Base Prospectus dated 27 November 2013

THIS DOCUMENT IS A FREE TRANSLATION OF THE FRENCH LANGUAGE "PROSPECTUS DE BASE" DATED 27 NOVEMBER 2013 PREPARED BY THE POLYNÉSIE FRANÇAISE. IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED IN THESE DOCUMENTS, THE RELEVANT STATEMENTS OR ITEMS OF THE FRENCH LANGUAGE "PROSPECTUS DE BASE" SHALL PREVAIL.

Polynésie Française

Euro Medium Term Note Programme
Euro 200,000,000

The *Polynésie Française* (the **Issuer** or the **Polynésie Française**) may, at any time, under the Euro Medium Term Note Programme (the **Programme**) which is subject to the present base prospectus (the **Base Prospectus**) and in compliance with applicable legislations, regulations and directives, issue debt notes (the **Notes**). The aggregate nominal amount of Notes outstanding shall not, at any time, exceed Euro 200,000,000 (or the equivalent of such amount in any other currency, determined on the issue date).

Application may, under certain circumstances be made for Notes to be admitted to trading on Euronext Paris (**Euronext Paris**). Euronext Paris is a regulated market as defined in Directive 2004/39/EC dated 21 April 2004 as amended (a **Regulated Market**). Notes may also be admitted to trading on another Regulated Market of a member state of the European Economic Area (**EEA**) or on a non-regulated market or not admitted to trading on any market. The final terms prepared for an issue of Notes (the **Final Terms)**, based on the form set out in the Base Prospectus, shall specify whether or not such Notes shall be admitted to trading on a regulated market and shall list, if applicable, the relevant Regulated Market(s). The Notes admitted to trading on a Regulated Market shall have a nominal amount, specified in the Final Terms, greater or equal to euro 100,000 (or its equivalent in any other currency) or any other greater amount which could be authorised or requested by any relevant competent authority or any applicable legislation or regulation. This Base Prospectus has been submitted for the approval of the *Autorité des marchés financiers* (**AMF**) which has granted it visa No. 13-639 on 27 November 2013.

The Notes may be issued in dematerialised form (**Dematerialised Notes**) or materialised form (**Materialised Notes**), as more fully described in the Base Prospectus. Dematerialised Notes will be entered in an account in accordance with Articles L. 211-3 and *seq.* of the French Financial and Monetary Code (*Code monétaire et financier*). No physical document of title shall be issued in respect of Dematerialised Notes.

Dematerialised Notes may be issued, at the option of the Issuer, either (a) in bearer form, inscribed on their date of issue in the books of Euroclear France (acting as central depositary), which shall credit the accounts of the Account Holders (as defined in "Terms of the Notes - Form, denomination, title, redenomination and consolidation") including Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or (b) in registered form and, in such case, at the option of the relevant Noteholder (as defined in "Terms of the Notes - Form, denomination, title, redenomination and consolidation"), either in pure registered form (*au nominatif pur*), in which case they shall be entered in an account maintained by the Issuer or any registration agent (as specified in the applicable Final Terms) on behalf of the Issuer, or in administered registered form (*au nominatif administré*), in which case they shall be entered in the accounts of the Account Holder nominated by the relevant Noteholder.

Materialised Notes shall be issued in bearer form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (**Temporary Global Certificate**) shall be issued initially in respect of the Materialised Notes. Such Temporary Global Certificate shall subsequently be exchanged for Materialised Notes represented by physical notes (**Physical Notes**) together with, if applicable, interest coupons, on a date falling at the earliest approximately 40 days after the issue date of the Notes (unless postponed, as described in the section "Temporary Global Certificates in respect of Materialised Notes") upon certification that the Notes are not being held by U.S. Persons in accordance with U.S. Treasury regulations, as more fully described in the Base Prospectus. The Temporary Global Certificates shall be deposited (a) in the case of a Tranche (as defined in the section "General Description of the Programme") intended to be cleared through Euroclear and/or Clearstream, Luxembourg, on the issue date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg or delivered outside any clearing system, in the manner agreed between the Issuer and the relevant Dealer (as defined below).
The Issuer has been attributed a BB+ rating by Standard & Poor's Credit Market Services France S.A.S. ("**S&P**"), dated 15 November 2013. The Programme has been attributed a BB+ rating by S&P. Notes issued under the Programme may or may not be attributed a rating. The rating attributed to the Notes, if any, shall be specified in the applicable Final Terms. The rating of the Notes may not necessarily be the same as that of the

Programme. A rating is not a recommendation to buy, sell or hold Notes and may be suspended, amended or withdrawn at any time by the relevant rating agency. On the date of the Base Prospectus, Standard & Poor's Credit Market Services France S.A.S. is a rating agency established in the European Union and registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and Council of 16 September 2009 relating to credit rating agencies as amended (the **ANC Regulation**) and is included on the list of rating agencies published on the European Financial Markets Authority website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the ANC Regulation.

Investors should be aware of the risks described in the section "Risk factors" before making any decision to invest in Notes issued under this Programme.

The Base Prospectus, any supplement thereto and, so long as any Notes are admitted to trading on a Regulated Market in accordance with directive 2003/71/CE as amended by directive 2010/73/EU (the **Prospectus Directive**), the applicable Final Terms shall be published on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.presidence.pf et www.lexpol.pf) and shall be available for inspection and obtaining copies, free of charge, during normal office hours, on any day (except on Saturdays, Sundays and public holidays) at the offices of the Fiscal Agent or the Paying Agents.

Arranger

HSBC

Dealers

CRÉDIT AGRICOLE CIB **HSBC** **NATIXIS**

SOCIETE GENERALE CORPORATE AND INVESTMENT BANKING

This Base Prospectus (together with any supplement thereto) constitutes a base prospectus for the purposes of Article 5.4 of Prospectus Directive containing all relevant information on the Issuer to enable investors to make an informed assessment of the assets, business, financial position, results and prospects of the Issuer as well as of the rights attached to the Notes. Each Tranche (as defined in "General Description of the Programme") of Notes shall be issued in accordance with the provisions set forth in the "Terms of the Notes" of this Base Prospectus, as completed by the provisions of the applicable Final Terms agreed between the Issuer and the relevant Dealers (as defined in "General Description of the Programme") at the time of issue of such Tranche. The Base Prospectus (together with any supplement thereto) combined with the Final Terms shall constitute a prospectus for the purposes of Article 5.1 of the Prospectus Directive.

The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Base Prospectus is, to its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility for the information contained in it.

In connection with the issue or sale of any Notes, no person has been authorised to provide any information or make any representation other than as set forth in this Base Prospectus. Otherwise, no such information or representation may be treated as having been authorised by the Issuer, the Arranger or any of the Dealers. Neither the delivery of this Base Prospectus nor any sale made on the basis of this document shall imply that there has been no adverse change in the situation, in particular the financial situation, of the Issuer since the date of this document or since the date of the most recent supplement to this prospectus, or that any other information provided in connection with this Programme is accurate on any date subsequent to the date on which it was provided or, if different, the date indicated on the document containing such information.

The distribution of this Base Prospectus and the offering or sale of any Notes may be restricted by law in certain countries. Neither the Issuer nor the Dealers give any warranty that this Base Prospectus shall be distributed in accordance with the law, or that the Notes shall be offered in accordance with the law, in compliance with any applicable registration or any other requirement in any jurisdiction or pursuant to any available exemption and they shall not be held liable for having facilitated any such distribution or offering. In particular, neither the Issuer nor the Dealers have taken any action with a view to distributing this Base Prospectus in any jurisdiction where action for such purpose is required. Accordingly, Notes may not be offered or sold, directly or indirectly, and neither this Base Prospectus nor any other material offering may be distributed or published in any jurisdiction, except in compliance with all applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may fall must inform themselves about and comply with such restrictions concerning the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offering and sale of Notes in the United States of America, Japan and the European Economic Area (notably in France, Italy and the United Kingdom).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or with any securities regulatory authority in any state or other jurisdiction of the United States of America and the Notes may include Materialised Notes in bearer form subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Materialised Notes in bearer form, delivered in the United States of America or to, or on behalf of or for the benefit of, U.S. Persons as defined in Regulation S of the US Securities Act ("Regulation S") or, in the case of certain Materialised Notes in bearer form, in the U.S. Internal Revenue Code of 1986, as amended (U.S. Internal Revenue Code of 1986) and regulations thereunder. Notes shall be offered and sold outside the United States of America to non-US Persons in accordance with Regulation S.

The section "Subscription and Sale" of this Base Prospectus contains a description of certain restrictions applicable to the offering, sale and transfer of Notes and distribution of this Base Prospectus.

This Base Prospectus constitutes neither an invitation nor an offer by or on behalf of the Issuer, the Dealers or the Arranger to subscribe for or purchase Notes.

Neither the Dealers nor the Issuer makes any representation to any prospective investor in the Notes as to the lawfulness of their investment under applicable laws. Any prospective investor in the Notes must be capable of assuming the economic risks that its investment in the Notes implies for an unlimited period of time.

Neither the Arranger nor any of the Dealers has verified the information contained in this Base Prospectus. Neither the Arranger nor any of the Dealers makes any express or implied representation, or accepts any liability, as to the accuracy or completeness of any information contained in this Base Prospectus. The Base Prospectus is not intended to provide the basis of any credit or other evaluation and must not be treated as a recommendation by the Issuer, the Arranger or any of the Dealers to any recipients of this Base Prospectus to buy Notes. Each prospective investor in Notes must make his own assessment of the relevance of the information contained in this Base Prospectus and his decision to purchase Notes must be based on such research as he considers necessary. Neither the Arranger nor any of the Dealers undertake to review the financial situation or affairs of the Issuer during the life of this Base Prospectus, nor undertake to pass on to any investor or prospective investor any information of which they become aware.

In connection with the issue of each Tranche, one of the Dealers may act as stabilisation manager (the "Stabilisation Manager"). The entity acting as Stabilisation Manager shall be specified in the applicable Final Terms. For the purposes of an issue, the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or take action with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail in the absence of such action. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake such Stabilisation Measures. Such Stabilisation Measures may only commence after the date on which the final terms of the issue have been made public and, once commenced, may be terminated at any time and must end no later than the earlier of the following two dates: (a) 30 days after the issue date of the relevant Tranche and (b) 60 days after the date of allotment of the Notes of the relevant Tranche. Any Stabilisation Measures taken must comply with all applicable laws and regulations.

In this Base Prospectus, unless otherwise provided or the context requires otherwise, any reference to "€", "Euro", "EUR" and "euro" refers to the lawful currency in the Member States of the European Union that have adopted the single currency introduced in accordance with the Treaty establishing the European Economic Community.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following general description must be read with all the information setup in this Base Prospectus. The Notes shall be issued pursuant to the terms agreed between the Issuer and the relevant Dealer(s) and shall be governed by the Terms specified in pages 21 to 47 of the Base Prospectus.

Terms and expressions defined in the section "Terms of the Notes" hereafter shall have the same meaning in this general description of the programme.

Issuer:	The Polynésie Française.
Description of the Programme:	Euro Medium Term Note Programme (the **Programme**). The Notes will constitute *obligations* under French Law.
Arranger:	HSBC France.
Dealers:	Crédit Agricole Corporate and Investment Bank HSBC France Natixis Société Générale The Issuer may, at any time, revoke any Dealer under the Programme, or appoint supplement Dealers either for one or several Tranches, or for the Programme as a whole. Any reference made in this Base Prospectus to the **Permanent Dealers** refers to persons named above as Dealers and to any other person who would have been appointed as a Dealer for the Programme as a whole (and who would have not been revoked) and any reference made to Dealers refers to any Permanent Dealer and any other person named as Dealer for one or several Tranches.
Fiscal Agent and Principal Paying Agent:	BNP Paribas Securities Services.
Calculation Agent:	Unless otherwise stipulated in the applicable Final Terms, BNP Paribas Securities Services.
Maximum Amount of the Programme:	The aggregate nominal amount of the Notes outstanding shall not, at any time, exceed euros 200,000,000 (or the equivalent of this amount in any other currency, calculated at the issue date).
Issuance method:	The Notes shall be issued under syndicated or non-syndicated issues. The Notes shall be issued by series (each a **Series**), at same or different issue dates, and shall be governed (except for the first interest payment) by identical terms, the Notes of each Series being fungible amongst themselves. Each Series may be issued by tranches (each a **Tranche**), having same or different issue dates. The specific terms of each Tranche shall be set up in the applicable final terms (the **Final Terms**) supplementing this Base Prospectus.

Maturities:	Subject to compliance with all applicable legislations, regulations and directives, the Notes shall have a minimum maturity of one month and a maximum maturity of 30 years from the initial issue date as specified in the applicable Final Terms.
Currencies:	Subject to compliance with all applicable legislations, regulations and directives, the Notes may be issued in euros and in any other currency which would be agreed by the Issuer and the relevant Dealer(s).
Denomination(s):	The Notes shall have the denomination(s) specified in the applicable Final Terms (the **Specified Denomination(s)**). The Dematerialised Notes shall be issued in one Specified Denomination only. Notes admitted to trading on a regulated market shall have a unique denomination greater than or equal to euros 100,000 (or the equivalent of this amount in other currencies) or to any other greater amount which could be authorised or required by the relevant competent authority or by any legislation or regulation applicable to the Specified Currency.
Status of the Notes:	The Notes and, if any, related Receipts and Coupons constitute direct, unconditional, non-subordinated and (subject to the following paragraph) non-guaranteed obligations of the Issuer which rank *pari passu* amongst themselves and (subject to mandatory exceptions under French Law) *pari passu* with any other present or future, non-subordinated and non-guaranteed obligation of the Issuer.
Negative pledge:	As long as the Notes or, if any, Receipts or Coupons linked to the Notes will remain outstanding, the Issuer will not grant or permit to subsist any mortgage, pledge, lien or any other security interest upon any of its assets or revenues, present or future, in order to secure any present or future indebtedness, represented by bonds, securities or other negotiable instruments admitted to trading with a maturity greater than a year and which are (or are able to be) admitted to trading on any market, unless the obligations of the Issuer under the Notes and, if any, Receipts and Coupons, do not benefit from an equivalent and *pari passu* security interest.
Events of Default:	The terms of the Notes set up events of default, as described further in paragraph "Terms of the Notes – Events of default".
Redemption Amount:	Unless events of default or redemption and cancellation, the Notes shall be redeemed at the Maturity Date specified in the applicable Final Terms and at the Final Redemption Amount.
Optional Redemption:	The Final Terms prepared for each issue of Notes will indicate if whether or not they may be redeemed at the option of the Issuer (as a whole or in part) and/or at the option of the Noteholders before their expected maturity date, and if they may be, the terms applicable to such redemption.
Anticipated Redemption:	Subject to provisions of paragraph "Optional Redemption" above, the Notes shall only be redeemed with anticipation at the option of the Issuer for tax reasons.

Withholding tax: All payments of principal, interest or other amounts linked to the Notes by or on behalf of the Issuer in respect of the Notes shall be made without any withholding or deduction for any taxes or duties of whatever nature imposed, levied or collected by or on behalf of the Polynésie Française or the French Republic or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If the legislation of the Polynésie Française or the French Republic should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to withholding or deduction with respect to any taxes or duties whatsoever, present or future, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holders of Notes, Receipt and Coupons receive the full amount that would have been payable in the absence of such withholding or deduction; subject to certain exceptions described further in section "Terms of the Notes - Taxation" of this Base Prospectus.

Interests Periods and Rates: For each Series, the duration of interest periods of the Notes, the applicable interest rate and its calculation method may vary or stay the same, as the case may be. The Notes may have a maximum interest rate, a minimum interest rate or both at the same time. The Notes may bear interest at different rates during the same interest period through the use of accrual interest periods. All this information will figure in the applicable Final Terms.

Fixed Rate Notes: Fixed interests will be payable in arrear at the date(s) for each period indicated in the applicable Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest at the determined rate for each Series as follows :

(a) on the same basis than the floating rate indicated in the relevant applicable Final Terms to a notional interest rate exchange transaction in the relevant Specified Currency, pursuant to the *Fédération Bancaire Française* (the **FBF**) Master Agreement dated 2007 relating to transactions on forward financial instruments supplemented by the Technical Schedules published by the FBF, or

(b) by reference to EURIBOR (or TIBEUR in French), EONIA (or TEMPE in French), or LIBOR,

in each case, as adjusted according to margins eventually applicable and paid at the dates indicated in the applicable Final Terms.

Zero Coupon Notes: Zero Coupon Notes may be issued at par or below the par and will not pay interests.

Redenomination: Notes denominated in a currency of any Member States of EU which participate to the unique currency of the Economic and Monetary Union may be redenominated in euros, as more fully described in paragraph

"Terms of the Notes – Form, denomination, title, redenomination and consolidation".

Consolidation:	Notes of one Series may be consolidated with Notes of another Series, as more fully described in paragraph "Terms of the Notes – Form, denomination, title, redenomination and consolidation".
Form of the Notes:	The Notes may be issued either in dematerialised form (**Dematerialised Notes**) or in materialised form (**Materialised Notes**). Dematerialised Notes may be, at the option of the Issuer, issued in bearer form (*au porteur*) or in registered form (*au nominatif*) and, in such case, at the option of the relevant Noteholder, either in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*). No document materialising the title of the Notes will be issued. Materialised Notes will only be in bearer form. A Temporary Global Certificate in respect of each Tranche of Materialised Notes will be initially issued. Materialised Notes may only be issued outside France.
Governing Law:	French law. Any dispute relating to the Notes, Coupons or Receipts shall be submitted to the competent court under jurisdiction of the Paris Court of Appeal (subject to mandatory provisions related to territorial jurisdiction of French courts). No attachment proceedings under private law can be taken and no seize proceedings can be implemented against the assets or properties of the Issuer as a legal person governed by public law.
Clearing systems:	Euroclear France as a central depositary in relation to the Dematerialised Notes and, in relation to the Materialised Notes, Clearstream Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer. Notes admitted to trading on Euronext Paris will be cleared by Euroclear France.
Initial Delivery of Dematerialised Notes:	The accounting letter (*lettre comptable*) relating to each Tranche of Dematerialised Notes shall be delivered to Euroclear France, acting as central depositary, one Paris business day before the issue date of such Tranche.
Initial Delivery of Materialised Notes:	At least at the issue date of each Tranche of Dematerialised Notes, the Temporary Global Certificate relating to such Tranche shall be delivered to a common depositary for Euroclear and Clearstream Luxembourg, or to any other clearing system, or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s).
Issue Price:	The Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Admission to Trading:	On Euronext Paris and/or on any other Regulated Market of the European Economic Area (**EEA**) and/or on a non-regulated market which may be indicated on the applicable Final Terms. The applicable Final Terms may

	specify that a Series of Notes shall not be admitted to trading.
Rating:	The Programme has been granted a BB+ rating by Standard & Poor's Credit Market Services S.A.S. (**S&P**). Notes issued under the Programme may be rated or not. The rating of the Notes, if any, shall be specified in the applicable Final Terms. The rating of the Notes may not necessarily be the same as that of the Programme. A rating is not a recommendation to buy, sell or hold Notes and may be suspended, amended or withdrawn at any time by the relevant rating agency. At the date of the Base Prospectus, Standard & Poor's Credit Market Services S.A.S. is established in the European Union and registered pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and the Council dated 16 September 2006 on credit rating agencies, as amended (the **CRA Regulation**) and is included on the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.
Selling restrictions:	There are restrictions relating to the sale of Notes and the distribution of the offering materials in different jurisdictions. The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended. Materialised Notes shall be issued pursuant to Section (U.S. Treas. Reg.) §1.163-5(c)(2)(i)(D) of the U.S. Treasury Regulations (**D Rules**) unless (a) the applicable Final Terms provide that such Materialised Notes are issued pursuant to Section (U.S. Treas. Reg.) §1.163-5(c)(2)(i)(C) of the U.S. Treasury regulations (**C Rules**), or (b) the Materialised Notes are not issued pursuant to C Rules or D Rules, but under such conditions that these Materialised Notes shall not constitute "registration required obligations" by the United States Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), in such case the applicable Final Terms shall indicate that the transaction is outside the scope of the TEFRA rules. The TEFRA rules do not apply to Dematerialised Notes.

RISK FACTORS

The Issuer believes that the factors described below are material to any decision whether or not to invest in the Notes and/or may affect its ability to fulfil its obligations to investors under the Notes. Those risks are unpredictable and the Issuer cannot comment on their potential occurrence.

The Issuer believes that the risk factors described below represent the main risks associated with Notes issued under the Programme, but they are not however exhaustive. The risks described below are not the only risks to which an investor in the Notes is exposed. Other risks and uncertainties, unknown to the Issuer at today's date or which it does not consider as at the date of this Base Prospectus to be material, may have a material impact on the risks associated with an investment in the Notes. Prospective investors should also read the detailed information appearing elsewhere in this Base Prospectus and form their own opinion before taking any investment decision. In particular, investors must make their own assessment of the risks associated with the Notes before investing in the Notes and must seek advice from their own tax, financial and legal advisers on the risks associated with an investment in a given Series of Notes and the suitability of an investment in the Notes in light of their own specific circumstances.

The Issuer believes that the Notes should only be purchased by investors who are (or act on the advice of) financial institutions or other professional investors who are able to assess the specific risks associated with an investment in the Notes.

Any reference below to an Article refers to the corresponding Article number in the "Terms of the Notes" section.

1. RISK FACTORS RELATING TO THE ISSUER AND ITS ACTIVITIES

1.1 Legal risks relating to enforcement proceedings

The Issuer, an overseas authority, is not exposed to the legal risks of general law enforcement proceedings. As a legal entity under public law, the Issuer is not subject to private law enforcement proceedings and its properties cannot be seized.

1.2 Industrial and environmental risks

The Polynésie Française, in its capacity as an overseas authority is not exposed to industrial or environmental risks.

1.3 Risks relating to the Polynésie Française's assets, activities and operations

The Polynésie Française's asset risks are relating to all potential physical damage, disaster, destruction or loss that may occur to any of its movable or immovable assets in particular as a result of natural disasters, fire or vandalism.

Furthermore, the Polynésie Française's activities and operations may present certain risks in particular relating to property damage, caused by its fleet vehicles in particular, or by the acts of its officers and elected officials.

All of such risks are covered by insurance subscribed through public procurement procedures.

1.4 Financial risks

The legal framework applicable to the authority's borrowings mitigates the risk of insolvency.

Firstly, the authority ensures strict application of the following two principles:

- borrowings must be used exclusively to finance capital investment;
- repayment of principal must be covered in full by own funds.

The authority may raise finance by bank borrowings or bond debt provided that the following procedure is complied with:

- the Assembly of the Polynésie Française must have granted budgetary approval to the government to incur borrowings up to a maximum annual amount;

- the Council of ministers must have authorised, subject to the limits set by the Assembly, one of its ministers (generally the Finance Minister) to negotiate and enter into such borrowings.

There are no particular restrictions as to the type of borrowings that may be entered into.

Furthermore, according to the provisions of Articles 144 – I and 185-1 and *seq*. of the organic law n° 2004-192 of 27 February 2004 concerning the autonomous status of the Polynésie Française and, by analogy, Articles L.4321-1, L.1612-15 and L.1612-16 of the French General Local Authorities Code (*Code général des collectivités territoriales*) applicable to regions in mainland France, interest payments and principal repayments on debt constitute mandatory expenses for the authority.

Accordingly, such expenditure must mandatorily be entered in the authority's budget. Failing which, the law provides for a procedure enabling the High Commissioner of the Republic (*Haut-commissaire de la République*), on the advice of the Territorial Audit Office (*Chambre territoriale des comptes*), to enter such expenditure in the authority's budget. Furthermore, if a mandatory expense is not duly ordered, the law also provides for a procedure enabling the *Haut-commissaire* to order such payment to be made automatically.

Also, in order to ensure sufficient budgetary funding to repay bond debt, the authority each year enters as a provision a linear percentage of the nominal amount to be redeemed, to signify recognition of this mandatory expense, pending final redemption at maturity.

Finally, if the budget has not entered into full effect prior to 1st January of the financial year to which it applies, the President of the government, authorising officer of the budget, may order payment in respect of interest and public debt repayment expenditure, pending the final vote on the budget.

However, entry in the budget and ordering of mandatory expenses by the authority as a result of a final and non-appealable court decision are governed by Article 1 of the law n°80-539 dated 16 July 1980 and Articles L.911-1 and *seq*. of the French Administrative Justice Code (C*ode de justice administrative*).

It should be noted that no failure or delay in honouring scheduled debt repayments has occurred, the payment of such expenditure being a priority.

The mandatory nature of debt repayment gives lenders a high level of legal protection.

1.5 Risks relating to derivative products

The authority only uses financial contracts (derivative products such as swaps, caps, tunnels…) for the purpose of hedging against interest or exchange rate risk and does not enter into any speculative transactions.

