2011 REPORT

French State as a shareholder

Agence des participations de l'État

Foreword

In 2011 the French Government, in its capacity as a shareholder, continued and stepped up its efforts to support the development of publicly-owned companies. In doing so, it helped to support France's long term economic growth under persistently difficult conditions, over and beyond its role in the different instruments deployed to counteract the exceptional crisis of 2008 and 2009.

The framework for the conduct of this policy has been overhauled, with the appointment in 2010 of a Commissioner for State Holdings and the broadening of the Government Shareholdings Agency's remit under the 31 January 2011 decree. In keeping with the conclusions of the French Industry Forum (États Généraux de l'Industrie) on 4 March 2010, the Government is now more actively involved in framing industrial and business development strategy for each of its shareholdings. In pursuing this policy it seeks to protect and nurture its assets and the business aims of each company, acting from the perspective of a long-term shareholder. As a shareholder, the Government views industrial policy in strategic terms, anticipating the strategic challenges facing companies and conducting sector reviews within each industry. Where appropriate, it contributes to the setting up strategic partnerships or tie-ups between publicly-held corporations to enable them to compete with their global rivals.

One Practical outcome of this ambition in the period under review was the formation of a world-class engineering company around Systra, combining the international strengths of the project engineering subsidiaries of SNCF and RATP. In the same spirit, a dialogue was initiated between EDF and Areva with a view to forming a strategic partnership, as confirmed by the Nuclear Policy Council on 21 February 2011. Finally, the sale of SNPE Matériaux Énergétiques (SME) to Safran in March 2011, after years of stalled discussions, created a world leader in solid rocket propulsion, a critical sector for France's deterrent force and for preserving its autonomous access to space.

Once again this year, the Government played an active part in nurturing the growth of its shareholdings. As a discerning and prudent investor, it strengthened the capital of companies within its perimeter where necessary. For example, after becoming a public limited company in February 2010, and consistent with the commitments given in conjunction with the Caisse des Dépôts et Consignations, La Poste is currently receiving a capital increase of €2.7 billion spread over 2011 to 2013, with the State contributing €1.2 billion. Similarly, the Government contributed €300 million to capital increase for Areva, while the Kuwait Investment Authority (KIA) invested €600 million.

The Government actively managed its shareholdings in 2011, safeguarding its interests as a shareholder in the face of adverse economic conditions. Among others, it oversaw the privatisation of Adit in February, and of Les Thermes Nationaux d'Aix-les-Bains in March, with the arrival of a private investor to bolster their industrial and business development.

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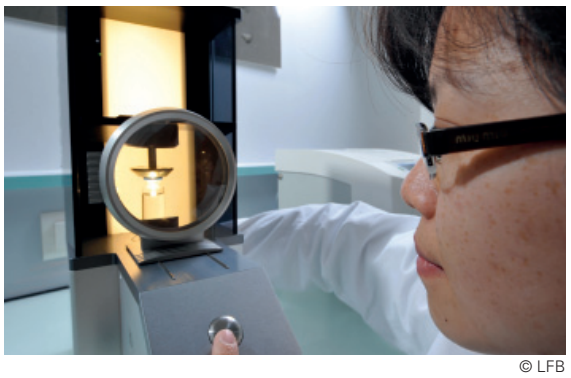

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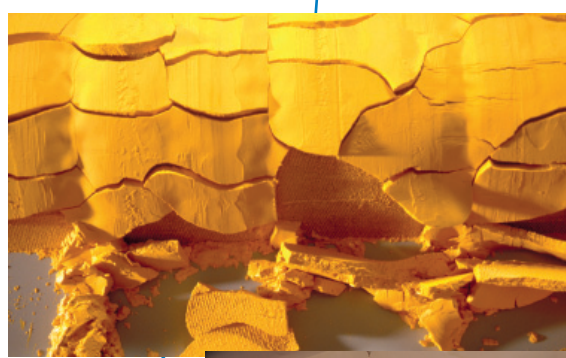
Overview



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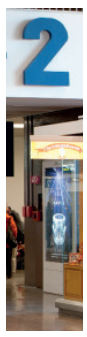

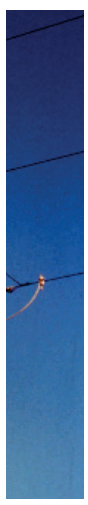

The 2010-2011 period witnessed a number of operations aimed at reinforcing the structure of the French economy. Significant among these were La Poste's €2.7 billion capital increase over three years, in conjunction with the Caisse des Dépôts et Consignations, in order to strengthen its subsidiary La Banque Postale; Areva's €900 million capital increase in conjunction with the Kuwait Investment Authority; the formation of a strategic partnership between Areva and EDF; and the disposal of SME to Safran with a view to creating a world leader in solid rocket propulsion.

Reflecting overall downward trends on financial markets, the Government's portfolio of listed shareholdings had a market capitalisation of €69 billion at September 1, 2111, down from €88 billion a year earlier. This represents 11% of the CAC 40 market capitalisation, versus 7% one year earlier.

This is the eleventh "Government as Shareholder" report, provided for in Article 142 of the "New Economic Regulations" Act of 15 May 2001.

Part 3 of this report contains the full combined financial statements of the main state-controlled entities. A summary of these financial statements is presented and discussed in Part 1. Part 1 also reports on the outstanding operations affecting the capital of state-owned and semi-public enterprises in 2010 and since early 2011.

Part 2 presents in detail the financial condition and strategy of the main shareholdings.

Overview


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Highlights since the previous report

15 September 2010

The Commissioner of State Shareholdings, Jean-Dominique Comolli, took up his duties, reporting to the Minister for the Economy.

28 October 2010

A memorandum of understanding was signed between *SNCF* and *RATP* to reorganise the governance of their joint subsidiary Systra.

28 December 2010

Areva carried out a €900 million capital increase subscribed by the French Government and the Kuwait Investment Authority (KIA).

31 January 2011

Agreements were signed to arrange a €417 million *Export Levy Facility* for the A400M on behalf of Airbus.

2 February 2011

A new decree was issued broadening the remit of the Government Shareholding Agency and attaching it to the Minister for the Economy.

3 February 2011

The majority of the capital of *Adit* was transferred to the private sector.

GDF Suez took control of International Power.

21 February 2011

The Nuclear Policy Committee was set up, and a planned strategic partnership between *EDF* and *Areva* was announced.

3 March 2011

Les *Thermes nationaux d'Aix-les-Bains* were sold to *La Compagnie européenne des Bains.*

23 March 2011

Dernière The *BPCE* completed the repurchase of its capital from the *SPPE*.

5 April 2011

SNPE Matériaux Énergétiques was sold to *Safran.*

6 et 7 April 2011

La Poste carried out a €1 billion capital increase and appointed a new Board, following the entry of the *Caisse des Dépôts et Consignations (CDC)* into the group's capital.

26 April 2011

Renault and *PSA* completed repayment of Government loans contracted during the economic crisis in 2009.

25 July 2011

EDF and *Areva* signed a technical agreement.

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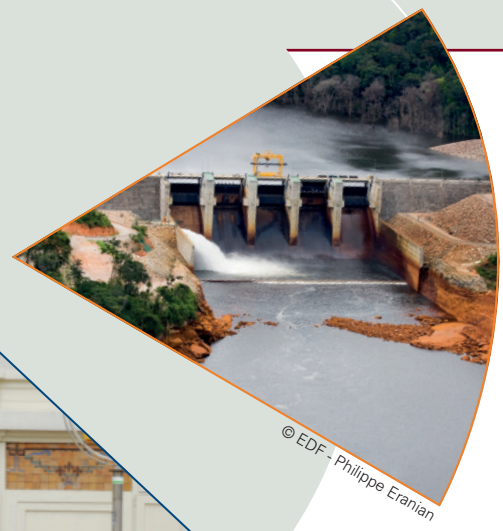

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The missions of the Government Shareholding Agency

The way in which the Government fulfils its shareholding function was entirely revamped in 2010. The appointment, effective September 15, 2010, of a Commissioner of State Holdings reporting directly to the Minister for the Economy, Finance and Industry is part of a wider shift in the Government's role as shareholder and its means of action, aimed at increased effectiveness and greater economic and industrial relevance.

Of paramount importance to this new approach is an overarching industrial vision. The entities in which the Government invests take their place within a clear, long-range industrial and economic growth strategy reflecting both the need to optimise the value of its assets and the specific purpose of each investment.

The Minister for the Economy and the other ministers involved (Defence, Transport, Industry, Energy or Communication, depending on the circumstances) meet regularly with management at each company in which the Government holds a stake in order to review strategy. As a matter of policy, the Government appoints a person with industrial expertise to represent it on the entity's Board of Directors alongside a representative of the Ministry for the Economy, who is responsible for safeguarding the Government's assets.

Executive appointments, re-appointments and replacements are now planned well in advance, with the relevant Board committee being invited to make the necessary preparations before the end of each senior officer's second term.

All companies even partly owned by the Government are required to review regularly the country or regional breakdown of investment, employment, value added and procurement/subcontracting, providing a basis for assessing each entity's contribution to France's industrial growth. This report presents the main findings of the 2011 review.

Each company is likewise expected to **report periodically on its personnel management policy,** including efforts to give employees a clearer sense of their role, as well as any arrangements made to detect and prevent potential workplace stress and employee vulnerability.

With this action plan, the Government is better placed to play its role as an industrial shareholder, by getting all of the companies it invests in to focus on its three key priorities, namely to help nurture the long-range competitive strength of French industry and the French economy, to add value, and to provide the 1.7 million employees concerned with job prospects and career development opportunities.

The statutes governing the Government Shareholdings Agency have been revamped in consequence, and the Agency's new founding decree was published in the French Official Journal on 2 February 2011. The Agency's staff and resources are managed by the Treasury Directorate General, under a contract signed on 16 February 2011.

Overview

Decree no. 2004-963 of 9 September 2004 establishing an agency with nationwide responsibility, the French Government Shareholding Agency *(Agence des participations de l'État)*
Modified on 31 January 2011

Article 1st

I. – An agency with nationwide responsibility, called the French Government Shareholding Agency and reporting directly to the Minister for the Economy, is established.

II. – By safeguarding the Government's patrimonial interests, the Agency is responsible for the Government as shareholder assignment in companies and organisations which are directly or indirectly controlled or held by the Government, whether with a majority interest or not, and which are listed in the Appendix to this Decree.

It carries out this assignment in consultation with all the Ministries responsible for defining and implementing the Government's other responsibilities.

III. – The Commissioner of State Holdings, reporting directly to the Minister for the Economy, coordinates the economic, industrial and social aspects of the Government's shareholding policy.

In this respect, he is responsible for the general management of the French Government Shareholding Agency.

IV. – A Deputy General Manager may by appointed by an Order from the Minister for the Economy following a proposal from the Commissioner of State Holdings.

Article 2

I. – The Agency suggests the position of Government as shareholder to the Minister for the Economy as regards the strategy of the companies and organisations listed in the Appendix to this Decree, whilst respecting the prerogatives of the other relevant departments. In this respect, it reviews the economic and financial circumstances of these companies and organisations and requests the expertise of the relevant departments.

It implements Government as shareholder decisions and strategies.

As and when required, the Agency, working with the competent departments, is involved in drawing up the contracts which bind these companies and organisations to the Government.

II. – Together with the relevant Ministries, the Agency reviews the main investment and financing programmes of the abovementioned companies and organisations and the projects for acquisition or disposal, commercial or cooperation and research and development agreements. It suggests the position of Government as shareholder to the Minister for the Economy on these subjects and implements same.

III. – The Agency:
- is responsible, where applicable with the Government Commissioner, for the consistency of the positions adopted by Government representatives sitting on the decision-making bodies of these companies and organisations. It represents the Government at shareholders' meetings;
- may be consulted for the appointment and removal of the members of the decision-making bodies appointed by Decree, other than Government representatives, in the abovementioned companies and organisations;
- regularly assesses the management policies implemented by the managers of the abovementioned companies and organisations, together with the other relevant departments;
- audits the activity of the public law entities listed in the Appendix to this Decree and the financial management of the audited entities and suggests, following an opinion from the Minister for the Budget, changes relating to the terms and conditions for carrying out this audit. To this end, as and when required, it uses the services of the General Inspectorate of Finance and of State Control. The audited company or organisation is bound to provide it with all the information enabling it to carry out its assignment;
- suggests, following an opinion from the relevant Ministries, changes to the Articles of Association of the abovementioned companies and organisations. It prepares and implements decisions taken in this respect in consultation with the relevant departments;
- implements capital transactions affecting the abovementioned companies and organisations.

IV. The Agency draws up the "Government as shareholder" report provided for by Article 142 of the New Economic Regulations (NRE) Act no. 2001-420 of 15 May 2001. It is involved in monitoring questions concerning the State's accrual accounting.

Article 3

(Repealed by Decree no. 2010-738 of 1 July 2010 - Art. 1)

Article 4

The terms and conditions for its staff carrying out the assignments for which the French Government Shareholding Agency is responsible are subject to bylaws and an ethical code established by the Agency's General Manager.

Article 5

From the appropriations managed by the Ministry for the Economy, the French Government Shareholding Agency has the resources required to carry out its assignments. The terms and conditions for the combined management of the resources and staff of the French Government Shareholding Agency and those of the Directorate General of the Treasury are set in an agreement executed between the Agency's General Manager and the Director-General of the Treasury.

Appendix
Entities in the french government shareholding Agency portfolio
And their subsidiaries and interests

Agence pour la diffusion de l'information technologique (Adit).
Aéroport de Bâle-Mulhouse.
Aéroports de Paris (ADP).
Provincial airports under State responsibility.
Air France-KLM.
Areva.
Arte France.
Audiovisuel Extérieur de la France (AEF).
Caisse nationale des autoroutes.
Casino d'Aix-les-Bains.
Charbonnages de France (CDF).
Civipol conseil.
CNP-Assurances.
Compagnie générale maritime et financière (CGMF).
Dexia.
DCNS.
Défense conseil international (DCI).
Entreprise minière et chimique.
Électricité de France (EDF).
Erap.
Etablissement public de financement et de restructuration (EPFR).
Établissement public de réalisation de défaisance (EPRD).
European Aeronautic Defence and Space company (EADS N.V.).
Fonds stratégique d'investissement (FSI).
France Télécom.
France Télévisions.
GDF Suez.
Giat Industries.
Laboratoire français du fractionnement et des biotechnologies (LFB).
La Française des Jeux.
La Monnaie de Paris.
La Poste.
French autonomous and major seaports.
Radio France.
Régie autonome des transports parisiens (RATP).
Renault SA.
Réseau ferré de France (RFF).
Safran.
Semmaris.
French concession holder for the construction and operation of the road tunnel under Mont-Blanc (ATMB-Autoroutes et tunnel du Mont-Blanc).
Société de financement et d'investissement pour la réforme et le développement (Sofired).
Société nationale maritime Corse Méditerranée (SNCM).
Société de prise de participation de l'État (SPPE).
Société de valorisation foncière et immobilière (Sovafim).
Société de gestion de garanties et de participations (SGGP).
Société de gestion et participations aéronautiques (Sogepa).
Société des chemins de fer luxembourgeois.
Société financière de radiodiffusion (Sofirad).
Société française d'exportation de systèmes avancés (Sofresa).
Société française du tunnel routier du Fréjus (SFTRF).
Imprimerie nationale.
Société internationale de la Moselle.
Société nationale des chemins de fer français (SNCF).
SNPE.
Thales.
Thermes nationaux d'Aix-les-Bains.
TSA.

Also shareholdings in companies in which the Government holds less than 1% of the capital.

The Government as shareholder: performance review in 2010

Highlights of the combined financial statements

Scope of combination and particular features of financial year 2010

At 57 entities, the 2010 portfolio of Government holdings remained unchanged from the previous year.

No entity was deconsolidated in 2010, but there were two capital transactions, with Areva's capital increase and the transformation of La Poste into a public limited company.

At the same time, substantial changes took place in the consolidation scope of entities within the Agency's perimeter. The most significant of these were:

- SNCF:
  - Acquisitions:
    - 100% of Ermewa, a freight wagon and container rental company, after approval by the European Commission.
    - 56.7% of Keolis, following the transfer by SNCF of its holding in Effia (excluding Effia Services) to Groupe Keolis SAS, the holding company that controls Keolis.
  - On September 1, SNCF, LCR and SNCB created Eurostar International Limited (EIL) a standalone UK law entity, under a single management controlled by its shareholders.
- EDF:
  - Transactions were completed concerning British Energy, following the public share exchange tender offer launched by Lake Acquisitions Ltd, and concerning Constellation Nuclear Group, after obtaining all of the relevant federal and local approvals.
  - On November 2009, after obtaining the European Commission's approval, EDF acquired Centrica's entire interest in Segebel, which holds a 51% stake in SPE.
  - Approval was obtained on 6 December 2010 for the sale of EDF's 45.01% stake in EnBW to the State of Baden-Württemberg. This outright bid comprised a €169 million down payment on December 16, 2010, with payment of the balance in 2011.
  - EDF sold its UK electricity distribution networks to Cheung Kong Infrastructure (CKI).
  - Following the appointment, by the decree of 31 December 2010, of two additional representatives to the Supervisory Board of RTE, replacing two members previously designated by EDF, the latter lost exclusive control of RTE, which is now consolidated using the equity method.
- Areva:
  - The process of disposing of its Transmission and Distribution (T&D) activity was initiated, leading to exclusive negotiations with the Alstom/Schneider consortium on November 30, 2009 and to signature of an agreement on legal and financial terms on January 20, 2010.
  - Areva acquired 100% of Ausra/Areva Solar (electricity and industrial steam production solutions by concentration of solar power) based in Mountain View, California (United States).
  - It also acquired the remaining 49% of the capital of German wind turbine manufacturer Multibrid, and formed a wholly-owned subsidiary, Areva Wind.

