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auditor's report

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**1. MISSION STATEMENT**

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

CADES mission statement:

- Amortize the social security debt transferred to it, i.e. the aggregate deficits of the Central Agency of Social Security Bodies (ACOSS);
- Make payments to various social security funds and organizations.

CADES' mission has been extended beyond January 31, 2014 (its original life span), 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 CRDS (social security debt repayment contribution), legally introduced in Chapter 2 of the aforementioned Ordinance. It has 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.

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

Repayment on receivables from foreign social security agencies to the national health insurance fund for salaried workers (CNAMTS) is allocated to CADES.

Lastly, in accordance with Act No. 2004-810 dated August 13, 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 specify the terms and conditions of this allocation.

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**2. CADES' ORGANIZATIONAL STRUCTURE**

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

Pursuant to the provisions of the aforementioned decrees, financial and accounting transactions fall under the responsibility of CADES' Authorizing Officer and Chairman, Mr. Patrice Ract Madoux, and its Chief Accounting Officer, Ms. Sophie Mahieux, General Tax Receiving Officer and Central Treasury Accounting Officer.

- CADES' budget for each year is established by November 30th of the previous year by the Board of Directors and approved by the ministers who supervise the agency.
- 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 on the accounts drawn up by the Accounting Officer. The financial statements are then transmitted to the General Directorate of Public Accounting (DGCP) prior to submission to the *Cour des Comptes* (Government Audit Office).
- 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 dated October 29, 1996, for its administrative management and monitoring of the collection of CRDS revenues, the management and disposal of real estate owned by national social security agencies, and repayments obtained from foreign social security agencies.

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<sup>1</sup> As amended by the Social Security Finance Act No. 97-1164, dated December 19, 1997, the 2001 and 2002 Finance Acts, the 2003, 2004 and 2006 Social Security Finance Acts and Act No. 2004-810 of August 17, 2004 on health insurance.

- External audits performed by a private audit firm for market transactions, in accordance with the Order dated May 22, 1998.
- Audits carried out by the *Cour des Comptes*.

CADES records accounting transactions on an information system installed on a network. The system is populated by a single database and is managed by software shared by the Authorizing Officer and the Accounting Officer. Clearance to read and alter data has been clearly defined so as to enable the Accounting Officer and the Authorizing Officer to exercise their respective powers.

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### 3. GENERAL PROVISIONS FOR THE RECORDING OF FINANCIAL AND ACCOUNTING TRANSACTIONS

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#### Accounting framework

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Article 7 of Decree No. 96-353 dated April 24, 1996, pertaining 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 standard, modeled on the general chart of accounts, was found to be poorly suited to CADES' activity. Consequently, the Board of Directors agreed on October 10, 1996 to adopt the chart of accounts used by credit institutions.

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

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

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#### Transactions performed by the Accounting Officer

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Transactions performed by CADES' Accounting Officer vary from those traditionally performed by Accounting Officers in other administrative public agencies.

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

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##### 1. Financing transactions

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The administrative workflow of financing transactions is organized into Front Office, Middle Office and Back Office services.

The Front Office is responsible for developing the Fund's asset liability management strategy and carrying out transactions in the financial, interest-rate and currency markets, in accordance with defined limits and procedures. These routine transactions are related to the financing, investment and 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 double-checks and certifies the ticket before sending it to the Accounting Officer.

The Middle Office gathers information on cash exposures, draws up forecasts, provides repayment schedules, and performs an initial plausibility check of Front Office transactions.

The Back Office records and validates the transactions handled by the Front Office after verifying that formal presentation requirements are met and thresholds are observed. The Back Office monitors risk, produces reports and liaises with the accounting departments.

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

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##### 2. Administrative transactions

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Transactions are recorded in the administrative section of the budget in compliance with the provisions of the Decree dated December 29, 1962, which sets forth general public sector accounting policies. Administrative expenses are evidenced by payment 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, expenses are booked and paid.

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### 3. Cash movements

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CADES holds a deposit account with the Treasury Central Accounting Agency (ACCT). The account, listed in the register of government accounts, is stated in euros. Only the Accounting Officer may authorize payments from it that fall within the administrative budget, and only after examining the supporting vouchers and documents. Moreover, the account is fed with CRDS revenue that transits through the Public Treasury network (daily accounting transfers from Treasury offices).

Since September 1, 2005, CADES has its own account with the *Banque de France* that is distinct from the ACCT account. This account is impacted by all financial transactions completed by CADES in euros and all CRDS revenue from ACOSS. As with the ACCT account, only the Accounting Officer may authorize expenditures.

The remaining balance of the deposit account is transferred to the CADES' own account whenever the pre-defined threshold is met.

CADES also holds accounts with foreign financial institutions in New York, London and Frankfurt.

These accounts are intended to maintain a net cash balance of zero. They are impacted by all transactions related to CADES issues stated in currencies other than the euro, and by their transformation into structures stated in euros on the international markets.

Due to management constraints that are primarily attributable to the time lag between the European, Asian and American markets, CADES has been waived from the requirement set forth in the Decree of December 29, 1962, which grants public accounting officers alone the right to authorize movements in the financial accounts. In the case of CADES, the Back Office carries out transactions on its foreign currency accounts.

KEY FIGURES			
NET DEBT IN TERMS OF REPAYMENT VALUE			In €M (*)
On 12/31/2006			75 367
On 12/31/2005			72 584
On 12/31/2004			65 813
	12/31/06	12/31/05	12/31/04
<b>NET RESULT:</b>	<b>+ 2 815</b>	<b>-367</b>	<b>- 752</b>
- primarily reflecting the following items:			
CRDS net revenue:	5 479	5 181	4 896
Payment to the French government:	-	-3 000	-3 000
Payments to Social Security funding organizations:	-	-	-1 097
Interest expense:	-2 661	-2 546	-1554

(\*)Throughout this document, the letter m is used to indicate million and bn to indicate billion.

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**BALANCE SHEET**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>ASSETS</b>			
Cash in hand, central banks, national giro (note 1)	0.00	0.19	1.69
Government paper and similar securities (note 1)			
Loans and advances to credit institutions (note 1)			
. repayable on demand	0.49	112.68	1.82
. repayable at maturity	0.00	958.39	3 150.65
Intangible assets (note 2)	0.00	0.00	0.01
Tangible assets (note 2)	0.03	0.05	0.07
Real estate assets (note 13a)			
Other assets (note 3)	273.24	56.42	299.30
Accrued income and prepaid expenses (note 4)	1 369.14	1 950.44	1 065.99
<b>TOTAL ASSETS</b>	<b>1 642.90</b>	<b>3 078.17</b>	<b>4 519.53</b>
<b>LIABILITIES</b>			
Amounts owed to credit institutions (note 5)			
. repayable on demand			
. repayable at maturity	2 225.74	3 618.14	11 643.49
Debts evidenced by certificates (note 6)			
. Negotiable debt securities	3 060.18	9 418.94	15 091.96
. Bonds and related securities	70 592.18	61 863.79	42 141.43
. Other debts evidenced by certificates			
Other liabilities (note 7)	18.37	371.93	74.86
Accrued expenses and deferred income (note 8)	1 344.48	518.52	1 304.11
<b>Sub-total liabilities</b>	<b>77 240.95</b>	<b>75 791.32</b>	<b>70 255.85</b>
<b>Provisions for contingencies and losses (note 8)</b>	<b>0.08</b>	<b>0.10</b>	<b>0.08</b>
Property endowment	181.22	181.22	181.22
Balance brought forward	-78 594.46	-72 527.62	-65 165.44
Result	2 815.11	-366.85	-752.18
<b>Net liability position</b>	<b>-75 598.13</b>	<b>-72 713.25</b>	<b>-65 736.40</b>
<b>TOTAL LIABILITIES</b>	<b>1 642.90</b>	<b>3 078.17</b>	<b>4 519.53</b>

