



2015

€982 billion

Total assets held by the State

€1.602 billion

Total State financial debt

-€70.5 billion

Budgetary deficit for the State (excl. IMF)

-€82.5 billion

State net income

Highlights of the year

Fiscal year 2015 was marked by higher tax revenues than initially forecast and further control over State expenditure, reflected both in the budget accounts (fall in State standardised expenditure and improvement in the budget deficit) and the accrual accounts. The Central Government accounts were also marked by a series of measures to support the economy, with in particular the ramp-up of the tax credit for encouraging competitiveness and jobs (CICE) and payments to social security bodies to compensate for reductions in contributions.

The **CICE**, a major lever of the Responsibility and Solidarity Pact for Employment and Purchasing Power, represented corporate income tax reductions of €16.3 billion for companies, some €6.6 billion more than in 2014. A portion of these receivables has not yet been repaid or offset against corporate income tax and remains recorded in State liabilities.

Fiscal year 2015 was also marked by the **grant of new 700 MHz band frequencies**, for which the State will receive fixed fees of €2.8 billion over the period to December 2018.

Finally, as part of the **reform of the Contribution to the Public Electricity Service (CSPE)**, the State undertook to clear over five years the compensation deficit accumulated by EDF since 2002 in the amount of €5.9 billion. This reform stabilizes the taxation of electricity in return for a greater contribution by fossil fuels to the financing of energy transition.

Change in the State net income

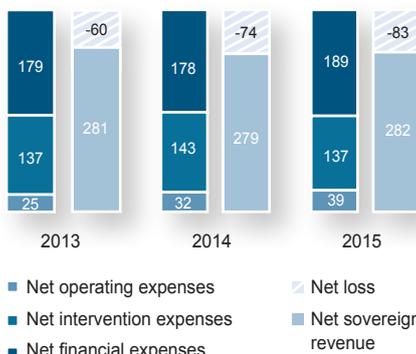
2015 State net income totalled -€82.5 billion, down €8.2 billion on 2014. Excluding charges to depreciation, amortisation and provisions (net of reversals), State net income was -€66.7 billion (compared with -€62.7 billion in 2014).

This decrease included an increase in net operating expenses (-€10.9 billion) as a result of both an increase in net charges to provisions (-€6.9 billion), particularly provisions for tax-related disputes, and a decrease in operating income (-€3.9 billion), tied to changes in the funding of the National Fund for Housing Assistance (FNAL) in 2015.

This increase was accompanied by a rise in net financial expenses, including €8.8 billion following the impairment of certain State investments, particularly SNCF Mobilités (formerly SNCF) and SNCF Réseau (formerly RFF).

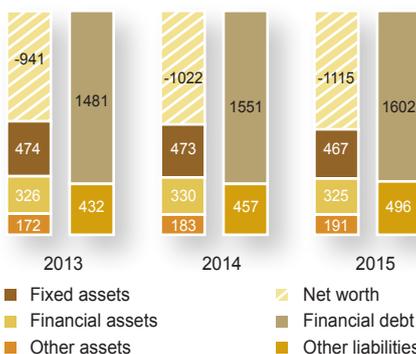
These items were mitigated by an increase in tax revenue (the main component of net sovereign revenue) and a contraction in net intervention expenses, improving net income by +€3.2 billion and +€6.7 billion, respectively.

Income Statement (in billions of euro)

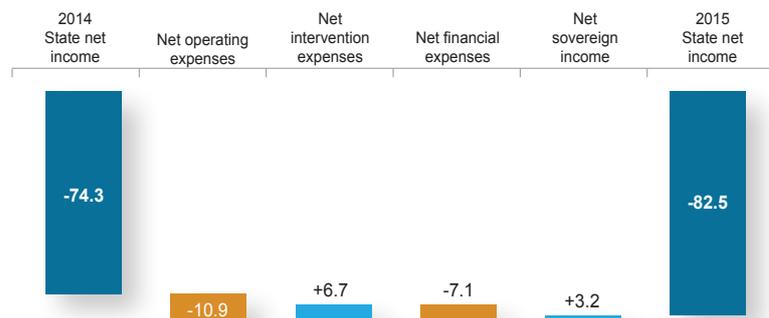


State net income should be analysed in relation to the specific nature of the State, whose objective is to ensure fulfilment of its public sector commitment. The accrual-based accounting balance differs from the budgetary balance, which is calculated using cash accounting.

Balance Sheet (in billions of euro)



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 in assets and pension regimes are not included in liabilities.



Change in assets and financial debt

The €3.7 billion decrease in **assets owned by the State** was mainly due to a decrease in tangible assets (-€6.0 billion) and financial assets (-€5.2 billion). These decreases were partially offset by an increase in other assets including available cash (+€6.1 billion) at 31 December 2015.