The authority is pursuing its structured debt reduction programme, structured debt now representing only 7.92% of its outstanding debt as at 1st September 2013.

Finally the authority has no exposure to foreign exchange risk, all borrowings having been contracted either in Euros or in Pacific Francs (1€ = 119.331742243 FCP).

1.6 Risk relating to changes in sources of funds

Investors are exposed to the Polynésie Française credit risk, due to the risk of a downturn in the economic situation, and in particular a fall in consumer spending as a result of the global financial crisis, which was particularly evident between 2008 and 2012, resulting in a decrease in tax revenue which is the Polynésie Française's principal source of expenditure financing.

The Polynésie Française, however, benefits from significant financial support from the French Republic through the following measures:

- the global autonomy endowment established by Article 168 of the 2011 finance law n° 2010-1657 dated 29 December 2010 (€90.7 million in 2013). This amount varies in a similar manner to the global operating endowment referred to in Article L. 1613-1 of the French *Code général des collectivités territoriales*;

- the convention n° HC 56-07 of 4 April 2007 concerning education (€15.5 million in 2013) which finances the operating, equipment, maintenance and security expenditure of secondary educational establishments;

- the convention n° 41-03 of 10 April 2003 concerning relations between the State and the Polynésie Française (€1.3 million in 2013), for the development of promotional, entertainment and training activities in the youth and sports sectors. This convention expires in 2013, but a draft convention for the following few years is under negotiation;

- Article 1609 *quatervicies* of the French General Tax Code (*Code général des impôts*) which provides for a rebate to the Polynésie Française of the airport tax and applicable surcharges collected by the State in respect of airport security (estimated at €5.4 million for 2013).

In addition, to support the authority's capital spending, two principal measures have been entered into with the State:

- the projects contract (2008-2013) intended to provide the Polynésie Française with structural equipment for an amount of €399 million excluding taxes. This is based around the following eight themes: "Social housing" (42%), "Health" (9%), "Survival shelters" (13%), "Environment" (28.2%), "Higher education and research" (2%), "Primary school building" (5.5%), "Nautical tourism" (0.3%) and "Family budget survey" (1%).

- the third financial instrument ("3IF") represents €70.6 million of annually programmed projects in the roads, maritime, air and sea-defenses sectors, of which 80% of their amount (excluding taxes) is financed by the State, namely €51.3 million per year.

Occasionally, the State may offer support in particular by paying adjustment endowments if there has been a significant and exceptional fall in tax revenue. The Polynésie Française may also use extraordinary non-tax revenue and arbitrage adjustments of expenditure to offset any deterioration in the authority's accounts.

1.7 Off-balance sheet risks

With regard to off-balance sheet risks, in particular debt guaranteed by the authority, a guarantee provision is set aside the purpose of which is to ensure sufficient budgetary funding in the event that a guarantee granted by the authority is called upon. This guarantee provision represents at least 2% of the outstanding guaranteed amount and is formed in accordance with the provisions of Article 45 of the national law n°2009-15 dated 24 August 2009 setting forth the conditions and criteria for allocation of financial subsidies and granting of loan guarantees to legal entities other than *communes*. This provision, if not utilised, may be reversed once the guaranteed loans have been repaid in full.

The amount of debt guaranteed by the Polynésie Française represents 7.25% of actual operating revenue, as at 1st January 2013. 62.5% of the guaranteed debt relates to the social sector for construction of social housing by the public entity *Office Polynésien de l'Habitat* ("OPH") and 32% relates to the transport sector in respect of two loans entered into by SEM Air Tahiti Nui. Up to the present day, no calls have been made on the authority's guarantee.

As at the end of 2013, the guarantee provision will cover 43.9% of guaranteed debt, which is a funded provision of €24.807 million.

Furthermore, granting of guarantees by the Polynésie Française is on the decrease given that other sources are available to companies to guarantee their borrowings.

2. RISKS RELATING TO THE NOTES

2.1 General Market Risks

The debt instruments market may be volatile and adversely affected by events

The securities market is affected by economic and market conditions and, to varying degrees, by interest rates, exchange rates and inflation in other European and industrialised countries. No assurance can be given that events in France, Europe or elsewhere will not cause market volatility or that such market volatility will not adversely affect the value of the Notes or that economic and market conditions will not have other adverse effects.

An active market in the Notes may not develop or be sustained

No assurance can be given that an active market in the Notes will develop or that, if such market does develop, that it will be sustained or offer sufficient liquidity. If an active market in the Notes does not develop or is not sustained, the market value or price and liquidity of the Notes may be adversely affected. Therefore, investors may not be in a position to easily sell their Notes or to sell them at a price offering a return comparable to similar products for which an active market has developed.

The Issuer has the right to purchase Notes, on the terms set forth in Article 5.7, and the Issuer may issue new Notes, on the terms set forth in Article 13. Such actions may favourably or adversely affect the value of the Notes. If additional or competing products are brought on to the markets, this may adversely affect the value of the Notes.

Exchange rate and exchange control risks

The Issuer pays the principal and interest on the Notes in the currency specified in the applicable Final Terms (the **Specified Currency**). This presents certain currency conversion risks if the investor's financial activities are principally conducted in a different currency or monetary unit (the

Investor's Currency) than the Specified Currency. Such risks include the risk that exchange rates may fluctuate significantly (including fluctuations due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that the authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An increase in the value of the Investor's Currency compared to the Specified Currency would reduce (i) the equivalent yield of the Notes in the Investor's Currency, (ii) the equivalent value in the Investor's Currency of the principal payable on the Notes and (iii) the equivalent market value in the Investor's Currency of the Notes.

The government and the monetary authorities may impose (as has happened in the past) exchange control measures that may adversely affect exchange rates. Accordingly, investors may receive an amount in principal or interest less than expected, or even receive neither interest nor principal.

Risks related to rating

The Programme has been rated BB+ by S&P. Independent credit rating agencies may assign a rating to Notes issued under this Programme. Such rating does not reflect the potential impact of the risk factors described in this section and all other risk factors that may affect the value of the Notes issued under this Programme. A rating does not constitute a recommendation to buy, sell or hold Notes and may be revised or withdrawn at any time by the rating agency.

2.2 General risks related to the Notes

The Notes may not be an appropriate investment for all investors

An investment in the Notes may not be appropriate for all investors. Such instruments may be acquired as a way to reduce risk or enhance yield with an understood, measured and appropriate additional risk to their overall investment portfolio. A prospective investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of its financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

Each prospective investor must determine, based on his own assessment and with the assistance of any adviser he may consider appropriate in the circumstances, the suitability of an investment in the Notes in light of his personal circumstances. In particular, each prospective investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement and in the applicable Final Terms;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and attitude to risk, an investment in the relevant Notes and the impact such the Notes might have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant reference rates and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

The Notes may be redeemed prior to maturity

If, at the time of redemption of principal or payment of interest, the Issuer is obliged to pay Additional Amounts in accordance with Article 7.2, it may reimburse the Notes in full at the Early Redemption Amount together with, unless provided otherwise in the applicable Final Terms, all interest accrued until the relevant redemption date.

Similarly, if it becomes unlawful for the Issuer to fulfil or comply with its obligations under the Notes, the Issuer may, in accordance with Article 5.9, redeem the Notes, in full but not in part only, at the Early Redemption Amount together with all interest accrued until the relevant redemption date.

Any early redemption option available to the Issuer, specified in the Final Terms of an issue of Notes may result in the Noteholders receiving a return considerably below their expectations

The Final Terms of an issue of Notes may include an early redemption option for the Issuer. In such case, the yield at the time of redemption may be lower than expected and the value of the amount redeemed may be less than the purchase price of the Notes paid by the Noteholder. Consequently, part of the capital invested by Noteholders in the Notes may be lost, resulting in the Noteholder receiving less than the full amount of capital invested. Furthermore, in the event of early redemption, investors who decide to reinvest the funds they receive may only be able to reinvest in securities that offer lower returns than the redeemed Notes.

Risks related to the optional redemption by the Issuer

The market value of the Notes may be affected by the optional redemption of the Notes at the option of the Issuer. During the periods where the Issuer can exercise such redemptions, in general, this market value does not substantially increase above the price at which the Notes may be redeemed. This can also be the case before any redemption period.

It can be expected that the Issuer redeems the Notes when its borrowing costs is lower than the interest rate of the Notes. In such case, an investor will not, generally, reinvest the proceeds of the redemption to an actual interest rate as high as the interest rate of the redeemed Notes and could only invest in Notes that offer a significantly lower yield. Prospective investors must also take into account the risk linked to the reinvestment in the light of other available investments at the time of the investment.

Amendment of the Terms of the Notes

Noteholders will be grouped for the defence of their common interests in a Masse (as defined in Article 10 of the Terms of the Notes "Representation of Noteholders") and may hold general meetings of Noteholders. The Terms of the Notes provide that in certain cases Noteholders, not present or represented at a general meeting, may be bound by resolutions voted by Noteholders who were present or represented, even if they disagree with the decision.

The general meeting of Noteholders may, subject to the provisions of Article 10 of the Terms of the Notes "Representation of Noteholders", deliberate on any proposal relating to the modification of the Terms of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights that are in dispute or the subject of judicial decision.

Change of law

The Terms of the Notes are governed by French law as of the date of this Base Prospectus. No assurance can be given as to the consequences of any judicial decision or any change of French law or regulation subsequent to the date of this Base Prospectus.

Taxation

Prospective purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or in other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions on the tax treatment of securities such as the Notes are available.

Prospective investors are advised not to rely upon the tax summary contained in this Base Prospectus but to ask for their own tax adviser's advice based on their individual situation with respect to the acquisition, holding, proceeds, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of a prospective investor.

These considerations relating to investment in the Notes should be read in connection with the "Taxation" section of this Base Prospectus.

European Directive on the taxation of savings income

The directive on the taxation of savings income in the form of interest payments (2003/48/EC) adopted by the Council of the European Union on 3 June 2003 (the **Savings Directive**) requires each Member State to provide to the tax authorities of another Member State detailed information on all payments of interest or similar income as defined in the Savings Directive made by any paying agent in its jurisdiction to any physical person resident in such other Member State, or to certain limited kinds of entity established in such other Member State. However, during a transitional period, Luxembourg and Austria are instead obliged to implement a withholding tax system concerning such payments (such transitional period is expected to end on the signing of certain other accords relating to the exchange of information with various other countries). In April 2013, the government of Luxembourg announced its intention to abolish the withholding tax system as from 1st January 2015 and to implement the exchange of information specified in the Savings Directive. Several countries and territories outside the EU, including Switzerland, have adopted similar measures (a withholding tax system in the case of Switzerland). The current withholding tax rate applicable to such payments is 35%.

The European Commission has proposed various amendments to the Savings Directive which, if adopted, may amend or widen the scope of the requirements described above.

If a payment in respect of the Notes is made or collected through a Member State which has opted for the withholding tax system and if such payment is subject to any levy or withholding by virtue of any tax or duty, present or future, neither the Issuer, nor any paying agent, nor any other person shall be obliged to pay any additional amounts in respect of the Notes as a result of the imposition of such tax or withholding. The Issuer must appoint and maintain a Paying Agent in a Member State in which it is not obliged to make such withholding.

Loss of investment in the Notes

The Issuer reserves the right to purchase Notes, at any price, on the stock exchange or otherwise, in accordance with applicable regulations. Although this does not impact on the normal schedule for redemption of the Notes remaining outstanding, it would however reduce the yield of the Notes redeemed early. Similarly, in the event of change of the taxation rules applicable to the Notes, the

Issuer may be obliged to redeem the Notes in full at the Anticipated Redemption Amount as defined in the applicable Final Terms. Any early redemption of the Notes may result in the Noteholders receiving a yield significantly below their expectations.

Also there is a risk that the Notes will not be redeemed on their maturity date if the Issuer is no longer solvent. The non-redemption or partial redemption of the Notes would de facto result in total or partial loss of investment in the Notes.

Finally, any sale of a Note on the market may occur at a price below the purchase price and cause a capital loss. Under this operation, the Investor does not benefit from any protection or guarantee of the invested capital. The initial invested capital is exposed to the market risks and may thus not be returned in case of adverse stock exchange evolution.

Verification of legality

The *Haut-commissaire de la République* has two months as from the date of the reception of any resolution of the Polynésie Française (other than laws generally known as "country laws"), and some contracts entered into by it to verify the legality of such deliberation and/or decision to sign such contracts and, if he considers them to be illegal, to refer them to the relevant administrative tribunal and, if appropriate, seek an order for them to be suspended. The relevant administrative tribunal may then, if it considers such deliberation and/or decision to sign such contracts to be illegal, order their suspension or annul them in whole or in part.

Third party action

A third party, having legal standing, may bring an action for abuse of authority before the administrative courts against any resolution of the Polynésie Française and/or any decision taken by it to sign contracts entered into by it, within a period of two months as from the date of its publication or notification and, if appropriate, seek an order for it to be suspended. If such deliberation and/or the decision to sign are not published in an appropriate manner, such right of action shall be brought by any third party for an unlimited period. Once seized, the competent administrative judge may then, if it considers that a rule of law has been breached, cancel such resolution and/or decision to sign, if it considers the matter sufficiently urgent, suspend it.

2.3 Risks related to a specific issue of Notes

Floating Rate Notes

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest payments on Floating Rate Notes cannot be predicted. Due to fluctuations in interest payments, investors cannot determine the actual yield on the Floating Rate Notes at the time of purchase, and therefore their investment returns cannot be compared to investments with longer fixed interest periods. If the terms of the Notes specify frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates fall. In such case, investors will only be able to reinvest their interest income at a potentially lower prevailing interest rate.

Accordingly, the market value of Floating Rate Notes may be volatile if changes, in particular short term changes, on the interest rate market applicable to the relevant rate cannot be applied to the interest rate of such Notes until the next periodic adjustment of the relevant rate.

Fixed Rate Notes

It cannot be ruled out that the value of Fixed Rate Notes may be adversely affected by future fluctuations on the interest rate markets.

Zero Coupon Notes and other Notes issued below par or with an issue premium

The market value of Zero Coupon Notes and other securities issued below par or with an issue premium tends to be more sensitive to fluctuation due to variations in interest rates than typical interest-bearing securities. Generally, the longer the maturity of the Notes, the more the price volatility of such Notes resembles that of typical interest-bearing securities of similar maturity.

SUPPLEMENT TO THE BASE PROSPECTUS

Any new material fact or any material error or inaccuracy relating to the information contained in the Base Prospectus, which may have a substantial impact on any assessment of the Notes and which occurs or arises between the AMF visa and the beginning of the negotiation on a regulated market if this event occurs later, must be mentioned in a supplement to this Base Prospectus, in accordance with Article 212-25 of the AMF General Regulations. The Issuer undertakes to submit the abovementioned supplement to the Base Prospectus for approval to the AMF and to give to each Dealer and to the AMF at least one copy of this supplement.

Any Base Prospectus supplement shall be published on the websites of (a) the AMF (www.amf-france.org), (b) the Issuer (www.presidence.pf et www.lexpol.pf) and (c) shall be available for inspection and obtaining copies, free of charge, during normal office hours, on any day of the week (except Saturdays, Sundays and public holidays) at the offices of the Fiscal Agent or the Paying Agents.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the applicable Final Terms, shall apply to the Notes. In the case of Dematerialised Notes, the text of the terms and conditions of the Notes shall not appear on the reverse side of the Physical Notes evidencing title thereto, but shall be constituted by the following text as completed by the provisions of the applicable Final Terms. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of the applicable Final Terms (as the same may be simplified by deletion of non-applicable terms) or (ii) the complete text of the terms and conditions, shall appear on the reverse side of the Physical Notes. All terms in capital letters and not defined in these Terms and Conditions shall have the meaning given to them in the applicable Final Terms. References made in the Terms and Conditions to the Notes refer to the Notes of a single Series and not to all Notes as may be issued under the Programme. The Notes constitute bonds (*obligations*) as defined under French law.*

The Notes are issued by the Polynésie Française (the **Issuer** or the **Polynésie Française**) in series (each a **Series**), on the same issue date or on different dates. The terms and conditions of the Notes of any Series shall (with the exception of the issue date, the issue price, the nominal amount and the first interest payment) be identical, the Notes of each Series being fungible. Each Series may be issued in tranches (each a **Tranche**), on the same issue date or on different issue dates. The specific terms of each Tranche (including the issue date, the issue price, the first interest payment and the nominal amount of the Tranche), shall be set forth in the final terms (the **Final Terms**) supplementing this Base Prospectus. A fiscal agency agreement (as amended and supplemented, the **Fiscal Agency Agreement**) relating to the Notes was entered into on 27 November 2013 between the Issuer, BNP Paribas Securities Services as fiscal agent and principal paying agent and the other agents appointed therein. The fiscal agent, the paying agents and the calculation agent(s) for the time being (where relevant) are referred to below respectively as the **Fiscal Agent**, the **Paying Agents** (such term including the Fiscal Agent) and the **Calculation Agent(s)**. Holders of interest coupons (**Coupons**) relating to interest-bearing Materialised Notes and, if applicable to such Notes, Receipts for additional Coupons (**Talons**) as well as receiptholders for payment relating to payments by instalments of principal of Materialised Notes (**Receipts**) with principal payments by instalments, are referred to as **Couponholders** and **Receiptholders** respectively.

The term "**day**" in these Terms refers to a calendar day, unless specified otherwise.

Any reference below to **Article** refers to the numbered articles below, unless the context requires otherwise.

1. FORM, DENOMINATION, TITLE, REDENOMINATION AND CONSOLIDATION

1.1 Form

The Notes may be issued either in dematerialised form (**Dematerialised Notes**) or in materialised form (**Materialised Notes**), as specified in the applicable Final Terms.

(a) Title to Dematerialised Notes is evidenced by entry in an account, in accordance with Articles L. 211-3 and *seq.* of the French *Code monétaire et financier*. No physical document of title (including certificates of title in accordance with Article R. 211-7 of the French *Code monétaire et financier*) shall be issued in respect of Dematerialised Notes.

Dematerialised Notes (as defined in Articles L. 211-3 and *seq*. of the French *Code monétaire et financier*) are issued, at the option of the Issuer, either in bearer form, inscribed in the books of Euroclear France (acting as central depositary) which shall credit the accounts of the Account Holders, or in registered form, and in such case either, at the option of the relevant Noteholder, in administered registered form (*au nominatif administré*), entered in the accounts of an Account Holder nominated by the relevant holder of the Notes, or in pure registered form (*au nominatif pur*), entered in an account maintained by the Issuer or any registration agent (specified in the applicable Final Terms) acting on behalf of the Issuer (the **Registration Agent**).

In these Terms, **Account Holder** means any intermediary authorised to hold securities accounts, directly or indirectly, with Euroclear France and includes Euroclear Bank S.A./N.V., as operator of the Euroclear system (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

(b) Materialised Notes are issued in bearer form only. Materialised Notes represented by physical notes (**Physical Notes**) are numbered in series and issued with Coupons (and, if applicable, with a **Talon**) attached, except in the case of Zero Coupon Notes in respect of which references to interest (except in relation to interest due after the Maturity Date), Coupons and Receipts in these Terms shall not apply. **Instalment Notes** are issued with one or several Receipts attached.

In accordance with Articles L.211-3 and *seq.* of the French *Code monétaire et financier*, financial securities (such as Notes which constitute obligations as defined under French law) in materialised form and governed by French law must be issued outside France.

The Notes may be **Fixed Rate Notes**, **Floating Rate Notes**, **Instalment Notes** and **Zero Coupon Notes**.

1.2 Denomination

The Notes shall be issued in the specified denomination(s) specified in the applicable Final Terms (the **Specified Denomination(s)**). Dematerialised Notes must be issued in one single Specified Denomination. Notes admitted to trading on a Regulated Market under circumstances that require the publication of a prospectus pursuant Directive 2003/71/CE of the European Parliament and Council dated 4 November 2010, since this directive have been implemented in a Member State of the European Economic Area (the **Prospectus Directive**) shall have a minimum specified denomination greater than or equal to euros 100,000 (or its equivalent in any other currency) or to any other greater amount which could be allowed or required by any relevant competent authority or any law or regulation applicable to the Specified Currency.

1.3 Title

(a) Title to Dematerialised Notes in bearer form and in administered registered form (*au nominatif administré*) passes, and such Notes may only be transferred, by registration of the transfer in the books of the Account Holders. Title to Dematerialised Notes in pure registered form (*au nominatif pur*) passes, and such Notes may only be transferred, by registration of the transfer in the books held by the Issuer or the Registration Agent.

(b) Title to Physical Notes with, if applicable, Receipt(s), Coupons and/or a Talon attached at issue, is transferred by delivery.

(c) Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below under paragraph (d)) of any Note, Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or any right over or interest in such Note, Coupon, Receipt or Talon, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

(d) In these Terms:

Noteholder or, as appropriate, **holder of a Note** means (i) in the case of Dematerialised Notes, the person whose name is recorded in the books of the relevant Account Holder, the Issuer or the Registration Agent (as applicable) as being the owner of such Notes, and (ii) in the case of Physical Notes, any holder of any Physical Note and the related Coupons, Receipts or Talons related to it.

Outstanding means, in respect of Notes of any Series, all of the Notes in issue other than (i) those that have been redeemed in accordance with these Terms, (ii) those in respect of which the redemption date has passed and the redemption amount (including interest accrued on such Notes up to the redemption date and all interest payable after such date) has been duly paid in accordance with the provisions of Article 6, (iii) those that are no longer valid or in respect of which the limitation period has expired, (iv) those that have been repurchased and cancelled in accordance with Article 5.8,(v) those that have been repurchased and retained in accordance with Article 5.7, (vi) in the case of Physical Notes, (A) all damaged or defaced Physical Notes that have been exchanged for replacement Physical Notes, (B) (for the sole purpose of determining the number of Physical Notes outstanding and without prejudice to their status for any other purpose) any allegedly lost, stolen or destroyed Physical Notes for which replacement Physical Notes have been issued and (C) any Temporary Global Certificate to the extent that it has been exchanged for one or more Physical Notes in accordance with its terms.

Terms beginning with a capital letter shall have the meaning given to them in the applicable Final Terms. Where no definition is given, such term does not apply to the Notes.

1.4 Redenomination

The Issuer may (if so specified in the applicable Final Terms), without the consent of the holder of any Note, Coupon or Talon, by giving notice in accordance with Article 14 at least 30 calendar days in advance, redenominate in euros all (and not some only) of the Notes of each Series, from any date by which (i) the Member State of the European Union (the EU) in whose currency the Notes are denominated becomes a Member State of the Economic and Monetary Union (as defined in the Treaty establishing the European Community (the EC), as amended (the Treaty)), and/or (ii) events having substantially the same effect have occurred, convert the aggregate nominal amount and the specified denomination set forth in the applicable Final Terms. The date on which this redenomination will take effect shall be referred to in these Conditions as the **Redenomination Date**. The redenomination of the Notes will be carried out by converting in euro the nominal amount and the nominal value of each note denominated in the relevant domestic currency by using the fixed conversion rate between the euro and such domestic currency as established by the Council of the European Union in accordance with Article 123 (4) of the Treaty and the resulting figure is rounded to the nearest one hundredth of a euro (0.005 euro being rounded up to the hundredth above). Such cash payment will be payable in euros at the Redemption date according to the method notified to the relevant Noteholders by the Issuer. As a result of a redenomination of the Notes, any reference to domestic currency contained herein shall be interpreted as a reference to euro.

1.5 Consolidation

The Issuer shall, on each Interest Payment Date occurring after the redenomination date, with the prior consent of the Fiscal Agent (which may not be unreasonably withheld) and without the consent of the Noteholders, Receiptholders or Couponholders, by giving notice to the Noteholders as least 30 calendar days in advance in accordance with Article 14, have the right to consolidate the Notes of a Series denominated in euros with the Notes of one or more other Series in issue, whether or not such Notes were initially issued in one of the European national currencies or in euros, provided that such other Notes have been redenominated in euros (if this was not the case initially) and also have, for all periods following such consolidation, the same terms and conditions as the Notes.

2. CONVERSION AND EXCHANGE OF NOTES

2.1 Dematerialised Notes

(a) Dematerialised Notes issued in bearer form cannot be converted into Dematerialised Notes in registered form, whether in pure registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).

(b) Dematerialised Notes issued in registered form cannot be converted into Dematerialised Notes in bearer form.

(c) Dematerialised Notes issued in pure registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and vice versa. Such option must be exercised by the Noteholder in accordance with Article R.211-4 of the French *Code monétaire et financier*. Any costs relating to such conversion shall be borne by the relevant Noteholder.

2.2 Materialised Notes

Materialised Notes of a Specified Denomination cannot be exchanged for Materialised Notes of another Specified Denomination.