# INCOME STATEMENT

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>Interest receivable and similar income (note 9)</b>	<b>524.19</b>	<b>470.79</b>	<b>313.96</b>
. Interest receivable and similar income on transactions with credit institutions	108.09	149.20	82.63
. Interest receivable and similar income on bonds and other fixed-income securities	0	0	0
. Other interest and related income	416.10	321.59	231.33
<b>Interest payable and equivalent expenses (note 10)</b>	<b>-3 161.95</b>	<b>-2 982.99</b>	<b>-1 842.31</b>
. Interest payable and equivalent expenses on transactions with credit institutions	-128.57	-145.48	-157.27
. Interest payable and equivalent expenses on bonds and other fixed-income securities	-3 033.38	-2 837.51	-1 685.04
<b>Commissions payable (note 10)</b>	<b>-23.67</b>	<b>-33.34</b>	<b>-25.41</b>
<b>Net gain or loss on sales of trading account securities (note 11)</b>	<b>0.06</b>	<b>-0.12</b>	<b>0.12</b>
. Net gain or loss on foreign exchange transactions	0.06	-0.12	0.12
<b>Other income from banking operations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other expenses from banking operations</b>	<b>-0.02</b>	<b>-0.03</b>	<b>-0.03</b>
<b>NET INCOME OR LOSS FROM BANKING OPERATIONS</b>	<b>-2 661.39</b>	<b>-2 545.69</b>	<b>-1 553.67</b>
<b>General operating expenses (note 13)</b>	<b>-2.22</b>	<b>-2.43</b>	<b>-2.29</b>
. Payroll expense	-0.75	-0.79	-0.78
. Other administrative expenses	-1.47	-1.64	-1.51
<b>Depreciation and provisions for depreciation of intangible and tangible assets</b>	<b>-0.03</b>	<b>-0.03</b>	<b>-0.04</b>
<b>Other operating income:</b>	<b>5 541.94</b>	<b>5 241.30</b>	<b>4 960.81</b>
. CRDS-related income (note 12)	5 541.93	5 241.24	4 960.52
. Proceeds on property sales (note 13a)	0.01	0.06	0.29
<b>Other operating expenses</b>	<b>-63.19</b>	<b>-3 060.00</b>	<b>-4 157.26</b>
. CRDS-related expenses (note 12)	-63.09	-59.95	-57.74
. Payment to the government (note 14)	0.00	-3 000.00	-3 000.00
. Payments to Social Security (note 14)	0.00	0.00	-1 097.31
. Expense on property sales (note 13a)	-0.10	-0.05	-2.21
<b>GROSS RESULT OF ORDINARY ACTIVITIES</b>	<b>2 815.11</b>	<b>-366.85</b>	<b>-752.45</b>
<b>GAIN OR LOSS ON ORDINARY ACTIVITIES</b>	<b>2 815.11</b>	<b>-366.85</b>	<b>-752.45</b>
<b>PRE-TAX GAIN OR LOSS ON ORDINARY ACTIVITIES</b>	<b>2 815.11</b>	<b>-366.85</b>	<b>-752.45</b>
. Non-recurring income (note 15)	0.00	0.00	0.27
<b>NET RESULT FOR PERIOD ENDED</b>	<b>2 815.11</b>	<b>-366.85</b>	<b>-752.18</b>

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**OFF-BALANCE SHEET ITEMS**

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in millions of euros (notes 16 to 18)	12/31/2006	12/31/2005	12/31/2004
<b>COMMITMENTS GRANTED</b>			
<b>Financing commitments</b>			
. annual payment to government (article 4, IV of ordinance No. 96-50 dated January 24, 1996)	0.00	0.00	3 000.00
. payments to various social security funding organizations (Article 4, V and VI of ordinance No. 96-50 dated January 24, 1996)	2 690.00	8 390.00	15 000.00
<b>COMMITMENTS RECEIVED</b>			
<b>Financing commitments</b>			
. Commitments from credit institutions (note 18)	7 438.66	11 050.00	11 050.00
<hr/>			
Off-balance sheet on 01/01/2004		50 000.00 Act 2004-810	
transfer 2004		-35 000.00 Act 2004-810	
transfer 2005		-6 610.00 Decree 2005-1255	
transfer 2006		-5 700.00 Decree 2006-1214	
Remaining off-balance sheet amount before discharge on 12/31/2006		<u>2 690.00</u>	

The item amounting to €2 690 m euros is the difference between the €50 bn in debt assumed in accordance with the Act of August 13, 2004 and the actual deficit of the French health insurance system since 2004.

When the exact deficit of French health insurance for 2006 is published by decree, the off-balance sheet commitment will be settled.

At this stage, French health insurance has an estimated deficit for 2006 of €5 900 m, which is less than the initially forecast deficit and which would result in a CADES receivable from the national health insurance fund for salaried workers (CNAMTS).



**OPERATING HIGHLIGHTS OF 2006**

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♦ **Health insurance reform**

Pursuant to the terms of Article 76 of the Act of August 13, 2004, which amends Ordinance no. 96-50, the social security deficits for 2005 and 2006, up to a maximum of EUR15 Bn, are transferred to CADES. At the December 31, 2006 reporting date, the French health insurance system deficit was €6 bn according to Decree no. 2006-1214, issued on October 4, 2006. However, following an adjustment related to the 2005 deficit, the net amount transferred was €5.7 bn. This transfer was made in two installments: a payment on September 29, 2006 of €600 m and a payment on October 6, 2006 of the remaining €5.1 bn.

♦ **Financing transactions**

**Issues:**

A new benchmark issue was launched in March 2006, which enabled CADES to borrow 3 bn euros for a period of 10 years for a face rate of 3.625%. CADES also issued a 3.5 bn euro bond in July due in 15 years for a face rate of 4.375%.

As for its inflation-indexed bonds, CADES tapped up two bonds in February 2006, one on its CADESi 2013 for €200 m and one on its CADESi 2019 for €200 m.

In addition, a new CADESi bond was issued in July 2006, due in July 2017, for €1.25 bn and a face rate of 1.85%.

EMTN issues in EUR, JPY, USD, HKD, AUD, GBP, NZD, TRY, ZAR and CAD allowed CADES to borrow €6,726 m after transformation.

**Redemptions:**

CADES early redeemed four EMTNs and sixteen reached maturity during the year, for a total amount of (€1 060 m).

In addition, one inflation linker (the CADESi 2006) reached maturity in July, for a total of €4 156 m.

**Macro-hedging:**

On December 31, 2006, inflation swaps for macro-hedging purposes totaled €2.18 bn.

♦ **Financial futures transactions on the EUREX market**

Since February 2005, CADES has been using financial instruments employed in the EUREX futures and options market: EURO BUND FUTURES and EURO BOBL FUTURES. These are contracts involving German government bonds maturing in 10 and 5 years, respectively.

The stated goal is to hedge against a possible rise in interest rates over these durations.

Structurally, CADES holds a seller position.

Transactions in the EUREX market are carried out by an intermediary who acts on behalf of CADES to receive, transmit, execute orders issued by CADES, perform account and record-keeping duties and settle orders in the futures market.

The Bund positions were totally bought out in July 2006 and the Bobl positions were totally wound up in November 2006. The nominal outstanding for both (Euro Bund Future and Euro Bobl Future ) was therefore nil at year-end 2006.

♦ **Lines of credit**

- The 1.5 bn euro loan contracted in February 2005 was renewed in the first half of 2006 for one year.
- In August 2006, a clause was added to the multi-currency facility, providing for a reduction in the revolving facility from €10 bn to €5 bn.
- The revolving credit line of €500 m opened in December 2005 was renewed in late 2006 for one year.

♦ **Financial innovations in 2006**

- Use of a new currency in support of financing: The Board of Directors authorized CADES to extend the list of its currencies to include the Icelandic krona (ISK). This decision applies to the Euro-MTN and ECP programs.

♦ **Property management (CNAVTS/CADES agreement)**

The property management agreement between CNAVTS and CADES expired on 12/31/2004. A new agreement pertaining to pending disputes related to the sale of real estate assets was entered into during the first six months of 2005 for a one-year period, renewable thereafter.

Under the terms of this agreement, CADES undertakes to pay an advance to CNAV to enable the latter to make the required settlements. At the end of each quarter and upon receipt of the necessary supporting documents from CNAVTS, CADES will replenish this advance. Quarterly, an adversarial review of the actions undertaken is performed jointly by CNAV and the CADES accounting officer.

A second new agreement pertaining to pending disputes was entered into during the first half of 2006 for a one-year period, renewable thereafter. This latter agreement was not renewed in 2007, since CADES decided to manage disputes using its own internal resources.

## 1 – General principles of measurement and presentation

The accounting principles adopted by CADES meet two requirements:

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

The annual financial statements also comply with Regulation No. 91.01 adopted by the *Comité de la Réglementation Bancaire et Financière* (CRBF) on January 16, 1991, governing the preparation and publication of the individual annual accounts of credit institutions. This regulation was amended by CRC Regulation 2000.03 of July 4, 2000, amended in turn by CRC Regulation 2005.04 of November 3, 2005, incorporating into French law the European directive of December 8, 1996 pertaining to the annual and consolidated accounts of banks and other financial institutions. In the context of the latter regulations,, the CRC considered that CADES was entitled to maintain the adaptations provided for in Opinion No. 99-04 issued by the *Conseil National de la Comptabilité* (CNC) pertaining to the financial statement presentation of its specific transactions. Accordingly, the CADES income statement records operating income and expenses, which are mainly comprised of CRDS revenue, proceeds from the sale of real-estate assets and payments made to the government and social security funds and organizations.

In accordance with Instruction M 9-1, these accounts are then aggregated to comply with the chart of accounts applicable to administrative public agencies and then submitted to the *Cour des Comptes*.

## 2 – Specific characteristics of CADES

CADES' mission is to amortize the debt that has been allocated to it. CADES' results measure its ability to reduce its own debt.