2010 scope of combination

DEFENCE

Fully consolidated
- DCI
- DCNS
- GIAT INDUSTRIES-NEXTER
- SNPE
- SOGEADE
- SOGEPA
- TSA

Equity method
- EADS – 15.09%
- SAFRAN – 33.60%
- THALES – 27.51%

MEDIA

Fully consolidated
- ARTE FRANCE
- AUDIOVISUEL EXTÉRIEUR DE LA FRANCE (AEF)
- FRANCE TÉLÉVISIONS
- RADIO FRANCE

ENTITIES BEING WOUND UP/IN DEFEASANCE

Fully consolidated
- CHARBONNAGES DE FRANCE (CDF)
- ENTREPRISE MINIÈRE ET CHIMIQUE (EMC)
- EPFR
- SGGP
- ERAP

TRANSPORT INFRASTRUCTURE

Fully consolidated
- AÉROPORT DE BORDEAUX-MÉRIGNAC
- AÉROPORTS DE LA CÔTE D'AZUR
- AÉROPORTS DE LYON
- AÉROPORT DE MONTPELLIER-MÉDITERRANÉE
- AÉROPORTS DE PARIS (ADP)
- AÉROPORT DE TOULOUSE-BLAGNAC
- ATMB
- CAISSE NATIONALE DES AUTOROUTES
- SFTRF
- GRAND PORT MARITIME DE BORDEAUX
- GRAND PORT MARITIME DE DUNKERQUE
- PORT AUTONOME DE GUADELOUPE
- GRAND PORT MARITIME DU HAVRE
- GRAND PORT MARITIME DE MARSEILLE
- GRAND PORT MARITIME DE NANTES SAINT-NAZAIRE
- PORT AUTONOME DE PARIS
- PORT AUTONOME DE LA ROCHELLE
- GRAND PORT MARITIME DE ROUEN
- RÉSEAU FERRÉ DE FRANCE (RFF)

Equity method
- AÉROPORT BÂLE-MULHOUSE – 50%

FINANCIAL SERVICES

Fully consolidated
- SPPE

ENERGY

Fully consolidated
- AREVA
- EDF

Equity method
- GDF SUEZ – 36.47%

TRANSPORT

Fully consolidated
- RATP
- SNCF

Equity method
- AIR FRANCE-KLM – 15.89%

SERVICES

Fully consolidated
- LA FRANÇAISE DES JEUX
- LA POSTE

Equity method
- FRANCE TÉLÉCOM – 13.47%

OTHER

Fully consolidated
- IMPRIMERIE NATIONALE
- LFB
- LA MONNAIE DE PARIS

Equity method
- RENAULT – 15.16%

REAL ESTATE

Fully consolidated
- SOFIRED
- SOVAFIM

Equity method
- SEMMARIS – 33.34%

FSI

Equity method
- FSI – 49%

Overview

Total assets rose by €9.4 billion, from €650.8 billion to €660.2 billion between 31 December 2009 and 31 December 2010.

The change stems in the first place from transactions affecting the consolidation scope, i.e. a €19.5 billion decline in property, plant and equipment operated under concessions owing to the disposal of EDF's UK electricity networks, from the recognition of the EnBW assets in non-current assets classified as held for sale (resulting in a €17.8 billion positive change in non-current assets classified as held for sale, and of €12.9 billion in liabilities associated with non-current assets classified as held for sale), and recognition of the loss of control over RTE (a €4.6 billion positive change in investments accounted for using the equity method).

The other changes recognised in assets in the balance sheet are smaller and concern the increase in tangible assets (€4 billion, after €3 billion in negative changes in the consolidation scope, mainly comprised of €17.4 billion in acquisitions and €10.7 billion in amortisation and depreciation), a positive €2.3 billion change in banking activities, a €4.2 billion increase in financial assets, and the disposal by Areva of T&D, recognised in non-current assets classified as held for sale in 2009 (€5.6 billion). Areva generated a capital gain of €1.3 billion in the year, for a net asset value of €2 billion for T&D. The other changes in the balance sheet, apart from the foregoing effects, are not material.

Total equity attributable to the parent for the combined entity increased by €6.8 billion, after including the positive impact (€1.8 billion) of accounting changes at EDF (IFRIC 12 and IFRIC 18) at 31 December 2010.

This change stems chiefly from capital increases (€1.3 billion, which includes capital increases by cash subscription of €900 million for Areva and €0.2 billion for RATP), profit for the period of €7.9 billion, positive currency translation gains of €5.5 billion, and a dividend payment of €5.5 billion.

Financial liabilities declined by €11 billion over the period, from €113.2 billion to €102.2 billion. This was mainly due to the decline in EDF's debt with the deconsolidation of RTE representing €6.3 billion, and deconsolidation of the UK network for €6.7 billion, and the decline in SPPE's debt following repayment of its perpetual deeply subordinated notes (SSDI) and preference shares for €2.2 billion, despite the increase in debt at RFF.

Total assets were €660 billion, up from €651 billion in 2009

Assets 2010 and 2009 figures restated* (in €m)

Assets	31 December 2010	31 December 2009
Goodwill	19,817	20,267
Licences, trademarks and subscriber bases	1,989	2,098
Other intangible assets	8,422	7,921
Property, plant and equipment – operated under concessions	52,947	72,431
Property, plant and equipment – owned	151,619	147,651
Investment property	900	972
Investments accounted for using the equity method	57,050	52,156
Non-current financial assets	40,857	42,308
Banking portfolio assets	51,871	52,660
Deferred tax assets	8 200	8,280
Other non-current assets	61	647
Total non-current assets	*393 734*	*407,394*
Stocks	18 212	18 256
Inventories	18,212	18,256
Accounts receivable	48,593	45 264
Other receivables	1,538	1,231
Loans and advances – banking	113,760	109,037
Current financial assets	39,209	33,523
Other receivables – banking	4,242	6,646
Cash and cash equivalents	21,333	21,729
Total current assets	*246,886*	*236,413*
Non-current assets classified as held for sale	19,539	7,066
TOTAL ASSETS	**660,159**	**650,873**

Equity and liabilities 2010 and 2009 figures restated* (in €m)

Equity and liabilities	31 December 2010	31 December 2009
Share capital and capital endowments	44,007	45,114
Share premium	2,853	2,389
Other reserves and retained earnings	47,958	41,150
Profit for the period attributable to APE	7,886	7,366
Equity attributable to APE	*102,704*	*96,019*
Equity attributable to non-controlling interests	6,643	5,865
Total equity	*109,347*	*101,884*
Non-current provisions	59,961	59,510
Pensions and other long-term employee benefits	17,557	18,745
Non-current financial liabilities	123,752	123,907
Other liabilities	30,607	27,050
Deferred tax liabilities	6,326	8,775
Non-current liabilities	*238,202*	*237,988*
Current provisions	5,089	7,283
Short-term employee benefits	1,487	1,456
Current financial liabilities	32,836	41,989
Accounts payable	55,463	54,196
Other liabilities	37,407	36,575
Liabilities – banking	166,990	165,325
Current liabilities	*299,273*	*306,823*
Liabilities associated with assets classified as held for sale	13,337	4,180
TOTAL EQUITY AND LIABILITIES	**660,159**	**650,873**

Income statement 2010 and 2009 figures restated* (in €m)

Income statement	31 December 2010	31 December 2009
Net banking income (La Poste)	5,274	5,011
Revenue	134,295	121,348
Other revenues	8,742	9,656
Purchases and external expenses	-69,744	-61,435
Cost of inventories consumed	-36,049	-30,985
External expenses	-33,695	-30,450
Personnel expenses	-45,302	-42,383
Taxes on income and other taxes	-6,306	-6,285
Other income and expense	-15 782	-13,102
Other operating income and expense	-1,383	-948
Other income and expense	-101	-1,195
Depreciation, amortisation and provisions, net of reversals	-14,298	10,959
PROFIT FROM OPERATIONS	**11,177**	**12,810**
FINANCE COSTS, NET	**-6,706**	**-4,989**
PROFIT BEFORE TAX	*4,470*	*7,821*
Current tax payable	-2,306	-2,483
Deferred tax	775	216
Profit from discontinued operations and disposal groups	1,399	578
PROFIT OF CONSOLIDATED ENTITIES	*4,338*	*6,133*
Share of profits of equity-accounted entities	3,893	1,409
PROFIT OF THE COMBINED ENTITY	*8,231*	*7,542*
Equity attributable to non-controlling interests	-345	-175
PROFIT ATTRIBUTABLE TO APE	**7,886**	**7,366**

** Restated for IFRS adjustments to the opening balance sheet.*

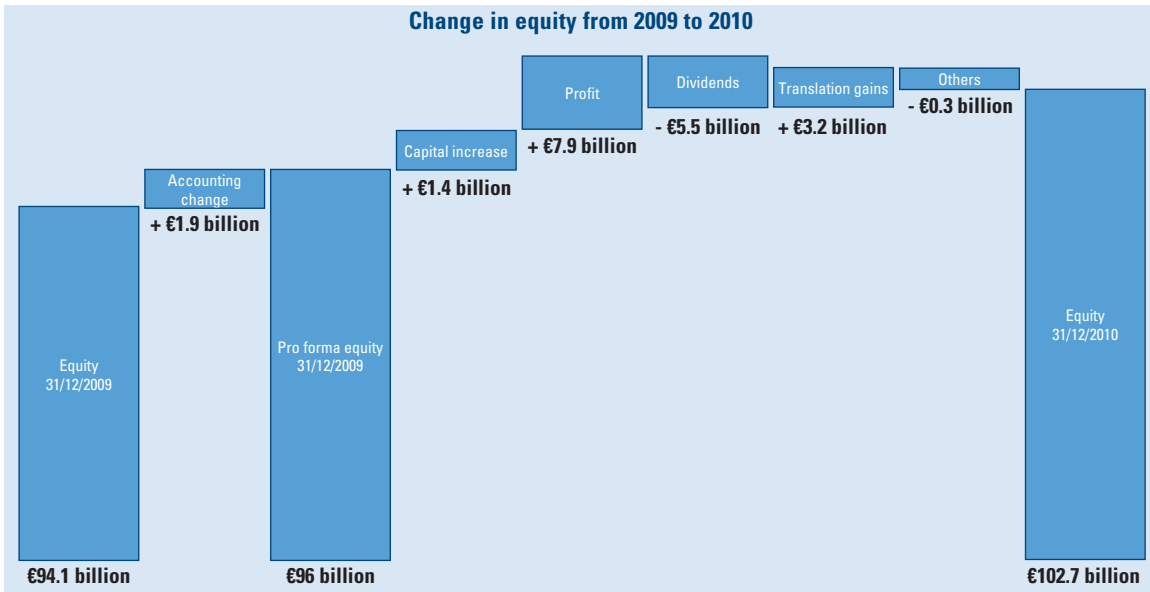
This also includes an increase in cash of around €3 billion, essentially comprising: a €1.7 billion decline in cash at EDF, a €1.6 billion increase in cash at RFF via recourse to the international capital markets to cover its long-term financing needs, and a €1.9 billion increase in cash at Areva following its capital increase.

The ratio of net debt to shareholders' equity, measuring the combination's balance sheet strength, improved from 1.2 in 2009 to 1.18 in 2010.

The off-balance sheet commitments, as shown in the individual entities' annual reports and the consolidated reporting forms communicated to the Agency, totalled €108.3 billion, versus €118.5 billion in 2009. The main reasons for the decline of around €10 billion were: the reduction in irrevocable purchase commitments at EDF (€12 billion), of which €6.8 billion due for to the disposal of EnBW now in progress, and the equity-accounted consolidation of RTE; the balance was due to the downtrend in market prices in the course of 2010. Moreover, financing guarantees for La Poste increased by €3 billion.

Commitments received rose by €2.3 billion to a total of €65.9 billion at 31 December 2010, up from €63.6 billion one year earlier. The change is mainly due to EDF (€2 billion), with a decline of €6 billion following the deconsolidation of RTE and an increase of €4.5 billion in connection with a commitment give by the State of Baden-Württemberg for the acquisition of EnBW.

Reciprocal commitments totalled €22.9 billion at 31 December 2010, down from €23.9 billion at 31 December 2009.



Profit attributable to APE of €7.9 billion in 2010

The €7.9 billion profit attributable to APE in 2010 shows a slight increase relative to the 2009 figure of €7.4 billion. This apparent stability conceals wide swings, with profit from operations down by €1.6 billion (from €12.8 billion in 2009 to €11.2 billion in 2010), and a €1.7 billion reduction in net finance costs (-€6.7 billion in 2010, versus -5 billion in 2009). After income tax and profit of activities discontinued or in process of disposal, this led to a 30% fall in net profit of consolidated companies (€4.3 billion in 2010, versus €6.1 billion in 2009). This was offset by a substantial increase in the profit of companies consolidated using the equity method (€3.9 billion in 2010, versus €1.4 billion in 2009).

Revenue increased by 10.7% to €134.2 billion in 2010, compared with €121.3 billion in 2009.

The main changes in the year stemmed partly from consolidation changes, particularly those concerning SPE in Belgium and CENG in the United States (+ €6 billion) for EDF, Keolis and Ermewa for SNCF (€4.3 billion), and partly from regulatory developments, with RFF's new pricing structure, which has added €1.5 billion to revenue. Revenue at Giat was boosted thanks to the introduction of its new product line for the French government, as well as to increased export revenues. Moreover, ADP and RATP accounted for €0.2 billion each thanks to growth in passenger traffic.

Profit from operations was €11.2 billion in 2010, versus €12.8 billion in 2009. There were a number of sharp contrasts within this overall outcome:

- In transport infrastructure, profit from operations stabilised at €2.2 billion. A significant portion of this stabilisation was attributable to RFF following the overhaul of subsidies decided in 2008, which took effect as from 2009.
- A €2.3 billion improvement in profit from operations in the transport sector, coming after a €1 billion deterioration the year before. This change was attributable mainly to a €0.5 billion improvement in operating margin at SNCF, to a €0.6 billion impact on profit of the takeovers of Keolis, Ermewa an Eurostar International Limited in 2010, and to recognition of a €1 billion impairment on freight and infrastructure activities in 2009.
- In the energy sector, profit from operations was down €4.4 billion: for EDF this was due mainly to recognition of a €1.7 billion impairment on the United States and the United Kingdom; to a €0.8 billion provision for risks on all activities in Italy; to the negative net fair value adjustment of €0.5 billion relative to the previous year on energy and commodities derivative instruments, excluding trading activities; and to a €0.6 billion asset impairment charge on its mining activities for Areva. These various components overshadow the €0.7 billion improvement in EBITDA for the year

after including the successive extensions to the Transitory Regulated Tariff for Market Adjustment (TaRTAM) mechanism in the second half of 2010 and the first half of 2011, as well as the virtual stability of Areva's EBITDA.

- Profit from operations in the defence sector was stable, at €0.4 billion, and it was also stable in the media sector.

Net finance costs showed a €1.7 billion deterioration relative to the previous year, passing from -€5 billion in 2009 to -€6.7 billion in 2010. This was mainly due to the €0.7 billion reduction in SPPE's net finance costs, resulting from repayment practically in full of the perpetual deeply subordinated notes in the year, and from increased interest costs on EDF's financing transactions, primarily because of the rise in its average debt level following the acquisitions of CENG and SPE at year-end, most notably. The final component of this item was the fall in gains on disposals of securities and the change in the value of Areva's trading portfolio.

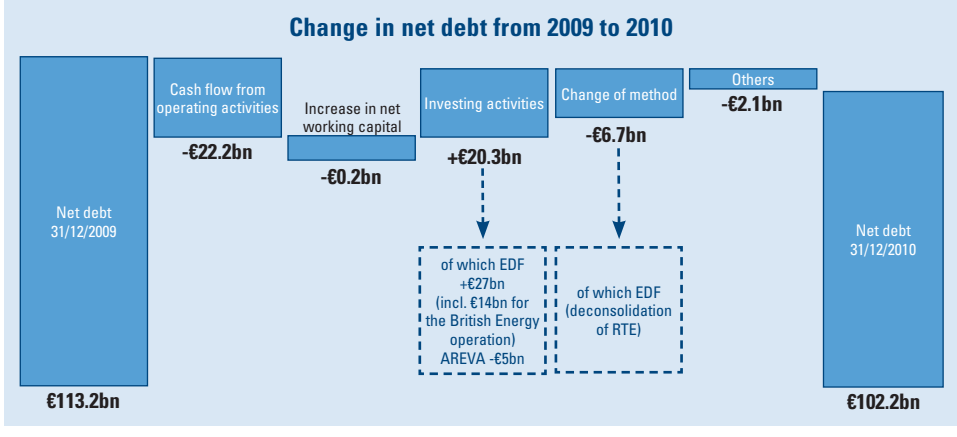
The income tax charge for 2010 was down sharply relative to 2009, falling from €2.4 billion to €1.5 billion. This decline stemmed from the steep drop in consolidated companies' profits, although it was still less than the figure that ought to have been recognised given the increase in the rate of taxation from 29.5% in 2009 to 34.25% in 2010. This change was primarily due to the provision for risks on Italian activities and to non-tax deductible impairment recognised in the year by EDF on assets in the United Kingdom and the United States.

The combined entity's share of the profits of entities accounted for using the equity method was €3.9 billion, versus €1.4 billion in 2009. This increase stems mainly from increased profit at all directly held companies, which rose from €1.4 billion to €3.4 billion. The weight of equity-accounted entities in the combined total also improved, although it remains less significant. Percentages within the equity-accounted perimeter were relatively stable.