3. STATUS AND NEGATIVE PLEDGE

The Notes and, if applicable, related Receipts and Coupons, constitute direct, unconditional, unsubordinated and (subject to the paragraph below) unsecured obligations of the Issuer ranking (subject to mandatory exceptions imposed by law) equally between themselves and equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

As long as the Notes or, if any, Receipts and Coupons attached to the Notes remain outstanding (as defined in Article 1.3(d) above), the Issuer shall not grant or permit to subsist any mortgage, pledge, lien or other form of security interest upon any assets or revenues, present or future, to secure any Indebtedness (as defined below) subscribe by the Issuer, unless the obligations of the Issuer under the Notes and, if any, the Coupons and Receipts benefit from equivalent and equal ranking security.

For the purpose of this Article, **Indebtedness** means any borrowing, present or future, represented by bonds, securities or other negotiable instruments with a maturity greater than one year and which are (or may be) admitted to trading on any market.

4. CALCULATION OF INTEREST AND OTHER CALCULATIONS

4.1 Definitions

In these Terms, unless the context requires otherwise, the terms defined below shall have the following meaning:

Reference Banks (***Banques de Référence***) means the institutions specified in the applicable Final Terms or, if none is specified, four prime banks selected by the Calculation Agent on the interbank market (or if necessary, on the money market, the swaps market) with the closest connection to the Benchmark (which, if the relevant Benchmark is EURIBOR (TIBEUR in French) or EONIA (TEMPE in French) shall be the Euro-zone and if the relevant Benchmark is LIBOR, it shall be London.

Interest Period Commencement Date (***Date de Début de Période d'Intérêts***) means the Issue Date of the Notes or any other date referred to in the applicable Final Terms.

Coupon Determination Date (***Date de Détermination du Coupon***) means, in respect of an Interest Rate and an Interest Accrual Period, the date specified as such in the applicable Final Terms or, if no date is specified (a) the day falling two TARGET Business Days before the first day of such Interest Accrual Period if the Specified Currency is Euro or (b) if the Specified Currency is not Euro, the day falling two Business Days in the city specified in the applicable Final Terms preceding the first day of such Interest Accrual Period.

Issue Date (***Date d'Emission***) means, in respect of a Tranche, the settlement date of the Notes.

Interest Payment Date (***Date de Paiement du Coupon***) means the date(s) referred to in the applicable Final Terms.

Interest Accrual Period Date (***Date de Période d'Intérêts Courus***) means each Interest Payment Date unless provided otherwise in the applicable Final Terms.

Relevant Date (***Date de Référence***) means in respect of any Note, Receipts or Coupon, the date on which the amount payable under such Note, or Coupon becomes due and payable or (if any due and payable amount is not paid or not paid in time without any justification) the date on which the outstanding amount is paid in full or (in the case of Materialised Notes, if such date falls earlier) the day falling seven calendar days after the date on which the holders of such Materialised Notes have been notified that, upon further presentation of such Materialised Note, Receipts or Coupon being made in accordance with the Terms, such payment will be made, provided however that the payment is in fact made on such presentation.

Effective Date (***Date de Valeur***) means, in respect of a Floating Rate to be determined on any Coupon Determination Date, the date specified in the applicable Final Terms, or, if no date is specified, the first day of the Interest Accrual Period to which such Coupon Determination Date relates.

FBF Definitions (***Définitions FBF***) means the definitions referred to in the FBF 2007 Master Agreement relating to transactions on forward financial instruments, as supplemented by the Technical Schedules, as published by the *Fédération Bancaire Française* (together the **FBF Master Agreement**) as amended, as the case may be, at the Issue Date.

Specified Currency (***Devise Prévue***) means, the currency referred to in the applicable Final Terms or, if no currency is specified, the currency in which the Notes are denominated.

Specified Duration (***Durée Prévue***) means, with respect to any Floating Rate to be determined by Screen Rate Determination on any Coupon Determination Date, the period specified in the applicable Final Terms, or if no period is specified, a period equal to the Interest Accrual Period, ignoring any adjustment pursuant to Article 4.3(b).

Relevant Time (***Heure de Référence***) means, with respect to any Coupon Determination Date, the local time in the Relevant Financial Centre specified in the applicable Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency on the interbank market in the Relevant Financial Centre. **Local time** means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11.00 a.m. (Brussels time).

Business Day (***Jour Ouvré***) means:

(a) in the case of euro, a day on which the Trans-European automated real-time gross settlement express transfer system (TARGET 2) (**TARGET**), or any system that replaces such system, is operating (a **TARGET Business Day**); and/or

(b) in the case of a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(c) in the case of a Specified Currency and/or one or more business centre(s) specified in the applicable Final Terms (the **Business Centre(s)**), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the currency of the Business Centre(s) or, if no currency is specified, generally in each of the specified Business Centres.

Margin *(Marge)* means, for any Interest Accrual Period, the percentage or the number for the relevant Interest Accrual Period, as indicated in the relevant Final Terms, being specified that it shall be positive, negative or zero.

Day Count Fraction (***Méthode de Décompte des Jours***) means, in respect of the calculation of an amount of coupon on any Note for any period of time (from (and including) the first day of such period to (but excluding) the last day in such period) (whether or not constituting an Interest Period, the **Calculation Period**):

(a) if Actual/365 or Actual/365-FBF is specified in the applicable Final Terms, it is the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if Actual/Actual-ICMA is specified in the applicable Final Terms:

 (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods that would normally end in one year; and

 (ii) if the Calculation Period is longer than the Determination Period, the sum:

  (A) of the number of days in such Calculation Period falling in the Determination Period during which it begins, divided by the product (I) of the number of days in such Determination Period and (II) the number of Determination Periods that would normally end in one year; and

  (B) the number of days in such Calculation Period falling in the following Determination Period, divided by the product (I) of the number of days in such Determination Period and (II) the number of Determination Periods that would normally end in one year,

 in each case, **Determination Period** means the period beginning on a Coupon Determination Date (included) in any year and ending on the next Coupon Determination Date (excluded) and **Coupon Determination Date** means the date specified in the applicable Final Terms, or if no date is specified, the Interest Payment Date;

(c) if **Actual/Actual-FBF** is specified in the applicable Final Terms, the fraction of which the numerator is the actual number of days during such period and the denominator is 365 (or

366 if 29th February is included in the Calculation Period). If the Calculation Period is longer than one year, the basis shall be determined as follows:

(i) the number of complete years shall be counted back from the last day of the Calculation Period;

(ii) this number is increased by the fraction for the relevant period calculated as provided in the first paragraph of this definition;

(d) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(e) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(f) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (i.e. the number of days to be calculated based on a 360 day year of 12 months of 30 days each (unless (i) the last day of the Calculation Period is the 31st day of a month and the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month in which the last day falls shall not be reduced to a thirty day month or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be extended to a thirty day month));

(g) if **30/360 - FBF** or **Actual 30A/360 (American Bond Basis)** is specified in the applicable Final Terms, then, in respect of each Calculation Period, the fraction of which the denominator is 360 and the numerator is the number of days calculated in the same manner as the 30E/360 – FBF basis, except in the following case:

where the last day of the Calculation Period is the 31st and the first is neither a 30th nor a 31st, the last month of the Calculation Period shall be deemed to be a month of 31 days.

The fraction is:

if $dd^2 = 31 \text{ and } dd^1 \neq (30,31)$,

then:

$$\frac{1}{360} \times \left[\left(yy^2 - yy^1\right) \times 360 + \left(mm^2 - mm^1\right) \times 30 + \left(dd^2 - dd^1\right)\right]$$

or:

$$\frac{1}{360} \times \left[\left(yy^2 - yy^1\right) \times 360 + \left(mm^2 - mm^1\right) \times 30 + \mathrm{Min}\left(dd^2, 30\right) - \mathrm{Min}\left(dd^1, 30\right)\right]$$

where:

$D1(dd^1, mm^1, yy^1)$ is the commencement date of the period

$D2(dd^1, mm^2, yy^2)$ is the end date of the period;

(h) if **30E/360** or **Euro Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated based on a 360 day year of 12 months of 30 days each, ignoring the date on which the first or last day of the Calculation Period falls, unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be extended to a thirty day month) and;

(i) if **30E/360 – FBF** is specified in the applicable Final Terms, then, in respect of each Calculation Period, the fraction of which the denominator is 360 and the numerator is the number of days in such period, calculated on the basis of a year of 12 months of 30 days, except in the following case:

If the last day of the Calculation Period is the last day of the month of February, the number of days in such month is the exact number of days.

Using the same defined terms as used for 30/360 - FBF, the fraction is:

$$\frac{1}{360} \times \left[\left(yy^2 - yy^1\right) \times 360 + \left(mm^2 - mm^1\right) \times 30 + \mathrm{Min}\left(dd^2, 30\right) - \mathrm{Min}\left(dd^1, 30\right)\right]$$

Coupon Amount (***Montant de Coupon***) means the amount of interest due and, in the case of Fixed Rate Notes, the Fixed Coupon Amount or the Broken Amount, (as defined under Article 4.2), as the case may be.

Representative Amount (***Montant Donné***) means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on a Coupon Determination Date, the amount specified as such on that date in the applicable Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

Screen Page (***Page Ecran***) means any page, section, heading, column or any other part of a document supplied by any information service (including without limitation Reuters (**Reuters**)) as may be nominated to provide a Relevant Rate or any other page, section, heading, column or any other part of a document of such information service or any other information service as may replace it, in each case as nominated by the entity or organisation providing or responsible for the dissemination of the information appearing on such service to indicate rates or prices comparable to the Relevant Rate, unless provided otherwise in the Final Terms.

Interest Period (***Période d'Intérêts***) means the Period beginning on (and including) the Interest Period Commencement Date and ending on (but excluding) the first Interest Payment Date as well as each subsequent period beginning on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date.

Interest Accrual Period (***Période d'Intérêts Courus***) means the Period beginning on (and including) the Interest Period Commencement Date and ending on (but excluding) the first Interest Accrual Period Date as well as each subsequent period beginning on (and including) an Interest Accrual Period Date and ending on (but excluding) the following Interest Accrual Period Date.

Relevant Financial Centre (***Place Financière de Référence***) means, in respect of a Floating Rate to be determined in accordance with a Screen Rate Determination on a Coupon Determination Date, such financial centre as may be specified in the applicable Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR (TIBEUR in French) or EONIA (TEMPE in French), shall be the Euro-zone and in the case of LIBOR, it shall be London) or, failing which, Paris.

Benchmark (***Référence de Marché***) means the relevant rate (EURIBOR (or TIBEUR in French), EONIA (or TEMPE in French) or LIBOR) as specified in the applicable Final Terms.

Interest Rate (***Taux d'Intérêt***) means the interest rate payable on the Notes and which is either specified or calculated in accordance with the provisions of the applicable Final Terms.

Relevant Rate (***Taux de Référence***) means the Benchmark rate for a Representative Amount in the Specified Currency for a period equal to the Specified Duration commencing on the Effective Date (if such period is applicable to or compatible with the Benchmark).

Euro-zone (***Zone Euro***) means the region occupied by the Member States of the EU that have adopted the single currency in accordance with the Treaty.

4.2 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest calculated on its outstanding nominal amount, as from the Interest Period Commencement Date, at an annual rate (expressed as a percentage) equal to the Interest Rate, payable in arrears on each Interest Payment Date.

If a fixed coupon amount (**Fixed Coupon Amount**) or broken amount (**Broken Amount**) is specified in the applicable Final Terms, the Coupon Amount payable on each Interest Payment Date shall be equal to the Fixed Coupon Amount or, if applicable, the Broken Amount as specified, it shall be payable on the Interest Payment Date(s) specified in the applicable Final Terms.

4.3 Interest on Floating Rate Notes

(a) **Interest Payment Dates**

Each Floating Rate Note shall bear interest calculated on its unredeemed nominal amount, as from the Interest Period Commencement Date, at an annual rate (expressed as a percentage) equal to the Interest Rate, payable in arrears (unless provided otherwise in the Final Terms) on each Interest Payment Date. Such Interest Payment Date(s) shall be specified in the applicable Final Terms or, if no Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date falling at the end of such number of months or at the end of such other period as is specified in the applicable Final Terms as being the Interest Period, falling after the preceding Interest Payment Date and, in the case of the first Interest Payment Date, falling after the Interest Period Commencement Date.

(b) **Business Day Convention**

If any date referred to in these Terms, that is specified to be subject to adjustment in accordance with a Business Day Convention, would otherwise fall on a day that is not a Business Day, then, if the applicable Business Day Convention is (i) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each such subsequent date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (ii) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (iii) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(c) **Interest Rate for Floating Rate Notes**

The Interest Rate applicable to Floating Rate Notes for each Interest Accrual Period shall be determined in compliance with the provisions below relating to either FBF Determination or Screen Rate Determination shall apply, as specified in the applicable Final Terms.

(i) FBF Determination for Floating Rate Notes

Where FBF Determination is specified in the applicable Final Terms as being the method applicable for the determination of the Interest Rate, the Interest Rate applicable to each Interest Accrual Period shall be determined by the Agent as being a rate equal to the relevant FBF Rate plus or minus, as the case may be (as specified in the applicable Final Terms), the Margin. For the purposes of this sub-paragraph (i), "FBF Rate" in respect of an Interest Accrual Period means a rate equal to the Floating Rate as determined by the Agent for a swap transaction entered into pursuant to an FBF Master Agreement supplemented by the Interest Rate or Currency Swaps Technical Schedule under the terms of which:

(A) the relevant Floating Rate is as specified in the applicable Final Terms; and

(B) the Floating Rate Determination Date is as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (i), "Floating Rate", "Agent", and "Floating Rate Determination Date" shall have the meanings given thereto in the FBF Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as being the method applicable for the determination of the Interest Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Calculation Agent at (or about) the Relevant Time on the Coupon Determination Date relating to such Interest Accrual Period as specified below:

(A) if the primary source for the Floating Rate is a Screen Page, subject as provided below, the Interest Rate shall be:

I. the Relevant Rate (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity), or

II. the arithmetic mean of the Relevant Rates of the entities whose Relevant Rates appear on that Screen Page,

in each case as published on such Screen Page, at the Relevant Time on the Coupon Determination Date as indicated in the applicable Final Terms, decreased or increased, if appropriate (as indicated in the relevant Final Terms), by the Margin:

(B) if the primary source for the Floating Rate is Reference Banks or if sub-paragraph (A) I above applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Coupon Determination Date or if sub-paragraph (A) II above applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Coupon Determination Date, the Interest Rate, subject as provided below, shall be equal to the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Coupon Determination Date, as determined by the Calculation Agent, decreased or increased, if appropriate (as indicated in the relevant Final Terms), by the Margin; and

(C) if paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the Interest Rate shall, subject as provided below, be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in the Euro-zone as selected by the Calculation Agent, (the **Principal Financial Centre**) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period beginning on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Coupon Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

4.4 Fixed Interest Rate/Floating Interest Rate of the Notes

Each Fixed Interest Rate/Floating Interest Rate Notes bears interest at a rate (i) that the Issuer may decide to convert at the date specified in the applicable Final Terms from a Fixed Rate to a Floating Rate or (ii) which shall be automatically converted from a Fixed Rate to a Floating Rate at the date specified in the applicable Final Terms.

4.5 Zero Coupon Notes

Where a Zero Coupon Note is redeemable prior to its Maturity Date by exercise of an Option of Redemption of the Issuer or, if so specified in the applicable Final Terms, pursuant to Article 5.5 or in any other manner, and such Note is not redeemed on the due date, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount. As from the Maturity Date, the overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Article 5.5(a)).

4.6 Accrual of interest

Interest shall cease to accrue on each Note on the due date for redemption unless (a) on such due date, in the case of Dematerialised Notes or (b) upon due presentation, in the case of Materialised Notes, repayment of principal is improperly withheld or refused; in which event interest shall continue to accrue (after as well as before judgment) at the Interest Rate in the manner provided in Article 4 up to the Relevant Date.

4.7 Margin, Rate Multipliers, Interest Rate, Instalment Payment Amount, Minimum and Maximum Redemption Amounts and Rounding

(a) If a Margin or Rate Multiplier is specified in the applicable Final Terms (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Interest Rates, in the case of (x), or the Interest Rates applicable to the relevant Interest Accrual Periods, in the case of (y), calculated in accordance with paragraph (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin or by multiplying the Interest Rate by such Rate Multiplier, subject always to the provisions of the following paragraph.

(b) If any Interest Rate, Instalment Payment Amount or Minimum or Maximum Redemption Amount is specified in the applicable Final Terms, then any Interest Rate, Instalment Payment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(c) For the purposes of any calculations required pursuant to these Terms (unless otherwise specified), (i) if FBF Determination is specified in the applicable Final Terms, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest ten thousandth of a percentage point (with halves being rounded up) (ii) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal place (with halves being rounded up), (iii) all figures shall be rounded to seven significant figures (with halves being rounded up) and (iv) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

4.8 Calculations

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding nominal amount of such Note by the Day Count Fraction, unless a Coupon Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall be equal to such Coupon Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.9 Determination and publication of Interest Rates, Coupon Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Payment Amounts

As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Coupon Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period. It shall also calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount or Instalment Payment Amount, obtain such quotation or make such determination or calculation, as the case may be. It shall then cause the Interest Rate and the Coupon Amounts for each Interest Period and the relevant Interest Payment Date and, if required, the Final Redemption Amount, Early Redemption Amount, any Optional Redemption Amount or any other Instalment Payment Amount, to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents and any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information. If the Notes are admitted to trading on a regulated market and the rules of such market so require, it shall also notify such information to such market and/or the Noteholders as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such market of an Interest Rate and Coupon Amount, or (ii) in all other cases, no later than the fourth Business Day after such determination. Where any Interest Payment Date or Interest Accrual Period Date is subject to adjustment pursuant to Article 4.3(b), the Coupon Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.10 Calculation Agent and Reference Banks

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with at least one office in the Relevant Financial Centre and one or more Calculation Agents if so specified in the applicable Final Terms and for so long as any Note is outstanding (as defined in Article 1.3(c) above). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Terms to the Calculation Agent shall be construed as a reference to each Calculation Agent performing its respective duties under these Terms. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for an Interest Period or Interest Accrual Period or to calculate any Coupon Amount, Instalment Payment Amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment bank operating in the interbank market (or, if appropriate, money market, swaps market or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed in the manner described above.

5. REDEMPTION, PURCHASE AND OPTIONS

5.1 Redemption at maturity

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which, unless otherwise provided, is equal to its nominal amount) as indicated in the relevant Final Terms or in the case of Notes falling within Condition 5.2 below, to its final Instalment Payment Amount.

5.2 Redemption by Instalment

Unless previously redeemed, repurchased or cancelled in accordance with Article 5 herein or unless the relevant Instalment Payment Date (i.e. any of the dates provided for this purpose) is subsequently postponed pursuant to any option provided by the relevant Final terms including any Issuer's option in accordance with Article 5.3 or any Noteholders' option in accordance with Article 5.4, each Note whose terms provide for Instalment Payment Dates or Instalment Payment Amounts shall be partially redeemed on each Instalment Payment Date for the Instalment Payment Amount specified in the relevant Final Terms. The outstanding nominal amount for each of the Notes is to be reduced by the corresponding Instalment Payment Amount (or, if the Instalment Payment Amount is calculated by reference to a proportion of the nominal amount of such Note, shall be reduced proportionally), from the Instalment Payment Date, unless the payment of the Instalment Payment Amount is abusively withheld or refused (i) concerning Dematerialised Notes at such scheduled payment date or (ii) concerning Materialised Notes upon presentation of the relevant receipt, in which case such amount will still be due until the Reference Date of such Instalment Payment Amount.

5.3 Redemption at the option of the Issuer

If Issuer Call is specified in the applicable Final Terms, the Issuer may, subject to compliance by the Issuer with all applicable laws, regulations and directives, and on giving not less than 15 and not more than 30 calendar days' irrevocable notice to the Noteholders in accordance with Article 14, redeem all or, if so provided, some of the Notes, as the case may be, on any Option Redemption

Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed as specified in the applicable Final Terms and no greater than the maximum nominal amount to be redeemed as specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Article.

In the case of a partial redemption by the Issuer in respect of Materialised Notes, the notice to holders of such Materialised Notes must also indicate the number of Physical Notes to be redeemed or in respect of which such option has been exercised. The Notes must have been selected in such manner as is fair and objective in the circumstances, taking account of prevailing market practices and in accordance with all applicable stock market laws and regulations.

In the case of a partial redemption or partial exercise of an Issuer's option in respect of Dematerialised Notes of any one Series, the redemption may be made, at the option of the Issuer either (a) by reducing the nominal amount of such Dematerialised Notes pro rata the nominal amount redeemed, or (b) by redemption in full of some only of the Dematerialised Notes, in which case the selection of Dematerialised Notes to be redeemed in full shall take place in accordance with Article R.213-16 of the French *Code monétaire et financier*, the provisions of the applicable Final Terms and with all applicable stock market laws and regulations.

5.4 Redemption at the option of the Noteholders

If Investor Put is specified in the applicable Final Terms, the Issuer shall, at the request of the holder of any such Note and upon giving not less than 15 and not more than 30 calendar days' irrevocable notice to the Issuer, redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption. In order to exercise such option, the Noteholder must deposit with a Paying Agent at its specified office by the required deadline a duly completed option exercise notice (the **Exercise Notice**) in the form obtainable during normal office hours from the Paying Agent or Registration Agent, as the case may be. In the case of Materialised Notes, the relevant Notes (together with all unmatured Coupons and Receipts and unexchanged Talons) must be attached to the Exercise Notice. In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paying Agent, as specified in the Exercise Notice. No option that has been exercised or, if relevant, no Note that has been deposited or transferred may be withdrawn without the prior written consent of the Issuer.

5.5 Early redemption

(a) **Zero Coupon Notes**

(i) The Early Redemption Amount payable in respect of any Zero Coupon Note shall, upon redemption of such Note pursuant to Article 5.6 or 5.9 or upon it becoming due and payable as provided in Article 8, be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Zero Coupon Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, and where there is no indication of any rate in the applicable Final Terms, shall be such rate as would result in an Amortised Face Amount equal to the issue price of the Notes if discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of each Note upon its redemption pursuant to Article 5.6 or 5.9 or upon it becoming due and payable in accordance with Article 8, is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note, as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as if the reference therein to the date on which such Note becomes due and payable were a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before any judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date, together with any interest that may accrue in accordance with Article 4.4. Where such calculation is to be made for a period of less than one (1) year, it shall be made on the basis of one of the Day Count Fractions mentioned at Article 4.1 and specified in the applicable Final Terms.

(b) **Other Securities**

The Early Redemption Amount due for any other securities, upon its redemption pursuant to Article 5.6 or 5.9 or upon it becoming due and payable pursuant to Article 8, shall be equal to the Final Redemption Amount plus all accrued interests until the effective date of redemption, unless otherwise specified in the applicable Final Terms.

5.6 Redemption for tax reasons

(a) If, at the time of any redemption of principal or payment of interest, the Issuer is obliged to pay additional amounts in accordance with Article 7.2 below, by reason of any change in or amendment to the laws and regulations in France or the national laws or regulations applicable to the Polynésie Française, or any change in the official application or interpretation thereof, made after the Issue Date, unless such relevant obligations to make additional payments can be avoided by reasonable measures taken by the Issuer, to the Issuer may (having given notice to the Noteholders in accordance with Article 14, at the earliest 45 calendar days and at the latest 30 calendar days prior to such payment (which notice shall be irrevocable)) redeem, on any Interest Payment Date or, if specified in the applicable Final Terms, at any time, all but not some only of the Notes at the Early Redemption Amount together with, all interest accrued until the date fixed for redemption, provided that the due date for redemption of which notice hereunder shall be given shall not be earlier than the latest practicable date on which the Issuer could make a payment of principal and/or interest without withholding for applicable taxes.

(b) If, on the occasion of the next redemption of principal or payment of interest in respect of the Notes, the Issuer would be prevented by French law from making payment of the full amount then due and payable to the Noteholders and Couponholders, notwithstanding the undertaking to pay additional amounts in accordance with Article 7.2 below, the Issuer shall forthwith give notice of such fact to the Fiscal Agent. The Issuer shall, having given seven calendar days' notice to the Noteholders in accordance with Article 14, redeem all, and not some only, of the Notes then outstanding at their Early Redemption Amount, together with all interest accrued up to the date fixed for redemption, on (i) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount due and payable on the Notes, provided that if the notice referred to above would expire after such Interest Payment Date, the date for redemption to the Noteholders shall be the later of (A) the latest practicable date on which the Issuer could make payment of the full amount then due and payable on the Notes and (B) 14 calendar days after giving notice to the Fiscal Agent or (ii) if so specified in the applicable Final Terms, at any time, provided that the due date for redemption of which notice hereunder is given shall be the latest practicable date on which the Issuer could make payment of the full amount due and payable in respect of the Notes and, if relevant, any Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

5.7 Purchases

The Issuer may at any time purchase Notes on the stock market or otherwise (including pursuant to a public offer) at any price (provided however that, in the case of Materialised Notes, all unmatured Receipts and Coupons, and all unexchanged Talons relating thereto, are attached to or surrendered with such Materialised Notes), in accordance with applicable laws and regulations.