When reading CADES' income statement, it is important to bear in mind that its primary mission is to extinguish a debt over its scheduled term.

## 3 – Changes in accounting methods or principles with respect to previous years

No changes were made to accounting methods or principles during 2006.

## 4 - Social security debt repayment contribution

- Resources explicitly distributed to CADES

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

- A broad-based tax

The CRDS is levied on multiple sources of income:

- Earned and unearned income such as wages, unemployment and retirement benefits (under certain conditions), retirement and disability pensions, sickness and maternity benefits, housing grants, family allowances and childcare subsidies for young children.
- Capital gains from property, investments, the sale of precious metals and stones and gaming.

Contributions assessed on the basis of earned and unearned income are paid daily by ACOSS to CADES as and when they are collected.

Government financial agencies (tax collection agencies, Treasury offices and customs offices) centralize contributions assessed on other income before they are turned over to CADES.

- Collection costs borne by CADES

Pursuant to Article 8 of the Order dated January 24, 1996, assessment and collection costs are borne by CADES. They consist of a flat amount defined jointly by the Minister of the Economy, Finance and Industry and the Minister in charge of Social Security.

Collection agencies deduct a 0.5% levy from contributions turned over to CADES.

CRDS contributions from capital gains entered in the tax assessment register by the Treasury offices are paid to CADES on the basis of the register entries and not the amounts actually collected. In return, a 4.1% levy is deducted from the sums paid to CADES to cover assessment and collection costs (0.5%) as well as the cost of tax reductions and waivers (3.6%), as provided for under Article 1641 of the General Tax Code.

Amounts actually collected by CADES in respect of the CRDS are recorded in the income statement under other operating income. Assessment and collection costs are recorded under other operating expenses.

- Accrual principle

CADES applies the accrual principle in accordance with the accounting standards applicable to credit institutions and the Decree of May 23, 1996. This decree amended the Social Security Code and introduced the application of the accrual principle for agencies falling under the basic social security scheme.

Accordingly, amounts of CRDS paid to collecting agencies in respect of the year then ended are included in that year's accounts, regardless of the date on which these amounts were actually collected. The collecting agencies assess and notify CADES of the amounts relating to the year ended that have not yet been collected and receivables on unpaid CRDS that remain to be collected by ACOSS, so that CADES can record these amounts as accrued income.

At the half-year reporting date, the amount of accrued income recorded represents the estimated CRDS due for July 2005.

ACOSS notifies CADES of receivables on unpaid CRDS, calculated using a statistical rate based on the age of the claim. These amounts are deducted from the gross amounts receivable carried as Fund assets.

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## **5 – Private rental real estate**

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CADES completed the sale of the real estate portfolio that was transferred to it on January 1, 2000, in accordance with Article 9 of Ordinance No. 96-50 of January 24, 1996, and recorded under property endowment in the capital account.

On behalf of CADES, CNAVTS managed the remaining rights and obligations related to this portfolio until the expiration of their agreement.

Signed with CNAVTS in December 1999, this agreement, under which the latter agreed to carry out all property management operations as needed, expired on December 31, 2004.

A new management agreement for outstanding disputes was signed in the first half of 2006 for a renewable one-year term, following an end-of-year statement of accounts and procedures.

CADES' Accounting Officer records expenses and revenues on the basis of the monthly budget statements submitted and certified by CNAVTS.

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## **6 – Forex transactions**

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

- Transactions on balance sheet and off-balance sheet accounts are translated into euros at the exchange rate prevailing at the year-end reporting date.

### **Prevailing exchange rates on 12/31/06 (source: ECB):**

USD: 1.3170	JPY: 156.9300
GBP: 0.6715	HKD: 10.2409
CHF: 1.6069	NZD: 1.8725
AUD: 1.6691	TRY: 1.8640
ZAR: 9.2124	CAD: 1.5281

- Income and expenses denominated in foreign currencies are translated into euros at the exchange rate prevailing at the date they were recorded in the income statement.
- Realized and unrealized exchange gains and losses are recorded in the income statement as income or expenses from banking transactions.

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## **7 - Repos with securities delivered**

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CADES temporarily purchases top-grade securities under repos for the purpose of investing cash assets.

Securities received are recorded under loans and advances to credit institutions.

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## **8 - Tangible and intangible fixed assets**

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Fixed assets are valued using the historical cost method. They are amortized over their estimated useful life.

Tangible fixed assets mainly consist of office and IT equipment.

Intangible fixed assets include software.

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## **9 – Bond issues**

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Bonds issued by CADES, plus any related debts, are recorded as a balance sheet liability at their nominal value (if redeemed at par).

Bonds issued in foreign currencies are translated into euros at the prevailing exchange rate on the balance sheet reporting date.

Inflation-indexed bonds (pegged to the French consumer price index, or CPI, excluding tobacco for all households in metropolitan France) are revalued on the basis of the inflation index at the balance sheet reporting date, and a redemption premium is recorded under liabilities.

### **- Inflation benchmark:**

IPC on 12/31/2006:	113.20806
Indice Cadesi 2011:	1.07558
Indice Cadesi 2013:	1.13011
Indice Cadesi 2017:	1.0000
Indice Cadesi 2019:	1.03566

Bond premiums are treated as deferred expenses, and as such are recorded under accrued income and prepaid expenses on the asset side of the balance sheet. Premiums are amortized over the life of the bonds. The amount amortized is recorded under operating expenses from banking transactions.

Bond discounts are recorded under deferred income and amortized over the life of the bonds. The amount amortized is recorded under operating income from banking transactions.

All expenses relative to bond issues are charged against income on the date of the issue, under commissions payable.

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## **10 - Interest-rate and currency swaps**

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Swap transactions carried out to manage interest-rate or foreign exchange exposure are recorded in accordance with regulations issued by the *Comité de la Réglementation Bancaire et Financière* (CRBF). Commitments resulting from swap transactions are recorded as off-balance sheet items for the nominal value of such contracts. They are accounted for on the basis of the type of instrument and the exposure being hedged.

The hedging transactions carried out are primarily interest-rate and currency swaps. Interest-rate swaps are concluded in conformity with the risk management policy defined by the Board of Directors. Currency swaps are concluded for the sole purpose of hedging CADES' foreign exchange exposures.

Income and expense related to swap transactions that are set up to hedge and manage global interest-rate exposures of the savings fund are prorated over the period and recorded in the income statement.

Gains and losses on hedges are recorded in the income statement as interest receivable and similar income, or interest payable and equivalent expenses, symmetrically to the income and expenses of the item being hedged.

For cash payments, the portion covering the expenses related to the issue of the underlying security is recorded in the income statement in full, at the time the cash payment is made. This accounting method provides an accurate picture of the value of issues transformed by swap contracts involving cash payments and a pro rata amortization of the equivalent of issue costs.

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## **11 – Financial futures contracts**

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Firm macro-hedging transactions on regulated markets (German Bund et Bobl bonds) are recorded in accordance with CRBF regulations. Sales of Euro Bund Future and Euro Bobl Future financial futures contracts are recorded off-balance sheet at their nominal value.

Margin calls are recorded to or against income. Deposits are carried in the balance sheet under security deposits paid. Finally, brokerage fees are charged against income. They correspond to trading fees on the sale or purchase of Bunds and Bobls.

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## **12 - Provisions**

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CADES does not establish a general allowance for contingencies and losses. Where appropriate, allowances are set aside based on identified risks, in compliance with accounting principles in force.

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## **13 - Taxation**

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CADES is not subject to business taxes (corporate income tax, value added tax, local business tax) or the apprenticeship tax. The only tax to which it is subject is the payroll tax.

Furthermore, proceeds from the sale of real estate transferred by the social security agencies do not generate a taxable capital gain.

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

For both types of transactions, CADES has signed market agreements similar to the *Fédération Bancaire Française* convention with all its counterparties. These agreements provide for daily (investments) and weekly (off-balance sheet transactions) margin calls.

**1. Investments**

CADES primarily invests its cash in securities delivered under repos. In exchange for the loan extended to a counterparty, CADES receives full ownership of a government security (OAT, BTAN, BTF) or guaranteed security for the lifetime of the repo. Repos are carried out exclusively with French primary dealers (SVTs), intermediaries in French government securities (IVTs), or counterparties with a rating of at least AA. Moreover, CADES has set up daily margin calls to ensure greater protection against significant fluctuations in the market prices of securities received as collateral.

**2. Off-balance sheet transactions**

In order to hedge interest-rate and foreign exchange exposures, CADES trades in a number of financial derivative instruments, such as interest-rate, currency and asset swaps. By using different trigger and margin call thresholds depending on the rating of its counterparties, CADES drastically reduces the residual risk of potential delivery default on such instruments.

## NOTES

### BALANCE SHEET

The closing balance for the year ended 12/31/06 was €1.64 bn, with a total debt of €77.24 bn and a net liability position of €-75.60 bn.