Cash flow from operating activities in 2010 was relatively stable at €21.9 billion, versus €23.9 billion in 2009. This served to finance acquisitions of gross fixed assets amounting to €20.3 billion, versus €40.5 billion in 2009. As in 2009, combined entities made few disposals in 2010, with the exception, in 2009, of SPPE, where disposals of securities totalled €16 billion.

The net cash position of acquired entities, after being sharply negative (-€13.6 billion) in 2009 due to the acquisition of British Energy, was positive in 2010 thanks to the deconsolidation of RTE and the UK network. After payment of a €4 billion dividend and cash inflows resulting from repayment of SPPE's perpetual deeply subordinated notes and repayment of SNCF's CDP claims for a total of €5.2 billion, cash flow from operating activities for the period amounted to €2.7 billion, versus €5.9 billion in 2009.

The ratio of net debt to EBITDA, which measures debt sustainability, went from 4.6 in 2009 to 4.0 in 2010. This change encompasses relatively stability in EBITDA and a distinct improvement in debt, chiefly due to reduced debt at EDF following deconsolidation of RTE and the disposal of the UK network, and to reduced debt at the SPPE following repayment of the BPCE's perpetual deeply subordinated notes (and despite an increase in debt at RFF).



Financial ratios

		Combined entity				
		2010 target (2011 Budget Bill)	2010	2009 restated	2009	2008 restated	2008
Return on capital employed		**>7%**	**7.4%**	**8.2%**	**9.5%**	**15.1%**	**14.6%**
	Profit from operations		*11,177*	*12,810*	*13,611*	*22,638*	*22,620*
	Capital employed (a)		*151,431*	*155,638*	*143,903*	*149,891*	*154,426*
Return on equity		**>7%**	**7.7%**	**7.7%**	**7.8%**	**29.2%**	**29.0%**
	Profit for the year		*7,886*	*7,366*	*7,369*	*23,758*	*23,659*
	Equity (attributable to APE)		*102 704*	*96,019*	*94,080*	*81,355*	*81,591*
Operating margin		**>8%**	**8.3%**	**10.6%**	**10.6%**	**15.3%**	**15.2%**
	Profit from operations		*11,177*	*12,810*	*13,611*	*22,638*	*22,620*
	Revenue		*134,295*	*121,348*	*128,544*	*147,865*	*148,331*
Net debt/EBITDA		**<5**	**4.0**	**4.8**	**4.6**	**4.1**	**4.1**
	Net debt (b)		*102,198*	*113,213*	*113,193*	*100,492*	*100,514*
	EBITDA		*25,475*	*23,769*	*24,767*	*24,778*	*24,602*
Net debt/equity		**1.00**	**1.18**	**1.20**	**1.24**	**1.23**	
	Net debt (b)		*102,198*	*113,213*	*113,193*	*100,492*	*100,514*
	Equity (attributable to APE)		*102,704*	*96,019*	*94,080*	*81,355*	*81,591*

(a) Capital employed comprises fixed operating assets and working capital requirements (WCR = inventory and credit extended to customers – operating liabilities).

(b) Net debt is gross debt less cash and cash equivalents. Net debt is recalculated due to recognition in cash and cash equivalents of financial assets (transaction hedging instruments), which were previously excluded from the definition of net debt and to recognition of the impacts of the switchover to IFRS standards on La Française des Jeux.

Breakdown by sector

	Defence		Transport infrastructure		Transport		Energy		Services		Media	
	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010
Return on capital employed	**na**	**na**	**6.2%**	**5.9%**	**-0.8%**	**9.2%**	**11.7%**	**8.5%**	**1.3%**	**1,4 %**	**1,8 %**	**11,2 %**
Profit from operations	*385*	*342*	*2,318*	*2,234*	*-135*	*1,822*	*9,403*	*5,817*	*826*	*856*	*7*	*46*
Capital employed	*2,967*	*2,257*	*37,424*	*37,790*	*16,450*	*19,833*	*80,359*	*68,309*	*61,312*	*60,852*	*379*	*409*
Return on equity	**6.7%**	**8.3%**	**15.2%**	**12.2%**	**-10.9%**	**9.2%**	**10.4%**	**5.8%**	**12.5%**	**14.3%**	**-0.6%**	**5.2%**
Profit for the year	*385*	*434*	*647*	*560*	*-1,046*	*972*	*6,086*	*3,586*	*1,020*	*1,290*	*-3*	*31*
Equity attributable to APE	*5,774*	*5,202*	*4,253*	*4,602*	*9,623*	*10,552*	*58,311*	*62,352*	*8,188*	*8,998*	*543*	*593*
Operating margin	**9.6%**	**8.0%**	**31.5%**	**25.2%**	**-0.5%**	**5.2%**	**14.2%**	**8.1%**	**4.9%**	**5.0%**	**0.2%**	**1.1%**
Profit from operations	*385*	*342*	*2,318*	*2,234*	*-135*	*1,822*	*9,403*	*5,817*	*826*	*856*	*7*	*46*
Revenue	*4,029*	*4,264*	*7,352*	*8,879*	*29,204*	*34,934*	*66,148*	*72,215*	*16,715*	*16,989*	*3,841*	*4,040*
Net debt/EBITDA	**na**	**na**	**6.7**	**7.6**	**6.3**	**4.1**	**3.8**	**3.0**	**2.1**	**1.8**	**-0.7**	**-0.6**
Net debt	*-2,678*	*-2,211*	*26,669*	*30,247*	*19,616*	*17,003*	*53,948*	*45,526*	*4,107*	*3,751*	*-131*	*-163*
EBITDA	*503*	*441*	*3,962*	*3,979*	*3,105*	*4,168*	*14,056*	*14,984*	*1,913*	*2,104*	*197*	*273*
Net debt/ Equity attributable to APE	**na**	**na**	**6.3**	**6.6**	**2.0**	**1.6**	**0.9**	**0.7**	**0.5**	**0.4**	**-0.2**	**-0.3**
Net debt	*-2,678*	*-2,211*	*26,669*	*30,247*	*19,616*	*17,003*	*53,948*	*45,526*	*4,107*	*3,751*	*-131*	*-163*
Equity attributable to APE	*5,774*	*5,202*	*4,253*	*4,602*	*9,623*	*10,552*	*58,311*	*62,352*	*8,188*	*8,998*	*543*	*593*

Methodological guide to ratios and sector-specific indicators

• "Revenue", "Profit from operations", "EBITDA" and "Capital employed" aggregates are calculated for fully consolidated entities. The "Profit for the year" and "Equity" aggregates also include the combined entity's share of the profits of entities accounted for using the equity method.
• Scope of sectors analysed: the foregoing sector-based discussion concerns the main sectors of activity represented in the portfolio.
• Impact of elimination of inter-sector and inter-company balances and transactions: because all inter-sector balances and transactions have been eliminated, the above aggregates do not correspond to the figures contained in the notes to the 2009 and 2010 combined financial statements (which reflect the contribution of each sector to the combined aggregate). For example, "Transport infrastructure" contributed €4,602 million to combined revenue in 2010, whereas this sector alone generated revenue of €7,627 million. The difference is due to the elimination of the transactions between RFF and SNCF in the combined financial statements. **Consequently, the sum of sector-specific data does not match consolidated data.**
• Revenue for the "Services" sector includes the net banking income of La Banque Postale.

Dividend policy

The Government is projected to receive €4.4 billion in dividends in 2011 in respect of the 2010 financial year, comparable to the figure for 2010.

Given the increase in net profit between 2010 and 2011, from €7.4 to €7.9 billion, this represents a moderate decline in the payout ratio, from 59.50% in 2010 in respect of 2009 to 55.70% in 2011 in respect of 2010. Even so, the payout ratio is higher than for the large corporations making up the CAC 40 stock market index, which are projected to distribute around 50% of their net profit to all of their shareholders, in 2011, according to available figures.

In view of severe financial constraints, dividends in respect of 2010 received in the form of shares are expected to represent only a small figure, less than €50 million, considerably below the 2009 figure.

The Government as shareholder and corporate governance

Promoting good corporate governance in Government shareholdings

Participation by Government representatives in the governing bodies of entities within its purview is a crucial aspect of the Government's mission as a shareholder. The Government Shareholding Agency (APE) continually monitors the quality of governance in the entities in its portfolio and has helped raise standards in that respect.

Government representatives play an active role in the governing bodies and specialised committees of publicly-owned entities, attending 278 meetings of boards of directors or supervisory boards in 2010 and another 176 meetings in the first half of 2011.

Where specialised committees are concerned, audit committees are systematically established in these entities, and Government representatives attended 145 such meetings in 2010, and 86 in the first half of 2011. But the Government also instigates the creation of other committees (on strategy and compensation) wherever appropriate.

Ensuring the appointment of qualified directors to represent the Government is an important aspect of the Agency's work. APE representatives must be in a position to discharge their duties effectively, and it takes care to ensure good governance in the entities in its portfolio. To that effect, it works closely with the Economy Ministry's Institute for Public Management and Economic Development *(Institut de la Gestion Publique et du Développement Economique - IGPDE)* and the French Institute of Directors *(Institut Français des*

Dividends received by the Government as shareholder (in €bn per budget year)

Budget year N	2004	2005	2006	2007 (*)	2008 (*)	2009 (**)	2010 (**)	2011(*) forecast
Cash dividends	**1.2**	**1.4**	**2.9**	**4.8**	**5.6**	**3.3**	**4.3**	**4.4**
Stocks dividends	**-**	**-**	**-**	**-**	**-**	**2.2**	**0.1**	**0.0**
TOTAL	**1.2**	**1.4**	**2.9**	**4.8**	**5.6**	**5.5**	**4.4**	**4.4**
Profit attributable to APE Financial year N-1	3.9	7.4	12.4	13.2	13.9	23.7	7.4	7.9
Dividend payout ratio	**30.80%**	**18.90%**	**23.40%**	**36.40%**	**40.30%**	**23.20%**	**59.50%**	**55.70%**
Excl. RFF and CDF impact						***66.00%***		

(*) Includes interim dividends. (**) Includes interim dividends and stock dividends.

Administrateurs - IFA) to run a training programme specifically for Government representatives.

This training, run jointly by professionals and APE personnel, is now mandatory for all new APE staff, but it is also open to other Government representatives wishing to attend. Following an initial two-day seminar, two specialised modules concentrate on the work of compensation and audit committees.

After completing the course, directors representing the Government share a common body of knowledge and a framework for pooling their experience. They acquire the skills and tools they need – in such areas as legal foundations, accountability, risk analysis or market practices – to successfully fulfil their obligations.

More than 110 interns underwent this training in 2011, for a combined total of 944 hours of training.

Improving the Board of Directors gender balance

Under the Act of 27 January 2011 (2011-103), large companies in both the public and private sectors, and regardless of whether they are listed or not, are required to ensure balanced representation of men and women on their boards of directors and supervisory boards. Most of the companies in which the Government is the majority shareholder, together with listed companies or those with more than 500 employees with at least €50 million in revenue or net assets, fall within the scope of this new law.

Companies are obliged to comply with a minimum quota of 20% women on their boards within three years, rising to 40% within six years from the date of the Act's promulgation. Boards of directors or supervisory boards with no woman on them are required to appoint one within six months at the latest of the Act's promulgation, failing which penalties can include the voiding of appointments or the suspension of directors' fees.

Application of the Charter governing relations between the Government Shareholder Agency and the entities in the APE portfolio

Methodology

Since 2004, directors from the Agency representing the Government on the boards of directors or supervisory boards of nearly 50 entities in the APE portfolio are interviewed regularly to assess the application of the Charter. They were polled again in 2011.

As in previous years, the questionnaire was structured around the same four broad headings as the Charter, namely: Board of Directors or Supervisory Board powers and workings, Audit Committee powers and workings, Strategy Committee powers and workings and relations with the Agency (reporting, regular meetings, etc.). There are thirty questions in all, some of which call for a yes-or-no answer (e.g., existence of a given committee) whereas others entail opinions (e.g., quality of the Board's work). No weighting is applied to the questions, nor are the answers weighted by entity size, to avoid distorting the questionnaire's findings.

Answers are scored on a scale of 1 = poor, 2 = mediocre, 3 = average, 4 = good, 5 = very good, giving a theoretical maximum score of 150 for an entity's answers to the 30 questions. To adjust this theoretical score for questions not applicable to certain entities (in smaller entities, for instance, a strategy committee is irrelevant), a target score was set for each entity corresponding to the maximum score effectively achievable. The target scores and the scores calculated for each entity are added up and compared overall and then for each of the Charter's broad headings. Performance is measured on the basis of those results. Listed companies are distinguished from other companies or public establishments of an industrial or commercial nature.

Entities included in 2004 and 2005:

ADIT, ADP, Air France-KLM, Areva, Arte, ATMB, CDF, Cogema (now AREVA NC), CGMF, Civipol, CNP, Dagris, DCI, DCN (DCNS since 2007), EDF, EMC, EPFR, EPRD, ERAP, Française des Jeux, France 3, France Telecom, France Télévisions, Gaz de France, GIAT, Imprimerie Nationale, La Poste, NSRD, RATP, Renault, RFF, Semmaris, SFTRF, SGGP, SNCF, SNCM, Snecma (Safran since 2005), SNPE, Sofréavia, Sogepa and Sogéade (and EADS through their intermediary), Thales, TSA.

Portfolio changes for the 2006 assessment: :
- deconsolidated: Alstom, APRR, ASF and Sanef
- newly consolidated: GRT Gaz, RTE, Sovafim
- newly listed on the stock market: ADP, EDF and Gaz de France.

Portfolio changes for the 2007 assessment:
- deconsolidated: EMC, Sofreavia
- newly consolidated: Port Autonome de Paris, La Monnaie de Paris, LFB.

Portfolio changes for the 2008 assessment:
- deconsolidated: CDF, Dagris
- newly consolidated: Aéroport de Bordeaux-Mérignac, Aéroports de Lyon, Aéroport de Toulouse-Blagnac.

Portfolio changes for the 2009 assessment:
- deconsolidated: France 3, GRT Gaz (companies in which APE representatives are no longer board members)
- newly consolidated: Audiovisuel Extérieur de la France (AEF), Dexia, Strategic Investment Fund (FSI), Grand Port Maritime de Dunkerque, Grand Port Maritime de Marseille, Grand Port Maritime de Nantes, Grand Port Maritime du Havre, Corporation for State Equity Holdings (SPPE), STX Cruise.

Portfolio changes for the 2010 assessment:
- newly consolidated: Sofired, BPCE.

Portfolio changes for the 2011 assessment:
- deconsolidated: BPCE
- newly consolidated: CNA, Thermes Nationaux d'Aix-les-Bains.

Summary of questions:

Powers of the Board of Directors: strategic plan review, strategic plan approval, strategy implementation, review of budget execution for year N, review of year N+1 budget, time limits for transmitting documents to the director, existence of bylaws, their content, compliance with bylaws, evaluation of board proceedings.

Audit Committee: existence of an audit committee, composition and remit of the audit committee, existence of bylaws, time limits for transmitting documents to the director, interval between audit committee and board meetings, meeting minutes and report to the Board, evaluation of committee proceedings, use of outside expertise, frequency of meetings.

Strategy Committee: existence of a strategy committee, evaluation of committee proceedings.

Relations with the Agency: existence of a reporting procedure, evaluation of reporting, existence of meetings to review progress or exchange views, budget preparation, examination of external growth or disposal plans, examination of financial statements, identification of Agency correspondents, measures to track company operations.

Questionnaire findings (% of target score)

	2004	2005	2006	2007	2008	2009	2010			2011		
	Total	Total	Total	Total	Total	Total	Listed companies	Other entities	Total	Listed companies	Other entities	Total
Powers of the Board	75%	78%	79%	79%	80%	79%	80%	80%	80%	82%	81%	81%
Audit Committee	72%	80%	84%	89%	89%	87%	78%	83%	82%	80%	85%	84%
Strategy Committee	78%	81%	87%	86%	75%	78%	87%	73%	78%	87%	79%	83%
Relations with the Agency	72%	74%	76%	78%	78%	76%	69%	78%	76%	72%	78%	77%
Total	**73%**	**78%**	**80%**	**82%**	**82%**	**81%**	**79%**	**80%**	**80%**	**81%**	**81%**	**81%**
Number of respondent entities	**43**	**44**	**43**	**46**	**47**	**54**	**11**	**45**	**56**	**12**	**45**	**57**

At present women represent 15% of board members in companies in which the Government is a shareholder. The percentage rises to 20% for Government representatives alone, in line with the proportion for CAC 40 companies, where the figure is 20.67%*.

Implementing the APE charter

The setting up of the Government Shareholding Agency was accompanied by the introduction of a charter, in 2004, spelling out governance rules pertaining to its relations with publicly-held companies, and establishing its priorities with regard to best governance practices for entities in its portfolio. These principles cover the workings of the governing bodies – with the establishment of specialised committees; the role and mission of the board of directors or supervisory board, as well as the specialised committees; bylaws formalising the governing bodies' procedural rules; time limits for transmitting preparatory documents to directors. They also cover relations between APE and the entities in its portfolio – with periodic reporting procedures; regular meetings to review progress and prepare for major milestones; and measures to better track the entities' operations.

The Agency makes a particular point of ensuring that entities in its portfolio apply these rules and principles, while pragmatically addressing the specific challenges they face. Each year since the Charter's inception, its application is reviewed in the "Government as Shareholder" report, based on assessments by Agency-appointed Government representatives on company boards. Overall performance in 2011, rated at 81% of the target score, was satisfactory. Changes in the APE portfolio as well as the survey's methodology and detailed findings are presented opposite.

