

2014

€989 billion
Total assets held by the State

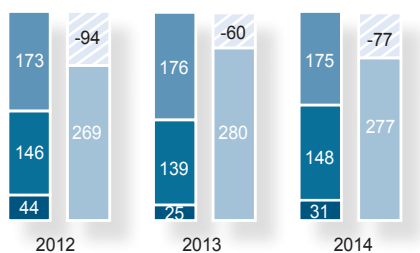
€1,551 billion
Total State financial debt

€23,387
Per capita financial debt

€86 billion
Budgetary deficit for the State (excl. IMF)

- €77 billion
State net income

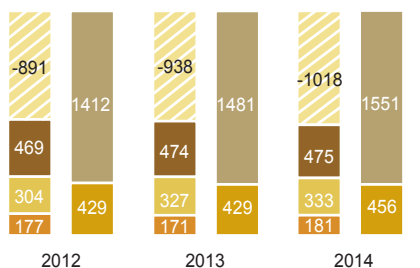
Compte de résultat (en milliards d'euros)



■ Net operating expenses
■ Net intervention expenses
■ Net financial expenses
■ Net loss
■ Net sovereign revenue

State net income should be analysed in relation to the specific nature of the State, whose objective is to ensure fulfilment of its public sector commitment. The accrual-based accounting balance differs from the budgetary balance, which is calculated using cash accounting.

Balance Sheet (in billions of euro)



■ Fixed assets
■ Financial assets
■ Other assets
■ Net worth
■ Financial debt
■ Other liabilities

By analysing net worth, it is possible to measure the extent to which the assets controlled by the State are sufficient to cover liabilities. However, this balance must be analysed with caution, since the State's ability to levy taxes is not included under assets and pension regimes are not included in liabilities.



Highlights of the year

2014 was marked by the implementation of a series of measures to support the economy and in particular the new "Investments for the Future" Programme (PIA) and the tax credit for encouraging competitiveness and jobs (CICE).

At a national level, the **launch of the new PIA programme** was reflected by further allocations totalling €12 billion, in addition to the €35 billion allocated under the initial programme. The measures contained in these programmes seek to support innovative and excellence projects in higher education, professional training, research, industry and SMEs, in particular in the sustainable development, digital, biotechnology and nuclear sectors.

In addition, the 2014 accounts were impacted by the CICE, a major lever of the National Pact for Growth, Competitiveness and Employment, which came into effect in January 2013. In its first year, the CICE represented corporate income tax reductions of €9.7 billion for companies, enabling them to free-up resources to finance investment, innovation, research, training and the energy and environmental transition.

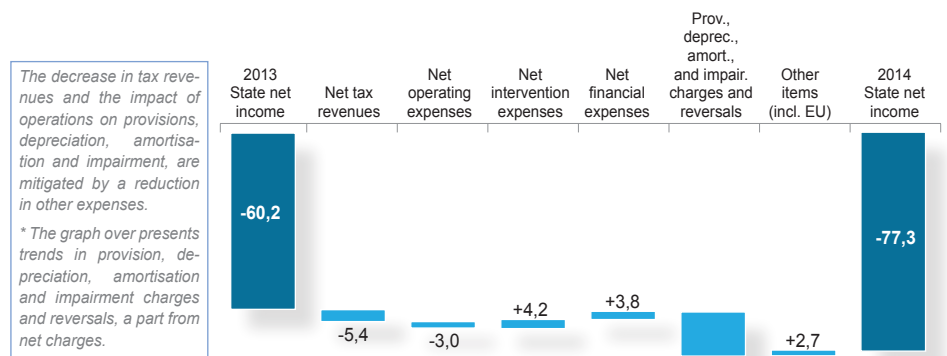
At European level, the **financial assistance programmes** continued, providing essential support to the countries benefiting from these programmes. A fifth payment was made in 2014 under the European Stability Mechanism (ESM) representing the final capital tranche (€3.3 billion), while the total guarantee provided by France under the European Financial Stability Fund (EFSF) was increased to €75.0 billion (from €70.4 billion at 31 December 2013) following additional assistance provided to Greece and Portugal.

Change in the State net income

State net income is -€77.3 billion compared with -€60.2 billion in 2013.

This decrease is primarily tied to provisions, depreciation, amortisation and impairment (-€19.4 billion) and, in particular, impairment of State financial investments, provisions for special pension regimes and provisions for European Development Funds (EDF).

Overall net expenses fell €5.0 billion (- 1%), thereby mitigating the decrease in tax revenues (-€5.4 billion, -2%) attributable to tax measures to support the economy and in particular the implementation of the CICE.