### ASSETS

#### Note 1: Treasury and interbank transactions

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>CENTRAL BANKS, NATIONAL GIRO</b>	<b>0.00</b>	<b>0.19</b>	<b>1.69</b>
Central banks	0.00	0.19	1.69
<b>CLAIMS ON CREDIT INSTITUTIONS</b>	<b>0.49</b>	<b>1 071.07</b>	<b>3 152.47</b>
<b>On demand</b>	<b>0.49</b>	<b>112.68</b>	<b>1.82</b>
Ordinary debit accounts	0.49	4.76	0.81
Securities received under repurchase agreements	0.00	107.91	1.00
Related amounts receivable	0.00	0.00	0.00
<b>At maturity</b>	<b>0.00</b>	<b>958.39</b>	<b>3 150.65</b>
Securities received under repurchase agreements (< 3 months)			
. treasury bills	0.00	219.48	1 730.68
. bonds	0.00	452.31	1 301.84
. own securities	0.00	285.90	115.00
Related amounts receivable	0.00	0.70	3.13
<b>TOTAL</b>	<b>0.49</b>	<b>1 071.26</b>	<b>3 154.16</b>

The amount recorded under central banks represents cash deposits available in CADES' euro bank account with the Banque de France.

#### Note 2: Tangible and intangible fixed assets

	12/31/2006					12/31/05	12/31/04	
in millions of euros	Gross value Start of period	Purchases	Disposals	Gross value 12/31/2006	Depreciation & amortization	Net value 12/31/2006	Net value 12/31/2005	Net value 12/31/2004
INTANGIBLE ASSETS	0.22	0.00	0.00	0.22	0.22	0.00	0.00	0.01
Software	0.22	0.00	0.00	0.22	0.22	0.00	0.00	0.01
TANGIBLE ASSETS	0.42	0.00	0.00	0.43	0.39	0.03	0.05	0.07
Miscellaneous equipment	0.42	0.00	0.00	0.43	0.39	0.03	0.05	0.07
TOTAL	0.64	0.00	0.00	0.65	0.61	0.03	0.05	0.08

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

**Note 3: Other assets**

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>SUNDRY DEBTORS</b>	<b>273.24</b>	<b>56.42</b>	<b>299.30</b>
Security deposits	234.45	24.66	268.23
Security deposits paid	234.07	24.66	267.95
Related receivables	0.38	0.01	0.28
Amounts receivable on unpaid CRDS revenue to be collected by ACOSS	38.79	31.70	30.97
Gross receivable	155.83	151.92	151.77
Provisions	-117.04	-120.23	-120.80
Other sundry debtors on financing transactions			
Other sundry debtors on operating expenses			
Other sundry debtors (CNAV)	0.00	0.06	0.09
Gross receivable	2.16	2.19	2.25
Provisions/sundry debtors	-2.16	-2.13	-2.15
<b>TOTAL</b>	<b>273.24</b>	<b>56.42</b>	<b>299.30</b>

Other assets include:

- Security deposits paid in connection with forward contracts concluded to hedge counterparty risk (€234.07 m).
- Unpaid CRDS receivables to be collected by ACOSS, totaling €38.79 m. Based on the information provided by ACOSS on December 31, 2006, provisions amounting to €117.04 m (75.1% of the total) are deducted from the gross amounts receivable of €155.83 m.
- Unpaid receivables of €2.16 m, which include damages claimed from a buyer who reneged on a commitment to purchase a group of buildings (1.84 m euros) and receivables from various debtors (tenants and buyers) currently in mediation (€0.32 m) and managed by CNAVTS. Adequate provisions were made for these receivables at the December 31, 2006 reporting date.

The following table shows the changes in provisions for unpaid CRDS to be collected and provisions made for disputes in progress:

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>Provisions at start of period</b>	<b>122.35</b>	<b>122.95</b>	<b>127.34</b>
Allowances to provisions (CNAV)	0.11	0.00	2.15
Reversal of provision (CNAV)	-0.07	-0.03	
Reversal of provision (CRDS)	-3.19	-0.57	-6.54
<b>Provisions at end of period</b>	<b>119.20</b>	<b>122.35</b>	<b>122.95</b>



**Note 4: Accrued income and prepaid expenses**

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>ACCRUED INCOME</b>	<b>1 129.70</b>	<b>965.70</b>	<b>785.34</b>
On forward interest rate instruments	189.61	155.99	125.59
On forward foreign exchange transactions	312.01	228.04	72.98
On CRDS revenues (pursuant to Art. 6 of Ordinance No. 96-50)	628.08	581.67	586.36
On property sales (pursuant to Art. 6 of Ordinance No. 96-50)			
Other accrued income	0.00	0.00	0.41
<b>POTENTIAL LOSSES AND LOSSES TO BE SPREAD OVER FUTURE PERIODS ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>10.24</b>	<b>20.42</b>	<b>6.58</b>
<b>DEFERRED EXPENSES</b>	<b>207.15</b>	<b>204.20</b>	<b>176.91</b>
Premiums on bonds and EMTN	207.15	204.20	176.91
Other deferred expenses			
<b>PREPAID EXPENSES</b>	<b>13.47</b>	<b>34.03</b>	<b>91.34</b>
Prepaid expenses / operating expenses	0.01	0.09	0.04
Prepaid interest on negotiable debt instruments issued	13.46	33.94	91.30
Other prepaid expenses			
<b>OTHER ADJUSTMENT ACCOUNTS</b>	<b>8.58</b>	<b>726.09</b>	<b>5.82</b>
Foreign currency adjustment accounts	8.56	726.07	5.82
Rental management adjustment account			
Miscellaneous	0.02	0.02	0.00
<b>TOTAL</b>	<b>1 369.14</b>	<b>1 950.44</b>	<b>1 065.99</b>

Accrued income and prepaid expenses include transactions that affect the net result independently of their impact on cash flow, primarily:

- Accrued income on CRDS revenues (€628.08 m), interest rate swaps (€189.61 m) and currency swaps (€312.01 m)
- Cash payments on swap transactions to be amortized, totaling €10.24 m
- Premiums on bonds and EMTN issues to be amortized, totaling €207.15 m
- Prepaid expenses (€13.47 m), mainly reflecting interest deducted at the source upon the issuance of negotiable debt securities
- Adjustment accounts in foreign currencies totaling €8.56 m (technical accounts enabling the revaluation of off-balance sheet accounts to be integrated into net income)

## LIABILITIES

Liabilities distinguish CADES' net liability position from other items in liabilities.

CADES' net liability position, taking into account the retained balance brought forward, the net result for the year ended and property endowment, was €-75 598,1 m. It is composed of the debt transferred to CADES (€-34 148.5 m and €-47 310 m pursuant to the Act of August 13, 2004) less CADES' aggregate result (€5 679.2 m since 1996) and the property endowment of January 1, 2000 (181.2 m euros).

Net debt, which totals €77 241 m, primarily reflects amounts owed to credit institutions (€2 225.7 m), debts evidenced by certificates (€73 652,4m), accrued expenses and deferred income (€1 344.5 m) and other liabilities (€18.4 m).

### Note 5: Treasury and interbank transactions

in millions of euros	12/31/2006				Total	12/31/2005	12/31/2004
	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years		Total	Total
<b>CENTRAL BANKS</b>					<b>0</b>	<b>0</b>	<b>0</b>
<b>AMOUNTS OWED TO CREDIT INSTITUTIONS</b>	<b>190.55</b>	<b>0.06</b>	<b>2 035.13</b>	<b>0.00</b>	<b>2 225.74</b>	<b>3 618.14</b>	<b>11 643.49</b>
<b>Payable on demand</b>							
Ordinary deposits	0.00				0.00	0.42	
<b>Payable at maturity</b>							
Securities pledged under repo agreements							
Term accounts and borrowings							
.in euros	111.34		1 941.78		2 053.12	3 441.78	11 441.78
.in foreign currencies			93.35		93.35	96.46	97.22
Related debts	79.21	0.06			79.27	79.48	104.49
<b>TOTAL</b>	<b>190.55</b>	<b>0.06</b>	<b>2 035.13</b>	<b>0.00</b>	<b>2 225.74</b>	<b>3 618.14</b>	<b>11 643.49</b>

Amounts owed to credit institutions consist of repos and private placements, broken down as follows:

#### Short-term debt (< 1 year)

- €11.34 m drawn down on a back-up line and €100m drawn down on a multi-currency line of credit

#### Medium-term debt (from 1 to 5 years)

- DEM 1 billion (€511 m) at step-up rates (4.47% from 12/29/97 to 12/29/2000 then 5.885% until 12/29/2008)
- DEM 700 million (€358 m) at step-up rates (4.18% from 01/09/98 to 01/09/2001 then 5.715% until 01/09/2009)
- DEM 500 million (€256 m) at step-up rates (4.18% from 01/07/98 to 01/07/2001 then 5.72% until 01/07/2009)
- DEM 1.5 billion (€767 m) at step-up rates (4.47% from 01/05/98 to 01/05/2001 then 5.885% until 01/05/2009)
- CHF 150 million floating rate issue pegged to 1 month LIBORCHF (-0.31%), due 06/30/2010
- EUR 50 m floating rate issue pegged to 1 month EURIBOR (-0.23%), due 06/21/2010.