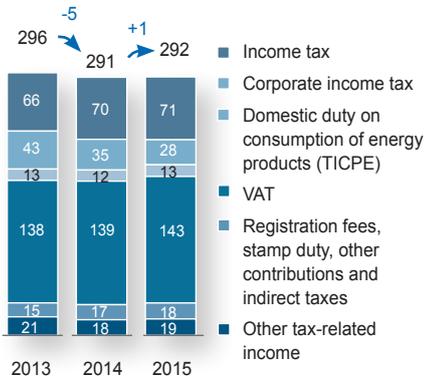
State **financial debt** totalled €1,601.6 billion compared with €1,551.1 billion in 2014, reflecting a marked slowdown in the upward trend compared with previous years, consistent with the trajectory for putting the public accounts in order.

Liabilities (excluding financial debt) rose €39.0 billion in 2015. This increase concerned prepaid revenue for €19.6 billion, additional accrued expenses in respect of the CICE for €5.9 billion and intervention liabilities for €5.9 billion following the recognition by the State of a liability to EDF in respect of the CSPE.



Result of State activity

Tax revenues (in billions of euro)



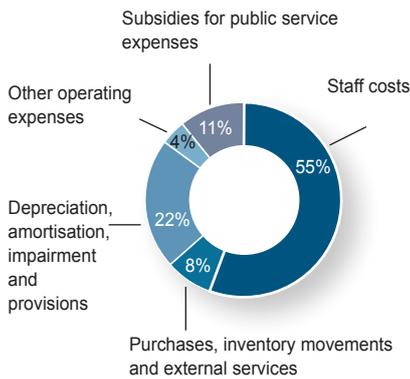
Tax revenues

Net tax revenues totalled €291.6 billion in 2015, up €0.5 billion under the combined impact of:

- a decrease in **corporate income tax** (-€6.4 billion, -19%) due to the ramp-up of the CICE in the amount of €6.6 billion;
- an increase in **VAT** (+€3.4 billion, +2%), boosted by consumption levels and reduced transfers of VAT revenue to social security bodies in 2015;
- an increase in the **domestic duty on consumption of energy products** (+€0.6 billion, +5%) mainly due to the addition of the carbon component to the domestic duty on consumption which came into effect on 1 April 2015;
- an increase in **income tax** (+€0.9 billion, +1%) due to several factors and particularly efficiency in the fight against fraud.

In addition to net tax revenues, **fines, deductions and other penalties** (€8.7 billion, up €1 billion) and levies paid to the European Union (€18.5 billion) contributed to net sovereign revenue which totalled €281.8 billion.

Operating expenses

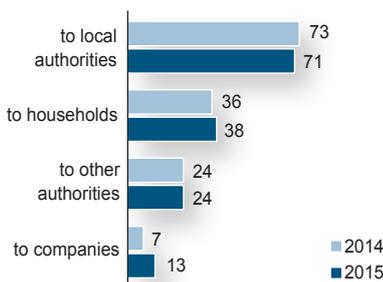


Operating expenses

Net operating expenses (gross operating expenses adjusted for operating income) totalled €188.9 billion in 2015. Excluding provisions and impairment, these net expenses (€171.9 billion) comprised:

- **direct expenses** (€167.6 billion) relating to State activities and primarily staff costs of €137.7 billion, stable on 2014 at +0.6%. Staff costs include remuneration (€71.4 billion) and pension costs (€53.5 billion);
- **indirect expenses** (€30.7 billion), stable on 2014, comprising payments by the State to finance, primarily, public policy operators;
- **operating income** of €26.3 billion (primarily employee contributions by civil servants).

Transfers (in billions of euro)

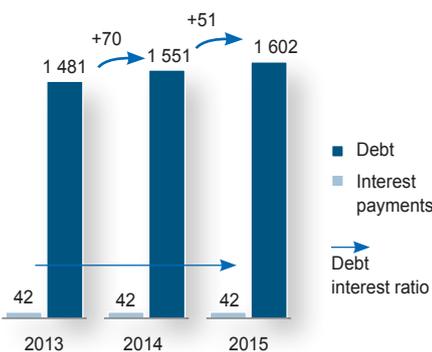


Intervention expenses

State **net intervention expenses** totalled €136.8 billion and primarily comprised transfer expenses (€146.3 billion) relating to the State's redistribution activities. Excluding provisions and impairment, transfer expenses increased €6.3 billion in 2015 and primarily comprised:

- transfers to **local authorities** (48% of total transfers), primarily through State General operating grants (DGF, down -€3.5 billion in 2015), the VAT Compensation fund (FCTVA) and other compensation mechanisms
- assistance to **households** (26% of total transfers) comprising housing benefits, adult disability benefits, invalidity pensions, measures in the fight against poverty, as well as educational grants and other redistribution measures;
- transfers to **other authorities** (17% of total transfers) encompassing the financing of special pension regimes (RATP, SNCF, Miner and Seafarer regimes, etc.), transfers to certain national, European (National Research Agency (ANR), European Space Agency, etc.) and international (UN) organisations, foreign country development assistance and work-access and back-to-work assistance (assisted contracts);
- assistance measures to support **companies** (9% of total transfers), primarily encompassing EDF compensation in respect of the CSPE, as well as subsidies to accompany economic change and support measures for employment. The recognition of compensation granted to EDF represented an additional expense of €5.9 billion in 2015.

Financing cost (in billions of euro)



Debt interest ratio

The net negotiable debt expense fell €1.7 billion to €37.3 billion.

Interest payments were stable on 2014 (€42 billion). This stability was achieved in a context of rising **financial debt** outstandings (+€50.5 billion) to €1,601.6 billion and historically low average rates (2.61% for medium- and long-term outstandings and -0.19% for short-term issues in 2015). Interest payments therefore represent a falling annual charge, equal to 2.6% of debt (compared with 2.7% in 2014).

State Financial Position

Tangible assets

Tangible assets represent the majority of State assets (48%), with a net value of €466.8 billion.

State assets include land and buildings with a net value of €188.0 billion, mainly comprising road infrastructures (67%) and non-specific property assets and particularly office buildings (27%, i.e. €50 billion).

Concession assets also represent a substantial percentage of State assets in the amount of €206.9 billion (44%). They mainly include motorways, hydraulic structures, tunnels and engineering works, as well as rail and airport installations.

The net value of tangible assets was down €6.0 billion on 2014, primarily following a decrease in the index used to value certain concession assets and road infrastructures. This impact was however mitigated by an increase in tangible assets in progress, and particularly military equipment and the delivery of assets acquired through public-private partnerships, such as the new Balard Defence Ministry premises.

Financial assets

Financial assets mainly comprise investments held by the State in 1,958 entities (companies, public-sector establishments, international institutions) including 1,036 entities not controlled (primarily companies, international institutions such as the International Monetary Fund and national entities such as Caisse des dépôts et consignations (CDC), as well as public healthcare institutions). They also include receivables from these investments as well as loans and advances, particularly to foreign States.

At 31 December 2015, financial assets had a net value of €324.9 billion (compared with €330.0 billion in 2014) and represented 33% of State assets.

This change (-€5.2 billion) was mainly due to the decrease in the net value of certain investments in 2015 and mainly SNCF Mobilités (formerly SNCF) and SNCF Réseau (formerly RFF). This decrease was however mitigated by capital increases, increasing the value of certain investments (including Renault and Agence française de développement) and the rise in investment-related receivables (+€1.2 billion), due, inter alia, to the annual adjustment to IMF euro-denominated receivables.

Financial debt

The rate of increase in the State's **financial debt** (€1,601.6 billion) slowed considerably compared with 2014 (+€50.5 billion in 2015 compared with +€70.4 billion in 2014), thanks to the high level of issue premiums collected in 2015, recorded in other liabilities.

Financial debt mainly comprised **medium- and long-term negotiable debt** (OAT and BTAN) of €1,442.1 billion at 31 December 2015 (+€71.2 billion compared with 2014). Medium- and long-term debt represented 90% of total debt, compared with 88.4% in 2014.

Short-term negotiable debt (BTF) fell €22.5 billion year-on-year and represents 9.5% of State debt.

Other liabilities

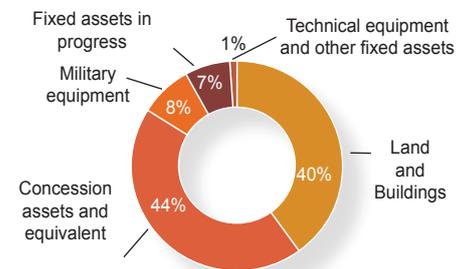
Other liabilities totalled €495.7 billion at 31 December 2015 and mainly comprised:

- **non-financial debt**, primarily encompassing prepaid revenue (€66.5 billion), advance payments of corporate income tax (€45.6 billion) and accrued expenses (€52.0 billion), particularly in respect of tax obligations (VAT, CICE, CIR, etc.)
- **provisions for liabilities and charges** of €134.9 billion, including provisions for transfers reflecting the State's commitments as a result of its redistribution activities (€85 billion), provisions for tax-related disputes (€21.1 billion), provisions for restoration (€16.5 billion) and provisions for staff costs (€9.0 billion);
- **short-term funding liabilities** in respect of funds deposited by Treasury correspondents (€100.8 billion);

The significant increase in other liabilities (+€39.0 billion) was mainly due to prepaid revenue, impacted by the substantial increase in issue premiums on OAT and BTAN (+€18.0 billion) and the issue by ARCEP of operating licences for 700 MHz band frequencies (+€2.8 billion). This increase was also due to the recognition by the State of the CSPE compensation liability to EDF in the amount of €5.9 billion, and the increase in accrued expenses relating to the CICE (+€5.9 billion). Conversely, State operating and intervention debts, excluding CSPE compensation, fell in 2015 from €16.8 billion at the end of 2014 to €14.7 billion at the end of 2015.