Executive compensation

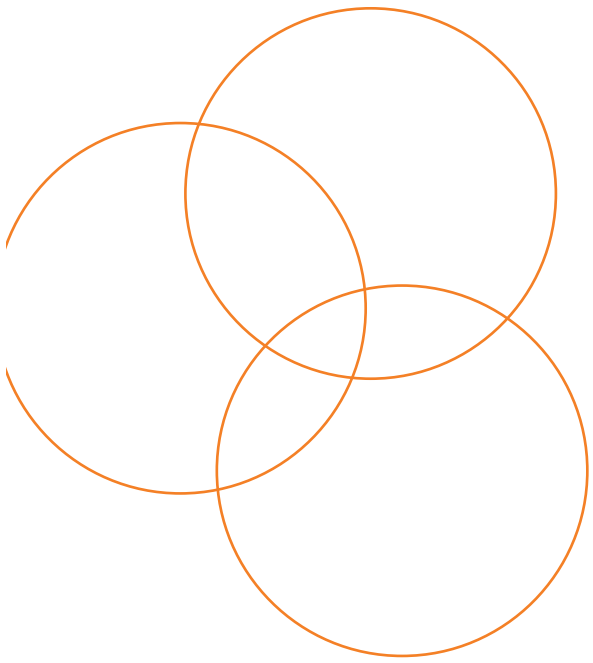
Oversight of executive compensation in entities in the Agency's portfolio is an important aspect of the Government's role as a shareholder. It performs this task within the rele-

** Source La Tribune, 11 July 2011.*

Number of employees/entity (annual averages)

	2005	2006	2007	2008	2009	2010	
Aéroports de Paris	10,688	10,816	11,429	11,788	12,097	12,218	
Aéroport de Bordeaux-Mérignac			182	188	189	193	a
Aéroports de la Côte d'Azur				562	563	573	
Aéroports de Lyon			478	489	494	502	
Aéroports de Montpellier-Méditerranée					89	68	
Aéroport de Toulouse			255	275	287	195	
Air France-KLM				106,933	104,721	102,012	
Areva	58,760	61,111	65,583	75,414	47,817	47,851	a
Arte	524	525	541	544	558	564	
ATMB	427	436	440	447	434	446	
Audiovisuel Extérieur de France					1,607	1,553	c
Charbonnages de France	2,295	2,295	925	1	0	0	
DCI	764	656	648	680	602	635	
DCNS	12,556	12,459	12,831	12,579	12,240	12,226	
Dexia				36,760	27,280	27,148	d
EADS	113,210	116,805	116,493	118,349	119,506	121,691	a
EDF	156,765	155,968	154,033	155,931	164,250	158,764	
La Française des Jeux	1,204	1,247	1,231	1,266	1,326	1,405	a
France Telecom	196,452	189,028	183,799	182,793	178,400	161,392	
France Télévisions	11,400	10,997	11,093	10,900	10,733	10,732	
FSI				0	34	55	
GDF Suez	52,958	50,244	47,560	234,653	242,714	236,116	
Giat Industries	5,512	4,267	3,656	3,248	3,093	3,011	
Imprimerie Nationale	816	757	593	573	566	566	
La Poste	306,345	303,401	299,010	295,742	287,174	276,555	
LFB	1,273	1,302	1,383	1,531	1,576	1,835	
La Monnaie de Paris			619	533	488	498	a
Grand port maritime de Bordeaux	450	428	427	412	400	403	
Grand port maritime de Dunkerque	526	492	482	475	462	450	
Grand port maritime du Havre	1,510	1,493	1,488	1,465	1,434	1,391	
Grand port maritime de Marseille	1,457	1,484	1,495	1,485	1,483	1,471	
Grand Port Maritime de Nantes St-Nazaire	705	703	710	715	700	695	
Port Autonome de la Guadeloupe				149	150	149	
Port autonome de Paris	193	228	224	227	229	233	
Grand Port Maritime de La Rochelle		135	139	136	132	132	b
Grand port maritime de Rouen	570	575	577	554	549	541	
Radio France	4,421	4,466	4,512	4,531	4,539	4,218	
RATP	44,860	44,907	45,879	46,409	47,157	47,789	a
Renault				129,068	121,422	124,749	a
RFF	691	761	843	939	1,166	1,234	a
Safran	51,928	57,669	52,515	53,336	54,911	53,407	
Semmaris	220	219	215	212	212	213	
SFTRF	292	301	306	308	301	296	
SNCF	205,839	201,742	201,545	201,339	200,097	240,978	a
SNPE	4,907	4,296	3,620	3,685	3,567	2,912	a
SPPE				0	0	0	
Thales	54,536	52,160	61,195	63,248	64,285	63,734	a
Subtotal	**1,305,054**	**1,294,373**	**1,288,954**	**1,724,112**	**1,722,034**	**1,723,799**	
Other entities (Adit, Civipol, CNP Assurances, EMC, Sofired, Sovafim)					3,902	3,247	
TOTAL	**1,305,054**	**1,294,373**	**1,288,954**	**1,889,042**	**1,725,936**	**1,727,046**	

a - Workforce at end of period
b - Remunerated workforce
c - 2009 workforce restated for comparison with 2010, including the subsidiaries of RFI
d - Average full-time equivalent in 2009 at 2010



Contributing to France's economic recovery

The role of the Government as Shareholder in industrial policy

Addressing the French Industry Forum on 4 March 2010, the President of the Republic strongly urged the **Government, in its capacity as a shareholder, to pay greater heed to industrial issues.**

He called for a director with industrial expertise to systematically accompany each APE representative on the Board of industrial companies, as is now the case with all industrial companies in the APE portfolio.

It was decided on that occasion to formalise regular meetings between company chairmen and the relevant Ministries for discussions of strategy, investment and outcomes, just like any significant shareholder in the private sector.

Moreover, on Jean-Dominique Comolli's appointment as Commissioner of State Holdings, the President of the Republic, addressing the Council of Ministers on 3 August 2010, stressed the need for the Government to focus on an overarching industrial vision in managing its shareholdings, and to uphold a clear, forward-looking industrial and economic growth strategy that reflects both the need to optimise the value of the Government's assets and the specific aims of each investment.

The 3 August 2010 meeting of the Council of Ministers confirmed the principle behind an annual survey of the contribution of publicly-owned companies to industrial policy.

vant legal framework, in strict compliance with Afep-Medef's recommendations.

The APE ensures that compensation committees are in place where appropriate, and that they function properly. One of the main responsibilities of these committees is to prepare board meetings by submitting opinions and proposals on the various components of executive pay.

The Agency keeps a close watch on the process of determining compensation for the top executives (i.e. chairmen, chief executive officers, deputy chief executive officers and management/executive committee members) of entities in which the Government holds a stake. Particular attention is paid to the ratio between fixed and variable components, the criteria and targets for the variable component and the extent to which actual performance meets those targets.

The Agency makes sure that senior officers' pay is directly linked to their performance and that the variable component acts as a genuine incentive, based on criteria and targets that are both quantitative (e.g., operating income, profitability) and qualitative (e.g. governance, strategy formulation and implementation).

The Agency closely monitored the effective implementation of Article 25 of the Supplementary 2009 Budget Act (law no. 2009-431) of 20 April 2009 and of amended Decree no. 2009-348 of 30 March 2009 within the entities in the APE portfolio, both applicable until 31 December 2010.

CHANGE IN RATE OF INVESTMENT (Base average rate)

	France			All geographic regions	
Sector	**2008-2009 Rate**	**2009-2010 Rate**	**Forecast 2010-2011 Rate**	**2008-2009 Rate**	**2009-2010 Rate**
Others	+6.23%	+52.93%	+179.04%	+7.60%	+51.97%
Defence	-2.16%	-14.05%	+26.93%	-9.30%	-6.91%
Energy	+26.50%	+10.27%	+0.52%	+29.75%	+10.16%
Transport infrastructure	-2.10%	-0.97%	NC	-22.15%	-2.02%
Transport	-10.60%	-11.70%	+20.62%	-6.85%	-10.42%
Aggregate average rate	**+3.57%**	**+7.30%**	**+56.78%**	**-0.19%**	**+8.56%**

CHANGE IN WORKFORCE (Av. rate, base F-T equivalent)

	France			All geographic regions	
Sector	**2008-2009 Rate**	**2009-2010 Rate**	**Forecast 2010-2011 Rate**	**2008-2009 Rate**	**2009-2010 Rate**
Others	-0.59%	-1.51%	+0.55%	-0.61%	+0.39%
Defence	-4.48%	+0.21%	+5.95%	-3.88%	+0.62%
Energy	+2.40%	+0.13%	+1.22%	+3.64%	+1.23%
Transport infrastructure	-1.05%	+0.76%	NC	-0.6%	+0.97%
Transport	-2.33%	-1.15%	3.14 %	-1.17%	-1.00%
Aggregate average rate	**-1.21%**	**-0.31%**	**+2.71%**	**-0.52%**	**+0.44%**

CHANGE IN VALUE ADDED (Av. rate)

	France		All geographic regions	
Sector	**2008-2009 Rate**	**2009-2010 Rate**	**2008-2009 Rate**	**2009-2010 Rate**
Others	+3.50%	+1.78%	+0.86%	+2.34%
Defence	+17.50%	-3.64%	+17.46%	+1.58%
Energy	+3.08%	+1.27%	+5.75%	+8.63%
Transport infrastructure	+0.15%	+4.19%	+0.15%	+4.82%
Transport	-5.34%	+15.48%	-7.64%	+18.95%
Aggregate average rate	**+3.78%**	**+2.32%**	**+3.32%**	**+5.75%**

As in the previous year, therefore, the **Agency conducted its annual survey of industrial policies pursued by companies within its consolidation scope.** The survey, which focused in particular on the localisation of investment and jobs, covered 25 companies, i.e.: ADP, Air France-KLM, Areva, DCI, DCNS, EADS, EDF, La Française des Jeux, France Télécom, GDF Suez, Giat Industries-Nexter, Imprimerie Nationale, La Monnaie de Paris, La Poste, LFB, RATP, Renault, RFF, RTE EDF Transport, Safran, Semmaris, SNCF, SNCM, STX France, and Thales.

Responses to the survey revealed the following trends.

A significant surge in investment on French territory, with a rise of 7.3% between 2009 and 2010, exceeding the corresponding figure for these companies in 2009 (+2%).

This overall figure needs to be qualified, however, since results varied from one sector to another, while investment rates can vary sharply from year to year, since certain projects are spread over several years.

Similarly, workforce levels in these companies in France changed less than in 2009, falling by 0.31% between 2009 and 2010, compared with a fall of 1.21% in the period 2008-2009.

The formation of value added continued to grow, by 2.32%, in 2010, although less rapidly than in other geographic regions (5.75%).

The Strategic investment fund, a key player in the French economy

The year 2009 was devoted to setting up the Strategic Investment Fund *(Fonds stratégique d'investissement – FSI)*, the new mechanism for supporting the French economy and its industrial fabric. Thanks to this mechanism a total of €2.4 billion was provided to finance 426 companies in 2010, mainly though capital increases. The lion's share of this sum (€1.7 billion) was used for direct public investment in 21 companies of all sizes. Sixty-five companies received a total of €200 million via investment funds, mainly sector-specific funds set up at the FSI's initiative. Lastly, a further €500 million provided by the FSI was invested in 340 companies within the framework of transactions with funds partnering the *FIS France Investissement* (FSI Invest in France) programme. In the 30 months between January 2009 and June 2010, the FSI has injected, directly and indirectly, more than €4.5 billion into the economy, with 900 companies receiving funds, thus combining a public-interest determination to support France's industry with the logic of a prudent investor.

Direct investments of €40 million or more between January 2010 and June 2011 raised a total of €1.8 billion for the following large corporations and intermediate sized companies: (ST Microelectronics, Vallourec, CGG Veritas, Limagrain, Soitec, NGE, Siclaé, Altrad, Mersen, Alcan EP–since renamed Constellium–and Grimaud). **Also over this period, direct investments and investments via the FCID mobilised a total of €1.52 billion for 9 large corporations; STMicroelectronics accounted for nearly half of this total (€695 million). Intermediate-sized enterprises, meanwhile, accounted for €436 million divided among 13 companies, while 18 SMEs received around €100 million altogether.**

The various funds created in 2009, i.e. the Fonds de Modernisation des Équipementiers Automobiles (FMEA – Automotive Parts Manufacturers Modernisation Fund), FMEA *Rang 2*, InnoBio, Fonds Bois, Fonds OC+, and the Business Consolidation and Growth Fund *(Fonds de Consolidation et de Développement des Entreprises – FCDE)*, demonstrated the important role they can play in targeted sectors of activity. As of 15 June 2011, out of a total disbursement capacity of €650 million, the FMEA had already invested €360 million in 23 industrial development projects.

In pursuit of these ambitions for the French economy, and in the light of the results obtained, the President of the Republic decided to bolster the resources at the disposal of the FSI. As a result of this decision, announced in a speech in Saint-Nazaire on 25 January 2011, the savings funds managed on the Government's behalf by the *Caisse des Dépôts et Consignations (CDC)* have made the sum of €1.5 billion available, for use in the form of loans due in 30 June 2021.

On 16 June 2011, the Prime Minister also announced the renewal of the FSI France Investissement programme for the period 2012-2020 and an increase in its resources, with contributions by the French Government (under its Investments for the Future programme) and major institutional investors. The FSI, for its part, undertook to increase its contribution to the programme from €400 million a year to €500 million, on condition that this is topped up by private funds. Consequently, the FSI will devote between €3 billion and €4 billion to the funding of SMEs over the period 2012-2020.

The FSI also sold €735 million worth of shareholdings, between January 2010 and June 2011. In particular, a block sale of 6.8% of the capital of Edenred took place in October 2010, for a total of around €230 million. These disposals helped provide the FSI with the necessary resources to fulfil its aims as an investor.

In addition, the FSI stepped up its efforts in support of regional SMEs in 2010, via its permanent regional correspondents. It is continuing with this strategy in 2011. By the end of the year, in particular, there will be a single window for equity investment in the regions, coordinating the work of the FSI with local authorities. This window will make available the full range of funding types granted within the framework of *FSI-France Investissement* and the Investments for the Future programme, in close conjunction with Oséo.

Support for business development in the regions received a further practical boost on 12 April 2011, with the signature by the FSI (via CDC Entreprises), the Alsace regional government and Crédit Mutuel CIC of a memorandum of understanding for the creation of a €50 million regional private equity fund, Alsace Croissance. The three partners put up the capital for this fund, with the FSI contributing €18 million. This fund is intended to take equity stakes in companies in the region either in their development phase or in the process of being transmitted to new owners. The company formed especially to manage this fund is also intended to run the two existing regional mechanisms, namely Alsace Création (for startups) and Alsace Amorçage (seed capital). By thus streamlining the resources deployed, it will cover the entire equity finance spectrum in Alsace.

Also in 2010 the FSI continued to organise its operations on a structured basis, with the launch of industry- or sector-specific studies. By acting within the framework of the priorities set by the industry-specific committees ins-

tituted by the French Industry Forum, the FSI aims to devise an explicit investment strategy specifically geared to the needs of each industry or sector. High-flying companies with confirmed technologies or know-how that sets them apart from the competition are currently being identified, enabling the FSI to act as driving force in efforts to bring about industrial consolidation and restructure sectors where necessary.

On 7 July 2010, the FSI and the French Federation of Electrical, Electronic and Communications Industries (French acronym FIEEC) announced a partnership agreement to make it easier for companies in the sector to enter into relationships with the FSI.

On 5 July 2011, the FSI and the management company CDC Enterprises signed an agreement with the high Council of the Order of Chartered Accountants *(Conseil supérieur de l'ordre des experts-comptables – CSOEC)* in order to ease the path for SMEs in their search for and access to equity finance. France's 19,000 chartered accountants will be tasked with communicating and helping to vet applications by SMEs for funding via these equity finance funds. This mechanism is intended to help SMEs gain access to equity financing with a view to fostering the emergence of a solid industrial fabric of intermediate sized companies comparable to the one in Germany, for example.

The FSI registered a group net profit of €646 million in 2010, consisting chiefly of dividends paid by its subsidiaries and non-consolidated equity investments. France Telecom was the largest contributor. The stock of net unrealised capital gains on listed companies amounted to €1.4 billion, of which €350 million attributable to investments made since the FSI's inception.

Securities portfolios in the balance sheet increased by nearly €800 million in 2010 to €16.2 billion, thanks to €900 million in direct investments by the FSI. Other factors accounting for the change were: more than €300 million invested in the capital of FSI's subsidiary FSI PME Portefeuille–with a view to financing the FSI France Investissement program – and disposals, primarily the disposal of the Edenred shares (for around €200 million), as well as changes in the value of equity-accounted securities, which fell by €170 million notably due to the buyout of minority interests by a number of companies. These financial results are evidence of the FSI's rigorous, efficient management.

The FSI had consolidated shareholders' equity of €21.1 billion at 31 December 2010, an increase of around €600 million relative to the previous year's figure. Consolidated profit was the main factor accounting for this change.

Ending the SPPE's exceptional funding programme

The Corporation for State Equity Holdings *(Société de Prise de Participation de l'État – SPPE)* kept up its programme of exceptional funding for the banks until November 2009, and for the BPCE until March 2011. It is still a shareholder of Dexia.

The aim of the SPPE, a public limited company wholly-owned by the French government under the Act of 16 October 2008 (law no. 2008-1061), is to provide capital to the banks to enable them to play their role to the full in lending to consumers, professionals and companies, while maintaining a high level of solvency. These payments have been achieved through two recapitalisation tranches for the French banks amounting to €20.75 billion.