Total debt is €2.23 bn, of which €79.27 m of related debt.

## Note 6: Debts evidenced by certificates

in millions of euros	12/31/2006				12/31/05	12/31/04
	<= 3 mos.	> 3 mos. <= 1 year	> 1 year <= 5 years	> 5 years	Total	Total
<b>NEGOTIABLE DEBT SECURITIES</b>	<b>2 745.37</b>	<b>303.72</b>	<b>0.09</b>	<b>11.00</b>	<b>3 060.18</b>	<b>9 418.94</b>
Domestic CP paper issued in euros	92.80	0.00			92.80	4 192.00
Treasury bills issued in foreign currencies	0.00				0.00	11.01
BMN issued in euros			0.00	11.00	11.00	38.97
Commercial paper issued in euros	1 280.00	0.00			1 280.00	2 434.00
Commercial paper issued in foreign currency	1 372.57	303.72			1 676.29	8 408.04
Other NDS issued in foreign currency						
Related debt			0.09		0.09	7.94
<b>BOND ISSUES</b>	<b>797.56</b>	<b>6 602.45</b>	<b>26 180.91</b>	<b>37 011.26</b>	<b>70 592.18</b>	<b>42 141.43</b>
Bonds issued in euros	0.00	2 610.38	14 722.51	32 806.83	50 139.72	33 154.91
Bonds issued in foreign currencies			759.49		759.49	723.35
EMTN issued in euros	0.00	431.00	1 323.16	1 160.00	2 914.16	1 938.16
EMTN issued in foreign currencies	60.35	3 300.37	9 375.75	3 044.43	15 780.90	5 819.13
Related debt	737.21	260.70			997.91	505.88
<b>TOTAL</b>	<b>3 542.93</b>	<b>6 906.17</b>	<b>26 181.00</b>	<b>37 022.26</b>	<b>73 652.36</b>	<b>57 233.39</b>

### Breakdown of debts evidenced by certificates:

Debts evidenced by certificates reflect:

- €3 060.18 m of negotiable debt instruments
- €70 592.18 m of bonds and assimilated securities

#### 1. Bond issues

#### Short term (less than one year)

- An issue offering 6.25% maturing on October 25, 2007 (ISIN code FR0000571283) for €2 610.4 m

#### Medium term (between 1 and 5 years)

- A 6.25% issue maturing on March 5, 2008, for GBP 510 million (ISIN XS0084856664)
- A 4.71% issue maturing on May 11, 2008, for 304.9 m euros (ISIN FR0000209611)
- A euro-fungible 5.125% issue maturing on October 25, 2008, for 4 044.5 m euros (ISIN FR0000571259)
- An issue with step-up rates (4.63% from 12/17/1997 to 12/17/2001 then 5.94% until 12/17/2008) for FRF 2 635 million (401.7 m euros), not translated into euros. This issue (code ISIN XS0082832493) comprises a repayment option at par, which the holder may exercise at the end of the fourth year and which was not exercised.
- A 3.75% issue maturing on July 12, 2009, for 3 000 m euros (ISIN FR0010093377)
- A 3.125% issue maturing on July 12, 2010 (code ISIN FR0010173773) for 4 000 m euros
- A 4.6% issue due July 15, 2010 (ISIN FR0000209611) for 228.67 m euros.

#### Long term (> 5 years)

- An issue pegged to the French consumer price index (excluding tobacco) maturing in July 2011 for €2 742.8 m (ISIN FR0000489734). This amount factors in additional taps and a redemption premium of €192.7 m revalued using the latest inflation index known at 12/31/2006. Based on market forecasts, CADES estimates a redemption premium of €455.03 m at maturity.
- A euro-fungible 5.25% issue maturing October 2012, for €3 000m (ISIN code FR0000571366).
- An issue maturing in July 2013 (ISIN code FR0000492308) and pegged to the French consumer price index excluding tobacco for €3 503.3 m. This amount factors in additional taps and a redemption premium of €403.3 m revalued using the latest inflation index known at 12/31/2006. Based on market forecasts, CADES estimates a redemption premium of €910.7 m at maturity.
- A 3.25% issue due April 2013 (ISIN code FR0010249763) for €3 000m
- A 4% issue maturing in October 2014 (ISIN FR000010120410) for €4 000m
- A 3.625% issue due April 2015 (ISIN FR000010163329) for €3 000m
- A 3.625% issue due April 2016 (ISIN code FR0010301747) for €3 000m
- An issue pegged to the French consumer price index (excluding tobacco) maturing in July 2017 (ISIN code FR0010359679) for €1 250 m. This amount factors in additional taps and a redemption premium of 0 according to the latest inflation index known at 12/31/2006. Based on market forecasts, CADES expects to pay a redemption premium of €312.49 m at maturity.
- An issue pegged to the French consumer price index (excluding tobacco) maturing in 2019 for €1 553.5 m (ISIN FR0010137554). This amount factors in additional taps and a redemption premium of €53.5 m

revalued using the latest inflation index known at 12/31/2006. Based on market forecasts, CADES estimates a redemption premium of €537.3 m at maturity.

- A 4% issue maturing in October 2019 (ISIN code FR0010143743) for €3 000m
- A 3.750% issue maturing in October 2020 (ISIN code FR0010198036) for €4 000m
- A 4.375% issue maturing in October 2021 (ISIN code FR0010347989) for €3 500m.

## 2. Other bond issues

- Assimilated securities are EMTN (Euro Medium Term Notes) issued by CADES as part of the issue program, for which the ceiling was raised from €10bn to €20bn, initiated in 1998 with a pool of banks. At 12/31/06, there were 131 outstanding EMTN issues in euros and foreign currencies (GBP, HKD, USD, JPY, NZD, AUD, TRY, ZAR and CAD), totaling €18 695 m.

Debt maturing in less than one year totaled €10 449 m versus 15 167 m at 12/31/2005. Debt maturing in more than five years totaled €37 022 m, compared with €30 424 m at 12/31/2005. Debt maturing at between one and five years increased from €25 691m to €26 181m at year-end 2006.

Compared with prior years, CADES' year-end debt structure shows an increase in long-term debt, primarily reflecting the issue of bonds maturing in 2016, 2017 and 2021 in 2006. Compared with 2005, the volume of commercial paper issued declined in 2006.

Debt	12/31/06	12/31/05	12/31/04
Short term (< 1 year)	14.2%	21.3%	32.1%
Medium term	35.5%	36.0%	34.0%
Long term (> 5 years)	50.3%	42.7%	33.9%

The structure of euro and foreign currency issues at the year-end 2006 reporting date shows an increase in EMTN issues in foreign currencies:

Debt	12/31/06	12/31/05	12/31/04
In foreign currencies	24.7%	30.4%	27.1%
In euros	75.3%	69.6%	72.9%

## Note 6 a: Analysis of transactions in euros and foreign currencies before and after hedging

This note analyzes the effect of hedging transactions on the initial debt structure and on the structure of interest rates before and after hedging. It provides both accounting and financial information related to the value and hedging of products with specified dates of maturity.

in millions of euros	Initial debt		Hedging transactions		Final debt	
	in forex	in euros	in forex	in euros	in forex	in euros
<b>Debt in euros</b>		<b>56 379</b>		<b>19 111</b>		<b>75 490</b>
<b>Debt in forex</b>		Counter value 12/31/2006		countervalue 12/31/2006		
CHF	150	93	-150	-93	0	0
GBP	1 146	1 706	-1 146	-1 706	0	0
JPY	77 100	491	-77 100	-491	0	0
USD	18 664	14 172	-18 664	-14 172	0	0
HKD	200	20	-200	-20	0	0
AUD	1 321	791	-1 321	-791	0	0
NZD	1 126	601	-1 126	-601	0	0
TRY	225	121	-225	-121	0	0
ZAR	490	53	-490	-53	0	0
CAD	400	262	-400	-262	0	0
<b>Sub-total foreign currencies</b>		<b>18 310</b>		<b>-18 310</b>		<b>0</b>
<b>Total</b>		<b>74 689</b>		<b>801</b>		<b>75 490</b>

The first table provides a breakdown of the initial nominal debt between issues in euros or foreign currencies. Since all transactions in foreign currencies were hedged, CADES' final debt is denominated only in euros. These hedging transactions enabled CADES to neutralize the impact of exchange rate fluctuations on its debt.