Notes purchased by or on behalf of the Issuer may, at the option of the Issuer, be retained in accordance with Articles L. 213-1-A and D. 213-1-A of the French *Code monétaire et financier*, to provide liquidity for the Notes, or cancelled in accordance with Article 5.8.

5.8 Cancellation

Notes purchased for cancellation in accordance with Article 5.7 above shall be cancelled, in the case of Dematerialised Notes, by transfer to an account pursuant to the rules and procedures of Euroclear France, and in the case of Materialised Notes, by delivery to the Fiscal Agent of the relevant Temporary Global Certificate or the Physical Notes in question, together with all unmatured Receipts and Coupons and all unexchanged Talons attached to such Notes, if relevant, and in each case, if so transferred and surrendered, all such Notes shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights in respect of payment of interest and other amounts in respect of such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Receipts and Coupons and all unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, as the case may be, transferred or surrendered for cancellation may not be re-issued or re-sold and the obligations of the Issuer in respect of any such Notes shall be discharged.

5.9 Illegality

If, by virtue of the introduction of any new law or regulation in France, any change of law or other mandatory provision or any change in the interpretation thereof by any court or administrative authority, which takes effect after the Issue Date, it becomes unlawful for the Issuer to perform or comply with its obligations under the Notes, the Issuer shall have the right, having given notice to the Noteholders in accordance with Article 14, at the earliest 45 calendar days and at the latest 30 calendar days prior to such payment (which notice shall be irrevocable), redeem all and not some only of the Notes at the Early Redemption Amount together with all interest accrued up to the date fixed for redemption.

6. PAYMENTS AND TALONS

6.1 Dematerialised Notes

Any Payment of principal or interest in respect of Dematerialised Notes shall be made (a) in the case of Dematerialised Notes in bearer form or in administered registered form (*au nominatif administré*), by transfer to an account denominated in the Specified Currency held with the Account Holders for the benefit of the Noteholders, and (b) in the case of Dematerialised Notes in pure registered form (*au nominatif pur*), by transfer to an account denominated in the Specified Currency, held with a

Bank (as defined below) specified by the relevant Noteholder. The Issuer's payment obligations shall be discharged upon such payments being duly made to such Account Holders or such Bank.

6.2 Physical Notes

(a) Method of payment

Subject as provided below, any payment in a Specified Currency shall be made by credit or transfer to an account denominated in the Specified Currency or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) held by the beneficiary or, at the option of the beneficiary, by cheque denominated in the Specified Currency drawn on a bank located in the principal financial centre of the country of the Specified Currency (which, if the Specified Currency is the euro, shall be a country within the Euro-zone and if the Specified Currency is the Australian dollar or New Zealand dollar, shall be Sydney or Auckland respectively).

(b) Presentation and surrender of Physical Notes, Receipts and Coupons

Any payment of principal in respect of Physical Notes, shall (subject as provided below) be made in the manner described in paragraph (a) above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Notes and any payment of interest in respect of Physical Notes shall (subject as provided below) be made in the manner described above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Coupons, in each case at the specified office of any Paying Agent located outside the United States of America (such term meaning for the purposes hereof the United States of America (including the States and District of Columbia, their territories, possessions and other places under its jurisdiction)).

Any instalment payment of principal relating to Materialised Notes, other than the final outstanding instalment shall be made, if applicable, (subject to what is stated below) under the conditions laid down in the paragraph (a) above upon presentation and surrender (or in the case of partial payment of an outstanding amount, upon endorsement) of the relevant Note in accordance with the previous paragraph. The final outstanding instalment shall be made under the conditions laid down in the paragraph (a) above only upon presentation and surrender (or in the case of partial payment of an outstanding amount, upon endorsement) of the relevant Note in accordance with the previous paragraph. Any relevant Receipt presented for payment but without the related Materialised Note renders the Issuer's Obligations obsolete.

Unmatured Receipts related to Materialised Notes (that are attached or not) will become, if applicable, obsolete and no payment will take place for such Materialised Notes at the due date.

Fixed Rate Notes represented by Physical Notes must be surrendered for payment together with all unmatured Coupons appertaining thereto (such expression including, for the purposes hereof, Coupons to be issued in exchange for matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of a partial payment, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the amount due. Any amount of principal so deducted shall be paid in the manner described above against surrender of the missing Coupon before the 1st January of the fourth year following the due date for payment of such amount, and not under any circumstances thereafter.

Where a Fixed Rate Note represented by a Physical Note becomes due prior to its Maturity Date, unmatured Talons appertaining thereto become void and no further Coupons shall be delivered.

Where a Floating Rate Note represented by a Physical Note becomes due prior to its Maturity Date, unmatured Coupons and Talons (if any) appertaining thereto (whether or not attached) become void and no payment shall be made or, if relevant, no further Coupons shall be delivered in respect thereof.

If a Physical Note is redeemed on a date that is not an Interest Payment Date, the interest (if any) accrued on such Note since the previous Interest Payment Date (included) or, as the case may be, the Interest Period Commencement Date (included) shall be paid only against presentation and surrender (if relevant) of the related Physical Note.

6.3 Payments in the United States of America

Notwithstanding the foregoing, if any Materialised Note is denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York in the same manner as provided above if (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

6.4 Payments subject to fiscal laws

All payments are subject to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Article 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

6.5 Appointment of Agents

The Fiscal Agent, the Paying Agents, the Calculation Agent and the Registration Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this Base Prospectus for the Programme. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents, and the Calculation Agents solely as independent experts, of the Issuer and under no circumstances do any of them assume any obligation or relationship of agency for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any Paying Agent, Calculation Agent or Registration Agent and to appoint any other Fiscal Agent, Paying Agent(s), Calculation Agent(s) or Registration Agent(s) or any additional Paying Agent(s), Calculation Agent(s) or Registration Agent(s), provided that the Issuer shall at all times maintain (a) a Fiscal Agent, (b) one or more Calculation Agents, where the Terms so require, (c) a Paying Agent with specified offices in at least two major European cities (providing fiscal agency services in respect of the Notes in France so long as any Notes are admitted to trading on Euronext Paris and applicable market regulations so require), (d) in the case of Materialised Notes, a Paying Agent with an office in a Member State of the EU that is not obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/CE or any other EU directive implementing the conclusions of the ECOFIN Council resolutions of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive (which Paying Agent may be one of those referred to in (c) above), (e) in the case of Dematerialised Notes in pure registered form (*au nominatif pur*), a Registration Agent and (f) any other agent that may be required under the rules of any regulated market on which the Notes may be admitted to trading.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Notes denominated U.S. dollars in the circumstances described in Article 6.3 above.

Notice of any such change or of any change of any specified office shall promptly be given to the Noteholders in accordance with Article 14.

6.6 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Article 9).

6.7 Business Days for payment

If any date for payment in respect of any Note or Coupon is not a business day (as defined below), the Noteholder or Couponholder shall not be entitled to payment until the next following business day, nor to any other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or Sunday) (a) (i) in the case of Dematerialised Notes, on which Euroclear France is operating, or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation of the note for payment, (b) on which banks and foreign exchange markets are open for business in the countries specified as "Financial Centres" in the applicable Final Terms and (c) (i), in the case of a payment in a currency other than euro, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, a day on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii), in the case of a payment in euros, a day which is a TARGET Business Day.

6.8 Bank

For the purposes of this Article 6, **Bank** means a bank established in the principal financial centre of the country in which the Specified Currency is the lawful currency, or in the case of payments in euros, in a city in which banks have access to the TARGET system.

7. TAXATION

7.1 Withholding

All payments of principal, interest or other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes or duties of whatever nature imposed, levied or collected by or on behalf of the Polynésie Française or the French Republic or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

7.2 Additional Amounts

If the legislation of the Polynésie Française or the French Republic should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to withholding or deduction with respect to any taxes or duties whatsoever, present or future, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holders of Notes, Receipts and Coupons receive the full amount that would have been payable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipts or Coupon in the following cases:

(a) **Other connection**: the holder of Notes, Receipts or Coupons, or any third party acting on his behalf, is liable to such tax or duty in the Polynésie Française or in France by reason of having some connection with the Polynésie Française or France other than the mere holding of the Notes, Receipts or Coupons; or

(b) **More than 30 calendar days have passed since the Relevant Date:** in the case of Physical Notes, more than 30 calendar days have passed since the Relevant Date, except where the holder of such Notes, Receipts or Coupons would have been entitled to an additional amount on presentation of the same for payment on the last day of such 30 days period, in that case, the Issuer will have to increase its payments to an amount equal to what it would have to pay if the Notes would have been presented the last day of such 30 days period; or

(c) **European Directive on the taxation of savings income**: when such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council directive 2003/48/EC or any other European Union directive implementing the conclusions of the ECOFIN Council resolutions of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive; or

(d) **Payment by another Paying Agent**: in the case of Physical Notes presented for payment, where such withholding or deduction is made by or on behalf of a holder who could have avoided such withholding or deduction by presenting the relevant Note, Receipts or Coupon to a Paying Agent in another Member State of the European Union.

References in these Terms to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, Instalment Payment Amount, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to Article 5 as completed by the Final Terms, (ii**)** "interest" shall be deemed to include all Coupon Amounts and all other amounts payable pursuant to Article 4 as completed by the Final Terms and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Article.

8. EVENTS OF DEFAULT

If any of the following events occurs (each an **Event of Default**), (i) the Representative (as defined in Article 10) on its own initiative or upon request of any holder of Notes may, upon simple written notice addressed on behalf of the Masse (as defined in Article 10) to the Fiscal Agent with copy addressed to the Issuer, make the redemption immediately and automatically due and payable of all the Notes (and not a part only); or (ii) if there is no Representative, any holder of Notes may, on simple written notice addressed to the Fiscal Agent with copy addressed to the Issuer, make the redemption immediately and automatically due and payable of the Notes held by the author of the notice, immediately and automatically due and payable, at their Early Redemption Amount with interest accrued to the date of repayment, without the necessity for any prior formal demand:

(a) if the Issuer defaults in any payment at its due date of any amount due under any Notes, Receipt or Coupon (including payment of any gross up provided by Article 7.2 "Taxation" above) unless it has been remedied to that default of payment within thirty (30) calendar days following the due date of this payment;

(b) if the Issuer fails to perform any other provision of this terms of the Notes if it has not been remedied within thirty (30) calendar days following on the receipt by the Issuer of a written notice of this failure;

(c) if the Issuer is not able to face its mandatory expenses or make a written statement recognising such inability;

(d)

(i) is the Issuer do not redeem or pay, all or part of any amount due under any indebtedness, at its expected or anticipated redemption or payment date and, as the case may be, after any grace period expressly specified by the contractual provisions of the indebtedness, but only if such indebtedness is greater to euros forty millions (or its equivalent value at the date of issue in any other authorised currency); or

(ii) if the Issuer do not pay, all or part of a (or several) guarantee(s) granted under any indebtedness entered into by third parties, where such guarantee(s) fall(s) due and duly called, but only if the amount of this or these guarantees is greater than euros forty millions (or its equivalent value at the date of issue in any other authorised currency); or

(e) if the legal status or regime of the Issuer is amended, including as a result of a legislative or regulation amending, as far as in each case, such modification reduces the rights of the Noteholders against the Issuer or makes more difficult or more expensive actions of the Noteholders against the Issuer.

9. PRESCRIPTION

All claims against the Issuer in relation to the Notes, Receipts and Coupons (except for Receipts) shall lapse after four years from the 1st of January of the year following their respective due dates.

10. REPRESENTATION OF NOTEHOLDERS

Unless otherwise stipulated in the applicable Final Terms, the Noteholders shall, in respect of all Tranches of a single Series, be grouped together automatically for the defence of their common interests in a masse (the **Masse**). The Masse shall be governed by the provisions of the French Commercial code (*Code de commerce*), except Articles L. 228-48, L. 228-59, L. 228-71, R. 228-63, R. 228-67 and R. 228-69.

(i) Legal personality

The Masse will be a separate legal entity, acting in part through a representative (the **Representative**) and in part through a Noteholders' general meeting (the **Noteholders' General Meeting**).

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which may accrue now or in the future under or with respect to the Notes.

(ii) Representative

The person acting as Representative may be of any nationality. However, the following persons may not be chosen as Representative:

(A) the Issuer, the members of its Council of Ministers (*Conseil des ministres*), its employees and their ascendants, descendants and spouses, or

(B) entities guaranteeing all or part of the obligations of the Issuer, their respective general managers, managing directors, members of their Board of Directors, Executive Board or Supervisory Board, their statutory auditors, employees or any of their ascendants, descendants and spouses respectively, or

(C) any persons prohibited from exercising the profession of banker, or who are disqualified from acting as director, administrator or manager of a company in whatever capacity.

The names and addresses of the incumbent Representative of the Masse and his alternate shall be set forth in the applicable Final Terms. The Representative appointed for the first Tranche of a Series of Notes shall be the sole Representative of the Masse for all Tranches of such Series.

The Representative shall receive remuneration for the performance of his functions and duties, if so provided, on such date or dates as may be specified in the applicable Final Terms.

In the event of death, resignation or dismissal of a Representative, the alternate Representative shall replace him. In the event of death, resignation or dismissal of the alternate Representative, the Noteholders' General Meeting shall appoint another alternate Representative to replace him.

All interested parties may at any time obtain the names and addresses of the initial Representative and his alternate at the principal office of the Issuer and the specified office of any of the Paying Agents.

(iii) Powers of the Representative

The Representative shall (in the absence of any decision to the contrary of the Noteholders' General Meeting), have the power to take any management action necessary for the defence of the common interests of the Noteholders.

All legal proceedings brought against or by the Noteholders must be brought by or against the Representative.

The Representative may not interfere in the management of the Issuer's affairs.

(iv) General Meeting

Noteholders' General Meetings may be held at any time, on convocation either by the Issuer or the Representative. One or more Noteholders, holding together at least one-thirtieth of the nominal amount of the Notes outstanding may request the Issuer or the Representative to convene a General Meeting. If such General Meeting has not been convened within two months from such demand, such Noteholders may instruct one of themselves to petition the competent courts of Paris to appoint an agent to convene the meeting.

Notice of the date, hour, place and agenda of the General Meeting shall be published as provided in Article 14.

Each Noteholder has the right to participate in General Meetings in person, by proxy or by postal ballot. Each Note carries one vote or, in the case of Notes issued with several Specified Denominations, one vote in respect of each multiple of the smallest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(v) Powers of the General Meeting

The General Meeting has power to consider proposals for the dismissal and replacement of the Representative and his alternate. It may also vote on any other matter concerning the common rights, actions and benefits attached to or accruing with respect to the Notes, now or in the future, including authorising the Representative to act at law whether as plaintiff or defendant.

The General Meeting may also consider any proposal relating to modification of the Terms, including any proposal for arbitration or settlement, relating to rights that are in dispute or the subject of judicial decision; the General Meeting may not, however, increase the obligations of the Noteholders or breach in any manner the principle of equality between Noteholders.

General Meetings may only deliberate validly on first convocation if the Noteholders present or represented hold at least one fifth of the nominal amount of Notes then outstanding. On second convocation no quorum is required. Decisions at General Meetings shall be valid if taken by a majority of two thirds of the votes cast by the Noteholders present or represented at such meeting.

Pursuant Article R. 228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced, by the entities, of the Notes in the securities account of the Relevant Holder on the third business day prior to the relevant General Meeting as of 0: 00, Paris time.

Resolutions adopted by General Meetings shall be published in accordance with the provisions of Article 14.

(vi) Information for Noteholders

Each Noteholder or its representative shall have the right, throughout the fifteen calendar day period preceding the holding of each General Meeting, to consult or make copies of the text of the resolutions to be proposed and of the reports to be presented at the General Meeting. Such documents will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of such meeting.

(vii) Expenses

The Issuer shall pay, upon presentation of duly documented evidence, all expenses incurred in connection with the conduct of the affairs of the *Masse*, including all expenses relating to notices and the holding of General Meetings and, more generally, all administrative expenses voted by the Noteholders' General Meeting, provided however that no expenses may be imputed against any interest payable on the Notes.

(viii) Single Masse

The holders of Notes of the same Series, (including Noteholders of any other Tranche consolidated in accordance with Article 13) and the holders of the Notes of any series that have been consolidated with another Series in accordance with Article 1.5, shall be grouped together for the defence of their common interests into a single Masse. The Representative appointed for the first Tranche of a Series of Notes shall be the Representative of the single Masse of the Series.

For the avoidance of doubt in this Article 10, the term "outstanding" shall not include the Notes repurchased by the Issuer, pursuant to Article L.213-1 A of the French *Code de commerce*, that are held by it and not cancelled.

11. AMENDMENTS

These Terms may be amended or modified by a supplement to the Base Prospectus.

The parties to the Fiscal Agency Agreement may, without the consent of the Noteholders or Couponholders, amend or waive any provisions thereof with a view to remedying any ambiguity or rectifying, correcting or completing any defective provision of the Fiscal Agency Agreement, or in any other manner that the parties to the Fiscal Agency Agreement may consider necessary or desirable but only to the extent that, in the reasonable opinion of the parties, the interests of the Noteholders or Couponholders are not prejudiced.

12. REPLACEMENT OF PHYSICAL NOTES, COUPONS, RECEIPTS AND TALONS

In the case of Materialised Notes, any Physical Note, Receipts, Coupon or Talon that has been lost, stolen, defaced or destroyed in whole or in part, may be replaced, in compliance with applicable laws and stock market rules and regulations at the offices of the Fiscal Agent or any other Paying Agent, if any, appointed by the Issuer for such purpose and whose appointment shall be notified to the Noteholders. Such replacement shall be made against payment by the claimant of any fees and expenses incurred in connection therewith and subject to such terms as to proof, security or indemnity (which may provide, inter alia, that in the event that the Physical Note, Receipts, Coupon or Talon allegedly lost, stolen or destroyed is subsequently presented for payment or, as the case may be, for exchange for further Coupons, the Issuer shall be paid, at its request, the amount payable by the Issuer in respect of such Physical Notes, Coupons or further Coupons). Partially destroyed or defaced Materialised Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. CONSOLIDATED ISSUES

The Issuer shall be entitled, without the consent of the holders of any Notes, Receipts, or Coupons, to create and issue further notes to be consolidated with the Notes to form a single Series, provided that such Notes and the further notes confer on their holders rights that are identical in all respects (or identical in all respects other than the issue date, issue price and the first interest payment) and that the terms of such Notes provide for consolidation and references to "Notes" in these Terms shall be interpreted accordingly.

14. NOTICES

14.1 Notices addressed by the Issuer to the holders of Dematerialised Notes in registered form shall be valid either (a) if they are posted to their respective addresses, in which case they shall be deemed to have been delivered on the fourth Business Day after posting or (b) at the option of the Issuer, if they are published on the website of any relevant regulatory authority, in one of the leading economic and financial daily newspapers with general circulation in Europe (which is expected to be the *Financial Times*). So long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall not be deemed to be valid unless published in an economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.

14.2 Notices addressed to Noteholders of Materialised Notes and Dematerialised Notes in bearer form shall be valid if published in a leading economic and financial daily newspaper with general circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall also be published in an economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.

14.3 If any such publication is not practicable, the notice shall be validly given if published in a leading economic and financial newspaper with general circulation in Europe, provided however that, so long as the Notes are admitted to trading on any regulated market, notices must be published in any other manner required, as the case may be, under the applicable rules of such regulated market. Noteholders shall be deemed to have had notice of the contents of any notice on the date of publication, or if the notice was published more than once or on different dates, on the date of the first publication as described above. Couponholders shall be deemed, in all circumstances, to have had notice of the contents of any notice addressed to Noteholders of Materialised Notes in accordance with this Article.

14.4 Notices addressed to holders of Dematerialised Notes (whether in registered or bearer form) in accordance with these Terms may be delivered to Euroclear France, Euroclear, Clearstream, Luxembourg or any other clearing system through which the Notes are then cleared, instead of posting or publishing the notice as provided in Articles 14.1, 14.2 and 14.3 above, provided however that so long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall also be published in an economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.

15. GOVERNING LAW, LANGUAGE AND JURISDICTION

15.1 Droit applicable

The Notes, Receipts, Coupons and Receipts are governed by and shall be interpreted in accordance with French law.

15.2 Language

This Base Prospectus has been drafted in the French language. A free translation in English may be available, however only the French version may be relied upon as the authentic and binding version.

15.3 Jurisdiction

Any dispute in relation to the Notes, Receipts, Coupons or Talons shall be subject to the courts within the jurisdiction of the Paris Court of Appeal (subject to mandatory provisions related to territorial jurisdiction of French courts). No private law enforcement measures may be instigated and no seizure or attachment proceedings may be brought against the assets or property of the Issuer as a legal entity governed by public law.

TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF MATERIALISED NOTES

1. TEMPORARY GLOBAL CERTIFICATES

A Temporary Global Certificate in respect of Materialised Notes, without interest coupons, will initially be issued (a **Temporary Global Certificate**) for each Tranche of Materialised Notes, and shall be deposited at the latest by the issue date of such Tranche with a common depositary (the **Common Depositary**) for Euroclear Bank S.A./N.V., as operator of the Euroclear system (**Euroclear**) and Clearstream banking, société anonyme (**Clearstream, Luxembourg**). Following deposit of such Temporary Global Certificate with a Common Depositary, Euroclear or Clearstream, Luxembourg shall credit each subscriber with an amount in principal of Notes equal to the nominal amount so subscribed and paid for.

The Common Depositary may also credit the accounts of subscribers of a nominal amount of Notes (if so specified in the applicable Final Terms) in other clearing systems through accounts held directly or indirectly by such other clearing systems with Euroclear and Clearstream, Luxembourg. Conversely, a nominal amount of Notes initially deposited with any other clearing system may, in the same manner, be credited to the accounts of subscribers held with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. EXCHANGE

Each Temporary Global Certificate in respect of Materialised Notes shall be exchangeable, free of charge to the bearer, at the earliest on the Exchange Date (as defined below):

(a) if the applicable Final Terms specify that the Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which the TEFRA rules do not apply (see the section "General Description of the Programme – Selling Restrictions"), in whole but not in part, for Physical Notes; and

(b) in all other cases, in whole but not in part, after certification, to the extent required under section § 1.163-5(c)(2)(i)(D)(4)(ii) of the US Treasury regulations, that the Notes are not held by US persons, for Physical Notes.

3. REMISE DE TITRES PHYSIQUES

On or after the Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. The Issuer shall, in exchange for any Temporary Global Certificate, deliver or procure the delivery of an equal aggregate nominal amount of duly signed and authenticated Physical Notes. For the purposes of this Base Prospectus, **Physical Notes** means, in respect of a Temporary Global Certificate, the Physical Notes for which the Temporary Global Certificate may be exchanged (having, if appropriate, attached to them all Coupons and Receipts in respect of interests or Instalment Payment Amount that have not already been paid on the Temporary Global Certificate and a Talon). Physical Notes will be security printed in accordance with any applicable legal and stock exchange requirements.

Exchange Date means, in relation to a Temporary Global Certificate, the day falling no earlier than 40 days after its issue date, provided however that, in the case of a further issue of Materialised Notes, to be consolidated with such previously mentioned Materialised Notes, issued prior to such day in accordance with Article 13, the Exchange Date may, at the option of the Issuer, be postponed until a date falling at least 40 days after the issue date of such further Materialised Notes.