The second half of 2010 and early 2011 saw the final repayments by the BPCE, according to a timetable that was tighter than initially intended, the BPCE having restored its finances faster than expected.

In this instance, BPCE repaid €1.8 billion in preference shares on 6 August and 15 October 2010. Similarly, a repayment of €700 million in undated deeply subordinated notes (TSSDI) was made on 10 December 2010. The BPCE completed its repayments at the beginning of 2011 with the repurchase of €1.2 billion of preference shares on 11 March, and of €1 billion of undated deeply subordinated notes on 23 March of this year.

Meanwhile, the SPPE repaid in full its commercial paper funding programme in June 2011. This funding programme had replaced the SPPE's borrowings from the Caisse de la Dette Publique at the end of 2009. Commercial paper outstanding totalled €4.165 billion at 31 December 2010. The SPPE now no longer carries any debt and its commercial paper programme has been extinguished.

As of 15 September 2011, the SPPE held only a €1 billion stake (at historical cost) in the capital of Dexia. SPPE's 2010 financial statements, as approved by the annual general meeting of 8 June 2011, show a net profit of €104 million. This is distinctly below the figure for 2009, i.e. €724 million, due to massive repayments made from 2009 onwards. The figure for 2010 includes an impairment on the shares of Dexia, which are marked to market in the 2010 financial statements.

It is now possible to reach an initial financial assessment of the French bank bailout plan, revealing a largely positive contribution on the part of SPPE, and SPPE contributed €854 million to the total profit of €2.4 billion. Other sources of funds (see box below for details) were provided by the Société de Financement de l'Économie Française (SFEF), now mothballed, and guarantees given to Dexia.

For the record, SPPE does not employ any staff/employs no staff and is run using the pooled resources of the Government Shareholdings Agency (APE), Agence France Trésor (AFT) and the Treasury General Directorate.

How the French State benefited from the French banks bailout plan

Government revenues (in €M)	2009	2010
Société de financement de l'économie française (SFEF)	1,240	-
Dexia (income from guarantees)	157	180
Société de Prise de participation de l'État (SPPE)	-	854
Total	**1,397**	**1,034**

The car industry rescue plan: French car manufacturers have repaid their government loans

The "Automobile Pact" agreed on 9 February 2009 in the wake of the Car Industry Forum, introduced a number of measures to support the car industry in the unprecedented crisis facing the sector at that time. These measures included:

- €6.25 billion in loans to car manufacturers (€3 billion each for Renault and PSA, and €250 million for Renault Trucks).
- Additional funding by SFEF of €1 billion for these 2 carmakers' financing arms.
- More than €1 billion for the car scrapping scheme.
- More than €900 million in Oséo guarantees for 2,200 SMEs in the auto industry sector.
- Establishment of a car equipment makers modernisation fund (FMEA), to which FSI contributed €200 million, and Renault and PSA another €200 million each.

The industry also embarked on a far-reaching restructuring under the auspices of the "car industry platform", a forum for exchanges of views and collaborative working for all of the industry's actors, with ramifications in the regions as well.

This "car industry plan" has fulfilled its objectives, enabling the sector to withstand the crisis and return to a more satisfactory situation, as witnessed by the recovery in the carmakers' financial and sales performance, including equipment makers and their subcontractors as well.

In particular, Government loans to carmakers in 2009 helped boost their liquidity while enabling them to continue their work on developing low- and zero-carbon emissions vehicles. The car manufacturers' access to credit has eased considerably since the granting of these Government loans, to the point where they applied to the Government to repay part of these loans, as early as 2010, i.e. in advance of the contractual 2014 deadline. The Government agreed to these early repayments, negotiating terms offering a fair return to the State in light of the car manufacturers' improving financial condition.

As a result, the €6.25 billion in loans were repaid in full on 10 September 2010, 25 February 2011 and 26 April 2011, for Renault and PSA, and on 15 November 2010 for Renault Trucks. These loans earned the Government €731 million in interest payments, including a €17 million early repayment penalty.

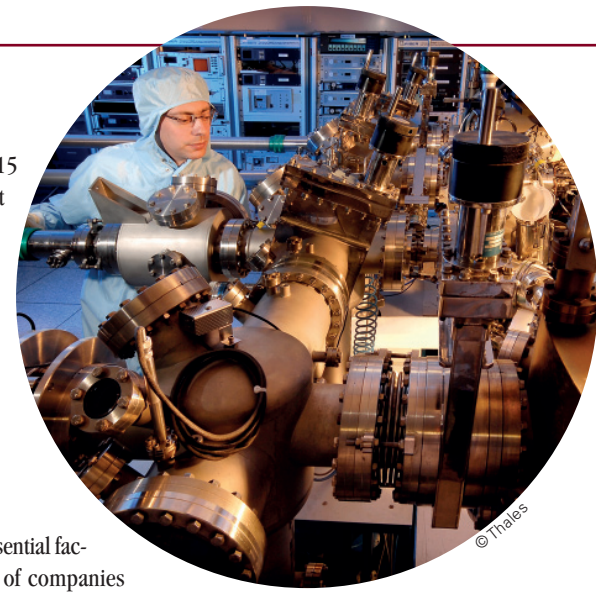
A closer focus on human resources policies

Human resources are an essential factor in the competitiveness of companies and are a major focus of attention for the Government as Shareholder. One the APE's missions, now, is to oversee the policies of the Government as shareholder with respect not only to economic and industrial aspects, but also to their social aspects (as stipulated in article 1 of decree no. 2011-130 of 31 January 2011, amending decree no. 2004-963 of 9 September 2004 establishing a service with nationwide responsibility).

In this context, the Government, in its capacity as shareholder, is paying very close attention to social issues and to the human resources policies of companies within its consolidation scope. It ensures that policies address the company's strategic challenges, and that the company does whatever is needed to enable its personnel understand its functioning and future plans.

Employment issues are a special concern for the Government in its capacity as a shareholder. These embrace skills management and procedures for forecasting and preparing for changing occupations and organisations. Close attention is also paid to measures in favour of seniors and to the development of alternating work-training schemes, where publicly-owned companies are expected to set a particularly good example. It also continues to monitor closely the way companies take diversity and gender equality into account, as well as placing a high priority on the prevention of psychosocial risks.

A section on "human resources" has been added to the 2011 questionnaire on industrial policy. In addition, periodic meetings are held with the human resources departments of the main companies within its consolidation scope at the initiative of the Government Shareholdings Agency, to permit intensive discussion of these issues and disseminate best practices.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Structural changes in the Government's shareholding portfolio

Overview by sector

Defence

A highlight of 2010 was the global aerospace sector's emergence from crisis, although there were some contrasts within the industry between clients, who profited from the upswing in deliveries, and equipment makers, which had to contend with continuing inventory rundowns, among others. At the national level, the French government maintained its military equipment expenditure authorisations despite pressure on budgets. At €9.1 billion, these authorisations exceeded the 2008 figure of €8.7 billion, after €19.3 billion in authorisations in 2009 some of which formed part of the government's stimulus plan.

EADS benefited from this emergence from the crisis, with new orders booked rising from €45.8 billion in 2009 to €83.2 billion in 2010, and with revenues rising from €42.8 billion in 2009 to €45.8 billion in 2010. Airbus delivered a record 510 aircraft. Another highlight of the year for EADS was the successful launch of the A320 NEO, a re-engined version of the A320 expected to consumed around 15% less fuel. More than 1,000 orders have been booked for this new version since its launch in December 2010. Also, production of the new Airbus A350 XWB long-haul aircraft started up in December 2010.

Concerning the A400M military transport aircraft, the agreement in principle, reached on 5 March 2010 between EADS, the Joint Organisation for Armament Cooperation (OCCAR) and the governments participating in the programme, was officialised with the signature between the parties on 7 April 2011 of a rider to the contract being steered by the OCCAR. Also, on 9 March 2011, the Ministers for the Economy, Finance and Industry, and for Defence and Ex-Servicemen announced that they were implementing the French portion of the supplementary financing mechanism for the A400M programme in exchange for an Export Levy Facility, under the 5 March 2010 agreement. The French share represents €417 million out of a total commitment to OCCAR by client States of €1.5 billion. The A400M programme proceeded in 2010 according to the timetable agreed among the parties within the framework of the 5 March 2010 agreement. The first aircraft is scheduled for delivery to the French Army in the first quarter of 2013. By the end of 2010, the A400M had completed more than 1,000 hours of test flying time, and it is expected to obtain civil certification civile at the end of 2011.

Safran stabilised its revenue and boosted its earnings in 2010, buoyed by the upturn in air traffic and the confirmation of major orders. This year saw the ramping up of the LEAP-X programme, which is the successor to the CFM56 propulsion unit for short and medium-haul aircraft. Airbus has picked this engine for its new generation A320 NEO, whose launch was announced in December 2010, while the Chinese aircraft maker Comac selected the LEAP-X for its C919 in December 2009.

Also, Safran has acquired SNPE Matériaux Énergétiques (SME), contributing to the emergence of a world leader in solid rocket propulsion for space, missile and ballistic applications. The aerospace equipment arm is now gearing up for developments in the "more electric" sector. There were major business wins in optronics. The development of the security division was confirmed in particular by its selection for the Indian government's unique biometric identification programme to cover all Indian citizens. The acquisition of L-1 Identity Solutions, the US market leader in secure identity tokens, announced in September 2010, is expected to boost this development still further.

Revenues at Thales were up 2% relative to 2009, rising from €12.9 billion in that year to €13.1 billion in 2010. The net loss of €45 million is an improvement on 2009. The loss in that year amounted to €128 million, mainly due to provisions for losses on completion of the A400M, Meltem, and electronic ticketing programmes. Orders booked fell by 6% to €13.1 billion in 2010, though the fall was steeper in defence and security (€6.2 billion in 2010 versus €8.4 billion in 2009), compared with a rise from €5.4 billion in 2009 to €6.8 billion in 2010 in the aerospace and transport sectors. This increase was due in particular to a healthy performance in space activities, with, among others, a €1.1 billion contract with Iridium in the United States for a constellation of 81 satellites, and also in avionics and civil simulators.

DCNS deployed its strategic "Championship" programme, launched in 2009. The aim is to turn the group into Europe's champion naval defence contractor. Driven by a strategy for growth, DCNS is seeking to expand its international operations along with related activities, where it can showcase its expertise in civil nuclear power, marine energy systems, and so forth. In response to strong competition in these markets, DCNS is streamlining its industrial activities and boosting efficiency, targeting productivity gains of around 30% over three years. Revenue amounted to €2,503 million in 2010, halting the slowdown experienced over the period 2007-2009.

Moreover, new orders booked in 2010 reached a record €6,921 million. This high level of activity including the launch of the European multi-mission frigate Aquitaine, the startup of production of the Gowind/Hermes offshore patrol vessel, the coming into effect of the contract to supply four submarines to Brazil, and two new riders to the contract to build six Scorpène submarines for India. More recently, a contract was signed with Russia on 17 June 2011 to build four "Mistral" class projection and command ships. On 1 July 2011, the French Directorate General for Armament firmed-up its order for a third "Barracuda" submarine from DCNS, out of a total of six called for in the defence procurement programme Act.

Nexter's revenues in 2010 were €1,075 million, versus €887 million in 2009, with a high level of profitability, driven in part by the delivery in 2010 of 108 VBCI (armoured infantry combat vehicles) to the French Army. In an increasingly competitive international market, the group unveiled a strategic plan called "Grand Large" at beginning of 2011, aimed at boosting the firm's competitiveness aimed, among others, at cutting production costs by 25%.

Transport

■ Transport operators

As provided for in the Act of 8 December 2009 (law no. 2009-1503), measures relating to the organisation and regulation of rail transport, especially regarding the "ORTF" law on transport, were implemented in the course of 2010-2011. This law has significantly modified the framework in which RFF, SNCF and RATP operate, with in particular the establishment of the Rail Activities Regulatory Authority (ARAF), and has entailed major internal organisational changes in these companies. Since the adoption of the 1 September 2010 decree (no. 2010-1023) on its organisation and functioning, the ARAF has issued eight opinions, one in particular (2011-02 of 2 February 2011) dealing with the pricing of use of the national rail network for 2012, and on the internal adjustments at SNCF rendered necessary by the new regulatory framework (cf. opinions on draft decrees relating to the traffic and movements operator, to passenger stations, and to the other rail network services infrastructures). At the same time, discussions continued at the Community level on the overhaul of the First Railway Package. A proposal to that end was communicated to the Council on 17 September 2010, together with a communication from the European Commission stressing the need for total liberalisation of the rail network in order to move towards a single European rail space. Against this background, companies in this sector are preparing for greater competition in fast-growing markets, thinking afresh on how

to adapt their business models to this altered context. Also at stake is the need for these companies to go on playing a pivotal role in the development of their respective industrial sectors.

The RATP continued its work on making its governance compliant with the policy directions set forth in the rail transport organisation and regulation (ORTF) Act of 22 September 2009. This provides, among other things, for the progressive opening up to competition of transport services in the Île-de-France, to be phased-in between 2024 and 2039 depending on the transport mode. The Act confers a monopoly on the management of existing networks to the RATP, and provides that the management of the RATP's infrastructure and operating activity are to be separated in the accounts as from 1 January 2012. The rules governing this separation need to be transparent and robust with regard competition rules, while at the same time allowing the operator to go on growing on sustainable financial terms, including outside its historical market.

The prospective opening up to competition of transport in the Île-de-France is an incentive to the RATP to continue with its efforts to develop and win new market share. An exceptional opportunity will arise in the next few years in this region with the deployment of the "Grand Paris" project, with planned total expenditures of around €35 billion. Within this framework, the RATP needs to position itself to leverage its know-how and its acknowledged experience, from upstream (assistance to project customers and project engineering) to downstream (operating the future automated Metro system).

The SNCF is now operating in a context of growing competition from other companies, especially in rail freight (these have increased their market share from 13.8% in 2009 to 18.8% in 2010), with the opening up of other market sectors in prospect. SNCF has worked to boost margins on its TGV (high speed train) segment. This is the activity that has grown fastest over the past 20 years, with €4.6 billion in 2010: the usage fees it pays to RFF have risen steeply, to the point where this is the TGV's largest cost item. The TGV is now the largest contributor to the financing of the rail network, paying 46% of all usage fees received, while accounts for 26% of traffic. In its 2 February 2011 opinion on the network's reference document for 2012, the ARAF raised the

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question of the medium- and long-term consequences of the current level of use fees paid by TGV trains, saying that these will be assessed on the occasion of the review of the network's pricing policy scheduled in 2013. Concerning the regional passenger rail service (TER), on 18 May 2011 Senator Francis Grignon submitted the reported commissioned by the State Secretary for Transport, which proposes to allow regions to experiment with the introduction of competition, with groups of lines operated by a rail company selected by competitive bidding. The report proposes the introduction of a "unitary social framework" common to the SNCF and the other rail companies, laying down common rules for working hours and the organisation of work as a precondition of any experiment.

RFF, meanwhile, is continuing to implement the rail network renovation plan, aiming for a Government-mandated industrial spending target of €13 billion over the period 2008-2015, with an unprecedented expenditure of €1.7 billion in 2010. The aim is to halt the deterioration in the condition of the rail network via a major catch-up drive. In addition, RFF is at work on building the high-speed links called for in the French economic stimulus plan. The plan covers links between Tours and Bordeaux (under a concession contract), Brittany and the Loire Valley (Bretagne-Pays-de-la-Loire) link, and the Nîmes-Montpellier bypass under a partnership contract, and phase two of the East European high-speed line as public project owner, involving a total expenditure of €3.2 billion in 2010.

The trendline for the rail sector's financial condition continues to be watched closely, and structural reforms are needed. Awareness of this need, as much as the Government's attentiveness to the French rail sector's growth potential, accounts for the abundance of studies in progress in the course of the past year. The National Assembly's commission of enquiry into the state of the French passenger and freight rolling stock manufacturing industry reported in June 2011. As part of the French Industry Forum, the Government set up a rail sector strategy committee to take stock of the situation and make proposals by autumn 2011. Preceding these proposals will be a report on the French rail industry and one by the Centre for Strategic Analysis on high-speed rail's export prospects. These different studies were the prelude to the Conference on the Rail Sector, from September 2011 onwards. The Conference has embraced the question of rail sector reform across a vast spectrum, concerning in particular the model and organisation of the servicing and maintenance of the rail infrastructure in France.

The need for far-reaching adaptation to greater competition is the leitmotif guiding everything Air France-KLM is doing in response to the sweeping changes caused by the economic crisis. While 2010 saw a hefty upturn in traffic, the post-crisis phase has structurally altered the balance in the air transport industry, with low-cost carriers gaining ground in the short and medium-haul sectors, and new emerging countries' airlines on long-haul routes. Air France-KLM has responded by adapting its medium-haul offering since April 2010, and with its planned regional bases in the provinces. By using its planes more intensively from these bases and boosting the productivity of its crews and ground staff, Air France-KLM hopes to cut costs by around 15%. Looking to 2012, this new project is expected to restore profitability on existing routes, to open up new ones from these regional


GPMM © Laure Chaminas

bases, and to win back a substantial share of business for flights taking off from provincial cities. Given that 90% of Air France personnel work in France, revitalising its business is critical. Finally, to preserve the competitive advantage offered by a young, interoperable, low fuel consumption fleet in its most profitable market segment, i.e. long-haul routes, the company has invited tenders for a fleet of 110 long-haul aircraft common to both Air France and KLM.

■ Major seaports

Traffic at France's major seaports (Grands Ports Maritimes-GPM) began to recover again in 2010, after a very tough year in 2009 (when traffic at the major seaports fell by 11.7% on average, roughly in line with the declines elsewhere in Europe). However, the upturn was slower than in the other countries, with traffic at the major French seaports growing by only 0.7%, versus an average increase of 7.2% in the other European ports. The only other ports to register especially strong growth in traffic were La Rochelle (up 12.2%) and above all Rouen (up 14.5%).