The second table shows the breakdown of debt between fixed and floating rate instruments. Hedging modifies the initial breakdown, such that in the final analysis fixed-rate issues account for 55%, floating-rate issues for 30%, and inflation-indexed issues for 15% of CADES' debt.

in millions of euros	Initial debt				Impact of hedges				Final debt			
	forex	euros	total	%	forex	euros	forex	euros	total	%		
<b>Fixed rate</b>												
NDS			0			0	0	0	0			
Euro-MTN	13 259	1 866	15 125		-13 259	-866	0	1 000	1 000			
Bonds	759	41 090	41 849		-759	-78	0	41 012	41 012			
Private placements		1 892	1 892				0	1 892	1 892			
Macro-hedging swaps						-2 182	0	-2 182	-2 182			
<b>Total fixed rate</b>	<b>14 018</b>	<b>44 848</b>	<b>58 866</b>	<b>79</b>	<b>-14 018</b>	<b>-3 126</b>	<b>0</b>	<b>41 722</b>	<b>41 722</b>	<b>55</b>		
<b>Floating rate</b>												
NDS	1 676	1 383	3 059		-1 676	1 713	0	3 096	3 096			
Euro-MTN	2 523	1 048	3 571		-2 523	17 389	0	18 437	18 437			
Bonds			0		0	857	0	857	857			
Private placements	93	50	143		-93	96	0	146	146			
Macro-hedging swaps							0	0	0			
<b>Total floating rate</b>	<b>4 292</b>	<b>2 481</b>	<b>6 773</b>	<b>9</b>	<b>-4 292</b>	<b>20 055</b>	<b>0</b>	<b>22 536</b>	<b>22 536</b>	<b>30</b>		
<b>Indexed rate</b>												
Bonds		9 050	9 050					9 050	9 050			
Macro-hedging swaps						2 182		2 182	2 182			
<b>Total indexed rate</b>	<b>0</b>	<b>9 050</b>	<b>9 050</b>	<b>12</b>	<b>0</b>	<b>2 182</b>	<b>0</b>	<b>11 232</b>	<b>11 232</b>	<b>15</b>		
<b>Global total</b>	<b>18 310</b>	<b>56 379</b>	<b>74 689</b>	<b>100</b>		<b>801</b>	<b>0</b>	<b>75 490</b>	<b>75 490</b>	<b>100</b>		

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**Note 7: Other liabilities**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>SECURITY DEPOSITS RECEIVED</b>	<b>0.01</b>	<b>351.61</b>	<b>53.14</b>
Security deposits received	0.00	350.47	53.13
Related debts	0.01	1.14	0.01
<b>OTHER CREDITORS ON FINANCIAL TRANSACTIONS</b>	<b>0.68</b>	<b>1.98</b>	<b>1.99</b>
<b>OTHER CREDITORS ON OPERATING TRANSACTIONS</b>	<b>17.68</b>	<b>18.34</b>	<b>19.73</b>
Payable to the government	0.00	0.00	0.00
Tax payables	0.00	0.00	0.02
Social payables	0.00	0.16	0.13
Suppliers	0.00	0.01	0.01
Other sundry creditors (ACOSS)	17.66	18.15	19.57
Other sundry creditors (CNAV)	0.02	0.02	0.01
<b>TOTAL</b>	<b>18.37</b>	<b>371.93</b>	<b>74.86</b>

Other liabilities include:

- Security deposits received in connection with forward contracts and repo agreements concluded to hedge the counterparty risk (this item has a balance of 0 on 12/31/2006)
- Liabilities related to margin calls (€0.01 m)
- Payables to ACOSS (€17.66 m, including credits indicated by ACOSS)
- Payables to CNAV (€0.02 m).

**Note 8: Accrued expenses and deferred income and provision for contingencies and losses**

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>ACCRUED EXPENSES</b>	<b>275.28</b>	<b>203.67</b>	<b>154.94</b>
On forward interest rate instruments	173.98	148.06	115.17
On forward currency transactions	97.49	52.23	36.18
Commissions payable on market trades	0.00	0.00	0.00
Accrued operating expenses	0.21	0.22	0.29
Accrued expenses on CRDS revenue	3.48	3.02	3.21
Other accrued expenses	0.12	0.14	0.09
<b>POTENTIAL INCOME AND INCOME TO BE SPREAD OVER SEVERAL PERIODS ON FINANCIAL FUTURES</b>	<b>50.85</b>	<b>43.55</b>	<b>32.95</b>
<b>DEFERRED INCOME</b>	<b>193.27</b>	<b>213.55</b>	<b>185.26</b>
Discounts/Premiums on bond issues	193.27	213.55	185.26
Other deferred income			
<b>OTHER ADJUSTMENT ACCOUNTS</b>	<b>825.08</b>	<b>57.75</b>	<b>930.96</b>
Foreign currency adjustment accounts	825.07	57.74	930.95
Divers	0.01	0.01	0.01
<b>TOTAL</b>	<b>1 344.48</b>	<b>518.52</b>	<b>1 304.11</b>

Accrued expenses and deferred income (€ 1 344.48 m) include transactions that affect results independently of their impact on cash flow:

- accrued expenses on interest-rate swaps (€173.98 m), CRDS revenue (€3.48 m), the euro leg of currency swaps (€97.49 m) and other expenses
- cash payments on currency swaps to be amortized (€50.85 m)
- deferred income from bond discounts (€193.27 m)
- adjustment accounts in foreign currencies (€825.07 m). These are technical accounts enabling the revaluation of off-balance sheet accounts to be integrated into net expenses

The following table shows changes in provisions for dismissal awards:

in millions of euros	12/31/2005	Allowance	Reversal	12/ 31/2006
<b>Provisions for losses</b>	<b>0.10</b>	<b>0.02</b>	<b>0.04</b>	<b>0.08</b>
provision for dismissal awards	0.10	0.02	0.04	0.08
<b>TOTAL</b>	<b>0.10</b>	<b>0.02</b>	<b>0.04</b>	<b>0.08</b>

**INCOME STATEMENT**

The income statement separates net income from banking transactions and other operating income and expenses, showing the net result for the year ended.

Net income from banking transactions	- 2 661.39 m euros
Other operating income and expenses	+ 5 476.50 m euros
<b>Gross result from ordinary activities = net result for year ended</b>	<b>+ 2 815.11 m euros</b>

CADES' mission is to amortize the debt allocated to it. Its result measures its ability to reduce its own debt.

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**Net income from banking transactions**

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Net income from banking transactions includes income from surplus cash transactions, debt financing costs and net profit or loss on financial transactions.

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**Note 9: Income from cash transactions**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>INTEREST AND EQUIVALENT INCOME ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>108.09</b>	<b>149.20</b>	<b>82.63</b>
<b>Interest on demand</b>			
Interest on ordinary deposits	0.37	0.05	0.01
Interest on loans			
Interest on securities received under repo agreements	0.36	0.52	0.41
<b>Interest at maturity</b>			
Interest on loans in euros			
Interest on loans in foreign currencies			
Interest on securities received under repo agreements	37.47	56.15	77.43
<b>Other interest</b>	<b>69.89</b>	<b>92.48</b>	<b>4.78</b>
<b>OTHER INTEREST AND EQUIVALENT INCOME</b>	<b>416.10</b>	<b>321.59</b>	<b>231.33</b>
Amortization of bond discounts	59.22	67.89	58.08
Income from hedging transactions	356.88	253.70	173.25
Gain on repurchase of securities issued			
<b>TOTAL</b>	<b>524.19</b>	<b>470.79</b>	<b>313.96</b>

This income includes:

- interest and related income on transactions with credit institutions (€108.09 m), including income earned on the investment of CADES' cash surpluses in repos with delivery of securities (€37.47 m)
- amortization of bond discounts on bonds issued (€59.22 m)
- income from hedging transactions (€356.88 m), which is primarily composed of a net gain on currency swaps (€218.3 m), a net gain on inflation swaps (€17.4 m), a net gain on the interest rate futures market (€83.9 m) and a net gain on interest rate swaps on bonds and other fixed-income securities (€24.3 m).