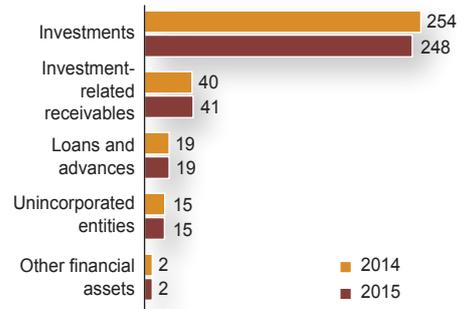
State net accounting debt to social security bodies is €3.5 billion at the end of 2015, stable year-on-year. Net debt payable as at 31 December (as defined in the six-monthly statement of amounts due by the State to social security bodies) is down significantly to €50 million from €368 million in 2014.

Fixed assets

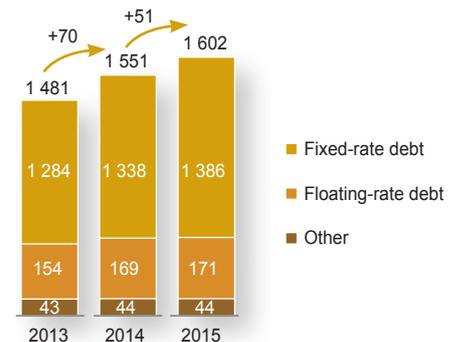


Concessions are contracts under which the State entrusts a natural person or legal entity – generally governed by private law – with the task of performing a public service, with the concession holder assuming all risk and liability, for a limited term and in exchange for the right to levy and collect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

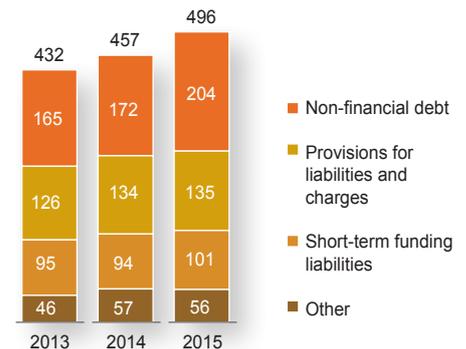
Financial assets (in billions of euro)



Financial debt (in billions of euro)



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 were valued at €1,535 billion. 65% of these commitments concerned individuals who have already retired at 31 December 2015.

Pension commitments for La Poste civil servants (€125 billion), employees of State industrial entities (€38 billion), State civil servants working for local authorities (€15 billion) and beneficiaries of other special pension regimes (€10 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 consisted of:

- subsidies to balance subsidised special pension regimes (SNCF, RATP, Miner, Seafarer and tobacco industry regimes) in the amount of €270 billion (-€3 billion compared with 31 December 2014);
- housing benefits (ALS, APL and ALF) in the amount of €160 billion. The increase in this commitment (+€24 billion compared with 2014) follows the change, from 2016, in the funding split for the Family housing benefit (ALF) between the State and the Social Security office, generating an impact of +€21 billion;
- adult disability benefits (AAH) in the amount of €20 billion (+€2 billion compared with 2014). The valuation of this commitment was mainly impacted by the extension in 2015 of the AAH payment period from 2 to 5 years (+€2.4 billion compared with 2014).

Commitments granted under clearly defined agreements

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

They mainly consisted of guarantees relating to general interest activities, including saver protection guarantees (regulated savings accounts) of €403 billion.

Other commitments granted under clearly defined agreements mainly concerned guarantees granted by the State to third parties on debt outstandings (€187 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 concerned tax commitments of €86 billion (income tax and corporate income tax losses carried forward, capital gains on securities rolled forward and CICE) and future lease payments under public-private partnership (PPP) arrangements of €5 billion.

From the budgetary deficit to State net income

The **budgetary deficit** amounted to -€70.5 billion in 2015 (excluding transactions with the IMF), compared with **State net income** of -€82.5 billion.

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

- budget revenue and expenditure recorded in the State's balance sheet (+€13.9 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 (-€4.2 billion);
- accounting operations not impacting the budget deficit (-€21.7 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 filled by companies.

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