Change in assets and financial debt

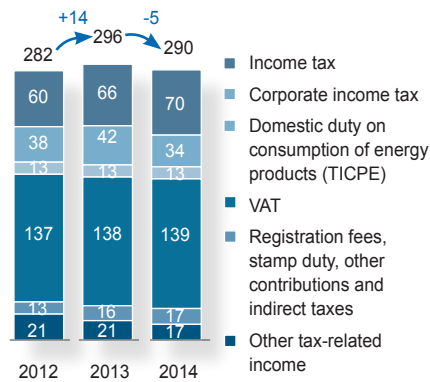
The increase in assets owned by the State is mainly due to the implementation of the new PIA in 2014: new funds granted less credits consumed during the year account for an increase in financial assets of +€6.7 billion and other receivables of +€4.3 billion in assets, and an increase of +€8.9 billion in liabilities.

Assets also recorded an increase in amounts receivable from taxpayers (+€6.6 billion) concerning several State taxes (including +€2.3 billion in respect of VAT recovery, inheritance taxes, donations and fines) as well as financial penalties applied by the Competition Authority (+€0.9 billion).

State financial debt is €1,551 billion, compared with €1,481 billion in 2013, representing a comparable increase with prior years. Liabilities (excluding financial debt and PIA) increased €18.0 billion, including €8.9 billion for provisions for liabilities and charges and €4.7 billion for accrued expenses in respect of corporate income tax and VAT repayments.

Result of State activity

Tax revenues (in billions of euro)



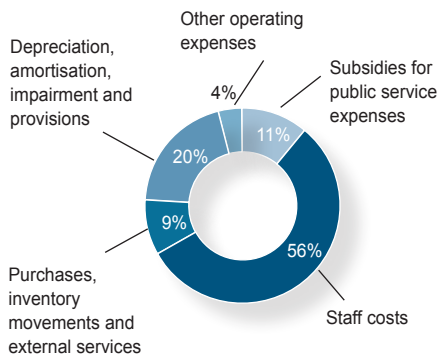
Tax revenues

Net tax revenues totalled €290.1 billion in 2014. This €5.4 billion decrease in one year is primarily attributable to:

- the decrease in **corporate income tax** (-€8.4 billion, -20%), mainly influenced by the implementation of the CICE. This decrease was partially mitigated by the increase in the CIT exceptional contribution;
- the increase in **income tax** (+€4.1 billion, +6%), following the decrease in the family quotient ceiling, the cancellation of exoneration measures and the re-indexing to inflation of the income tax scale after a 2-year freeze. This increase is mitigated by the exceptional reduction in income tax granted to low-income households;
- the increase in **VAT** (+€1.2 billion, +1%), due, inter alia, to the increase in the VAT intermediate rate from 7% to 10%;
- the decrease in **other tax revenue and equivalent** (-€3.3 billion, -16%), mainly following transfer measures to local authorities.

In addition to net tax revenues, fines, deductions and other penalties (€7.7 billion, up €1.2 billion) and levies paid to the European Union (€20.3 billion) contributed to sovereign income which totalled €277.5 billion.

Operating expenses

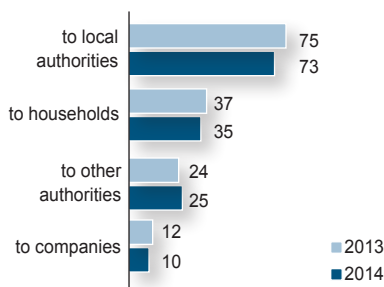


Operating expenses

Net operating expenses of the State (gross operating expenses adjusted for operating income) totalled €175.1 billion in 2014. Excluding provisions, depreciation, amortisation and impairment, these expenses (€165.2 billion) comprised:

- **direct expenses** (€168 billion) relating to State activities and primarily staff costs of €137 billion. These include inter alia remuneration (€71 billion) and pension costs (€52.9 billion), the increase in which was limited to +1.1% on 2013 (+€1.4 billion);
- **indirect expenses**, solely comprising subsidies for public service expenses of €27.7 billion (stable on 2013), paid by the State to operators providing a public service.
- **operating income** of €30.5 billion (primarily pension contributions).

Transfers (in billions of euro)



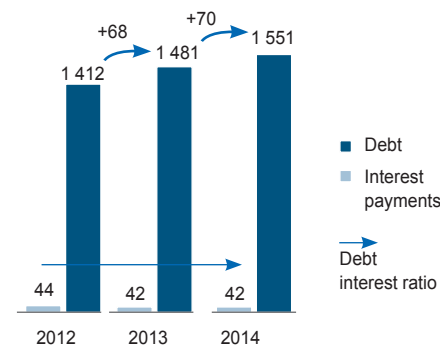
Intervention expenses

As part of its redistribution activity, State **net transfer expenses** totalled €143.4 billion in 2014 and primarily comprised:

- transfers to **local authorities** (51% of total transfers), primarily through State General operating grants (DGF), the VAT Compensation fund (FCTVA) and other compensation mechanisms;
- **assistance to households** (25% of total transfers): housing benefits, adult disability benefits, invalidity pensions, measures in the fight against poverty (Active solidarity income (RSA), back-to-work assistance allowances), educational grants and other redistribution measures;
- **transfers to other authorities** (17% of total transfers): financing of special pension regimes (RATP, SNCF, Miner and Seafarer regimes, etc.) and transfers to certain national, European (National Research Agency (ANR), European Space Agency, France Télévisions) and international (UN) organisations, foreign country development assistance and back-to-work assistance (assisted contracts);
- **supporting companies with assistance measures** (7% of total transfers): primarily encompassing rail infrastructure subsidies, subsidies to accompany economic change and support measures for employment.