This mixed performance by France's major seaports was a consequence of the reform of the ports, which finally came about in late spring 2011, though after widespread labour unrest at the end of 2010 and early 2011, which severely penalised French ports to the benefit of neighbouring countries.

The 4 July 2008 Port Reform Act refocused the major French seaports on their sovereign functions as operators of port infrastructures and assets, promoting the ports in general and their access facilities, and also to strengthen their structures by enabling them to manage their operations and assets in a responsible and fully informed manner. For that purpose, the Act provided for the transfer of operating activities (lift-on, lift-off operations), currently performed by port personnel, to stevedoring companies (dockworkers – the people in charge of horizontal handling – were transferred to the stevedoring companies in 1992, the coexistence of two different employers for two very similar occupations being considered inefficient).

In addition, the reform has resulted in reorganisation of the major seaports' governance. These are now run by management boards, which themselves report to supervisory boards with seventeen members, five of them representing the Government. Finally, investment programmes to develop these seaports in strategic areas have accompanied the reform. The ports themselves are responsible for financing these investments, through borrowings and cash flow, along with Government help, notably via the economic stimulus plan, and subsidies from the local authorities.

Deployment of the new governance structures took place until spring 2009. The initial steps in the transfer process, meanwhile, have unfolded as prescribed in the Act. This involved the adoption of strategic plans in each port during the course of 2009, negotiations with the stevedoring companies, referral to the national evaluation commission (for valuation of the port equipment transferred), approval by the supervisory boards, and signature of the deeds transferring equipment to the private sector from June 2010 onwards.

The final stage of the reform, involving the transfer of personnel as such, took longer. A framework agreement signed on 30 October 2008 provided for the negotiation of a collective agreement common to dockworkers and crane drivers (both now being transferred to the stevedoring companies), along with a collective agreement on criteria determining the harshness of working conditions in port activities (which includes dockworkers and crane drivers). This highly complex issue, from a financial standpoint in particular, was the subject of negotiations between the trade unions, the seaport authorities and the stevedoring companies. A single national collective agreement dealing with the question of harsh working conditions in port activities was finally signed on 15 April 2011. This then set the scene for the signature in each port concerned of three-way agreements for the transfer of personnel to the stevedoring companies.

The impact of the financial reform on the financial condition of the major seaports will have to be taken into account in discussions on the multiyear contracts to be signed between the Government and each of the major seaports, as stipulated in the Act. These contracts are required to spell out each port's strategic projects, to prioritise their investment goals having due regard to the port's financial capacity, and finally to spell out a policy for the payment of dividends to the Government.

Energy

■ Nuclear power: the decisions of the Nuclear Policy Council

The Nuclear Policy Council met on 27 July 2010 and again on 21 February 2011, with a view to improving the organisation of the French nuclear industry and setting forth principles designed to guarantee its future development. In particular, the Council adopted the following policy directions, which its stakeholders are now progressively implementing:

• Signature of a technical and commercial agreement between Areva and EDF, laying the groundwork for greater cooperation in key areas, namely continuing work on optimising the EPR based on feedback from existing projects; improved maintenance and operation of the existing nuclear fleet; managing the fuel cycle with a view to qualifying new fuel products; and strengthening industrial cooperation regarding radioactive waste storage. In general, this agreement is expected to give practical effect to the tightening of the natural and historical client/supplier relationship between EDF and Areva. It respects the acknowledged expertise of each party, recognising that the continuity of this relationship is crucial to the competitiveness of the French nuclear industry. Following discussions under the aegis of

the Government Shareholding Agency and the Energy and Climate Directorate General (DGEC), the two companies signed the agreement on 25 July 2011. The signature took place on the occasion of the installation of the strategic committee for the nuclear industry, set up at the behest of the Nuclear Policy Council. The committee is chaired by the Minister for Industry, with the Chairman and CEO of EDF as vice-chairman.

• Signature of a long-term contract to supply uranium to EDF. Discussions are ongoing.

• Development of a full range of reactors to complement the high power (1,650 MW) EPR, in order to provide France with a line-up of products suited to the different nuclear power markets. EDF, Areva and GDF will therefore continue work on optimising the 1,000 MW ATMEA with a view to its certification. In addition, a working group will study smaller (100 MW to 300 MW) reactors with the French Atomic Energy Commission. The DCNS is also involved in this work, alongside Areva and EDF.

• Creating a global partnership with China on all aspects of civil nuclear activities, including safety. The General Administrator of the Atomic Energy Commission is conducting negotiations aimed at reaching an agreement that could include the joint development of a third-generation medium power (1,000 MW) reactor, involving all French nuclear industry players, in addition to the supply of products and services connected with the existing fleet and planned reactors.

Finally, the Nuclear Policy Committee made clear that EDF would be the French nuclear industry leader when France is approached to supply its expertise as an "architect-assembler". In other cases, the lead bidder or bidders will be designated depending on the situation and needs of the country requesting the assistance of French suppliers.

■ In reaffirming its support for national energy policies, the Government has stressed the need for the highest safety standards in French nuclear installations

The accident at the Fukushima nuclear power facility resulted from an accumulation of exceptional natural events, namely an earthquake followed by a tsunami. The leading players in the French nuclear industry, Areva and EDF, made their internationally acknowledged expertise in the field of nuclear safety available to their Japanese partners, and assisted the Japanese authorities and Tepco in formulating an exit strategy from the crisis.


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Looking further ahead, all of the lessons of the nuclear accident at Fukushima need to be learned. Yet, as the President of the Republic has made clear, civil nuclear power remains crucial to France's energy independence and to efforts to combat greenhouse gas emissions. Accordingly, the Government has reaffirmed its support for an industry that gives France control over its electricity price, that curbs CO2 emissions and that bolsters the nation's energy independence.

Accompanying this choice is the absolute imperative of safety in nuclear facilities, an imperative acknowledged worldwide for its rigorous implementation. With this in mind, the Prime Minister wrote to the Nuclear Safety Authority on 23 March 2011 requesting that it conduct a review of safety in nuclear plants, starting with nuclear facilities, in the light of the Fukushima accident, and to report on its initial findings by the end of 2011. This audit comes on top of the safety measures deployed by operators. Moreover, the Government has asked the Government Audit Office to carry out an audit of all costs connected with the nuclear industry, including the costs of dismantling installations and of insuring sites.

Instructions drawn up by the Nuclear Safety Authority and made public on 9 May require plant operators to submit an initial report to the Safety Authority by 15 September 2011 at the latest. The Authority and its technical arm, the Institute for Radiological Protection and Nuclear Safety, will analyse these reports between now and the end of December 2011. The Government will ensure that the works called for by the Nuclear Safety Authority in the wake of this safety appraisal are carried out within the prescribed time frames.

Apart from prompting these stress tests (in France, the rest of the European Union and elsewhere), the Fukushima accident has given rise to numerous initiatives to strengthen the international nuclear safety regime, either by reinforcing existing international agreements, through tougher reference standards, or through stronger international governance of nuclear safety.

• Technological choices are key to safety in nuclear installations

The Fukushima accident forcefully brought home the need for nuclear industry players to pay constant heed to safety in their installations. In its reactor designs, Areva gives absolute priority to safety, above all other considerations, emphasising the necessity of promoting third-generation reactors. The EPR, the standard-bearer for the French nuclear industry as recalled by the Nuclear Policy Committee on 21 February 2011, is designed to withstand large external shocks such as an aircraft crashing into it or major natural disasters, and is also designed to contain contamination, thanks in particular to special compartment to isolate a core in meltdown.

• The role of the operator in safety issues

Plant operators are central to the issue of safety, as emphasised by both the Government and the operators themselves. EDF has reaffirmed the importance it places on safety. EDF's integrated design-build model is considered particularly appropriate, providing a level of plant safety embodying a continuous feedback process.


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• Outside France, EDF and Areva need to be able to market their expertise to countries wishing to operate and develop nuclear with a high level of safety

Some countries have opted to put their new nuclear programmes on hold or even, as in the case of Germany, to shut down part of their currently functioning nuclear fleet. Others however, such as the United Kingdom, South Africa and China, etc., have restated their desire to acquire new nuclear capacity in the coming years. These projects represent an opportunity for EDF, Areva and the rest of the French nuclear industry and will be built to the toughest safety standards.

■ The French electricity market continued to open up to competition

France promulgated the New Electricity Market Organisation (NOME) Act on 7 December 2010, and the key implementing texts were issued in the second quarter of 2011. The Act seeks to promote competition in France by allowing other suppliers temporary access to a proportion of EDF's nuclear-generated electricity until 2025. Consequently, with effect from 1 July 2011, EDF has been obliged to offer other suppliers regulated access to the nuclear-generated electricity historically provided by it. The access tariff (French acronym ARENH) is laid down by ministerial decision of 17 May 2011 at €40 /MWh from 1 July 2011 until 31 December 2011, and at €42/MWh as from 1 January 2012. This price is consistent with the transitional tariff for industrial users applicable since 2007 and abolished on 1 July 2011. Moreover, it will allow EDF to finance the hefty capital expenditures it will need to make in the coming years. From December 2013, this "ARENH" tariff will be set by the Energy Regulator.

Under the NOME Act (see above), the "green" and "yellow" tariffs applicable to industrial users will be abolished in 2015, while the "blue" tariff for consumers and professionals will remain in place and will be calculated with reference to the "Arenh" tariff.

Coinciding with the reorganisation of the market's structure, in April 2010 the Government announced its intention to open bidding on hydroelectric concessions up for renewal to all producers that demonstrate sufficient professional and financial guarantees.

The Government has accepted the principle of early renewal for certain concessions, and ten concessions for a combined capacity of 5.300 MW will be renewed by 2015. With 20,300 MW, 3,500 MW and 900 MW in generating capacity respectively, EDF, CNR (GDF Suez Group) and SHEM (GDF Suez) currently own the bulk of the hydroelectric capacity (25,300 MW) under concession in France at present.

Services

■ Regulating competition in three segments of the online gambling market

Regulations were put in place in 2010 to deal with competition in three segments of the gambling market, namely online poker, betting on horse-racing and betting on sporting events, pursuant to the Act of 12 May 2010 (law no. 2010-476) regulating the online gambling sector and opening it to competition.

❶ Tougher measures to combat financial delinquency on the Internet and more effective policies to prevent gambling addiction

An illicit online gambling market has grown up on the Internet over the past several years. This has undermined the traditional gambling sector, especially since it knows neither national frontiers nor boundaries between sectors. This market has emerged unregulated, especially in certain segments such as gambling on sporting events and poker.

Gambling is a particularly sensitive activity, entailing the risk of specific types of delinquency such as money laundering and threats to society in the form of addictive-type behaviours. The Government has therefore considered it necessary to make due allowance for economic realities while enacting some form of regulation to limit the potential dangers.

Against this background, and after having commissioned a study on the subject from Mr. Bruno Durieux, a former minister and inspecteur général des finances, the Government decided in 2008 to proceed with the controlled legalisation of certain sectors of the online gambling market. This was part of a more general policy of strengthening the fight against financial delinquency on the Internet and crafting an effective preventive policy for tackling gambling addiction.

This decision also embodied European Community aspects in two ways. On the one hand, it reflected the constructive dialogue entered into with the European Commission to overcome divergences of views that had surfaced over the compatibility of French law with the Treaty of Rome on this question, and aimed at heading off needless disputes.

Secondly, it drew the consequences of gambling's exclusion from the scope of the directives on electronic commerce and services: in accordance with the subsidiarity principle, these required each Member State to take specific and appropriate measures to protect public order and society on condition that these formed part of a coherent plan and were non-discriminatory.

❷ A regulatory and control mechanism based on an independent administrative authority and a consultative committee, both newly created

Putting these intentions into effect, the Act of 12 May 2010 set the scene for a path-breaking policy on gambling in Europe, aimed at:

- Preventing excessive or pathological gambling and protecting minors.
- Ensuring the integrity, reliability and transparency of gambling operations.
- Preventing fraudulent or criminal activities, together with money laundering and terrorist financing.
- Ensuring the balanced and equitable development of the different types of gambling, to avoid destabilising the economy of the different sectors concerned.

Three types of online gambling are authorised under the resulting mechanism, namely: pari-mutuel betting on horse racing; pari-mutuel and sportsbook betting on sporting events; and "circle games" based on chance and player's skills, such as poker. The law rules out the other forms

of online gambling such as simulated slot machines.

The Act of 12 May 2010 established an independent administrative body, the Gambling Regulator Authority (French acronym ARJEL), as a key element in the system. This body delivers or refuses to deliver a 5-year renewable license to gambling operators upon application, legally recognising the said operators' offering. Licenses are conditional on compliance with a list of specifications whose principles are laid down by law.

This list of specifications allows the authorities to control the activities of online gambling sites, emphasising the need to protect minors, tackle gambling addiction and dependency, respect sporting ethics, and combat fraud and money laundering.

The regulatory authority consists of a seven-member college, three of them, including the chairman, named by decree, two by the Speaker of the National Assembly, and two by the Speaker of the Senate.

Licensed operators are subject to a tax representing 7.5% of amounts staked for sporting events, 6.4% for horse-race betting, and 2% for poker stakes. Part of the receipts serves to finance public interest measures, health-related in particular (e.g. combatting gambling dependency), and preserving the heritage. In addition to this tax, operators help finance amateur sport and the horse-breeding industry, with sports betting and horse-race betting operators contributing 1.5% and 8% of amounts staked respectively.

The Act also contains measures to deal with unlicensed sites. The organisers of illicit online gambling are liable to a fine of €90,000 and three years in prison. Connections to these sites and financial transactions between illegal operators and gamblers can be blocked. Advertising for an unlicensed site is also punishable.

In addition to the ARJEL, which is competent for online gambling alone, the Act also provides for the creation of an online gambling consultative committee, with nineteen members and chaired by a member of parliament. This committee is competent for all gambling activities, with responsibility for centralising information received from the control authorities and gambling operators, for ensuring the consistency of gambling sector regulation with respect to the general goals laid down in the 2010 reform.


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Finally, it has a duty to issue opinions on all questions relating to this sector and on public information regarding the dangers of excessive gambling. It also comprises an observatory of gambling, and two advisory commissions respectively responsible for implementing policy on regulating "circle games" and casino gaming, and for gambling and betting under exclusive rights.

Finally, the Act provides for the Government to report to Parliament with an "evaluation of the conditions and effects of the Act" within eighteen months of coming into force. This report may "propose adjustments to the existing law as required".

❸ One year on, liberalisation is proving satisfactory in terms of attracting gamblers away from illegal offerings

The ARJEL issued 48 licenses to 35 operators in 2010, 29 of which commenced their activity in 2010. In the first quarter of 2011, there were 2.6 million active gamblers' accounts since the opening up of the market, and a total of 3.5 million gamblers' accounts open on .fr sites (which are legal). Since the market's opening in June 2010, cumulative amounts staked at the end of March 2011 came to €595 million for sporting events, €693 for horse racing, €5,526 million for cash game poker, and €683 million for tournament poker. The ARJEL further noted that for betting on sporting events and poker, 1% of gamblers accounted for 51% of amounts staked, and that 10 % of gamblers accounted for 76% of total amounts staked.

Pursuant to Article 61 of the Act of 12 May 2010, the ARJEL actively sought to combat illegal online gambling. At the end of May 2011, it had placed more than 1,000 unlicensed sites under regular surveillance. The authority had also geo-blocked French gamblers from accessing around 300 unlicensed sites and had warned nearly 550 unlicensed sites to cease operating in France, after geo-blocking French users and prior to referring the matter to the courts. Nine sites were referred to the President of the Paris Court of First Instance, two were the subject of a decision barring access to sites by internet access providers, and seven had deferred to the warning while proceedings were pending. More than 150 unlicensed sites were also subject to recent warning proceedings, which are still pending. Finally, nearly 40 cases were referred to the public prosecutor after review by the ARJEL's sanctions commission, under article 44 of the Act of 12 May 2010, since the ARJEL has no power to institute criminal proceedings.

Finally, more than a year after the opening up of this sector to competition, the French regulatory model appears to have attracted broad approval. For example, on 24 November 2010, the European Commission announced that it was closing the infraction procedure instituted against France in 2006 in respect of authorised online gambling services, and it welcomed the opening up of the online gambling market in France. Moreover, several European countries say they are considering opening up their markets to competition and plan to take the French model as their example.

Structural changes in publicly-owned entities

The RATP group expands beyond its historical market

In July 2009 the Caisse des Dépôts et Consignations entered exclusive negotiations with Veolia Environnement with a view to merging Transdev and Veolia Transport. This led to the creation, on 3 March 2011, of a new group, Veolia Transdev. The RATP, which held a 25.6% in Transdev, opted to swap its shareholding for assets.


© Française des Jeux

Accordingly, the RATP integrated sixteen new subsidiaries spun off from Transdev and Veolia Transport, via its subsidiary RATP Développement. This move has enabled it to gain a foothold in the United Kingdom, with revenues of €180 million comprising among others 57 bus routes in London, and in Switzerland. It also significantly bolstered its presence in Italy, where the RATP group is the number one foreign urban transport operator, as well as expanding its regional operations in France. The subsidiaries taken over include four urban transport networks (namely Bourges, Moulins, Vienne and Vierzon) and a series of inter-urban services embracing three geographically coherent networks (i.e. Centre/Auvergne, Champagne, and Rhône-Alpes). This operation has increased RATP Développement's consolidated head count from 3,500 to around 7,800 employees, and the subsidiary expects to report a consolidated revenue in the region of €615 million in 2011, compared with €268 million in 2010. The operation has also significantly boosted subsidiaries' contribution to the RATP group's consolidated revenue, this contribution being expected to exceed 10% for the first time, in 2011.