In the case of Materialised Notes with a minimum maturity of more than 365 days (to which the C Rules do not apply), the Temporary Global Certificate must include the following legend:

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF 1986) WHO HOLDS THIS NOTE WILL BE SUBJECT TO RESTRICTIONS UNDER UNITED STATES FEDERAL INCOME TAX LAWS, INCLUDING THOSE PROVIDED UNDER SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

DESCRIPTION OF THE ISSUER

Clause **Page**

1. GENERAL INFORMATION

1.1 Head office, contact details and geographical location of the Issuer

(a) Head office and contact details

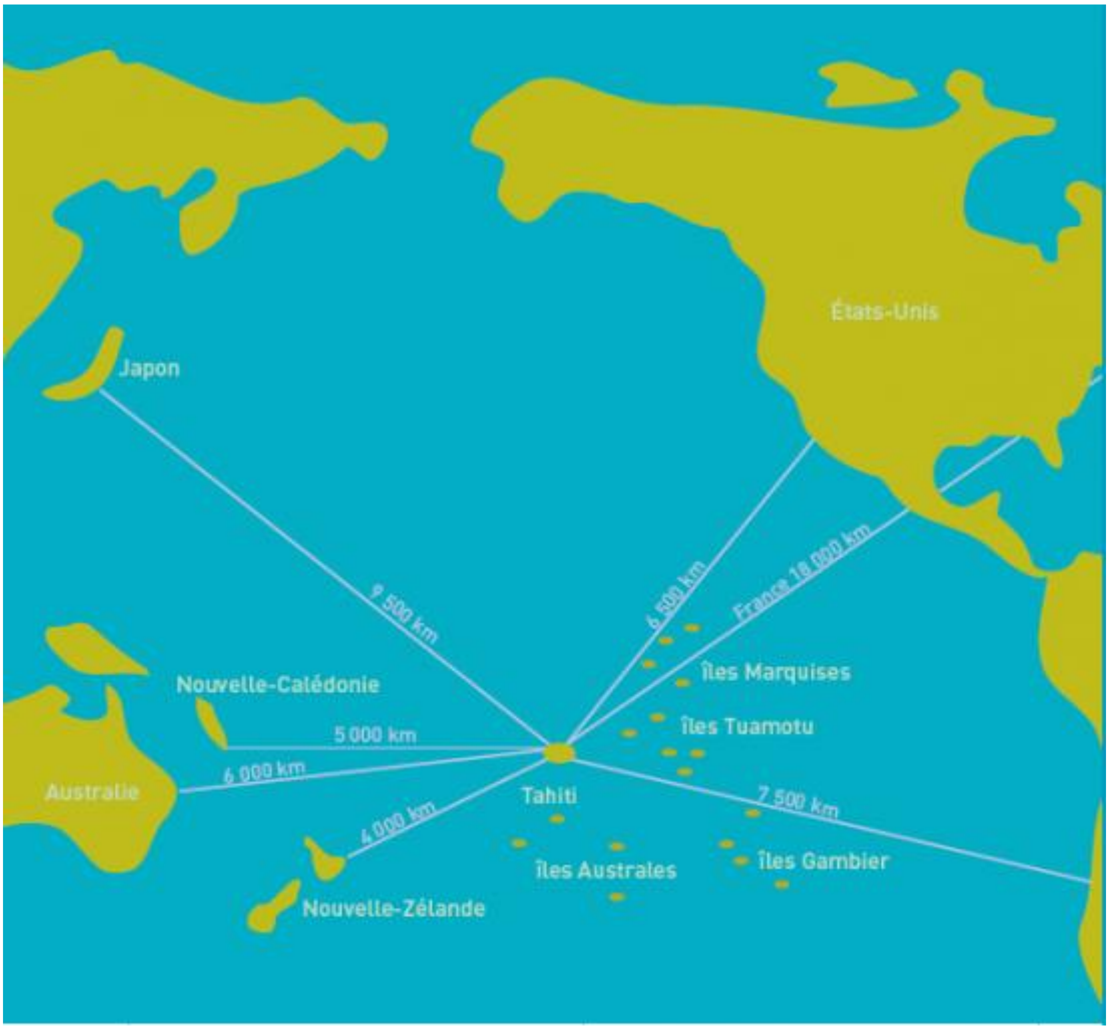
The Issuer is the overseas authority of The Polynésie Française (the "**authority**"). The Issuer's head office address is The Culture Building, opposite the *Conseil économique, social et culturel* (*CESC*), rue des Poilus Tahitiens – Papeete, Tahiti, The Polynésie Française.

The Issuer's contact details are:

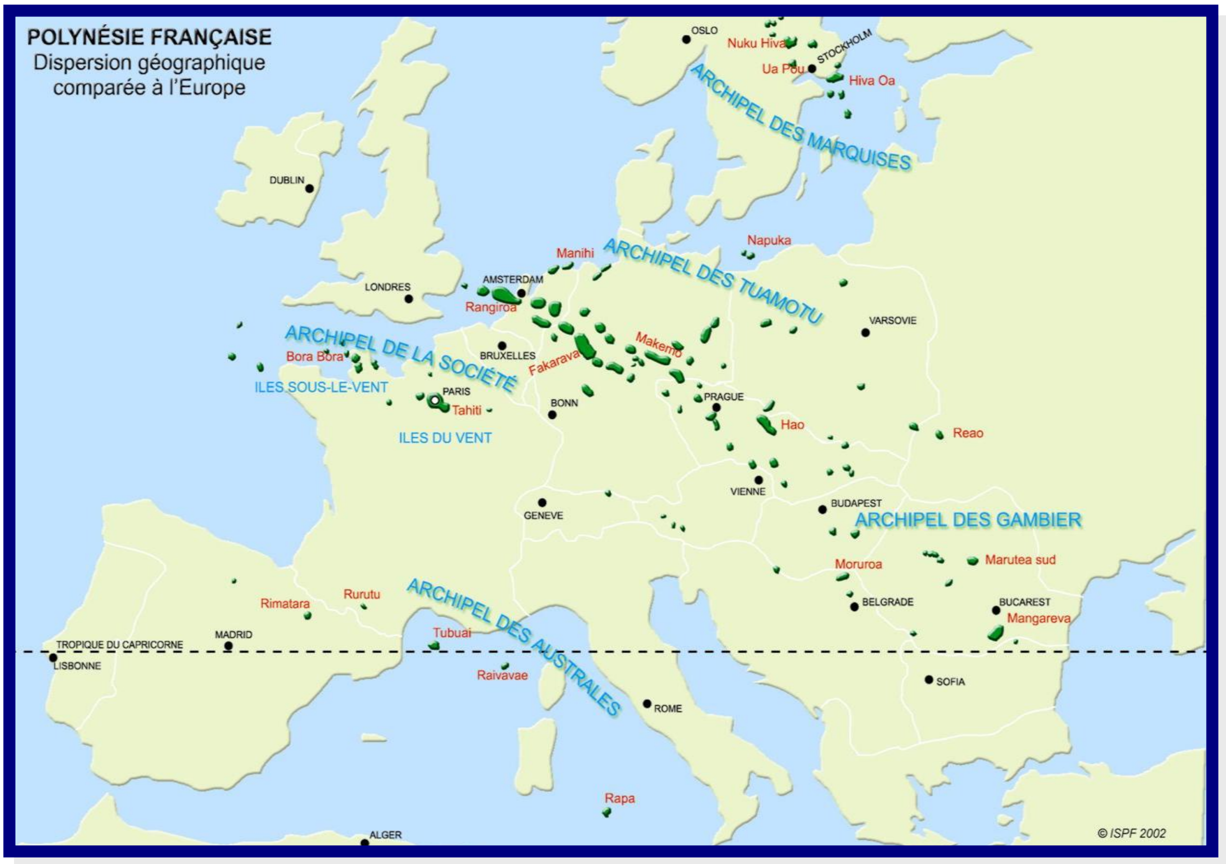
- Telephone number: (689) 80.30.00
- Facsimile number: (689) 41.91.83
- E-mail address: secretariat@vp.gov.pf

(a) Geographical location

The Polynésie Française is situated in the heart of the Pacific Ocean, in the centre of the Polynesian triangle formed by Hawaii, New Zealand and the Easter Islands.



It represents an exposed landmass of 3,521 Km^2 and an economic area of more than 5 millions Km^2, as vast as Europe:



<u>Graphic above : "The Polynésie Française – Geographical spread compared to Europe"</u>

The Polynésie Française is made up of 118 islands grouped in five archipelagos:

- the Société Archipelago including the Windward islands (Tahiti, Moorea and Tetiaroa) and the Leeward islands (Raiatea, Tahaa, Huahine, Bora Bora and Maupiti)
- the Tuamotu Archipelago
- the Gambier Archipelago
- the Marquises Archipelago
- the Australes Archipelago

Tahiti is the largest island. Its main town, Papeete, is the capital and the territory's prime economic centre.

1.2 Organisational structure of the Polynésie Française

(a) Legal form

The Polynésie Française is an overseas authority whose status was determined pursuant to the organic law n°2004-192 of 27 February 2004 granting autonomy to the Polynésie Française, as most recently amended by the law n°2011-918 of 1st August 2011 (the "**organic statutory law**").

The organic statutory law reinforced the Polynésie Française's autonomy from a political and symbolic perspective by categorising the Polynésie Française as an "overseas country", although it remains for the purposes of the Constitution, merely an autonomous overseas authority.

Nevertheless the intention of the organic law was to instil a dynamic perspective by specifying that the "Republic guarantees the autonomy of the Polynésie Française" and "promotes progress of such autonomy".

(b) History of the Polynésie Française's legal status

(i) Gestation of the Polynésie Française's autonomy (1957-2003)

The Polynésie Française was first granted autonomy in 1957, based on a form of "social autonomy". The French State (the "**State**") had decided at the time to decentralise a major portion of its Welfare State functions to the overseas territories (TOM). Significant powers were transferred in the economic, social, health, insurance, education, leisure and culture sectors. In return, the authority was to assume financial responsibility for the exercise of its powers.

The financial difficulties encountered by the Polynésie Française resulted in the adoption of an order dated 23rd December 1958 which re-established the governor at the centre of local institutional power and a number of powers reverted to State control (post and telecommunications, secondary education).

It was not until the law n°77-772 dated 12 July 1977 concerning the organisation of the Polynésie Française that the authority was able to enjoy "management autonomy". It was recognised as having authority of principle, and the capacity to sign conventions with the State to support its projects. The title Governor disappeared, the representative of the State becomes the "*Haut-commissaire de la République*". The local executive, in the form of a Council of government, includes six elected government councillors, in addition to the *Haut-commissaire* and the vice president. The *Haut-commissaire* is the President of the Council of government. He nevertheless remains the head of the local administration.

In 1984, the status of the Polynésie Française reached a milestone, that of "internal autonomy". Supervisory authority of the *Haut-commissaire* disappears and is replaced by *ex post facto* legal control exercised by the administrative judge. The head of the executive becomes an elected official and, more generally, the Polynésie Française's institutions take on a political dimension: symbols (flag, anthem, ministries) parliamentary system (subtle separation of legislative and executive powers). Significant powers are restored to the authority, such as post and telecommunications, secondary education.

Subsequently, with the law dated 12 July 1990, a trend towards ever increasing power of the Polynésie Française's President began (presidentialisation of the institutional system). In 1996 the Polynésie Française autonomous legal status is adopted. Advance in its autonomy is, however, limited to the extent that the avenues available under Article 74 of the Constitution had been exhausted.

A constitutional amendment (in 2003) would therefore be necessary for the march of autonomy to continue its progress.

(ii) The Polynésie Française autonomy in 2004

The **2003 constitutional reforms** enable the Polynésie Française, whilst remaining a local authority under Article 72, to benefit from a number of the advantages of political autonomy: in the absence of effective legislative powers, specific jurisdictional control of the *Conseil d'Etat* and declassification of domestic laws impinging on areas of local authority; in the absence of the transfer of certain sovereign powers, overseas authorities participate in the exercise of State powers; certain derogations from the principle of equality through measures benefitting the local population in terms of access to employment and property ownership.

The **2004 legal status law** solidifies "the autonomy of the Polynésie Française" on these constitutional bases. Ultimately it seems clear that such autonomy is, from a material perspective, political in nature: in the Polynésie Française, the authority plays the role of national legislator, except in the sphere of sovereign matters. Conversely, from a formal point of view, such autonomy remains administrative in nature: its acts have regulatory force; they do not constitute laws in the strict sense of the word.

It should be noted that the trend is towards increased State control of its autonomy. An organic law of 7 December 2007 has strengthened the transparency of political life in the Polynésie Française.

(c) The State in the Polynésie Française

The representative of the State in the Polynésie Française: the *Haut-commissaire*

The institution of "*Haut-commissaire de la République*" acting as "representative of the State" in the Polynésie Française was established under Article 72 of the Constitution.

Generally a member of the Prefectoral corps, the *Haut-commissaire* is appointed by decree passed in Council of ministers. Placed under the authority of the Minister for Overseas Territories, he represents not only such minister but also "each member of the government".

He “is the repository of the powers of the Republic" and "is responsible for defending the national interest, administrative control and the rule of law” (art. 72 of the Constitution).

The statutory organic law also adds to such responsibilities, responsibility for compliance "with international commitments" applicable in the Polynésie Française and "public order".

He directs State services or controls those for which a level of autonomy has been granted. He signs conventions in the name of the State where such conventions are required to be entered into between the State and the Polynésie Française.

He has specific powers in relation to Defence.

Article 166 of the statutory organic law also provides that the "*Haut-commissaire* oversees proper exercise by the Polynésie Française’s authorities of their powers". He performs a control function.

The State’s main functions

Although the principle of indivisibility of the Republic implies that the State has, on this basis, a self-organising power attributing it the right to determine the status of the Polynésie Française and granting it certain inherent powers in matters of internal sovereignty (traditional sovereign functions) and external sovereignty (foreign policy and national defence) and also human rights, the State must, in exercising its powers, take specific issues of the Polynésie Française into account. Also, Article 74 of the Constitution provides a guarantee in this regard: legislative specificity. To be applicable, national laws must expressly refer to their extension to the Polynésie Française.

National solidarity

Although it is not obliged to aid the authority within its sphere of competence, the State agrees nevertheless to do so by virtue of the principle of national solidarity enshrined in the Preamble of the Constitution of 27 October 1946.

Accordingly, the projects contract (social housing, health, major structural equipment…) signed for the period 2008-2013 amounts to a total of €435.759 million (or 52 Bn Pacific francs), half of which is financed by the State. This projects contract is expected to be extended by one further year. Moreover, discussions are underway for a new contract period 2015-2020.

Another type of agreement launched in 1977 provides for State intervention in sectors such as health, education, solidarity, youth (support for solidarity and health initiatives, financing adapted military service, local continuity endowment, grants and mobility passports).

Finally, the State provides considerable support for post-nuclear era economic transformation: global autonomy endowment ("DGA"), the 3rd financial instrument to finance part of the country's capital investment.

(d) The Polynésie Française's institutions

The statutory organic law provides in Article 5 that "the Polynésie Française's institutions include the President, the government, the assembly and the economic, social and cultural council".

The Polynésie Française's institutions follow the parliamentary system: executive power is bestowed on a President and a government, legislative power is devolved on an assembly and consultative power is exercised by the economic, social and cultural council.

(i) Executive power: the President and government of the Polynésie Française.

Since the statutory organic law of 2004, The Polynésie Française's executive comprises two elements: the President of the Polynésie Française and the government.

The President of the Polynésie Française

The President has specific powers. He also acts within the collegiate body of the Council of ministers and has full control over this body. He is also a member of the government. He is elected by and from amongst the members of the Polynésie Française assembly, by secret ballot. The Polynésie Française President remains in office until expiry of the mandate of the assembly that elected him, except in the case of incompatibility of function, death, resignation, inability to hold office for a period exceeding 3 months or definitively, vote of no confidence or dismissal.

The President of the Polynésie Française is Gaston FLOSSE.

Powers of the President

The President represents the Polynésie Française. He directs the work of the government. He enacts "country laws", signs acts debated in Council of ministers. He is responsible for enforcement of "country laws" and deliberations of the the Polynésie Française assembly and its standing committee. He exercises regulatory power to implement acts of the Council of ministers.

He runs the Polynésie Française administration. He appoints all the Polynésie Française's public officials, except those that fall within the scope of authority of the Council of ministers and the president of the Polynésie Française assembly. He signs all contracts.

He is the authorising officer of the Polynésie Française budget. He ensures that acts falling within the scope of authority of the Polynésie Française's institutions are published in the Polynésie Française Official Journal.

Powers of the President in respect of the government

He appoints the vice-president and the ministers. He sets the limits of their powers and grants any necessary delegations of authority. He may at any time change the composition of and allocation of responsibilities within the government. He may dissolve the government by presenting his resignation.

He convenes chairs and prepares the agenda for meetings of the Council of ministers.

If the President of the Polynésie Française is absent or unable to act, the vice president acts as his temporary replacement.

Powers of the President in respect of the Polynésie Française *assembly*

The President must be notified, prior to all meetings, of the agenda for the work of the assembly and its committees and of the resignation of any representative. He must be given notice of all acts adopted by the assembly (resolutions, deliberations, "country laws").

He may request extraordinary sessions to be held.

He reports annually to the Polynésie Française assembly on the activities of the government, its services and on the economic and financial situation of the Country. The *Haut-commissaire* may consult him in the event of partial elections to the Polynésie Française assembly, as may the President of the Republic if the Polynésie Française assembly is dissolved.

The Polynésie Française government

As at the date of this Base Prospectus, the Polynésie Française government is made up as follows:

THE PRESIDENT AND GOVERNMENT OF POLYNÉSIE FRANÇAISE (as at 17/05/2013)		
PRESIDENT	Gaston FLOSSE	Minister for solidarity, employment, international and European affairs, responsible for the fight against poverty and exclusion, the elderly and handicapped and relations with *communes*
VICE-PRESIDENT	Nuihau LAUREY	Minister for the economy, finance and the budget, the civil service, responsible for businesses and industry, export development and the fight against the rising cost-of-living
MINISTERS	Geffry SALMON	Minister for tourism, ecology, culture, territorial planning and development and air transport
	Tearii ALPHA	Minister for marine resources, mines and research, responsible for pearl culturing, fisheries, aquaculture and institutional relations
	Marcel TUIHANI	Minister for housing, land affairs, the digital economy and communications, artisan activity, government spokesperson
	Béatrice CHANSIN	Minister for health, employment, responsible for general social welfare, vocational training, womens' rights and the fight against drug addiction
	Michel LEBOUCHER	Minister for education, higher education, youth and sports, responsible for non-for-profit activity
	Bruno MARTY	Minister for equipment, urban planning, energy and land and maritime transport
	Thomas MOUTHAME	Minister for agriculture, agri-food, farming and equality and development of the archipelagos

The government is a collegiate body, composed of a vice-president, 7 to 10 ministers and directed by the President.

Unlike the President, ministers are not elected by the Polynésie Française assembly. They are appointed by the President who has total discretion as to his choice of ministers.

The *vice-president* holds a ministerial portfolio, and it is his function in the event of absence or inability to act of the President of the Polynésie Française to temporarily act in his place. He chairs the Council of ministers in his absence. The Polynésie Française vice president is Nuihau LAUREY.

Ministers

From a political perspective, ministers participate in government action and are collectively accountable to the assembly of the Polynésie Française. From an administrative perspective, a minister is a chief of service sitting at the head of the ministerial department.

A minister has authority for a range of services "within the administrative sector" for which he is responsible and he is accountable to the Council of ministers for managing the brief entrusted to him.

The Council of ministers

“The Council of ministers is jointly and collegially responsible for the affairs within the authority of government”. The function of government is exercised collectively under the authority of the President, by the ministers. Decisions made in the Council of ministers are deemed to have been taken by all of the members of this body, whatever position was adopted by any individual minister during the Council meeting: this is the principle of governmental solidarity.

All actions of the executive are discussed and decided by the Council of ministers. This is the case for all draft country laws or deliberations to be submitted to the Polynésie Française assembly, and primarily the draft budget of the authority and all regulations necessary for implementation of country laws or deliberations and also those taken within the government’s specific scope of authority.

All of these acts are signed by the President and, if appropriate, countersigned by the ministers that will be responsible for their execution.

The Council of ministers has significant autonomous regulatory powers. In certain areas, listed mainly in Articles 90 and 91 of the statutory organic law, it is the sole decision-making body. In certain areas, it may delegate its authority.

Materially, the areas falling within the Council of ministers' scope of authority are very classic: management of public services (education, transport, etc.), running the administration (services, public establishments, consular chambers, etc.), economic public law (tariffs, prices, internal trade, import restrictions, etc.), public works, public finances, etc.

The Council of ministers holds certain powers of appointment. Access to certain functions requires prior notice to the Polynésie Française assembly.

It also has a consultative role. It must be consulted in particular on draft decrees "of a regulatory nature" that introduce, modify or abolish measures specific to the Polynésie Française, in other words that relate to the "specific organisation" of the Polynésie Française.

It is mandatory for the government to be consulted for its opinion on the following matters: preparation of operational rescue plans relating to public safety and coordination and requisition of necessary resources; air transport service (within the State's scope of authority); regulations concerning the control and residence of foreigners and delivery of residence permits; creation and abolition of *communes*, changes to their boundary limits, transfer of administrative centre and finally appointment of the public auditor of the Polynésie Française treasury.

(ii) Deliberative powers: the Polynésie Française assembly

The assembly is composed of 57 representatives elected for five years by direct universal suffrage in a single electoral constituency, comprising eight sections.

The assembly's current composition is as follows:

- *Tahoeraa Huiraatira* Group: 38 representatives
- *Union pour la Démocratie* Group: 11 representatives
- *A Ti'a Porinetia* Group: 8 representatives

The powers of the president of the Polynésie Française assembly are listed in Articles 136 to 138 of the statutory organic law of 27 February 2004. He is elected for a term equal to that of the mandate of the assembly members. The president of the Polynésie Française assembly is Edouard FRITCH.

- The **bureau** comprises 3 vice-presidents, 3 secretaries, and 3 scrutineers who are appointed each year by a political group proportional representation voting system.
- The **standing committee** is elected, each year, by a political group proportional representation highest average voting system. It has 21 members including 1 president, 1 vice-president and 1 secretary. It has power, between sessions, to issue opinions, adopt certain resolutions and settle urgent matters by deliberation.
- **Internal committees** are responsible for preparing for debates in plenary session, for informing representatives and controlling the government's actions.
  - – Legislative committees are bodies that conduct research and make proposals. There are 9 such committees which conduct preparatory work, set out in reports, for debates to be held in plenary assembly or in standing committee:
    - ▪ the equipment, urban planning, energy and land and maritime transport committee;
    - ▪ the health and employment committee;
    - ▪ the economy, finance, budget and civil service committee;
    - ▪ the housing, land affairs, digital economy, communications and artisan activities committee;
    - ▪ the tourism, ecology, culture, local planning and development and air transport committee;
    - ▪ the marine resources, mines and research committee;
    - ▪ the education, higher education, youth and sports committee;
    - ▪ the agri-food, farming and development of the archipelagos committee.
  - – The committee responsible for preparation of the Polynésie Française assembly budget.
  - – The budgetary and financial control committee issues opinions on draft government decisions relating to financial subsidies or guarantees granted

by the authority to legal entities, investments by the authority in the share capital of mixed economy companies and commercial companies, acquisition, disposal or property transfer projects, appointments of directors of the Polynésie Française public establishments, directors of the social security authority (*caisse de prévoyance sociale*) and representatives of the Polynésie Française on boards of directors and supervisory boards of mixed economy companies. The committee may propose a referral by the assembly to the territorial audit office (*chambre territoriale des comptes*) whenever a draft decision may result in increased expenditure for the authority or increased financial risk.

– Committees of inquiry as referred to in Article 132 of the statutory organic law are established by deliberation of the assembly.

(iii) Consultative powers: the economic, social and cultural council (*CESC*)

The CESC plays an essential role in conveying the true economic reality by providing permanent representation of socio-professional interests. It is a place of reflection and force for proposals. Its opinions are published.

The Polynésie Française economic, social and cultural council is made up of representatives of professional groupings, unions, organisations and associations that participate in economic, social or cultural life in the Polynésie Française.

The CESC has 51 representative members split into three boards.

The employees board: 17 seats;

The entrepreneurs and independent workers board: 17 seats;

The community life board: 17 seats.

Their mandate lasts four years after which the CESC is renewed in its entirety.

A resolution will soon be submitted to the Polynésie Française assembly proposing 48 members in number, or 16 seats per board.

The CESC is structured around three bodies: the plenary assembly, the president of the CESC and the bureau.

The CESC is consulted for its opinion on the Polynésie Française planning projects of an economic or social nature.

It may also be consulted on draft or proposed country laws of an economic or social nature. The government or assembly of the Polynésie Française may consult it on other draft or proposed country laws or on draft or proposed deliberations and on any other matter of an economic, social or cultural nature. It may also self-refer matters on studies or issues within its scope of authority.

(e) Distribution of powers in the Polynésie Française

The Polynésie Française has authority in all matters that are not devolved to the State.

Powers of attribution of the State

The restrictive list of the State's powers is set forth in the statutory organic law.

It therefore has mere powers of exception (powers of attribution) even though the retained areas of power are very significant. Indeed some of the powers are defined in the Constitution (Article 73 para. 4).

Others have been added by the statutory organic law:

- the powers set forth in the Constitution: nationality; civil rights; civil liberty guarantees; individual status and capacity; the justice system; criminal law; criminal procedure; foreign policy; defence; security and public order; currency ; credit and exchange; electoral law.
- the powers set forth in the statutory organic law: entry and residence of foreigners other than access to employment; air transport service between the Polynésie Française and any other point in the Territory of the Republic; *communes* (administration, organisation, powers and control of acts); the State civil service; audio-visual communications; university, scientific research and issuance of national diplomas.