Excluding provisions and impairment, net intervention expenses fell €4.2 billion (-2.9%) year-on-year. This decrease in transfers is spread across local authorities, companies and households.

Financing cost (in billions of euro)



Debt interest ratio

Interest payments fell €0.3 billion. They represent an annual charge of 2.7% of the debt (compared with 2.9% in 2013).

This decrease was achieved in a context of rising **financial debt** outstandings (+€70.3 billion) to €1,551 billion and historically low average rates (2.91% for medium- and long-term outstandings and 0.07% for short-term issues in 2014).

State Financial Position

Fixed assets

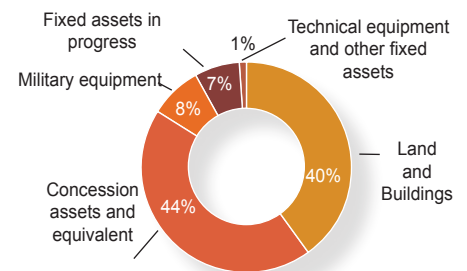
Fixed assets represent the majority of State assets (48%), with a net value of €474.5 billion.

State assets include land and buildings with a net value of €190.4 billion, comprising road infrastructures (69%), non-specific property assets (25%) and buildings specific to the State's activities (4%) and primarily penitentiary institutions.

Concession assets also represent a substantial percentage of State assets with a net value of €210.1 billion (44%). They include motorways, hydraulic structures, tunnels and engineering works, as well as rail and airport installations.

The net value of fixed assets is stable on 2013.

Fixed assets



Concessions are contracts under which the State entrusts a natural person or legal entity – generally governed by private law – with the task of performing a public service, with the concession holder assuming all risk and liability, for a limited term and in exchange for the right to levy and collect a charge from users of the public service.

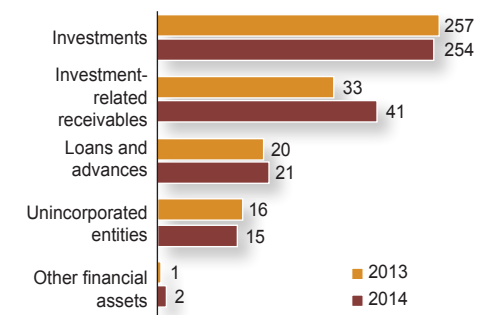
Financial assets

Financial assets mainly comprise investments held by the State in over 2,014 entities (companies, public-sector establishments, international institutions) including 1,059 entities not controlled (primarily public healthcare institutions), and receivables from these investments as well as loans and advances, particularly to foreign States.

At 31 December 2014, financial assets have a net value of €333.0 billion (compared with €326.6 billion in 2013) and represent 34% of State assets.

This change is mainly due to the €8.4 billion increase in investment-related receivables (including +€7.1 billion receivable from entities managing "investments for the future") and, conversely, a €2.8 billion decrease in the net value of investments, including €1.9 billion in respect of entities controlled by the State (primarily CEA and AREVA).

Financial assets (in billions of euro)



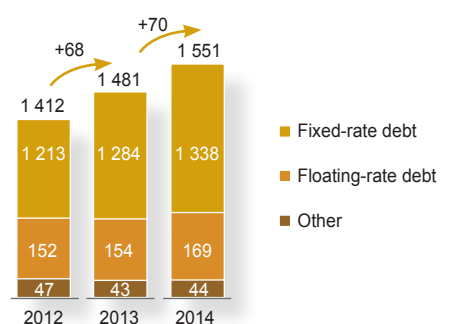
Financial debt

The State's **financial debt** (€1,551 billion) increased €70.3 billion year-on-year, comparable with the increase in 2013.

This change primarily relates to **medium- and long-term negotiable debt** (OAT and BTAN) which increased €68.4 billion on 2013 to €1,370.9 billion at 31 December 2014. Medium- and long-term debt represents 88.4% of total debt, stable on last year.

Short-term negotiable debt (BTF) increased €1.5 billion year-on-year and represents 11.3% of State debt.