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**Note 10: Debt financing costs**

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in millions euros	12/31/2006	12/31/2005	12/31/2004
<b>INTEREST PAYABLE AND EQUIVALENT EXPENSES ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>128.57</b>	<b>145.48</b>	<b>157.27</b>
<b>Interest payable on demand transactions</b>			
Interest on ordinary creditor accounts	0.34	0.02	0.01
Interest on overnight loans	0.06	0.01	0.00
Interest on repos with securities delivered	0.05	0.03	0.03
<b>Interest payable on term transactions</b>			
Interest on CDC loan (debt transfer)			
Interest on multi-currency credit line	10.92	22.65	25.28
Interest on repos with securities delivered	0.83	0.47	0.29
Interest on private placements	112.60	111.74	111.34
<b>Other interest and equivalent expenses</b>	<b>3.77</b>	<b>10.56</b>	<b>20.32</b>
<b>INTEREST AND EQUIVALENT EXPENSES ON BONDS AND OTHER FIXED-INCOME SECURITIES</b>	<b>3 033.38</b>	<b>2 837.51</b>	<b>1 685.04</b>
<b>Expenses on debts evidenced by certificates</b>			
Interest on negotiable debt securities issued in euros	36.18	85.74	47.07
Interest on negotiable debt securities issued in foreign currencies	149.93	263.75	70.62
Interest on bonds and equivalent securities in euros	2 020.19	1 769.39	1 267.35
Interest on bonds and equivalent securities in foreign currencies	655.50	471.23	123.29
Other expenses on debts evidenced by certificates	171.57	247.39	176.70
<b>Other interest and equivalent expense</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>COMMISSIONS</b>	<b>23.67</b>	<b>33.34</b>	<b>25.41</b>
Commissions on terms loans granted by credit institutions	0.25	0.40	0.23
Commissions on negotiable debt securities issued	1.11	2.59	2.50
Commissions on bonds	22.02	29.86	22.62
Other commissions on securities transactions	0.29	0.49	0.16
Other commissions			
<b>TOTAL</b>	<b>3 185.62</b>	<b>3 016.33</b>	<b>1 867.72</b>

Debt financing costs rose by 5.6% compared with 12/31/2005, following the increase in total debt at year-end 2006 (reflecting payments to health insurance provided for under the Act of August 13, 2004) and broken down as follows:

- €3 033.38 m in debt servicing charges
- €128.57 m in interest paid on transactions with credit institutions (interest on private placements, repos with delivery of securities and margin calls)
- €23.67 m in commissions.

The most significant change was the decrease in commissions (of €9.7 m versus 12/31/12/05), attributable to the reduced volume of bond issues in 2006 compared with 2005.

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**Note 11: Profit or loss on trading portfolio**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>BALANCE OF FOREIGN EXCHANGE TRANSACTIONS</b>	<b>0.06</b>	<b>-0.12</b>	<b>0.12</b>
Other foreign exchange transactions	0.06	-0.12	0.12
<b>TOTAL</b>	<b>0.06</b>	<b>-0.12</b>	<b>0.12</b>

In accordance with the provisions of CRC Regulation 2000-03 on the preparation of financial statements, profit or loss on interest-rate and currency swaps are recorded under "Interest receivable and similar income" or "Interest payable and equivalent expenses" (see note 9). This item only reflects the net profit or loss determined during the periodic evaluation of foreign currency transactions that are not hedged.

## Other operating income and expenses

Other operating income and expenses mainly consist of the specific income and expenses provided for in Ordinance No. 96-50 of January 24, 1996 (CRDS, sale of real-estate assets and payments to the government and various social security funds), general operating expenses and accrued depreciation of fixed assets.

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

This note presents the revenues allocated to CADES by Article 6 of the Ordinance No. 96-50 of January 24, 1996, after deduction of assessment and collection costs and losses on CRDS receivables (write-offs, waivers, cancellations and forgiveness of debt):

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>NET CRDS REVENUE (Article 6)</b>	<b>5 475.65</b>	<b>5 180.72</b>	<b>4 896.25</b>
CRDS ACOSS revenue (salaries and wages)	4 747.14	4 529.39	4 306.89
CRDS revenue on assets	275.76	280.74	272.58
CRDS revenue on investment income	322.63	244.57	192.43
CRDS revenue on sales of precious metals and stones	3.33	2.48	2.56
CRDS revenue on gaming	126.79	123.54	121.79

#### Article 6: CRDS

- CRDS revenue, net of collection costs, is €5 475.65 m, up 5.7% compared with 12/31/2005. The following table shows the breakdown of CRDS revenues and related expenses.
- CRDS collected by ACOSS on the basis of salaries and wages accounts for 86.7% of the total. The remaining CRDS proceeds are collected by the Treasury offices, mainly on capital gains (assets and investment income) and gaming.
- Accrued income booked on 12/31/06 is determined on the basis of information provided by ACOSS on sums collected by URSSAF and CGSS, and statements filed by agencies that are part of the basic social security system.
- Debt repayments made prior to 12/31/1999 (pursuant to CEE Community Regulations and Social Security Bilateral Agreements) by foreign countries: As of 12/31/1997, these payments are transferred by the CNAMTS to CADES provided that this does not create a deficit for the CNAMTS or aggravate an existing shortfall. Given the losses recorded by CNAMTS from 1998 to 2006, the €216.54 m collected during these years were not turned over to CADES.

in millions of euros

CRDS-RELATED INCOME:	(I)	CRDS-RELATED EXPENSES:	(II)	Net revenue: (I) - (II)
CRDS due pursuant to Article 14 (earned wages)	4 796.17	Write-offs, cancellations of debt and waivers	25.20	
		Assessment and collection costs	23.83	<b>4 747.14</b>
CRDS due pursuant to Article 15 (assets)	287.55	Assessment and collection costs	11.79	<b>275.76</b>
CRDS due pursuant to Article 16 (investment income)	324.25	Assessment and collection costs	1.62	<b>322.63</b>
CRDS due pursuant to Article 17 (sales of precious stones and metals)	3.34	Assessment and collection costs	0.02	<b>3.32</b>
CRDS due pursuant to Article 18 (gaming)	127.43	Assessment and collection costs	0.64	<b>126.79</b>
		<b>Net revenue:</b>		<b>5 475.64</b>
Reversals of provisions on unpaid CRDS receivables	3.19	Allowances to provisions for unpaid CRDS receivables	-	
<b>TOTAL</b>	<b>5 541.93</b>	<b>TOTAL</b>	<b>63.09</b>	

**Note 13: General operating expenses**

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>PAYROLL EXPENSES</b>	<b>0.75</b>	<b>0.79</b>	<b>0.78</b>
Salaries and wages	0.56	0.57	0.57
Social contributions	0.19	0.22	0.21
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>1.47</b>	<b>1.64</b>	<b>1.51</b>
Taxes	0.07	0.07	0.07
Outsourced services	1.40	1.57	1.44
<b>TOTAL</b>	<b>2.22</b>	<b>2.43</b>	<b>2.29</b>

General operating expenses correspond to the use of the administrative budget, excluding the acquisition and amortization of fixed assets (see note 2). These expenses are down by 8.6% compared with 12/31/2005. This decrease is primarily attributable to a reduction in the use of outsourced services (rating agencies and advertising).

**LIST OF STAFF POSITIONS at 12/31/2006**

Non-permanent government employees:

- 1 senior manager of Front Office operations (category A)
- 2 assistant managers of Front Office operations (category A)
- 1 senior manager of Back Office operations (category A)
- 1 assistant manager of Back Office operations (category A)
- 1 bilingual executive assistant (category C)

Permanent government employees:

- 1 general office manager (category A)
- 1 administrative manager (category B)

The change in this table reflects the departure of the senior manager in charge of front office operations in November 2006. He was replaced by the principal assistant manager reporting to him.

**Note 13a: Note relative to real-estate assets and management thereof**

in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>Income from real estate assets:</b>	<b>0.01</b>	<b>0.06</b>	<b>0.29</b>
Proceeds from sales	0.00	0.00	0.00
Rental income	0.01	0.06	0.29
Non-recurring income	0.00	0.00	0.00
<b>Expenses related to real estate assets:</b>	<b>0.10</b>	<b>0.05</b>	<b>2.21</b>
Expense on property sales	0.00	0.00	0.00
Change in unsold stock	0.00	0.00	0.00
Personnel expensel	0.00	0.01	0.01
Outsourced services	0.02	0.05	0.18
Taxes	0.00	0.00	0.00
Non-recurring expenses	0.04	0.02	0.13
Allowance to provisions for contingencies and losses	0.11	0.00	2.12
Reversal of allowance for contingencies and losses	-0.07	-0.03	-0.23

All of the real-estate assets in the property portfolio transferred to CADES on January 1, 2000 were sold within three years of the transfer. Throughout 2006, CNAVTS continued (under a delegated management agreement) to make transactions related to the last properties sold in 2003 and to manage pending disputes. Income for the period totaled €0.01 m. Expenses totaled €0.10 m.

**Note 14: Other non-banking charges**

I	in millions of euros	12/31/2006	12/31/2005	12/31/2004
	Payment to the government	0.00	3 000.00	3 000.00
	Payments to Social Security	0.00	0.00	1 097.31
	<b>TOTAL</b>	<b>0.00</b>	<b>3 000.00</b>	<b>4 097.31</b>

**Note 15: Non-recurring income**

	in millions of euros	12/31/2006	12/31/2005	12/31/2004
	Statutory limitation on debt involving the administrative budget	0.00	0.00	0.08
	Statutory limitation on debt involving the financing budget	0.00	0.00	0.19
	Expenses related to CRDS revenues	0.00	0.00	0.00
	Forgiveness of CRDS receivable	0.00	0.00	0.00
	Allowance to provisions for unpaid CRDS	0.00	0.00	0.00
	<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.27</b>

## OFF-BALANCE SHEET COMMITMENTS

Recorded off-balance sheet commitments are presented on the basis of whether they are "granted" or "received" (financing commitments, guarantees, collateral, pledges on securities, etc.). Some commitments are not recorded, however, such as those relating to currency transactions and futures instruments. Information on these commitments is provided in Notes 16 and 17.