Powers of the Polynésie Française

The statutory organic law has increased and extended the scope of the Polynésie Française's powers:

- employment: employment law and works inspectorate, access to private and public sector employment;
- foreign relations: potential cooperation agreements with French or foreign local authorities, representations negotiated with foreign States on notification to the State;
- liquid and gas hydrocarbons, other than products necessary for fulfilment of security and defence functions; air transport services between the Polynésie Française and any destination outside the national territory;
- the Polynésie Française civil service;
- repression: fines and administrative sanctions;
- gaming (under State control): casinos, lotteries, etc.;
- higher education (outside of the State's scope of authority);
- establishment of mixed economy companies and investment in the share capital of private companies managing public services.

The Polynésie Française's participation in the exercise of State powers

Under the control of the State, the Polynésie Française participates in the exercise of sovereign powers: individual status and capacity, parental authority, marriage regimes, inheritance and gifts; investigation and recording of offences; provisions of criminal law in relation to gambling; entry and residence of foreigners, other than exercise of rights to asylum, expulsion of foreigners and circulation of European Union citizens; audio-visual communications; university education and research; post office financial services; surveillance and occupancy of the Polynésie Française public land, road traffic policing, internal waters maritime traffic policing and public and civil security; negotiation and signing of agreements with one or more Pacific States, territories or regional organisations may be entrusted to the President of the Polynésie Française.

(f) Exercise of normative powers

"Overseas countries govern themselves freely"

The extension of the Polynésie Française's specific powers has reduced the influence of mainland laws and regulations. The entry into force of such laws and regulations is always subject to the principle of legislative specificity. Furthermore, the Polynésie Française enacts its own laws within the sphere of its own powers as described above.

Application of laws and regulations in the Polynésie Française

Under the principle of legislative specificity, laws and regulations enacted by the State are not automatically applicable in the Polynésie Française. They enter into force only if their originator (Parliament or government) has expressed such intention. This is evidenced by express reference to applicability in the relevant norm which enables its extension to the overseas authority.

As an exception to this rule, Article 7 of the statutory organic law lists a number of areas in which laws and regulations are automatically applicable.

The Polynésie Française's legal norms

The Polynésie Française's authorities have power in all matters in respect of which authority has not been bestowed on the State.

Several authorities are involved in the exercise of its powers: the Polynésie Française assembly (plenary assembly, standing committee), the Council of ministers and the President of the Polynésie Française.

Three types of acts are drafted: "country laws", deliberations and decisions.

- Country laws: regulatory acts adopted either by the assembly (deliberative body), or by local referendum (the people), in areas within the sphere of the law following a special deliberative procedure which ends with an act of promulgation and which is subject to jurisdictional control by the *Conseil d'Etat*. Whilst the Polynésie Française remains a local authority with only formal administrative autonomy, the normative power bestowed on the Polynésie Française assembly in 2004 is not the same as traditional administrative authority. The Polynésie Française's country laws bear a closer resemblance from many points of view to a legislative-type norm than a mere deliberation taken by the deliberative assembly of a local authority.
- Deliberations: regulatory acts adopted by the assembly in areas that are neither within the sphere of country laws nor the regulatory power of the Council of ministers.
- Decisions (*l'arrêté*): regulatory acts passed by the Council of ministers by virtue of either its autonomous regulatory powers (essentially Articles 90 and 91-1°, 2°, 4°, 15°, 16°, 17°, 26°), or its derivative regulatory powers (the act is passed in application of a deliberation or country law).

(g) Communes

The Polynésie Française is made up of 48 *communes* spread throughout five archipelagos or administrative subdivisions:

- the Windward islands: 13
- the Leeward islands: 7

- the Marquis islands: 6
- the Australes islands: 5
- Tuamotu and Gambier islands: 17

The State controls the exercise by *communes* of their powers. Based in the past on supervision (control of appropriateness), State control of *commune* acts has, since 1st January 2012, been in the form of a control of legality and shall be exercised *ex post facto* by the administrative judge. This shall be applied uniformly at the latest before 1 January 2012.

In addition to application of the general decentralisation law, the ordonnance of 5 October 2007 has modernised communal law in force in the Polynésie Française.

Powers

Since the introduction of part of the French *Code général des collectivités territoriales* (applicable in mainland France) in the Polynésie Française (2007), *communes* in the authority have acquired a new status in particular with regard to local services.

They have powers in the following areas:

- Municipal policing
- *Commune* roadways
- Cemeteries
- Local transport
- Construction, maintenance and operation of nursery and primary schools
- Distribution of drinking water, without prejudice to the Polynésie Française's duty to provide for its own needs
- Collection and treatment of household waste
- Collection and treatment of organic waste
- Collection and treatment of sewage

The *ordonnance* of 5 October 2007 established a timetable for these powers and services to be implemented in all *communes*:

- for treatment of waste, by 31 December 2011 at the latest;
- for distribution of drinking water, by 31 December 2015 at the latest;
- for treatment of sewage, by 31 December 2020 at the latest.

Communes may also act in the following areas:

- Economic aid and support
- Social welfare
- Urban planning
- Culture and local heritage

- and subject to strictly defined conditions, production and distribution of electric power within their administrative boundaries (this is one of the Polynésie Française's specific powers that it agrees to share, on the same level, with specific *communes*).

Financing and resources available to communes

Communes' sources of finance derive principally from State endowments and the inter-communal equalisation Fund (FIP), funded by a levy on the Polynésie Française's tax revenues which, since 2005, has amounted to 17% of the amount of such tax revenue.

The 2004 status law organised, from a technical and human perspective, a close collaboration between *communes* and the Country. Accordingly, by making available personnel, services, ministerial offices or public establishments, the Country may assist *communes* in exercising their powers. Similarly they have the option of entrusting the realisation of collective amenities or management of public services within their sphere of authority to the Country all within a contractual framework providing for mandatory financial contribution by the *communes*. Financial partnership will, however, be central to implementation of local services and shall apply at all levels: State, Country, *commune* and European Union. In general, contributions relate mainly to capital expenditure to provide infrastructure for distribution (drinking water) or treatment (waste, sewage).

1.3 Demographic and economic data

(a) Population

According to the latest census in 2012, the population of the Polynésie Française is 268,270 inhabitants, which is an increase of 3.3% compared to the 2007 census.

The population of the Polynésie Française continues to age with 9.29% of the total population aged over 60.

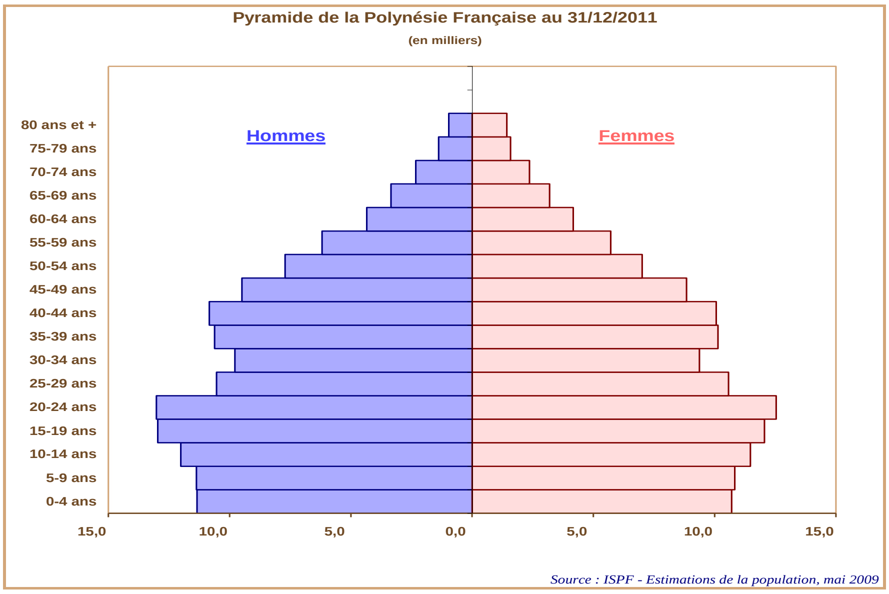
The birth rate index has fallen from 3.87 children per woman in 1985 to 2.13 in 2010 which is a similar level to that of mainland France.

The pyramid below, based on data as at 31 December 2011 (data from the latest census currently being under analysis), shows a significant fall in the population as from the 25-year-old bracket. The under 25s still represent the largest share of the population, namely 44%.

One of the Polynésie Française's peculiarities is the fact that there are more men (51.15%) than women (48.85%) unlike mainland France where the position is the opposite.

Birth and death rates have been relatively stable since 2003, totalling respectively 16.4% and 4.6% as at the end of 2011.

Average life expectancy is on the increase and reached 73.2 years for men and 78.3 years for women, although it has not reached the same levels as in mainland France (78.1 years and 84.8 years respectively in 2010 according to INSEE).



ISPF = Institut de la Statistique de la Polynésie Française

Polynésie Française Pyramid as at 31/12/2011
(in thousands)

<u>Men</u> <u>Women</u>

80 years and over
75-79 years
70-74 years
…
0-4 years

Source : ISPF Population estimates, May 2009

ISPF= Polynésie Française Statistics Institute

In 2012, 87.78% of the population lived in the *îles de la société* (Windward islands and Leeward islands) which account for almost half of the exposed land mass of the Polynésie Française.

(b) Economic data

The currency used in the Polynésie Française is the *Franc Pacifique* ("**F.CFP**"). The official parity of the *Franc Pacifique* was set by decision of 31 December 1998 at 1 Euro = 119.331742 F.CFP.

The Pact for Progress, co-signed in 1993 by the State and the Polynésie Française's government to ensure post-nuclear transition of the economy towards a mode of growth based on domestic resources, promoted the development of activities such as fishing, pearl culturing, tourism, construction, public works and development of the digital infrastructure. The support of public finance and private investment, boosted by local and mainland *defiscalisation* measures (option of reducing the tax), has enabled an annual average growth in GDP of 4.2% to be achieved between 1997 and 2007.

Since 2007 the Polynésie Française's economy has slowed down, as illustrated in particular by the fall in total business turnover (-1.3% annually on average between 2007 and 2012 compared to +5.2% between 2002 and 2007).

Political change which has been reflected by a succession of approximately 10 governments administering the authority since 2004, has, against a background of economic crisis, been a contributory adverse factor.

Since the entry into force of the statutory law of 2004, the Polynésie Française has suffered significant governmental instability, not unlike the difficulties encountered in the IVth Republic: motions of no confidence bringing about a rapid succession of governments (10 in seven years), the cycle of dominant party chiefs, public disillusionment due to the impotency of the local political authorities to deal with the difficulties of the economic crisis, regime in crisis with ever more open and radical expressions of criticism of this form of autonomy.

The possibility each year of the president of the assembly being removed and the ease in which the government can be held to account have contributed to this political instability.

Since June 2004, 10 successive governments have come to power in the Polynésie Française. The shortest government lasted 52 days (less than two months), the longest lasted 777 days (2 years and 2 months).

Institutional reform of the statutory organic law was introduced in 2011 establishing a henceforth stricter framework of the process for removing the president, the requirements for lodging and adopting a motion of no confidence were tightened (three-fifths majority) and a majority premium strengthens the winning list in the elections (19 seats out of 57 are allocated to the winning list throughout the entire Polynésie Française).

In the last elections of May 2013, the Tahoeraa parliamentary group secured a large majority in the Polynésie Française assembly (38 parliamentary seats out of 57), which guarantees stable government throughout the term of the mandate (5 years).

It is however important to note that, unlike the other overseas authorities of the French Republic, the Polynésie Française, despite a shrinking economy, has not suffered significant social unrest during this period.

Principaux indicateurs économiques	**PF**	**France (1)**
PIB (milliards de F CFP courants, 2007(2))	577	242 518
Taux de croissance du PIB (%, F CFP constants, 2007)	1,7	0,0
PIB par habitant (milliers de F CFP courants, 2006)	2 221	3 706
Dépenses de l'État dans la collectivité (en % du PIB, 2007)	23,4	-
Dettes des collectivités (% du PIB)	nd	8,3(3)

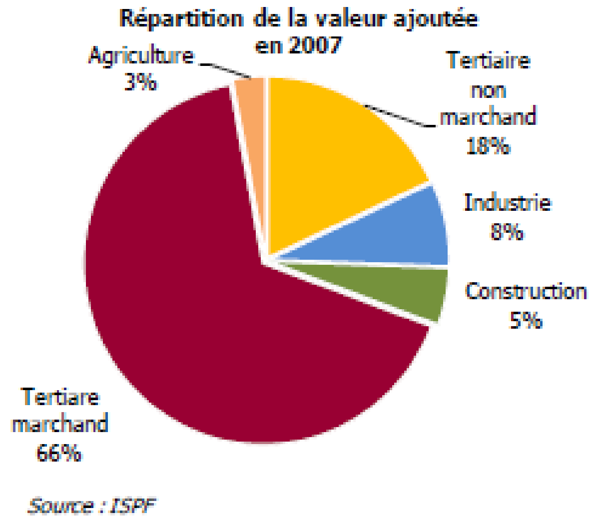
(1) Chiffres de 2012 sauf mention contraire ; (2) Il n'existe pas de PIB disponible pour la Polynésie française au-delà de 2007 ; (3) Dette publique notifiée ou au sens de Maastricht

Sources : Insee, Douanes, ISPF

Principal economic indicators	**FP**	**France (1)**
GDP (billions of current F CFP, 2007(2))		
GDP growth rate (%, constant F CFP, 2007)		
GDP per inhabitant (thousands of current F CFP, 2006)		
State expenditure in the authority (as % of GDP, 2007)		
Indebtedness of the authority (% of GDP)	nd=not available	

(1) 2012 figures unless otherwise stated; (2) no GDP is available for Polynésie Française after 2007; (3) Public debt as notified or Maastricht definition

Sources: INSEE, Customs & Excise, ISPF



Value-added distribution in 2007
Agriculture 3%
Non-commercial tertiary 18%
Industry 8%
Construction 5%
Commercial tertiary 66%
Source: ISPF

The principal economic indicators of the other French overseas authorities have been integrated and reconciled in the following table:

Principaux indicateurs économiques	France	Wallis	P.F	N.C	Guadeloupe	Martinique	St Barth	St Martin	Guyane	St P&M	Réunion	Mayotte
PIB (MM€)	2 032,3	0,151	4,8	7,1	7,9	8,3	0,2	0,421	3,6	0,172	14,4	1,4
Taux de croissance du PIB (%)	0,0%		1,7%	3,2%	1,3%	1,0%			4,0%		1,2%	11,0%
PIB par habitant (€)	31 059	10 148	18 612	27 972	19 589	21 131	26 000	14 500	15 300	28 327	17 520	6 575
Part des dépenses de l'Etat dans la formation du PIB (%)		12,1%	23,4%	18,4%	30,4%	34,8%					36,1%	34,1%
Dettes de la collectivité (% du PIB)			12,0%	6,7%	8,0%	10,4%	0,0%	12,0%	10,0%		11,6%	9,8%
PIB par habitant : % à la France	100,0%	32,7%	59,9%	90,1%	63,1%	68,0%	83,7%	46,7%	49,3%	91,2%	56,4%	21,2%
Source : IEOM, IEDOM - date des données	*2012*	*2005,2012*	*2006,2007*	*2010,2011*	*2011*	*2011*	*1999,2012*	*1999,2012*	*2011*	*2008*	*2010,2011*	*2009*

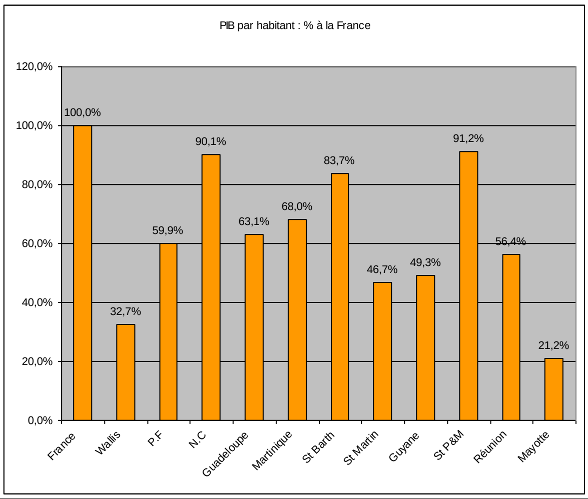
<u>Principal economic indicators</u>
GDP (Bn€)
GDP growth rate (%)
GDP per inhabitant (€)
Share of State expenditure in formation of GDP (%)
Indebtedness of the authority (% of GDP)
GDP per inhabitant: % of France
Source: IEOM, IEDOM – date of data

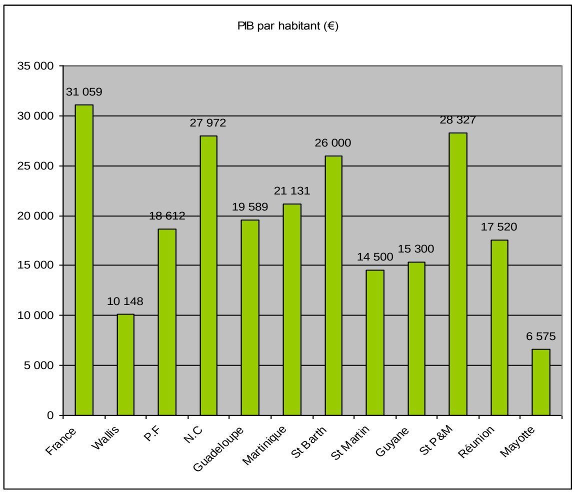
The following general observations may be made:

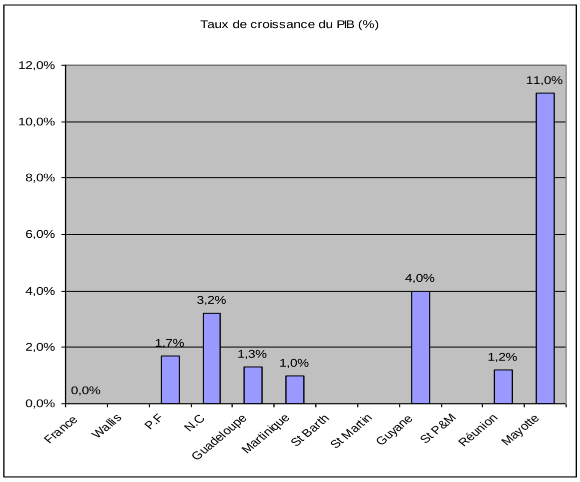
– a GDP per inhabitant, which for the Polynésie Française represents 60% of the French national GDP per inhabitant figure, within the average for the Antilles and above that of Réunion and Guyana,

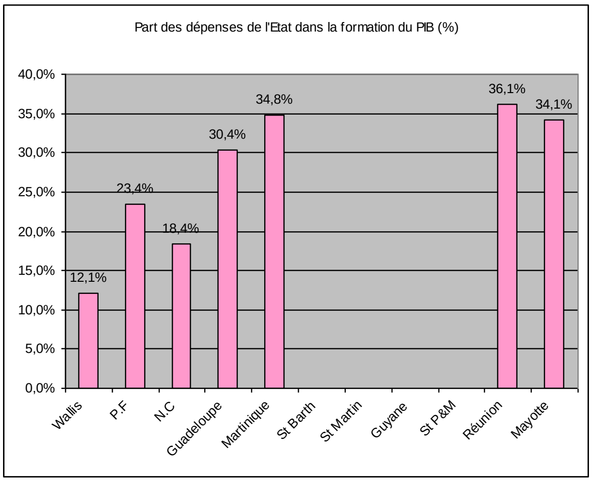
– share of State expenditure in the formation of GDP of 23.4%, below the levels of the Antilles and Indian Ocean authorities,

– and a rate of growth which is certainly below that of the high-growth overseas authorities such as Guyana and New Caledonia, but within the average or even slightly above that of Guadeloupe, Martinique or Réunion.





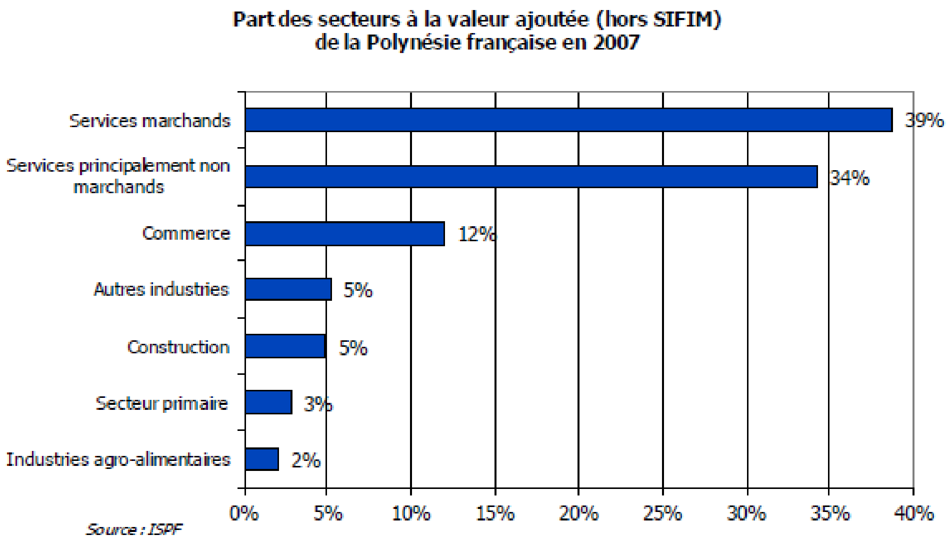




(i) Principal activity sectors

The Polynésie Française has the characteristics of a modern economy: services constitute the main source of wealth creation. Services overall represented three quarters of value-added in 2007 with one third of value-added generated by mainly non-commercial services (administration, education, health, social welfare).

The primary sector, which includes agriculture and also pearl culturing and fishing, represents 3% of the Polynésie Française's economy.



Share of value-added sectors (excluding SIFIM) of Polynésie Française in 2007
Commercial services: 39%
Principally non-commercial services: 34%
Commerce: 12%
Other industries: 5%
Construction: 5%
Primary sector: 3%
Agri-food industries: 2%

Source: ISPF

In 2012 the tertiary sector dominated due to the important role of household consumption and the administration and export of tourism services in the creation of wealth. As at 31 December 2012, 82% of the salaried workforce was employed in this sector.

Principaux indicateurs sectoriels	2003	2012	Var. 10 ans (1)
Fréquentation touristique (nombre de touristes)	212 767	168 978	-2,5%
Exportations de perles brutes (en millions de F CFP)	10 194	6 888	-4,3%
Exportations des produits de la pêche (en millions de F CFP)	656	1 583	+10,3%
Importations de bitume (en milliers de tonnes)	8,1	1,8	-15,4%
Importations de bois transformé (en milliers de tonnes)	36	20	-6,3%
Importations de ciment (en milliers de tonnes)	140	100	-3,7%
Immatriculations de véhicules neufs	7 926	4 206	-6,8%

Sources : ISPF, Service de la pêche
(1) Taux de croissance annuels moyens

Principal sectoral indicators	**2003**	**2012**	**10yr change (1)**
Tourist visitation (number of tourists)			
Raw pearl exports (in millions of F CFP)			
Fish product exports (in millions of F CFP)			
Bitumen imports (in thousands of tonnes)			
Transformed timber imports (in thousands of tonnes)			
Cement imports (in thousands of tonnes)			
New vehicle registrations			

Sources: ISPF, Fisheries department
(1) *Average annual growth rate*

The principal sectors of activity are tourism, development of marine resources (pearl culturing and fishing), industry and agriculture.

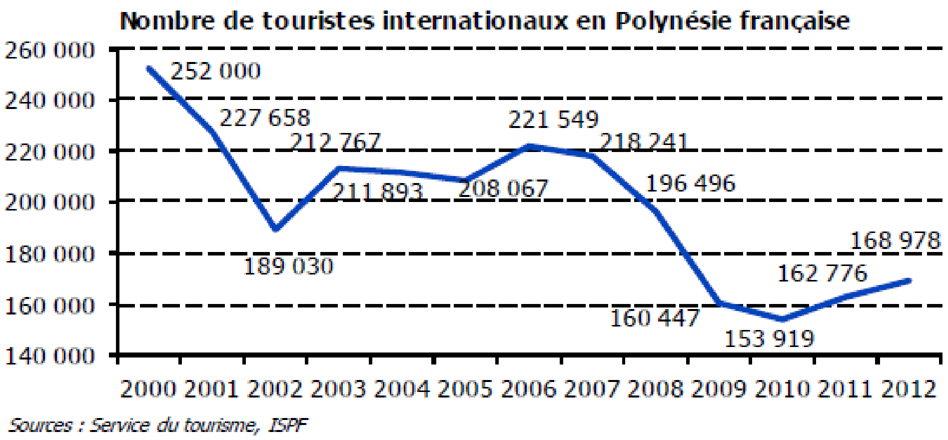
- Tourism

Tourism is a flagship sector of the Polynésie Française's economy contributing 8% to the formation of GDP in 2007. Tourist visitation rates were satisfactory (+2.9% per year on average between 2002 and 2007) but then contracted significantly (-5% on average per annum between 2007 and 2012).