Financial debt (in billions of euro)



Other liabilities

Other liabilities total €456.2 billion at 31 December 2014 and mainly include non-financial debt, provisions and short-term funding liabilities. These items comprise:

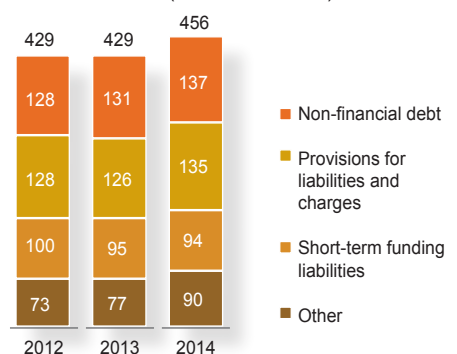
- **short-term funding liabilities** corresponding to cash assets deposited by Treasury correspondents (€94.0 billion);
- State commitments to households, companies, social security organisations and local authorities in respect of **redistribution activities** (€91.2 billion);
- **adjustment accounts** (to spread income and expenses over time and match them to the correct accounting period) (€56.8 billion);
- **corporate income tax advance payments** (€44.9 billion).

Excluding the PIA impact (+€8.9 billion of additional allocations in 2014), other liabilities increased €18 billion in one year.

This change includes a €8.9 billion increase in provisions for liabilities and charges, including provisions for European Development Funds (+€4.8 billion) and provisions for State dismantling and depollution obligations (+€2.2 billion).

It is also due to an increase in accrued expenses in respect of VAT and corporate income tax repayments (+€4.7 billion, primarily due to the CICE).

Other liabilities (in billions of euro)





State commitments

State **off-balance sheet commitments** are presented in the notes to the central government accounts but do not impact either the balance sheet or State net income. They consist of contingent liabilities corresponding either to potential obligations of the State to third parties, or certain obligations not necessarily leading to an outflow of resources.

The commitments recorded in the notes to the central government accounts are grouped into four categories.

State pension commitments and equivalent

State **pension commitments** for civil servants and military personnel are valued at €1,561 billion. 64% of these commitments concern individuals who have already retired at 31 December 2014. The €259 billion increase on 31 December 2013 is mainly due to the change in the discount rate adopted for calculation purposes (0.17% compared with 1.08% in 2013).

Pension commitments for La Poste civil servants (€128 billion), employees of State industrial entities (€39 billion), some State civil servants working for local authorities (€16 billion) and beneficiaries of other special pension regimes (€8 billion) are also disclosed in the notes.

Commitments resulting from the State's role as economic and social regulator

Commitments relating to State intervention schemes pursuant to its role as economic and social regulator mainly consist of:

- subsidies to balance subsidised special pension regimes (SNCF, RATP, Miner, Seafarer and tobacco industry regimes) in the amount of €274 billion (+€71 billion compared with 2013 primarily due to the impact of the increase in the discount rate);
- housing benefits (APL, ALS) in the amount of €164 billion (+€55 billion compared with 2013, following a change in the funding split between the State and the Social Security office from 1 January 2015);
- adult disability benefits (AAH) in the amount of €18 billion.

Commitments granted under clearly defined agreements

Commitments granted under clearly defined agreements are recorded in the total amount of guarantees given.

They mainly consist of guarantees relating to general interest activities, including saver protection guarantees (regulated savings accounts) of €412 billion.

Other commitments granted under clearly defined agreements mainly concern guarantees granted by the State to third parties on debt outstandings (€194 billion) and liability guarantees such as the French share in callable capital under the European Stability Mechanism of €126 billion.

Sundry other commitments

These commitments mainly concern tax commitments of €81 billion (income tax and corporate income tax losses carried forward, capital gains on securities rolled forward and CICE) and future rents under public-private partnership (PPP) arrangements of €10 billion.

From the budgetary deficit to State net income

The budgetary deficit amounted to -€86.4 billion in 2014, compared with **State net income** of -€77.3 billion.

The difference between the budgetary deficit and the accounting loss mainly reflects:

- budget revenue and expenditure recorded in the State's balance sheet (+€22.6 billion), with no impact on State net income, such as investing activities;
- timing differences between the recognition of operations in the budget deficit and State net income (+€3.6 billion);
- accounting operations not impacting the budget deficit (-€17.0 billion)

Budget accounting aims to report the State's expenditure at the time it is paid and the State's revenue at the time it is collected.

Under accrual accounting, the State's net worth is reflected by linking expenses and income to the financial year in which they arise, irrespective of their date of payment or collection.

By way of example, advance payments of corporate income tax that are recorded as budget revenue in year Y are taken to income under accrual accounting in year Y+1 when tax returns are filed by companies.

Comparison of the Accounts

The Central Government Accounts are comparable year-on-year (over a three-year period) as they include the impact of changes in accounting method and the correction of prior-year errors.

The Central Government Accounts may be consulted at www.performance-publique.budget.gouv.fr