This strengthening of the RATP group is part of a wider drive to expand beyond its historical market, allowing RATP to compensate for any possible loss of revenue resulting from the progressing opening up to competition of transport services in the Île-de-France, and acting as a spur to the wide-ranging transformation of the company by coming into contact with private-sector competitors.

***La Française de Jeux (FDJ)* is now one of the foremost online gambling operators and is developing an integrated, flexible online poker offering in partnership with the Lucien Barrière group**

■ An enriched, modernised sports betting offering

An important challenge in 2010 was to upgrade FDJ's sporting events offering, in order to be able to market an attractive range of services as soon as the market opened up, both in its physical network (where it has a monopoly) and on the Internet (the sector now open to competition).

FDJ had already begun adapting its online sporting events offering at the end of 2009, with the launch of ParionsWeb. This offering is available through a dedicated website, ParionsWeb.fr.

Further, the online sporting events betting offering in the competitive arena has been enhanced in response to gamblers' demand. The number of sports covered has increased from six in 2009 to twelve in 2010, offering 5,000 bets per week at the end of 2010, compared with a maximum of 150 in 2009. FDJ now offers 20 betting formulas.

Finally, consistent with the new legislation, FDJ has been authorised, under Decree no. 2010-605 of 4 June 2010, to increase the maximum payout to players from 75% to 85% on average, and to offer live betting on the Internet.

These factors have helped raised the profile of FDJ's online sports betting brand, ParionsWeb, with brand recognition rising from 4% to 33% between January and October 2010. They have also helped boost online sports betting revenues strongly, with a rise of 112% between 2009 and 2010, from €43 million in 2009 to €91 million in 2010.

The technology underlying the evolution of this offering was developed in conjunction with Laverock von Schoultz (LVS), which has designed a new "live betting" platform for *La Française des Jeux*. LVS is a software developer based in London, founded fifteen years ago, specialising in the creation and distribution of online betting software. Its software can be used across a variety of distribution channels, and in particular the Internet and physical retail outlets. On 22 March 2010, *La Française des Jeux* acquired LVS for a fixed consideration of £2.7 million plus additional earn-outs. The *La Française des Jeux* group has thus been strengthened with the arrival of a specialist software developer, alongside its subsidiary Lotsys, which specialises in lotteries, and its joint subsidiary with the Lucien Barrière group, LB Poker, which specialises in and operates the poker platform. These developments are reinforcing the group's technological strengths in the service of secure, quality gambling, and confirming its position as an integrated operator in the realm of sports betting. This acquisition will enable it to adapt its offering more effectively to the demands of players with the highest level of security, both in its physical network and on the Internet.

■ The launch of a poker offering

La Française des Jeux also saw the opening of online poker playing to competition as an opportunity to diversify its gambling portfolio and gain a foothold in the poker sector. Accordingly, it has teamed up with the Lucien Barrière group, an acknowledged professional in the field and the French casinos market leader, sharing with FDJ the same values and vision of gambling that respects both gamblers and the law.

In January 2010, these two operators applied to the European Commission competition authorities for permission to form a joint company. The Commission gave its consent on 25 May 2010, paving the way for the two companies to form LB Poker, whose ambition is to become a mass market player with a reputation for reliability, high quality customer relations, and a capacity for innovation. Its three key assets in seeking to achieve this are the brand recognition, image, and legitimacy of FDJ and Lucien Barrière, together with synergies between online poker and physical casinos and the good fit between its founders' respective businesses and expertise.

The ARJEL gave the green light for this joint venture on 26 July, subsequent to the opening up of the online "circle games" sector on 30 June 2010. The BarrierePoker.fr site was launched in mid-September. It is aimed at all player profiles, with an innovative, evolving offering thanks to proprietary technology. This strategic choice is guided by LB Poker's concern to retain control over its technology, to develop new offerings geared to the market, to guarantee optimum security, and to respond to its players' demand over the long period.

DCNS

DCNS terminated the alliance dating back to the early 1990s with Navantia in the field of conventional submarines, in November 2010. Scorpène submarines will henceforward be built and commercialised by DCNS, while Navantia will do likewise for the S80 submarines.

DCNS and OpenHydro, an Irish company specialised in renewable energies, signed a strategic agreement on 3 February 2011 to combine their know-how in the energy generation from marine currents. At the same time DCNS took an 8% stake in the capital of OpenHydro.

On 3 February 2011, DCNS and STX France signed a memorandum of agreement to design and build metallic structures and foundations for marine renewable energy systems.

In 2011, LFB is continuing to expand its capacity in human plasma-derived medications

LFB took a crucial step forward in increasing its fractionation capacity in 2010, with the startup of a new unit dedicated to the production of LFB's new generation human immunoglobulin in Lille. Commercialisation of this product began in September 2010.

More broadly, an ambitious investment programme will double LFB's capacity to purify human plasma-derived medications. These investments were made necessary by LFB's vigorous growth for the past several years, outpacing the French pharmaceuticals industry average. This growth has been fuelled by especially strong demand for certain medications and in export markets.

• Altogether, €60 million has been invested since 2006 at this company's two French fractionating sites in order to optimise its production facilities:

- At the Les Ulis plant, where the plasma is registered and the fractionation and production of intermediate products take place, capital expenditures concerned the doubling of cold storage facilities for plasma awaiting fractionation, new equipment to triple plasma fractionation capacity, and optimising existing production units. LFB will now be able to fractionate 1.4 million litres of plasma annually as from 2011.
- At the Lille plant, where most of the protein purification and biological safety stages up to and including the pharmaceutical preparation of medications take place, facilities have been optimised to double output of therapeutic proteins as of 2011. Roughly €25 million has been spent on building a new production unit dedicated to LFB's new immunoglobulin.


© LFB

• Acquisition of an Austrian group of plasma collecting companies: on 31 August 2010, LFB's Austrian subsidiary, Europlasma GmbH, acquired a group of companies that collect plasma in Austria and the Czech Republic. This acquisition is intended to ensure a secure source of plasma additional to the plasma collected in France, supporting LFB's international activities. The plasma collected by Europlasma complies with all European quality and safety standards.

• A new bioproduction capacity and partnership agreement in the field of bioproduction of medications derived from genetic engineering, at Alès (southwestern France):

- In November 2010 LFB completed an initial investment phase at MAbgène, its cell culture-based bioproduction subsidiary in Alès, aimed at expanding its facilities for the production of clinical and commercial batches of biomolecules.
- The site is now equipped with two lines of 300 and 1,000-litre bioreactors and has benefited from the introduction of single-use bioreactor technology, significantly boosting industrial efficiency there. This new capacity will enable LFB to satisfy its own needs for clinical batches and to meet future commercial demand.
- LFB has formed a partnership with Sanofi Chimie in the field of bioproduction in France in order to complete its line-up of products, setting up an economic interest grouping for the purpose. This joint venture will facilitate the reciprocal and preferential use of the partners' cell culture-based production, purification and pharmaceutical processing facilities for biological products. Based on the complementary capacities of MAbgène's Alès facility and those of Sanofi Chimie at Vitry-sur-Seine, this agreement has set the scene for a joint commercial bioproduction offering for third parties, under the name of MAbLaunch™.

On 28 October 2010, the SNCF and the RATP signed a memorandum of negotiation regarding the reorganisation of the governance of Systra, their common project engineering subsidiary, under the aegis of the Government Shareholdings Agency. As stipulated in the new shareholder pact signed on 30 June 2011, the SNCF and the RATP will contribute their respective engineering subsidiaries, Inexia and Xelis, to Systra. This transfer will take place in two stages, the first (49%) taking place on 30 June 2011 and the second (51%) being scheduled to take place before 31 December 2012.

Based on this new scope of consolidation (i.e. following the tie-up with Inexia and Xelis), the "new" Systra had a consolidated revenue of around €400 million in 2010.

As of 30 June 2011, Systra had effective control of Inexia and Xelis, and this operation will make it the flagship vehicle for the export of French transport engineering know-how, reinforcing the position of French industry in the fast growing mass passenger transport market. Systra will be able to tap the proprietary expertise of Inexia and the SNCF group, especially in high-speed train technology, and that of Xelis and the RATP group, particularly in new-generation automated metro systems.

Under the new shareholder pact, the SNCF and the RATP will retain equal stakes in the capital of Systra, each of the two companies being the acknowledged lead-company for those activities connected with the specialities for which there are acknowledged, respectively, i.e. high and very high-speed lines for the SNCF, and metro systems for the RATP. An employee shareholder scheme covering 5% of the capital will be put in place, signalling the intention to acknowledge employees' contribution to the development of Systra.

Systra will take the form of a company with a Management Board and a Supervisory Board, the latter having thirteen members, three of them designated by each of the two industrial shareholders (SNCF and RATP), two representatives of the financial shareholders, two independent directors, and three employee representatives. Voting on the most important decisions will be by qualified majority of 8 votes out of 13.

Equity transactions

Capital increase for Areva

In keeping with the Nuclear Policy Council's policy directions of 27 July 2010, the Government has acted to provide Areva with the resources to finance an ambitious investment programme aimed at consolidating its nuclear industry leadership. In practice this entails continuing to develop its mining activities while renewing its industrial capacity, in particular in uranium conversion (Comurhex II) and enrichment (Georges Besse II) in France. The €900 million capital increase, representing 7.2% of the capital of Areva on completion of the transaction, formed part of a funding plan formulated by the Supervisory Board and announced in June 2009. In addition to bringing in new shareholders, the plan included the disposal of non-core assets such as its subsidiary, Areva T&D and its stake in STMicroelectronics. It also involved improvements to cash flow via a cost-cutting plan, and a portion of the rights issue reserved for employees.

The capital increase was executed on 28 December 2010, with the Kuwait Investment Authority (KIA) investing €600 million (giving it a 4.8% stake in Areva based on a pre-capital increase shareholders' equity value of €11.5 billion, or €32.50 per share), while the French Government invested €300 million (representing an additional 2.4% stake in Areva).

The arrival of KIA immediately strengthened Areva's balance sheet and is expected to help finance its investments. Under a shareholder pact between the Government, the French Atomic Energy Commission and KIA, the latter has given an undertaking not to sell its Areva for a period of eighteen months, except in the event of a change of control of Areva. At the end of this eighteen-month period, the Government will have a right of pre-emption should KIA wish to sell all or part of its holding. The Government, meanwhile, has undertaken not to sell or issue shares at a price below the price paid by KIA, and to list Areva's ordinary shares on NYSE/Euronext before 30 June 2011, failing which KIA would have had the choice, before 30 September 2011, of selling its stake back to the French Government. Areva's ordinary shares having been listed in the intervening period (on 30 May, see below), the criteria for the exercise of KIA's put were not satisfied and this option has now been deactivated.


© Areva

Concomitantly with this capital increase reserved for strategic investors, Areva has had to carry out a capital increase reserved for holders of investment certificates, or CI[1] in the form of non-voting preference shares (ADPCI), which are analogous to the CI since they carry an equity entitlement but with no controlling right. This transaction was more than 91% subscribed by holders of CI, enabling Areva to raise an additional €35 million, approximately. The securities were issued on 27 January 2011.

The two successive capital increases represented a total of roughly €935 million.

Listing Areva's ordinary shares on the stock market

■ Reasons and principle behind the transaction

Areva's capital has comprised three types of security since 27 January 2011, namely unlisted ordinary shares representing 96% of the capital, listed "investment certificates" (CI) (3.73% of the capital)[2] and non-voting preference shares (ADPCI) (0.37% of the capital). Consequently, 4% of Areva's capital was already listed on a stock market, mainly in the form of CI, which are an outmoded form of instrument facing extinction. To streamline and modernise its capital structure, Areva wanted to replace its listed CI and ADPCI with ordinary shares. This could be done provided the shares received in exchange are listed, in order to guarantee the former holders of CI and ADPCI that liquidity would be equivalent before and after the operation. Areva accordingly applied to NYSE Euronext to list its ordinary shares on that exchange.

■ Commitment given to KIA

Because this streamlining was necessary in order to clarify Areva's structure in the eyes of the markets, and because it could be done without expanding the float, the Government was able to give an undertaking to KIA to list Areva's ordinary shares on the market before 30 June 2011, at the time of the capital increase implemented in December 2010 (see above). In the absence of a listing by that date, KIA would have been free to sell its stake to the Government barely a few months after having acquired it.

■ Technical execution of the operation

In technical terms, the process of converting the CI and ADPCI into ordinary shares required two connected steps, one on the stock exchange, the other concerning the company's articles of association:

- on the one hand, the French Atomic Energy Commission (CEA) launched a public share exchange tender offer concerning Areva's listed CI, with a parity of one ordinary share for one CI, at the conclusion of which CI still outstanding (i.e. not converted) represented approximately 0.99% of Areva's capital. As a holder of voting rights certificates ("CDV"), the CEA carried out the reconciliation of CI contributed to the offering with the CDV held by it in order to form as many ordinary shares. Those CI that were not contributed in response to the offer represented less than 1% of the capital of Areva at the conclusion of the public share exchange tender offer, and Areva was therefore in a position to retire the remaining CI, as authorised under article L. 228-31 of the French Commercial Code.
- concomitantly with the public share exchange tender offer, Areva proposed to holders of ADPCI to voluntarily convert them into ordinary shares, as permitted under article 14 of Areva's articles. The exercise of the right to retire the CI triggered the automatic conversion of the ADPCI into ordinary shares in application of a clause in Areva's articles to that effect.

1 - Pursuant to article L 228-34 of the French Commercial Code.

2 - The "certificat d'investissement" *is a security derived from the splitting of an equity security or share into a certificate* "certificat d'investissement" *representing the right to the capital and a voting right representing a right of control.*

Following these two transactions, the capital of Areva consisted of ordinary shares only, and an application was made for their listing on NYSE Euronext. They were listed on 30 May 2011. Areva's float currently represents around 4%.

La Poste capital increase

As indicated by the President of the Republic, the Government and the Caisse des Dépôts are contributing €1.2 billion and €1.5 billion respectively to La Poste's capital increase.

The preparatory phase for this capital increase culminated with the signature on February 2011 of a subscription contract by the Government, the Caisse des Dépôts and La Poste, after receiving the approval of the company's Board of Directors. This subscription contract embodies an irrevocable commitment to subscribe €2.7 billion and sets the timetable for payment of the funds.

On 6 April 2011, the Extraordinary Shareholders' Meeting of La Poste approved a capital increase subscribed in full by the Government and the Caisse des Dépôts. La Poste accordingly received €1.05 billion on 6 April 2011, the other payments being due in 2012 (€1.05 billion) and 2013 (€600 million).

The Combined Shareholders' Meeting of 7 April 2011 then proceeded to appoint a new college of directors. As prescribed in the Postal Act, following the arrival of the *Caisse des Dépôts* in the capital of La Poste, the latter's Board of Directors now comprises seven employee representatives, one representative of French local authorities and their consortia, and a representative of users, both appointed by decree, and twelve directors elected by the Shareholders' Meeting, one of whom is to be elected to the position of Chairman of La Poste, plus eight Government representatives and three proposed by the Caisse des Dépôts. The Board of Directors in its new form met for the first time on 7 April 2011, after the Shareholders' Meeting.

The regulatory context in which this capital increase has taken place has been revamped.

Law no. 2010-123 relating to the public corporation La Poste and to postal activities was debated by the French Parliament in autumn 2009 and was published on 9 February 2010. Under the Act, La Poste is a public limited company the majority of whose capital is required to remain in Government hands, but the remainder of which may be held by other public law corporate entities. The Act also provides that the employees of La Poste may hold a minority stake in the capital via an employee shareownership scheme.

© La Poste

The Act enshrines La Poste's four public service missions, which remain unchanged, and sets the financing of two of these missions (territorial planning and the universal postal service) on a secure basis. In addition, the Act transposes the European Postal Services directive into French law in full, and put an end, with effect from 1 January 2011, of La Poste's monopoly over the "reserved sector" for items of correspondence weighing less than 50 grams.

BPCE repays Government loan

In November 2009, BPCE repaid the value at issue equivalent of €750 million in deeply subordinated notes (TSS) issued by the Banques Populaires in December 2008 and subscribed by the Government's wholly-owned subsidiary the Corporation for State Equity Holdings (SPPE). On 10 March 2010, BPCE issued €1 billion in 9% deeply subordinated notes, enabling it on 23 March to repay an equivalent amount in deeply subordinated notes (in value at issue) purchased by the SPPE from the Caisses d'Épargne in June 2009. On 6 August 2010, and then on 10 December 2010, BPCE made two repayments representing a value at issue of €600 million and €700 million, reducing the balance outstanding of TSS subscribed the SPPE to €1.0 billion at the end of 2010.

Where its preference shares are concerned, on 6 August 2010 BPCE repurchased an initial €1.2 million (value at issue) of preference shares. As per the repurchase clause in the articles of association, the Government received a coupon of 8.63% on the value at issue of these shares, for the period from 1 January to 6 August 2010. A second repurchase, for €600 million, took place on 15 October 2010, bringing the balance of preference shares outstanding at the end of 2010 to €1.2 billion.

In 2011, BPCE repurchased €1.2 billion of preference shares on 11 March, and on 23 March it repurchased €1.0 billion of deeply subordinated notes. On completion of these two transactions, BPCE had repaid the Government in full.

This reimbursement was made possible by a substantial improvement in BPCE's solvency and took place ahead of the scheduled repayment date (end-2012) laid down in the strategic plan, marking a new milestone for the BPCE group.