This fall must be seen within the context of the global crisis and is in part due to the contraction in the provision of air services (-31% between 2007 and 2012). As for onshore accommodation capacity, this self-adjusted by shrinking 9.5% over the period.

Number of international tourists in Polynésie Française

Sources: Tourism department, ISPF

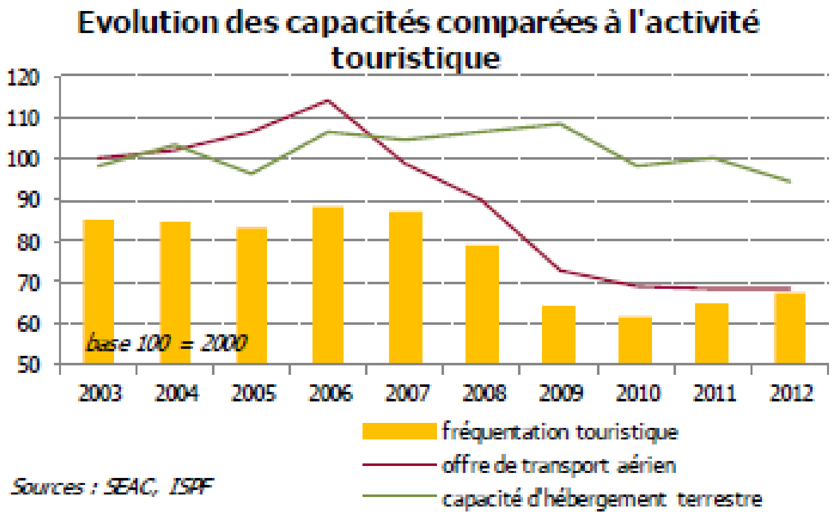


Over the year 2012 tourism activity reaffirmed the recovery that had begun in 2011 with the number of tourists rising by 3.8% (+5.8% in 2011). Hotel sector turnover also increased by 7.1%. The improving trend in this sector should rapidly lead to pre-2008 activity levels (169,000 tourists in 2012 compared to 196,500 in 2008).

In 2012, onshore tourism (+5.3%) is driving this growth.

The average hotel room occupancy rate improved to 56.8% compared to 53.7% the previous year, by virtue of the combined effect of an increase in the number of rooms sold (+3.6%) and also an adjustment of the number of rooms available (-2.1%).

Changes in capacity compared to tourism activity



- tourist visitation
- air transport offer
- onshore accommodation capacity

- Marine resources

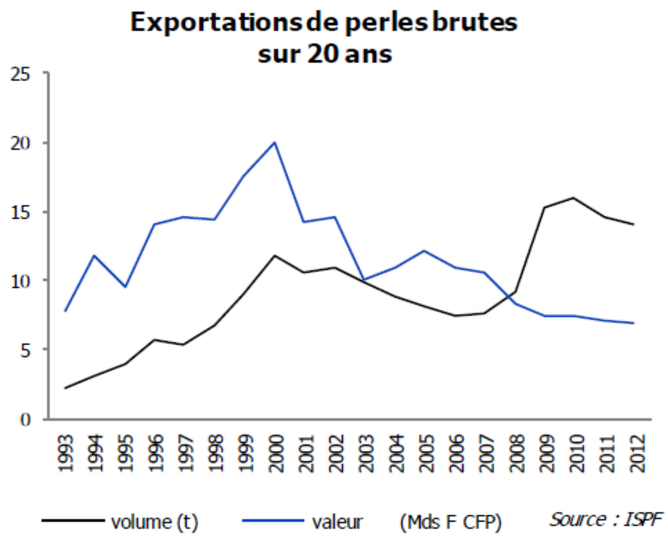
Pearl culturing

The Tahitian pearl derives from the *pinctada margaritifera*, pearl oyster. Following successful grafting experiments in the 1960s, production really took off in the 1980s.

The existence of numerous open and deep lagoons, combined with local know-how resulting in a high-quality product, are the main assets of this industry branch.

Since then, pearl culturing has grown very rapidly sustained by the insatiable appetite of Japanese and Chinese buyers for Tahitian pearls and price levels on the international market.

This has become a flagship sector of the Polynésie Française's economy representing three quarters of the value of exports of the country in the 2000s and sustaining economic activity in the distant archipelagos (Tuamotu, Gambier).

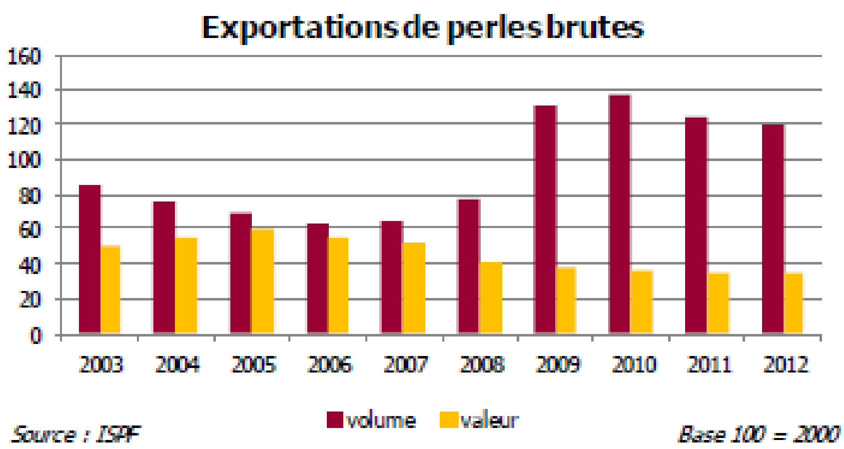


Exports of raw pearls over 20 years

Volume (t) Value (Bns F CFP) Source: ISPF

Between 1993 and 2000 the boom in pearl culturing was reflected by an increase in the export of raw pearls which expanded 500% in volume and tripled in value.

The support of the public authorities (incentive measures in the 1990s then introduction of regulations governing this sector) did not, however, spare this sector from crisis around the turn of the millennium. In a less buoyant global market (competition from other producer countries, contraction in international demand), production continued to increase resulting in a fall in export values. Between 2007 and 2012 volumes flowing abroad doubled at the cost of a fall in value of 35%.



Raw pearl exports

Source: ISPF volume value Basis 100=2000

Fishing

The Polynésie Française has huge fishing potential due to its exclusive economic zone of 5 million km2. Traditional fishing co-exists alongside coastal, lagoon and industrial fishing.

Lagoon fishing remains the prime traditional subsistence fishing activity for the people; artisan based economic activity has developed around exploitation of coastal resources.

Industrial fishing developed at the end of the 1990s thanks to heavy investment and numerous public subsidies. The current fleet represents a significant source of business for the Isle of Tahiti and makes a major contribution to supplying the population.

Having fallen for two years, nominal industrial fishing yields have recovered by 31% (41 kg of fish on average per 100 hooks in 2012 compared to 31 in 2011 and 34 in 2010). Catch volumes for their part reached 6,680 tonnes compared to 5,794 in 2011, an increase of +15.3% over the year.

Production de la pêche (en tonnes)

	2008	2009	2010	2011	2012	*Variations 2012/2011*
Production totale	**7 563**	**8 790**	**8 639**	**8 858**	**10 056**	***13,5%***
- Pêche hauturière	5 101	6 017	5 618	5 794	6 680	*15,3%*
- Pêche côtière	2 462	2 773	3 021	3 064	3 376	*10,2%*

Source : Service de la pêche

Fish production (in tonnes)

2008 2009 2010 2011 2012 2012/2011 variation

Total production
Deep sea fishing
Coastal fishing
Source: Fisheries department

In the artisan sector, production also progressed significantly, with an increase of 10.2% in 2012 (3,376 tonnes compared to 3,064 tonnes in 2011).

Production levels have helped to support development of the export sector. Having fallen by 3% in 2011, export tonnage of fishing products grew by 72% in 2012, supported by the fresh segment (+92%). At the same time, income doubled, rising from €5.54 million in 2011 to €11 million in 2012. The fresh share of exports has therefore risen consistently over the last few years: 86% of total tonnage in 2012 compared to 77% in 2011 and 69% in 2010.

Exportations des produits de la pêche (en tonnes et en millions de F CFP)

	2011		2012		*Variations 2012/2011*	
	Volume	Valeur	Volume	Valeur	Volume	Valeur
Poissons entiers frais dont :	**535**	**357**	**1 068**	**896**	***99,7%***	***150,9%***
- Etats-Unis	*411*	*289*	*927*	*755*	*125,7%*	*161,6%*
- France	*11*	*15*	*40*	*39*	*254,4%*	*158,9%*
- Japon	*112*	*53*	*99*	*100*	*-11,6%*	*90,4%*
Poissons entiers congelés dont :	**69**	**22**	**155**	**48**	***124,5%***	***122,2%***
- Samoa américaines	*15*	*3*	*89*	*21*	*480,5%*	*583,2%*
- Thaïlande	*40*	*10*	*40*	*12*	*-0,7%*	*17,4%*
- France	*13*	*8*	*26*	*16*	*93,8%*	*92,6%*
Filets de poisson congelés ou frais dont :	**285**	**277**	**311**	**364**	***9,3%***	***31,5%***
- France	*247*	*239*	*178*	*207*	*-27,8%*	*-13,2%*
- Etats-Unis	*22*	*22*	*93*	*112*	*330,7%*	*404,8%*
Poissons séchés ou fumés	**3**	**6**	**2**	**4**	***-40,5%***	***-29,6%***
Total	**892**	**661**	**1 536**	**1 312**	***72,2%***	***98,4%***

Source : ISPF

Fish product exports (in tonnes and F CFP millions)

2011 2012 2012/2011 variation

Volume Value Volume Value Volume Value

Fresh whole fish of which:
United States
France
Japan
Frozen whole fish of which:
American Samoa
Thailand
France
Frozen or fresh filleted fish of which:
France
United States
Dried or smoked fish
Total
Source: ISPF

- The industrial sector

The Polynésie Française is burdened with significant structural constraints: a restricted internal market, which limits the potential economies of scale for local market-oriented activities, relatively high labour costs, which undermines the competitivity of the Polynésie Française's products, and a high level of dependency on raw materials and energy products.

It has nevertheless succeeded in growing an industry based around three major sectors: agri-food, shipbuilding and manufacturing of intermediary goods for construction, as well as various transformational activities (furniture making, textile industry, printing).

According to the latest economic accounts published in 2007, the industrial sector contributed a share of 7% to the formation of GDP (excluding indirectly measured financial intermediation services (SIFIM)). In 2012, it represented 13% of total turnover of businesses subject to VAT. It also accounts for 5% of the commercial sector salaried workforce as at the end of September 2012.

The Polynésie Française's industrial fabric is essentially made up of small units. Indeed 85% of industrial enterprises listed in the 2012 territorial business directory employed a maximum of two employees. The manufacturing sector accounts for most of the enterprises (95%), including the agri-food industry (23%), textiles and clothing industry (16%).

After three consecutive years of decline, the number of industrial enterprises has increased, rising from 2,371 enterprises in 2011 to 2,430 in 2012 (+2.5%). Creation of enterprises in the transport equipment manufacturing industry and in other manufacturing industries has contributed to this rise. It has also offset the loss of enterprises in the food industry, textiles and clothing industry, metallurgy and processing of materials, or in the production and distribution of electricity, gas and water.

According to economic surveys, industrial activity overall stagnated in 2012 with a contraction in the first quarter and an improvement in the third quarter. Against this background, 2012 turnover of industrial enterprises has only slightly risen (+0.7%).

Manufacturing industry turnover increased by 0.7% in 2012. This increase is attributable to the agri-food industry whose 2012 turnover, which represents almost half of manufacturing industry turnover, grew by 4.8% compared to 2011. This robust performance can be attributed to frozen fish exports and to a lesser extent those of vanilla-based products. Other industry branches also seem to have fared better: paper and cardboard industry, chemical industry and textiles and clothing.

Chiffre d'affaires dégagé par les entreprises industrielles (en millions de F CFP) *

	2008	2009	2010	2011	*Estimations 2012 (1)*
Industrie manufacturière	**75 401**	**69 274**	**67 343**	**67 238**	**0,7%**
Industrie agroalimentaire	31 860	32 349	33 017	33 031	4,8%
Métallurgie et travail des métaux	9 475	7 958	7 127	6 901	-20,9%
Industrie du papier et du carton, imprimerie	6 221	5 972	5 902	5 913	5,8%
Fabrication de matériel de transport	6 625	5 335	4 905	6 046	-6,3%
Industrie chimique	3 953	3 726	3 448	3 433	14,8%
Travail du bois et fabrication d'art. en bois	2 113	1 726	1 340	1 257	-5,4%
Textile et habillement	1 276	1 178	1 094	1 030	11,6%
Autres	13 878	11 031	10 509	9 627	-2,2%
Industrie extractive	**2 120**	**2 382**	**2 055**	**1 800**	**3,8%**
Production et distribution d'électricité, gaz et eau	**31 031**	**33 214**	**33 746**	**33 150**	**0,5%**
Total	**108 552**	**104 870**	**103 143**	**102 188**	**0,7%**

Sources : ISPF, Service des contributions *(1) Variations estimées*

**Ensemble des entreprises (y compris l'artisanat industriel) assujetties à la déclaration de TVA du régime réel*

Turnover of industrial enterprises (in millions of F CFP)*

2008 2009 2010 2011 2012 estimates (1)

Manufacturing industry
Agri-food industry
Metallurgy and metal working
Paper, cardboard, printing industry
Transport equipment manufacturing
Chemical industry
Wood work and artisanal wood fabrication
Textiles and clothing
Other
Extractive industries
Production and distribution of electricity, gas and water
Total
Sources: ISPF, contributions department *(1) Estimated variation*
**All enterprises (including artisan industrial enterprises) subject to actual VAT regime declaration*

- Agriculture

The Polynésie Française's agriculture relies on family exploitation of smallholdings based around polyculture. Its development is limited by the lack of cultivable land (difficult terrain of the *îles hautes*, soil poverty in the atolls, problems of common land ownership rights, etc.).

The Société archipelago, the most populous, is the leading agricultural region of the Country accounting for 60% of agricultural operations in The Polynésie Française. Agriculture in the other archipelagos is more specialised. Tuamotu and the Marquis islands are the principal producers of copra, whilst in the Australes market gardening is the principal activity.

Agricultural policy has several objectives: satisfying food requirements, maintaining populations in the archipelagos and promoting exports.

Copra

In 2011, commercial agricultural production increased by 7% compared to the previous year (€58.66 million compared to €55.30 million in 2010), thanks to the recovery in copra production.

Copra production, covering two-thirds of the cultivable agricultural land, is an essential activity for the distant archipelagos, and as such is supported by the Polynésie Française's government.

The entire copra harvest is purchased and transformed by *Huilerie de Tahiti*, a limited company owned by the Country. In 2012, copra production increased by 17% (12,364 tonnes) having almost doubled in two years (6,187 tonnes in 2010).

Coprah en silo (tonnes)

	2008	2009	2010	2011	2012	*Variations 2012/2011*
Iles du Vent	387	326	243	306	418	*36,5%*
Iles Sous-le-Vent	1 552	1 540	763	1 554	2 349	*51,1%*
Marquises	1 451	1 369	1 324	896	1 066	*19,0%*
Australes	202	204	64	230	208	*-9,6%*
Tuamotu-Gambier	6 831	7 945	3 793	7 589	8 323	*9,7%*
Total	10 423	11 384	6 187	10 576	12 364	*16,9%*
dont première qualité	*97%*	*98%*	*98%*	*99%*	*98%*	
dont deuxième qualité	*3%*	*2%*	*2%*	*1%*	*2%*	

Source : CSPC

Copra in silo (tonnes)

	2008	**2009**	**2010**	**2011**	**2012**	**2012/2011 variation**
Windward islands						
Leeward islands						
Marquis islands						
Australes						
Tuamotu-Gambier						
Total						
Of which prime quality						
Of which second quality						

Source: CSPC

Copra is transformed to produce raw or refined oil, copra cake or ground copra.

Production d'huile et de tourteaux de coprah (en tonnes)

	2008	2009	2010	2011	2012	*Variations 2012/2011*
Coprah trituré	9 699	11 466	7 879	11 186	12 140	*8,5%*
Huile brute	5 595	6 879	4 461	6 456	6 992	*8,3%*
Huile raffinée	360	198	390	385	316	*-17,9%*
Tourteaux	2 921	3 513	2 359	3 643	3 827	*5,1%*

Source : Huilerie de Tahiti

Production of oil and copra cake (in tonnes)

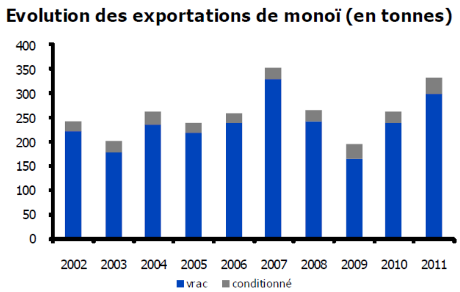
	2008	2009	2010	2011	2012	2012/2011 variation
Ground copra						
Raw oil						
Refined oil						
Copra cake						

Source: Huilerie de Tahiti

Mainly destined for export, raw oil has since 2010 also been used as a biofuel.

Refined copra oil is used in the manufacturing of *Monoï de Tahiti*, “perfumed oil” in the Tahitian language, which is obtained by maceration of a native flower, the “tiare” or *gardenia taitensis*, in the purified oil.

Used since time immemorial as a beauty product, it it is becoming a benchmark for the cosmetics industry thanks to its emollient, antiseptic and antifungal properties. *Monoï de Tahiti* is the first cosmetic product to have obtained designated origin status.



Evolution of Monoï exports (in tonnes)
- loose - packaged

In 2012, export revenues fell by 11% (€1.919 million compared to €2.153 million in 2011). Whereas loose Monoï volumes fell by 22% (234 tonnes compared to 299 in 2011), packaged Monoï grew by 17% (40 tonnes compared to 32).

The other agricultural export products are Noni and Vanilla.

Noni

Production of noni, *morinda citrifolia*, took off towards the end of the 1990s when an American company, Tahitian Noni International, marketed it in the United States, Europe and Japan. The local company representative, Morinda, transformed the noni in its processing plant in Tahiti prior to export.

Noni production is predominant in the Leeward and Marquis islands each of which produces a third of the total. Production increased by 7.8% in 2011 (2,723 tonnes compared to 2,525 in 2010). In 2012, fruit exports fell by 21% (2,159 tonnes compared to 2,732 in 2011). Whilst exports of noni juice increased by 2% (339 tonnes compared to 331 in 2011), noni purée exports shrank by 24% (1,820 tonnes compared to 2,401).

Vanilla

A leading producer in the 1960s with 200 to 300 tonnes of mature pods per annum, The Polynésie Française has been progressively overtaken by the competition (Bourbon vanilla and synthetic vanilla).

In 2003, the local government implemented a relaunch plan which thanks to the available subsidies, enabled new production sites to be created.

Being the preserve of the Leeward Islands, vanilla is produced using traditional methods on natural supports or, more and more often, under canopy. In 2011, the harvest totalled 52 tonnes, an increase of 18% compared to the previous year (44 tonnes in 2010).

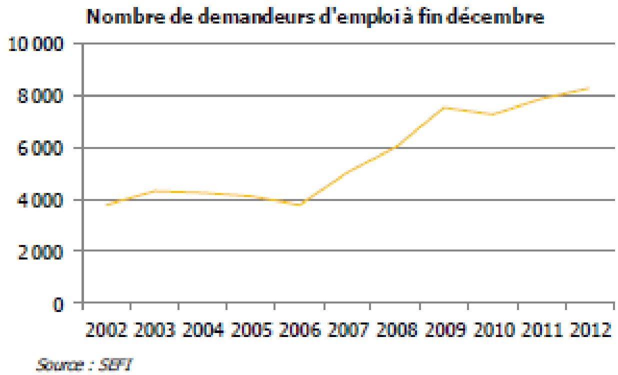
In 2012, exports increased by 36% (17 tonnes compared to 13 in 2011), benefiting from improved conditions on the world markets.

- The employment market

The employment market is dominated by the service sector which represents two thirds of the salaried workforce.

Having risen consistently between 2002 and 2007 (+2.4% per annum on average), the salaried workforce has decreased since 2008. The number in employment fell by 3% between December 2011 and November 2012. All sectors were affected and most particularly public-works and construction (-7.1%). Almost 1,700 jobs have been lost annually on average over the last five years. The December 2012 employment index showed an overall annual fall of 1.6% reflecting the weakness of the employment market.

At the same time, the number of jobseekers increased significantly from 2007 onwards (from 5,026 at the end of 2006 to 9,928 at the end of 2012). The annual job creation requirement is estimated at 2,500 to compensate for lost jobs and to welcome new arrivals in the employment market.



Number of jobseekers at end of December
Source: SEFI

It should be noted that for those on the payroll of the State, an overall increase of 2.1% was recorded in 2010.

Personnels rémunérés par l'Etat

	2006	2007	2008	2009	2010	*Variations 2010/2009*
Forces armées (1)	2 455	2 485	2 217	2 290	2 272	*-0,8%*
Personnel civil (2)	9 351	9 503	8 873	8 995	9 248	*2,8%*
Total	**11 806**	**11 988**	**11 090**	**11 285**	**11 520**	***2,1%***

Source : Haut-Commissariat
(1) Militaires uniquement.
(2) Y compris personnels civils des Forces armées.

Staff on State payroll

	2006	**2007**	**2008**	**2009**	**2010/2009 variation**
Armed forces					
Civil personnel					
Total					

Source: High Commissariat
(1) *Military only*
(2) *Including Armed forces civil personnel*

The unemployment rate has remained stable at 11.7% between the last two surveys (2002 and 2007). It has, however, increased as a result of the deterioration in the economic situation of The Polynésie Française: the unemployment rate is at around 20%, higher than in mainland France (9.2% in December 2010), but no doubt lower than in the overseas *départements* (DOM) (24.4% in the second quarter 2009).

Regular job offers increased by 30% in 2012 as did assisted job offers (+33%) thanks to private work placement offers and employment integration offers as part of public employment support policy.

In 2012, job offers by the local Employment Department increased dramatically, +31.6% compared to 2011.

Evolution de l'emploi

	2008	2009	2010	2011	2012	*Variations 2012/2011*
Offres d'emploi enregistrées	**6 349**	**5 830**	**6 411**	**4 738**	**6 233**	***31,6%***
- dont offres d'emploi normal	*3 618*	*2 633*	*2 833*	*2 367*	*3 073*	*29,8%*
- dont offres d'emploi aidé (secteur marchand)	*2 731*	*3 197*	*3 578*	*2 371*	*3 160*	*33,3%*
Offres de stage de formation	**2 016**	**2 326**	**1 786**	**1 286**	**1 175**	***-8,6%***
Offres d'insertion (secteur non marchand)	**1 388**	**1 771**	**2 917**	**2 162**	**3 308**	***53,0%***
Effectifs des demandeurs d'emploi actifs	**7 520**	**7 277**	**7 839**	**8 255**	**9 928**	***20,3%***
Demandes d'emploi (1)	**29 440**	**30 735**	**34 208**	**28 623**	**33 719**	***17,8%***

Source : Service de l'emploi, de la formation et de l'insertion professionnelles.

(1) Nombre total de demandes faites au cours de l ' année.

Change in employment figures

2008 2009 2010 2011 2012 2012/2011 variation

Recorded employment offers
- of which regular employment
- of which assisted employment (commercial sector)
Work placement offers
Employment integration offers (non-commercial sector)

Active jobseekers
Demand for employment (1)
Source: Employment, training and professional integration department

(1) Total number of job requests made during the year

- The business climate

In the second quarter 2013 there has been a clear rally in the business climate.

Confirming the trend that began in the previous two quarters, the business climate index (ICA)[1] rose significantly in the second quarter 2013 (+7.6 points) and, for the first time in six years, the ICA passed above its long-standing average, reaching 102.3 points, heralding a halt in the deterioration of economic activity.

These healthy results were based on the positive opinions of business leaders both as to past and future trends. Practically all of the figures contribute to this favourable shift, in particular those relating to forecast investment and, for the previous quarter, cash flow, headcount and payment times.

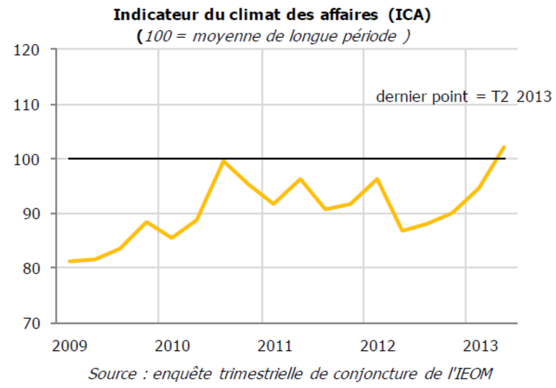
Following several downbeat quarters, over-one-year investment intentions look favourable, reflecting renewed confidence amongst entrepreneurs. Indeed, the balance of shared opinion was up, rising above its long-standing average level.