### Note 16: Foreign currency transactions

in millions of euros	12/31/2006		12/31/2005		12/31/2004	
	Currency receivable	Currency deliverable	Currency receivable	Currency deliverable	Currency receivable	Currency deliverable
<b>FORWARD TRANSACTIONS</b>	<b>18 368.56</b>	-	<b>21 798.68</b>	-	<b>15 208.33</b>	-
<b>OTC hedging transactions</b>						
<b>Forward exchange against EUR</b>	<b>1 676.29</b>	-	<b>8 031.97</b>	-	<b>8 492.47</b>	-
< 1 year	1 676.29		8 031.97		8 492.47	
1 to 5 years	0.00		0.00		0.00	
> 5 years						
<b>Currency swaps against EUR</b>	<b>16 692.27</b>	-	<b>13 766.71</b>	-	<b>6 715.86</b>	-
< 1 year	3 352.41		917.42		70.92	
1 to 5 years	10 304.75		10 744.69		4 604.58	
> 5 years	3 035.11		2 104.60		2 040.36	
<b>Isolated OTC transactions</b>						
Forward exchange transactions	-	-	-	-	-	-
Currency swaps against EUR						
< 1 year						

Forward exchange contracts against euros are futures contracts entered into for the purpose of hedging commercial paper.

The decrease in forward exchange against euros is attributable to the decrease in commercial paper issues.

The increase in currency swaps against euros reflects the rise in EMTN issues in foreign currencies.

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**Note 17: Financial futures markets**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>INTEREST-RATE INSTRUMENTS</b>			
<b>Regulated and similar markets</b>	<b>0.00</b>	<b>2 160.00</b>	
Firm hedging transactions			
Euro Bobl Future contracts (5 years)	0.00	930.00	
Euro Bund Future contracts (10 years)	0.00	1 230.00	
Other firm transactions			
Optional hedging transactions			
Other optional transactions			
<b>OTC</b>	<b>4 553.63</b>	<b>4 160.60</b>	<b>4 708.99</b>
Firm hedging transactions			
. Interest rate swaps in euros	4 553.63	4 160.60	4 708.99
. Micro-hedging	<b>2 371.58</b>	<b>1 978.55</b>	<b>2 423.55</b>
< 1 year	431.00	0.00	393.00
1 to 5 years	780.58	961.55	756.90
> 5 years	1 160.00	1 017.00	1 273.65
. Macro-hedging	<b>2 182.05</b>	<b>2 182.05</b>	<b>2 285.44</b>
< 1 year	25.00	0.00	103.38
1 to 5 years	1 185.00	775.00	818.53
> 5 years	972.05	1 407.05	1 363.53
. Interest rate swaps in foreign currencies			
< 1 year			
1 to 5 years			
> 5 years			

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Interest rate swaps set up by CADES:

- Firm macro-hedging transactions in regulated markets (Euro Bund Future and Euro Bobl Future contracts) were wound up in the second half of 2006, resulting in a net balance of 0 for the year ended December 31, 2006.
- The increase in micro-hedge swaps is primarily related to the issue of six swaps for a total amount of €390 m in the second half of 2006.
- The recorded total for outstanding macro-hedging swaps was unchanged at year-end 2006 compared with year-end 2005.

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**Note 18: Other off-balance sheet commitments**

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in millions of euros	12/31/2006	12/31/2005	12/31/2004
<b>FINANCING COMMITMENTS</b>			
<b>Commitments received</b>			
From credit institutions:			
. Back-up lines	538.66	550.00	550.00
. Multi-currency credit lines	4 900.00	10 000.00	10 500.00
. Lines of credit	2 000.00	500.00	0.00
<b>Commitments granted</b>			
Payment to the government	0.00	0.00	3 000.00
Payment to social security funding organizations	2 690.00	8 390.0	15 000.00

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Commitments received include four lines of back-up credit signed in 2004 for €538.66 m, which represents the unused portion of the original €550 m provided for in the multi-currency credit line contracted in 2004, amended in August 2006 (in a clause that reduces the facility from €10 bn to €5 bn), and lines of credit totaling €2 bn (a line of €1.5 bn renewed in February 2006 and a line of €500 m renewed in December 2006).

Financing commitments given represent the unused balance of the €50 bn provided for under the Health Insurance act dated August 13, 2004. This remaining balance will be discharged once the definitive deficit of French health insurance system is known. The Act also stipulates that any future surpluses generated by the health insurance branch of the French social security system will be allocated as a matter of priority to CADES.

**Note 19: Condensed table**

**CONDENSED BALANCE SHEET (12/31/2006)**

in millions of euros

<b>DEBT CARRYOVER (01/01/2006)</b>	<b>-78 594.5</b>
<b>SURPLUS (12/31/2006)</b>	<b>2 815.1</b>
<b>PROPERTY ENDOWMENT</b>	<b>181.2</b>
<b>OUTSTANDING DEBT (12/31/2006)</b>	<b>-75 598.1</b>

**Analysis of outstanding debt:**

- liabilities to third parties:

.financing debt < 1 year	<b>10 639.7</b>
.financing debt > 1 year	<b>65 238.4</b>
.accruals, deferred income and miscellaneous	<b>1 362.9</b>

- less assets held:

.financial investments	<b>0.5</b>
. prepayment, accrued income and miscellaneous	<b>1 642.4</b>

**CONDENSED INCOME STATEMENT (12/31/2006)**

in millions of euros

<b>NET REVENUE FROM CRDS</b>	<b>5 478.8</b>
<b>NET PROCEEDS FROM PROPERTY</b>	<b>-0.09</b>
Interest payable	-3 162.0
Bank commissions	-23.7
Interest receivable	524.3
<b>NET FINANCIAL RESULT</b>	<b>-2 661.4</b>
<b>General operating expenses</b>	<b>-2.2</b>
<b>OPERATING SURPLUS</b>	<b>2 815.1</b>
Payment to the government	<b>0.0</b>
Payment due under FFSA for 2004	<b>0.0</b>
Non-recurring income	<b>0.0</b>
<b>SURPLUS AT 12/31/2006</b>	<b>2 815.1</b>

## OTHER INFORMATION

Below, CADES presents information expressed in market value terms, comparing the fair value of its debt versus the book value on December 31, 2006.

Net debt in terms of market value is equal to the sum of the following aggregates:

- Value of fixed-rate and inflation-indexed bonds, determined on the basis of the average market rate observed at December 31, 2006;
- Value of unlisted securities issued, obtained using a CADES zero-coupon curve at December 31, 2006. Options included with certain of these securities are valued using an internal model that was built using standard valuation software developed and marketed by an outside provider;
- Value of derivatives used to transform a portion of the debt into micro-hedging instruments. Options included with certain of these securities are valued using the same internal model;
- Value of macro-hedging derivatives;
- Present value at December 31, 2006 of collateral, securities received under resale agreements and bank deposit balances.

In millions of euros:

	NET DEBT IN TERMS OF REPAYMENT VALUE AT MATURITY	NET DEBT IN TERMS OF REPAYMENT VALUE AT 12/31/2006 REPORTING DATE	NET DEBT IN TERMS OF REPAYMENT VALUE AT 12/31/2006
<u>&lt; 1 YR</u>	9 444,88	9 444,34	9 518,17
<u>1-5 YRS</u>	28 937,18	28 674,79	29 179,26
<u>&gt; 5 YRS</u>	38 551,61	37 247,99	37 585,23
<u>SWAPS</u>	13,19		13,19
<u>TOTAL</u>	76 946,86	75 367,12	76 295,85
<u>REVISABLE RATE</u>	22 414,06	22 413,12	22 388,63
<u>INDEXED RATE</u>	10 615,58	9 050,00	9 550,87
<u>FIXED RATE</u>	43 904,03	43 904,00	44 343,16
<u>SWAPS</u>	13,19		13,19
<u>TOTAL</u>	76 946,86	75 367,12	76 295,85

### Differences in value:

Differences in the market and repayment value of net debt are attributable to the following factors:

- . The market value of fixed-rate issues fell due to an increase in interest rates.
- . Market value takes into account revalued future coupons, while repayment value only takes the nominal coupon payment into account.
- . Gains or losses related to macro-hedging swaps or swaps to hedge against inflation both impact market value.

The data in this presentation, which is being provided for information only, covers a significant portion of CADES' primary activity, which is to amortize the debt it contracts on financial markets under the best possible terms and conditions.