Transfer of the capital of ADIT to the private sector

On 2 June 2010, the Government issued an invitation to bid for the acquisition of a majority stake in the capital of the Agence pour la Diffusion de l'Information Technologique (ADIT). The call for bids was overseen by the Government Shareholding Agency. ADIT specialises in economic intelligence consulting for businesses, mainly. It also carries out consulting work for local authorities concerning territorial economic development. Since its formation in 1992 with the status of a public establishment, ADIT has made a significant contribution to the development of technology and strategy watch activities in the French economy. Since its transformation into a public limited company in 2003, the intention was to privatise this company.

The process of transferring the capital of ADIT to the private sector has been put in hand, with a view to accelerating the company's growth in France and abroad, and to enable it to adapt to developments in the market for economic intelligence.

Following an open and transparent procedure comprising several selection rounds, on 23 December 2010 the Government deemed the bid submitted by the private equity fund Butler Capital Partners (BCP) to be the best bid. The procedure for the transfer of the majority of ADIT's capital to the

private sector were laid down in a decision of the Minister for the Economy, Finance and Industry dated 3 February 2011, with the assent of the Holdings and Transfer Commission. BCP accordingly acquired 66% of the capital of ADIT on 10 February 2011, entering into a partnership with the Government to support the company over a number of years.

Disposal of *SNPE Matériaux Énergétiques*

One of the events in 2011 was the acquisition by Safran of SNPE's solid rocket propulsion assets, consisting of *SNPE Matériaux Énergétiques* and its subsidiaries, and of a 40% stake in the capital of Regulus, for a total of €348 million. The Minister for the Economy, Finance and Industry set the procedure for this transaction in a decision dated 31 March 2011, with the assent of the Holdings and Transfer Commission. *SNPE Matériaux Énergétiques* ("SME") is the European leader in rocket propulsion fuels, and Safran, through its subsidiary *Snecma Propulsion Solide (SPS)*, Europe's foremost supplier of solid fuel technology propulsion systems. This transaction, which was one of the objectives and priorities laid down in the White Paper on Defence and National Security, has served to build a global leader in solid propulsion systems, via Safran. The combination paves the way for a streamlined, integrated industrial model that will help boost the competitiveness of the French solid propulsion industry. The transaction is a cost-effective means of preserving France's technological expertise and know-how in a sector that is essential to the country's deterrent force and to preserving its autonomous access to space. Upstream of this acquisition, the 14 March 2011 decree (no. 2011-268) instituted a golden share in the capital of SME, which continues to be held by the Government even after Safran's acquisition of this company.

Disposal of *Thermes Nationaux d'Aix-les-Bains*

In a notice published in the Official Journal dated 6 October 2010, the Government decided to dispose of Les *Thermes Nationaux d'Aix-les-Bains (TNAB)* by private treaty. Following an invitation for tenders, the Compagnie Européenne des Bains (part of the Valvital group), France's no. 3 thermal baths group, which manages more than ten thermal spa establishments in France, was adjudged to have made the best bid.

Pursuant to the French Labour Code, the TNAB informed and consulted the employee representative bodies on Monday 14 February 2011. The sale contract was signed on Tuesday 15 February 2011. Then, on 25 February, the Minister for the Economy signed the decision setting forth the procedure for the transfer to the private sector of the *Thermes Nationaux d'Aix-les-Bains*, with the assent of the Holdings and Transfer Commission. The company's 200,000 shares were sold for €3 million. The disposal of the entirety of the capital was closed on 3 March.

The decision to transfer the capital of TNAB to the private sector was the logical next step in this company's change of status from that of a public industrial and commercial establishment to that of a public limited company, which took place on 1 January 2010. The aim is to speed the company's growth and enable it to adapt to developments in the thermal spa market in France.

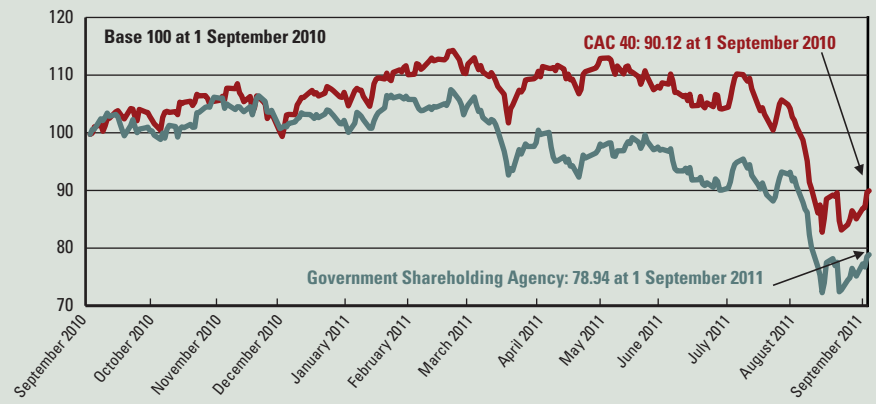
The open and transparent procedure chosen attracted a number of high quality firm, outright bids. The Government picked the bid submitted by the *Compagnie Européenne des Bains*, which the Government Shareholding Agency considered to the best following its scrutiny of all of the bids submitted.

Market value of the portfolio of listed companies

The Government Shareholding Agency's portfolio of listed companies was worth €69,334 million as of 1 September 2011, a 21.06% decline from the 2010 figure of €87,838 billion. The CAC 40 index fell by 9.88% over the same period.

This comparison should be seen in perspective, however, from a methodological standpoint. The EDF holding, which accounts for 57% of the total value of the Agency's portfolio, fell by 35.17% during the period in question. Including the GDF Suez stake also, which fell by 18.48% year on year, these two energy holdings combined account for 80% of the change in the

COMPARATIVE YEAR-ON-YEAR CHANGE IN GOVERNMENT SHAREHOLDING AGENCY PORTFOLIO AND CAC 40 INDEX



Agency's portfolio. The change in the value of the Agency's listed holdings relative to the change in the CAC 40 index chiefly reflects the overall decline in the global utilities sector. A more relevant comparison would be with the EuroStoxx Utilities sector index, which fell 17.33%.

In general, the change in the value of the portfolio conceals a broad diversity of situations, ranging from positive performances in the aerospace/defence sector (Safran, EADS) to pronounced declines in the heavily cyclical sectors (vehicle manufacturing and transport) and the financial sector.

Legal framework governing disposal transactions

Procedures governing the disposal of equity capital holdings are strictly defined

Pursuant to Article 34 of the Constitution, "the law defines rules concerning [...] transfers of ownership in enterprises from the public to the private sector". In application of that provision, three laws lay down the overall legal framework: Act 793 of 2 July 1986, Act 912 of 6 August 1986 and Act 923 of 19 July 1993. The Acts of 2 July 1986 and 19 July 1993 define the scope of the relevant transactions and the Act of 6 August 1986 defines the procedure applicable to those transactions. Some specific laws have also been passed to adapt that general legal framework, taking into account the specific features of certain transactions (e.g. Crédit Agricole mutualisation-privatisation in 1988 or the Air France privatisation Act in 2003).

In substance, the Act of 6 August 1986 contains a Title II applicable in particular to privatisations of firms in which the Government directly owns a majority stake (known as "first-rank" shareholdings) and a Title III applicable to other privatisations, mainly of subsidiaries of publicly-owned enterprises (referred to as "breathing space") and local semi-private enterprises. The procedure under Title II is also applicable to the sale of minority stakes in first-rank companies and to the transfer of government shareholdings in privatized companies to the private sector under Title II, provided that the government directly holds 20% of their capital. Under that threshold, the Ministry of Economy alone has authority, pursuant to the Acts of 1948 and 1949 and in compliance with constitutional principles and rules.

Shareholdings in "first-rank" enterprises are sold according to the following four principles:

- The privatisations of the most important enterprises are first approved by law and then ordered by decree. Other transfers are authorized directly by decree.
- The sale price is decided by the Ministry of Economy and cannot be below the valuation determined by the Holdings and Transfer Committee. For disposals by private treaty, the Ministry for the Economy decides on the buyer or buyers and on the disposal terms, with the assent of the said Committee.
- Natural persons and employees of the enterprise enjoy specific advantages (reserved shares, bonus shares, terms of payment and, for employees, price discounts).
- When there is a need to protect national interests, a "golden share" to which specific rights are attached may be introduced in privatised companies (4).

The Holdings and Transfer Committee (CPT)

The Act of 6 August 1986 (law no. 86-912) established a Privatisation Committee responsible for the valuation of companies to be privatised. Without modifying its composition or remit, decree 88-1054 of 22 November 1988 renamed it the Government Companies Valuation Committee. The Act of 19 July 1993 (law no. 93-923) restored its initial name and reinforced its powers both in valuing assets transferred to the private sector and in determining the terms of the transfers. Decree 98-315 of 27 April 1998 renamed it the Commission des Participations et des Transferts (Holdings and Transfer Committee). In its 2001 study, the Council of State held that this Committee was an independent administrative authority.

Concerning the valuation of transferred assets, the Committee acts to determine the value of enterprises intended for privatisation given on the list appended to the Act of 18 July 1993, of private-sector equity investments in companies in which the Government directly holds more than half of the equity capital and of companies designated as secondary public-sector subsidiaries for disposal (enterprises with over 2,500 employees or revenue in excess of €375 million). Further, if the consideration for the transferred assets is paid for via an exchange of shares or a contribution in kind, the Holdings and Transfer Committee acts in the same conditions to determine the parity or exchange ratio.

The offer or transfer price decided on by the Ministry for the Economy, Finance and Industry cannot be below the Committee's valuation, which is valid one month. The Committee may also be consulted on disposals of secondary public-sector subsidiaries, although this is not mandatory.

Finally, the Ministry for the Economy refers employee shareownership operations and stock-option plans set up in state-owned or semi-public enterprises to the Holdings and Transfer Committee, except in privatisations and acquisitions of minority stakes. In such cases, the Committee has a right to object, which it can exercise on grounds of non-conformity of such operations with the long-term interests of public corporations.

Concerning the transfer procedure, decree no. 1041 of 3 July 1993 broadened this Committee's initial consultative capacity in offering procedures by adding the obligation for the Ministry for the Economy to obtain its assent to the selection of the buyer or buyers in sales by private treaty, as well as on the transfer terms. As originally worded, the Act only provided for a non-binding opinion from the Committee.

The Committee has seven members appointed by decree for a 5-year term, chosen for their economic, financial or legal expertise. Its members are subject to certain constraints designed to ensure their independence, and they are bound to professional secrecy. The following were appointed members of the Holdings and Transfer Committee by decree of 18 September 2008: Mr Bertrand Schneiter, Chairman, Mrs. Perrette Rey, Mr Pierre Achard, Mr Philippe Martin, Mr Daniel Deguen, Mr Jean Serisé and Mr Philippe Rouvillois.

** The capital of Thales includes a golden share, justified on grounds of national defence. The Government also holds a golden share in the new GDF Suez group, justified on grounds of security and continuity of energy supply.*

Main transactions by the Government Shareholding Agency since its inception

	DISPOSALS BY THE GOVERNMENT	MAIN CAPITAL INCREASES AND ACQUISITIONS OF STAKES	MERGERS
2003	■ 8.5% of **Renault** in July ■ Sale of residual stake (15.7%) in **Dassault Systèmes** ■ 18% of **Thomson** in November	■ **France Telecom** in February, March and August (integration of Orange minority interests) ■ Fixed-term subordinated notes (TSDD) and Fixed-term subordinated notes redeemable in shares (TSDDRA) issued by **Alstom** in September-December	
2004	■ Entire stake in **SNI** (74%) in March ■ Disposal of 35% stake in **Snecma** to outside investors in June ■ 10% of **France Télécom** in September ■ 17.7% of **Air France KLM** in December	■ **France Telecom** in March (integration of Wanadoo minority interests) ■ **Alstom** in July ■ **APRR** in November	■ **Air France-KLM** share exchange in May
2005	■ Residual stake in **Bull** in March ■ 6% of **France Télécom** in June ■ **Gaz de France** public share offer in July ■ **EDF** public share offer in November	■ **Sanef** in March ■ **Gaz de France** in July ■ **EDF** in November ■ **France Telecom** in September (refinancing of Amena acquisition)	■ **Snecma-Sagem** merger in May, after the successful public tender offer/share exchange offer by Sagem for Snecma (January-February)
2006	■ Sale of entire stake in Sanef, APRR and ASF ■ Sale of stake in Alstom in April ■ Aéroports de Paris public share offer in June ■ Sale of majority stake in SNCM in June ■ Sale of stake in Sofreavia in December	■ **Aéroports de Paris** in June.	
2007	■ Thalès acquires 25% stake in **DCN** as part of an industrial partnership and the merger of the two groups' naval businesses in France ■ 5% of **France Télécom** in June ■ 2.5% of **EDF** in December ■ 33.34% stake in **Semmaris** (manager of the MIN wholesale food market in Rungis)	■ **Alcatel** Lucent raises its stake in Thales through an asset transfer (transport, security) in January as part of a new industrial partnership	
2008	■ Sale of the Government's entire stake (64.7%) in **Dagris**: 51% to Geocoton (February) and the remainder (13.7%) to AFD (French development agency) (May). ■ Sale of an 8% stake in **Aéroports de Paris** to seal ADP's partnership with Schiphol Group, operator of Amsterdam airport, in December.	■ **France Télévisions** in August ■ **Société de Prise de participation de l'État (SPPE)** in October. ■ **Dexia** in October, via **SPPE** ■ **STX France** in November	■ **GDF Suez** merger in July
2009	■ €6.86 billion Government contribution to **FSI:** • 13.5% of France Telecom • 8% of ADP • 33.34% of STX France (formerly Chantiers de l'Atlantique	■ **RFI** capital increase of €16.9 million in February. ■ Government contribution of €490 million to **FSI** as part of a €1 billion capital increase in February ■ Government subscription to Oceane convertible bonds issued by **Air France-KLM** in June	
2010		■ **Renault** / Daimler: €60 million purchase of treasury shares to seal strategic alliance, in April ■ **Areva:** €900 million capital increase, with the Government contributing €300 million and KIA €600 million, in December	
2011	■ **Adit:** transfer of 66% of the capital to the private sector for €13 million, in February ■ **Thermes nationaux d'Aix-les-Bains:** disposal of entire capital for €3 million, in March	■ **La Poste:** €1.05 billion capital increase, with the Government contributing €466 million and the CDC €584 million, in April	

Government Shareholding Agency staff and resources

As a service with nationwide responsibility, placed under the authority of the Minister for the Economy since 2 February 2011, the Government Shareholding Agency has a staff of around 55. It can also draw on the resources of the general secretariat of the Treasury Directorate General, under a management contract between the Agency and the Treasury Directorate General signed on 16 February 2011.

The total head count of 54 in September 2010 had fallen to 53 in September 2011. Seventeen staff members joined the Agency during this period, representing a turnover of around 30%. Three positions remained vacant in September 2011.

Care is taken to avoid leaving positions vacant wherever possible and to provide for transition periods when staffing changes occur.

Agency staff come from a wide variety of backgrounds and from different ministries (including Finance, Environment[3], Defence, Foreign Affairs, etc.) and the corps d'Etat (Grade 7 civil servants or "Principals", engineers, etc.). The agency also has recourse to contract staff, mainly in the fields of audit and accounting, finance, legal affairs and human resources. The latter assist the sector bureaus in charge of overseeing companies in the portfolio. Given the high degree of responsiveness, technical expertise and deep knowledge of the world of business required, this matrix organisation is a genuine asset in the performance of the Agency's missions.

In addition to its internal operating budget, appropriations are allocated to the Agency to finance intellectual services contracts with investment banks, law firms, audit and consulting firms. These services generally concern the structuring of transactions and their strategic, legal and financial implications, as well as valuations. The Government hires consultants in accordance with the relevant legal framework and, wherever possible, by competitive bidding among contractors. In addition to financial considerations, the Government pays particular attention to fundamental compliance with rules on confidentiality and conflicts of interest.

These appropriations are not large in relation to the size of the portfolio managed by the Agency. However, they allow it to deal with companies deemed strategically important by the Government and that necessitate the Agency's expertise, even if the entities concerned do not systematically come within its purview, strictly speaking. Given the increasing complexity of the economic, legal and financial environment in which enterprises operate, the Agency needs increasingly to rely on consultants in the performance of its work.

3 - Full name: Ministry of Ecology, Sustainable Development, Transport and Housing.

The Government Shareholding Agency's Resources

Human resources	sept. 2004	sept. 2005	sept. 2006	sept. 2007	sept. 2008	sept. 2009	Sept. 2010	Sept. 2011
Managerial	43	43	38	35	31	36	35	36
Non-managerial	19	18	19	18	18	17	18	17
Total workforce	*62*	*61*	*57*	*53*	*49*	*53*	*53*	*53*
Current recruitment					6	3	1	3
Former shareholding department staff	32	20	14	9	4	3	3	2
Contract employees	11	12	12	9	9	9	7	8
Average age (yrs.)	39	38	39	38	39	40	41	41
Male employees	36	35	33	29	23	31	30	28
Female employees	26	27	24	24	26	22	23	25
Financial resources *(in € million)*	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Wages and salaries (gross)	3,5	3,6	3,6	3,3	3	3,5	3,7	3,7
Consultancy appropriations (new commitments)	4,0	4,3	4,3	4,5	5,7	7	5,8	5,7
Operations and administration	0,8	0,5	0,4	0,4	0,4	0,4	0,4	0,4
Total	**8,3**	**8,4**	**8,3**	**8,2**	**9,1**	**10,9**	**9,9**	**9,8**

These figures do not include the Agency's installation and operating costs, estimated at an average €0.3 million per year, which are pooled among the departments of the Ministry for the Economy, Finance and Industry.

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