'examen limité

Période du 1^{er} janvier 2008 au 30 juin 2008

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par lettre en date du 21 août 2007, nous avons effectué un examen limité des comptes semestriels de la Caisse d'Amortissement de la Dette Sociale (CADES), relatifs à la période du 1^{er} janvier 2008 au 30 juin 2008, tels qu'ils sont joints au présent rapport.

Ces comptes ont été établis sous la responsabilité de l'Agent Comptable de la CADES. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

Nous avons effectué notre examen limité selon les normes de l'IFAC qui s'appliquent à un examen limité (International Standard on Review Engagements 2410). Un examen limité de comptes intermédiaires consiste à obtenir les informations estimées nécessaires, principalement auprès des personnes responsables des aspects comptables et financiers, et à mettre en œuvre des procédures analytiques ainsi que tout autre procédure appropriée. Un examen de cette nature ne comprend pas tous les contrôles propres à un audit effectué selon les normes professionnelles applicables en France. Il ne permet donc pas d'obtenir l'assurance d'avoir identifié tous les points significatifs qui auraient pu l'être dans le cadre d'un audit et, de ce fait, nous n'exprimons pas une opinion d'audit.



CADES
Rapport d'examen limité
Sur les comptes semestriels
24 septembre 2008

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause, au regard des règles et principes comptables français, la régularité et la sincérité des comptes intermédiaires et l'image fidèle qu'ils donnent du résultat des opérations du semestre ainsi que de la situation financière et du patrimoine de l'établissement à la fin de cette période.

Paris la Défense, le 24 septembre 2008

KPMG Audit
Département de KPMG S.A.

Hubert de Vaumas
Associé



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CADES

Translation of the auditor's
Limited review report



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This is a free translation into English of the auditor's 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.

CADES

15, rue Marsollier – 75002 Paris

Translation of the auditor's limited review report

For the period from January 1, 2008 to June 30, 2008

In accordance with appointment by your letter dated August 21, 2007, we have conducted a limited review of the accompanying half-year financial statements of Caisse d'Amortissement de la Dette Sociale (CADES), for the six-month period ended June 30, 2008.

These financial statements have been prepared under the responsibility of the Agent Comptable of CADES. Our responsibility is to draw a conclusion on these financial statements, based on our limited review.

We conducted our review in accordance with IFAC standards for a limited review (ISRE 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



CADES
Limited review report
September 24, 2008

Based on our limited review, we have not found any material misstatements that cause to believe that the half year-financial statements, prepared in accordance with accounting principles generally accepted in France, do not present fairly, in all material aspects, the results of operations for the six-month period and the financial position at that date.

Paris la Défense, September 24, 2008

KPMG Audit
A division of KPMG S.A.

Hubert de Vaumas
Partner

RESPONSIBILITY FOR PROSPECTUS SUPPLEMENT

Individuals assuming responsibility for the Prospectus Supplement

In the name of the Issuer

Having taken all reasonable measures for this purpose, we declare that the information contained in this Supplement is true to our knowledge and there has been no omission of material facts.

Caisse d'Amortissement de la Dette Sociale

Representative

Agent Comptable

Patrice RACT MADOUX

Frank MORDACQ

On 24 October 2008

On 24 October 2008

Autorité des marchés financiers

In accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement général*) of the *Autorité des marchés financiers* (AMF), in particular articles 212-31 to 212-33, the AMF has granted to this Supplement the *visa* n°08-226 on 27 October 2008. This document may only be used for the purposes of a financial transaction if completed by Final Terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L.621-8-1-I of the French *Code monétaire et financier*, the *visa* was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. This *visa* has been granted subject to the publication of Final Terms in accordance with article 212-32 of the AMF's General Regulations, setting out the terms of the securities being issued.

RESPONSABILITÉ DU SUPPLÉMENT AU PROSPECTUS

Personnes qui assument la responsabilité du présent Supplément au Prospectus

Au nom de l'émetteur

Après avoir pris toutes mesures raisonnables à cet effet, nous déclarons que les informations contenues dans le présent Supplément au Prospectus sont, à notre connaissance, conformes à la réalité et qu'elles ne comportent pas d'omission de nature à en altérer la portée.

Caisse d'Amortissement de la Dette Sociale

Représentant

Agent Comptable

Patrice RACT MADOUX

Frank MORDACQ

le 24 octobre 2008

le 24 octobre 2008

Autorité des marchés financiers

En application des articles L.412-1 et L.621-8 du Code monétaire et financier et de son règlement général, notamment des articles 212-31 à 212-33, l'Autorité des marchés financiers a visé le présent supplément au prospectus le 27 octobre 2008 sous le numéro n°08-226. Ce document ne peut être utilisé à l'appui d'une opération financière que s'il est complété par des conditions définitives. Il a été établi par l'émetteur et engage la responsabilité de ses signataires. Le visa, conformément aux dispositions de l'article L.621-8-1-I du code monétaire et financier, a été attribué après que l'AMF a vérifié "*si le document est complet et compréhensible, et si les informations qu'il contient sont cohérentes*". Il n'implique pas l'authentification par l'AMF des éléments comptables et financiers présentés. Ce visa est attribué sous la condition suspensive de la publication de conditions définitives établies, conformément à l'article 212-32 du règlement général de l'AMF, précisant les caractéristiques des titres émis.