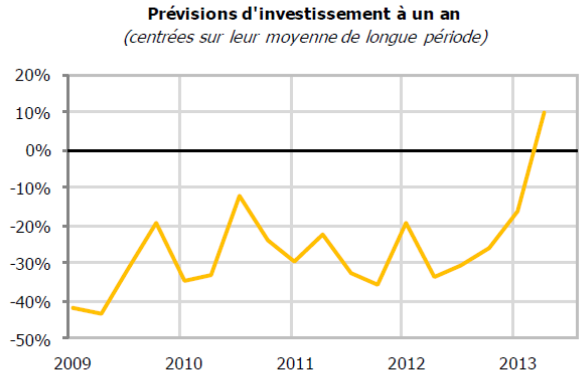
According to the initial survey results, the majority of business leaders report an improved outlook for their business in the second quarter 2013. This will justify

[1] As a means of improving the economic information disseminated on overseas territory economies, the *Institut d'Emission des Départements d'Outre-Mer* (IEDOM) and the *Institut d'Emission d'Outre-Mer* (IEOM) have created a synthetic business climate indicator following the methodology applied by the Banque de France for analysing the French mainland economy. This indicator is prepared based on quarterly economic survey results employing a principal component analysis in order to summarise the maximum amount of information contained in each of the economic survey questions. It is centred on the long-standing average (standardised at 100) with reduced standard deviation (standardised at 10) for ease of presentation. The higher the business climate indicator, the more business leaders' analysis of the economy is favourable. A level of above 100 means that the opinion of business leaders questioned on the economy is above the long-standing average.

increasing staffing levels over the period. In contrast to the forecasts made in the first quarter of 2013, cash flow is also improving.

For the third quarter of 2013, businessmen are forecasting increased activity, without envisaging further recruitment.





Business climate indicator (BCI)
(100= long-standing average)

Latest survey = Q2 2013
Source: IEOM quarterly economic survey

Forecast investment over one year
(centred on their long-standing average)

2. FINANCIAL INFORMATION

2.1 Accounting and budgetary framework

(a) Modernisation of the accounting code (*plan comptable*)

The Polynésie Française has, like other mainland local authorities, migrated its accounting codes, with effect as from 1st January 2007.

The Polynésie Française's accounting code adopted in the form of the standardised accounting code, is based on the general accounting code (*Plan comptable général*) and the so-called "Instruction M 52", as applicable to French mainland local authorities. Employing the accounting classifications of the general accounting code, as used by business enterprises, makes it easier to understand a local authority's financial situation, whilst making allowances for the peculiarities of local authority management, in particular the budgetary balancing rules.

Accordingly, the general accounting principles of independence of financial years, truth and fairness of accounts and prudence have been adopted in the accounting reforms. This is reflected by the introduction of accounting techniques such as:

- linking income (revenue) and expenses (costs) to the financial year: accounts are therefore maintained on an accrual basis, in other words, recording commitments given (eg: debts to suppliers), and acquired rights of the authority (eg: taxes due);
- mandatory depreciation allowance for renewable goods (such as vehicles) in order to assess the cost of such renewals and therefore encourage it to set aside the necessary funds;
- allocation to provisions, in particular for loan guarantees, disputes and litigation and deferred debt repayment.

The Polynésie Française's *plan comptable* is divided into categories numbered 1 to 9:

- For general accounting purposes, balance sheet transactions are split into the following five account categories:
  - category 1: capital accounts (shareholders equity, other own funds, borrowings and equivalent debts)
  - category 2: fixed asset accounts
  - category 3: inventory and current accounts
  - category 4: third-party accounts
  - category 5: financial accounts
- Income statement transactions are split into the following two account categories:
  - category 6: expense accounts
  - category 7: income accounts
- Category 8 is reserved for special accounts.
- Category 9 accounts are used for analytical accounting purposes. Grouping together of income and expenditure transactions by mission, with a breakdown by programme, has been introduced: the missions (chapters) reflect the main public policy areas (employment,

education, health …) and the programmes (sub-chapters) reflect the various action areas contributing to realisation of the mission. Categories 1 to 8 relate to articles, each article indicating the nature of a transaction.

(b) Budgetary principles

- **Annuality**: the budget is drafted and adopted for one calendar year from 1 January to 31 December. It ends once the year has expired.
- **Unity**: One single document must be voted upon to give the The Polynésie Française assembly a global and complete view of its finances.
- **Universality**: All expenditure and income items must be recorded, without shrinkage between expenditure and income, and without allocation of income to expenditure.
- **Specificity**: transactions are grouped together by accounting nomenclature: headings numbered by nature (supplies, electricity, staff pay, …) and by department each split into its various programmes (work and employment, education, health, environment, transport, …).
- **Balance**: Local authorities are bound by the principle of balance between income and expenditure. Each section of the budget must be balanced (operating expenditure= operating revenue, capital expenditure = capital revenue), and authorities are not permitted to borrow to repay debt.

2.2 Budgetary documents

Local authorities prepare several budgetary documents:

(a) The primary budget

This is the first mandatory document of the authority's annual budgetary cycle. The draft budget must be lodged with the Polynésie Française assembly by 15 November at the latest to be voted upon before 1st January. After this period, the assembly has an additional period of three months, namely 31st March at the latest.

If the budget has still not been adopted by such date, the *Haut-commissaire* refers it to the territorial audit office (*chambre territoriale des comptes*) which puts forward proposals to settle the budget. The *Haut-commissaire* then sets the budget and renders it enforceable.

Pursuant to this document, the authorising officer is authorised to execute income and expenditure items entered in the budget, for the period from 1st January to 31st December in the calendar year.

The budget is split into two parts, an operating section and a capital section. Each of these sections must be presented in true balance, with revenue equalling expenditure. The operating section records all revenue transactions, such as direct and indirect tax revenue and the necessary day-to-day management expenses.

The capital section presents the new or ongoing capital spending programmes. Such expenditure is financed through the authority's own funds, through State endowments and subsidies in particular and through borrowings.

Any operating section surplus must first be used to repay principal on debt borrowed by the Polynésie Française, and the surplus constituting its self-financing capacity is used to finance capital spending programmes.

Forecasts entered in the primary budget may be amended during the budgetary year by the deliberative assembly which votes on amendment decisions (budget amendments), including restating the previous financial year's results.

(b) The administrative account

At the end of the budgetary year, which falls on 31 January of year N+1 after the so-called "additional" day, the authorising officer prepares the administrative account which:

- reconciles budgetary forecasts with actual realisation of expenditure (payment orders) and revenue (certificates of receipt);
- presents the accounting results of the financial year;
- is submitted to the assembly which finalises its form by a vote prior to 30 September of the year following the financial year-end, following approval of the discrepancies between the results and the initial forecasts of the year, supplemented, if necessary, by amendment decisions and verification of whether the administrative account results and management account results conform.

(c) The management account

The auditor prepares a management account before 1st June of the year following the financial year-end. This account is submitted to the vote of the assembly in order to confirm that the two documents conform (the administrative account of the authorising officer and the management account of the auditor).

(d) Budgetary control procedures

(i) Control of legality

Budgetary documents (primary budget, budget amendments, administrative account) enter automatically into full force and effect upon publication in the Polynésie Française Official Journal and their delivery to the *Haut-commissaire*. Controls are carried out by the *Haut-commissaire,* the public auditor and the territorial audit office (*chambre territoriale des comptes*).

The *Haut-commissaire* refers any documents that it considers to be unlawful to the Administrative Tribunal within two months of receipt of such documents. He notifies the authors of such documents providing relevant details of the alleged unlawfulness.

(ii) Budgetary control

The *Haut-commissaire* refers to the territorial audit office in the event of:

- failure to adopt or rejection of the primary budget by 31st March of the financial year to which it applies;
- failure to deliver the primary budget to the *Haut-commissaire*;
- lack of proper budget balance;
- omission of a mandatory expense item or insufficient credits necessary for a mandatory expense item;
- failure to transmit the administrative account or deficit equal to or greater than 5% of operating section revenue;

(iii) Accounting controls

In advance of the controls carried out by the public auditor on expenditure payments and revenue collections, a prior control of the Polynésie Française expenditure commitments is carried out.

Indeed, in accordance with deliberation n°97-37 APF of 27 February 1997, as amended, regarding control of expenditure commitments of the Polynésie Française, its administrative public establishments and the Economic, Social and Cultural Council, prior control of expenditure committed by the Polynésie Française, its administrative public establishments and the Economic, Social and Cultural Council is carried out by an expenditure commitment controller appointed by decision taken in Council of ministers under the authority of the Finance Minister.

All draft decisions, agreements, contracts, leases, order forms, measures or decisions of any nature whatsoever, having the effect of committing operating or capital expenditure by the Polynésie Française, its administrative public establishments or the Economic, Social and Cultural Council, are subject to its prior approval.

The expenditure commitment controller carries out its controls having regard to allocation of the expenditure item, availability of opened and delegated credits as well as, in the case of capital expenditure, availability of commitment authorisations, accuracy of valuations, the application of relevant provisions of budgetary, accounting and financial rules and regulations and the execution of fully enforceable budget documents.

A further level of control is carried out, at the time the relevant expenditure item is ordered to be made, by the public finances general directorate in accordance with decision n°1225 CM dated 18 August 2011 which established and organised the administrative department known as the "public finances general directorate".

(iv) Jurisdictional control

The territorial audit office (*chambre territoriale des comptes* or CTC) of the Polynésie Française was established in 1990 and its head office has been in Papeete since 2000.

It is the jurisdiction of first instance for all accounts of the principal auditors of the Polynésie Française. Its remit is described in Article L.211-8 of the French financial jurisdictions Code (*Code des juridictions financières*).

The CTC hands down jurisdictional decisions (judgments or orders) on the accounts submitted to it.

Principal auditors may be held personally and financially liable by the CTC if:

- a deficit or breach has been recorded;
- a revenue item has not been collected;
- an expenditure item has been unduly paid;
- the public authorities have been required to indemnify a third party due to the fault of the public auditor.

(v) Management review

The CTC reviews the management of local authorities (the Polynésie Française and *communes*) and the public establishments within the scope of its authority, and of the private law entities with which they are connected and submits reports containing observations together with recommendations.

Furthermore, under the terms of Article L.211-8 of the French *Code des juridictions financières*, the CTC also reviews the regularity of management actions, the economics of the resources employed and assesses the results achieved by reference to the objectives set by the assembly or the decision-making body. Only observations may be made regarding the appropriateness of such objectives.

Observations are communicated in a provisional, followed by a final, observations report. They may also be made in confidential administrative communications sent to the local administrative authorities, or through the *Parquet Général* to the national audit office (*Cour des comptes nationale*).

2.3 The Polynésie Française's tax system

(a) The Polynésie Française's powers of taxation and international tax treaties

Pursuant to the organic law n° 2004-192 of 27 February 2004, the Polynésie Française has taxation powers in respect of taxes introduced for the benefit of this authority or the *communes* or public establishments for inter-communal cooperation in the Polynésie Française.

Against this background, an international tax treaty was entered into on 28 March and 28 May 1957 between the French government and the Polynésie Française (former government of *Etablissements français de l'Océanie*) to eliminate double taxation and establish rules of reciprocal assistance.

Furthermore, Article 15 of law n°2009-594 dated 27 May 2009 for overseas territory economic development (LODEOM) made the applicability of mainland *defiscalisation* measures subject to the condition that as from 1st January 2010 the Polynésie Française must be in a position to exchange information relevant to the fight against fraud and tax evasion with the French State.

This measure led to the signing of a draft agreement n°410-09 dated 29 December 2009 between the Polynésie Française and the State relating to reciprocal administrative assistance in tax affairs. This agreement was then enshrined in the organic law n° 2011-416 of 19 April 2011 concerning the approval of agreements made between the State and Saint-Martin, Saint-Barthélemy and the Polynésie Française.

The French State and the Polynésie Française have thus affirmed their willingness to cooperate with a view to effective application of tax rules applicable in their respective territories. Within this agreement are the arrangements for exchange of information and assistance for the purpose of tax collection.

(b) Taxation powers of *communes*

Since 2004, taxation by *communes* has fallen within the scope authority of the Polynésie Française (Article 53 of the organic law n°2004-192 of 27 February 2004 relating to the autonomous status of the Polynésie Française).

At the current time, the Polynésie Française's *communes* may raise the following three categories of taxes:

(i) "Additional centimes" on the Polynésie Française's taxes

The expression "additional centimes" refers to municipal taxes that appear on the same tax demand as the Polynésie Française's taxes and have the same calculation basis. Nevertheless, it is possible that the amount of the Polynésie Française's tax itself may be used as the basis of calculation of the "additional centimes".

(ii) Autonomous duties, taxes and fees

These taxes are fixed by decision of the municipal council (for example: household waste collection tax) and are in principle autonomous, in other words the proceeds of these taxes are unrelated to the proceeds of the Polynésie Française taxes.

(iii) Duties, taxes and fees levied by the Polynésie Française on behalf of its *communes*.

The organic law n°2004-192 of 27 February 2004 concerning the autonomous status of the Polynésie Française provides in Article 53 that " the Polynésie Française levies taxes or duties specific to *communes* including for services rendered. The applicable rate of such duties and taxes as well as the arrangements for their collection is set by decision of the municipal council in compliance with the regulations enacted by the Polynésie Française. Furthermore, *communes* may within the framework of rules established pursuant to para. 10° of Article 14, introduce fees for services rendered."

This provision enables the Polynésie Française to introduce duties and taxes the proceeds of which may be allocated in the budget for the benefit of *communes* without depriving them of specific tax powers due to the continued existence of Articles L.233-1 to L.233-55 of the French Communes Code (*Code des communes*) which permits municipal councils to introduce by its decisions certain taxes such as residence tax, tax on electricity, tax on advertising, etc.

For now, this new Polynésie Française power has not yet been implemented.

(c) Jurisdictional control of country tax laws

Appeals against country tax laws are directly referred to the *Conseil d'Etat*, either by (i) the institutional authorities (*Haut-commissaire*, President of the Polynésie Française, president of the Polynésie Française assembly), (ii) the representatives of the Polynésie Française assembly (six representatives) or (iii) natural or legal persons. Such appeals do not suspend application of the provisions of disputed country tax laws which continue to apply whilst proceedings are ongoing.

The *Conseil d'Etat* has three months from the date of referral to make its decision and may, if necessary, annul any provision contrary to the Constitution, organic laws, international commitments or general principles of law.

Annulment has retroactive effect, in other words the annulled act is deemed never to have existed. All effects and consequences it may have had must therefore be eradicated.

2.4 Retrospective review of the accounts

(a) Operating section

(i) The Polynésie Française's revenues

- Direct and indirect tax revenue

Indirect taxation is predominant, representing more than 70% of operating revenue, excluding adjusting entries.

Indirect tax revenue includes three types of duties and taxes:

– Value added tax, which is due on any imported goods or any local purchase of goods or services. There are three VAT rates in the Polynésie Française: the reduced rate (5%), the intermediate rate applicable to provision of services (13% as from 1 October 2013, compared to 10% previously) and the standard rate (16%).

– Import duties and taxes which are assessed on all goods imported by any importer. These principally include customs duty and specific taxes on certain products (hydrocarbons, sugar based products, alcohol,…).

– Stamp duty on all documents whether of a civil or transferable property nature or otherwise.

Direct taxation principally concerns duties and taxes on corporate earnings (there is no personal income tax but instead a withholding-at-source contribution to the national welfare system), property taxes and internal consumption duty on vehicles.

The largest source of direct tax revenue derives from the combined proceeds of corporation tax, at a rate of between 25 and 35%, and the additional contribution on corporation tax which applies to companies whose taxable profits equal or exceed €419,000.

- Non-tax revenue

The State contributes to the financing of various elements of the Polynésie Française expenditure through a global autonomy endowment, contributions in the education, agriculture, airport security, partnership agreement (projects contracts) sectors, and funding relating to the transfer of certain State powers (works inspectorate and maritime affairs).

Other operating revenue relates to reimbursements by the *Caisse de Prévoyance Sociale* of care provided by the hospitals of Taravao and Uturoa and community clinics, smallholding and public estates licence fees, financial income (in particular, investment income).

(ii) Actual operating revenue yield (excluding adjusting entries)

Actual operating revenue for the financial year 2012 totalled €922.730 million, an increase of €16.8 million compared to 2011 results.

This increase of 1.87% can be explained by the State's payment of an extraordinary adjustment endowment of €50 million as provided by Article 83 of the 2011 amending finance law.

Actual operating revenue is split into tax revenue and non-tax revenue, as described below.

- Tax revenue:

At a total of €707 million, this has decreased by €7 million compared to 2011.

The country's **direct taxation** revenue fell by 3.44% totalling €202.407 million.

Excluding property tax and internal taxes on cruise ships, the majority of direct taxes and duties have again decreased.

The fall in revenue from corporation tax, transaction tax and tax on financial investments (-€5.765 million, or -4.92%), as well as from fines and penalties on direct taxes (-€5.120 million, or -28.41%) compared to 2011 explains the overall fall in direct tax revenue (-€7.215 million).

Conversely, property tax on constructed property continues to increase (+€872,000 or +5.37%), due in particular to the extension of its scope of application as, since 2011, inhabitants in all the archipelagos are liable for this tax.

Tourist development duty revenue totalled €6.679 million compared to €6.042 million in 2011 which represents an encouraging increase of €637,000 (+10.58%). 168,978 tourists visited Tahiti and its islands during the year 2012 which is an increase of 3.8% compared to 2011.

The ratio of direct tax revenue to the number of inhabitants decreased to around €754.5 per inhabitant, compared to more than €821 in 2010.

Indirect tax revenue, which had been decreasing since 2007, stabilised in 2012 (+0.04%).

The fall in internal VAT and internal consumption duty revenue is offset by the regulatory increase in customs duty, fixed postal tax and compensatory tax on tobacco and tobacco substitutes and on alcoholic liquids.

Therefore, whereas internal VAT revenue decreased for the third consecutive year (-€22.626 million in the space of three years), the revenue from import VAT was sustained in 2012 by the tax on European products in force since 1 January 2012.

This regulatory change also brought about an increase in customs duty revenue, which rose by just over €8.380 million and in local development tax.

Similarly the 40 point increase in the rate of taxation on cigars, cigarillos and cigarettes explains the increase in revenue from the compensatory tax on tobacco and tobacco substitutes.

The returns on fixed postal tax doubled between 2011 and 2012 but this remains exceptional because the 5% tax on pre-franked packages introduced in 2012 is abolished in 2013.

Finally the decrease in internal consumption duty confirms the state of crisis faced by the Polynésie Française.

Changes in total tax revenue of the Polynésie Française

En Euro	2008	2009	2010	2011	2012
Total fiscalité directe	225 824 972	206 499 000	220 547 669	209 621 960	202 407 091
Total fiscalité indirecte	653 395 301	579 303 534	550 564 573	504 408 323	504 611 229
Total général de la fiscalité	**879 220 272**	**785 802 533**	**771 112 242**	**714 030 284**	**707 018 320**
Population au 31/12	2 185	2 237	2 263	2 248	2 248
PIB	4 705 370 000	4 567 938 000	4 567 938 000	4 345 868 000	4 257 040 000
Fiscalité totale par habitant	**3 373**	**2 943**	**2 856**	**2 662**	**2 635**
Fiscalité totale / PIB	**18,69%**	**17,20%**	**16,88%**	**16,43%**	**16,61%**

In Euros
Total direct taxation
Total indirect taxation
Taxation overall total
Population as at 31/12
GDP
Total taxation per inhabitant
Total taxation/GDP

- Non-tax revenue:

Non-tax revenue increased by €23.464 million over the two financial years due to the extraordinary adjustment endowment of €50 million granted by the State.

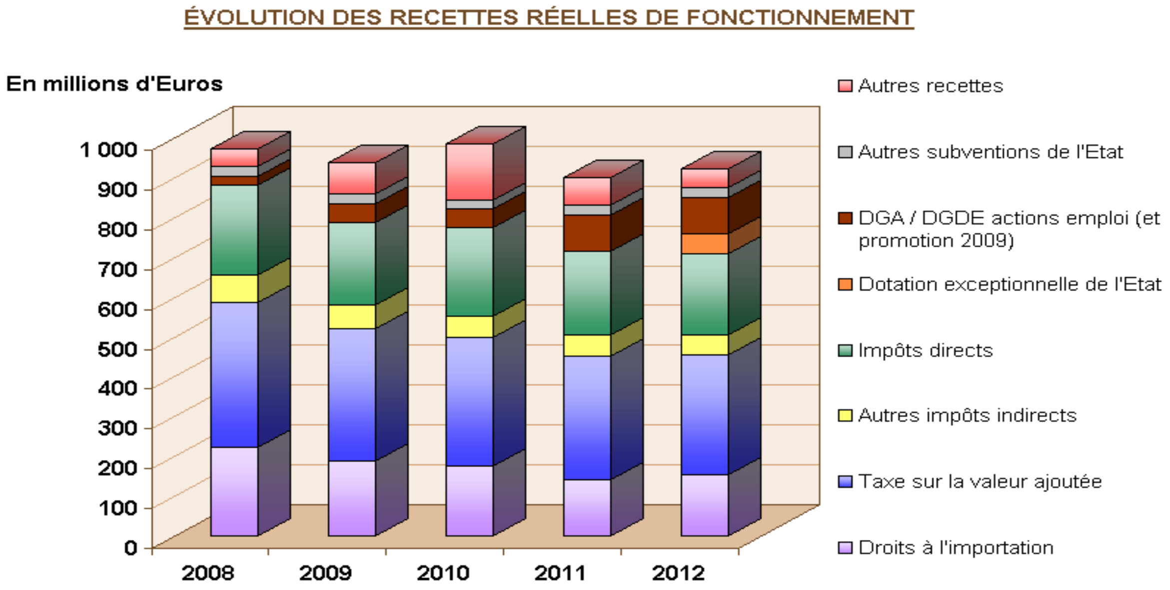
In respect of the other non-tax revenues, the decrease of €20.112 million compared to 2011 can be explained principally by the reversal of provisions in 2011 in respect of the final redemption of the 2001 bond issue in an amount of €20 million. This was not repeated in 2012.

Changes in actual operating revenue from 2008 to 2012

En Euro	2008	2009	2010	2011	2012	Evolution 2012 / 2011
Droits à l'importation	220 511 623	188 320 488	175 856 806	140 236 376	151 397 513	7,96%
Taxe sur la valeur ajoutée	365 057 467	330 764 850	320 870 007	308 483 035	300 457 564	-2,60%
Autres impôts indirects	67 826 211	59 224 523	53 837 760	55 688 912	52 756 152	-5,27%
Impôts directs	225 824 972	206 499 000	220 547 669	209 621 960	202 407 091	-3,44%
Dotation exceptionnelle de l'Etat	0	0	0	0	50 000 000	- %
DGA / DGDE actions emploi (et promotion 2	22 180 485	47 264 753	47 182 873	90 552 000	90 573 653	0,02%
Autres subventions de l'Etat	24 513 681	23 106 916	24 098 667	24 430 144	24 520 900	0,37%
Autres recettes	42 281 461	78 294 729	140 994 069	66 914 793	46 956 884	-29,83%
Annulations de dépenses	8 005 141	3 540 916	6 209 951	9 878 536	3 665 299	-62,90%
TOTAL GÉNÉRAL	**976 201 041**	**937 016 174**	**989 597 802**	**905 805 757**	**922 735 056**	**1,87%**

Nota : Les données 2011 s'entendent hors écritures relatives à la vente de l'ATR

In Euros
Import duties
Value Added Tax
Other indirect taxes
Direct taxes
Extraordinary State endowment
DGA/DGDE employment initiatives (and 2009 promotion)
Other State subsidies
Other revenue
Cancelled expenditure
OVERALL TOTAL
N.B. 2011 data excludes entries relating to the sale of ATR



CHANGES IN ACTUAL OPERATING REVENUE

In millions of euros

- Other revenue
- Other State subsidies
- DGA/DGDE employment initiatives (and 2009 promotion)
- Extraordinary State endowment
- Direct taxes
- Other indirect taxes
- Value Added Tax
- Import duties

(iii) Actual operating expenditure (excluding adjusting entries)

Actual operating expenditure in 2012 totalled almost €837 million. This is an increase of 1.10% (almost + €9.136 million) compared to the previous financial year.

Note firstly a significant increase in finance costs (+8.52% compared to 2011) which relates to an exit indemnity for a transaction relating to the rescheduling of part of its structured debt.

Transfer expenditure (contributions and benefits, allowances and subsidies) also rose significantly (+€17.561 million) due essentially to the additional endowment of €20.950 million allocated to the solidarity system to reduce the imbalance in its accounts.

Transfer expenditure for each category is as follows:

- €105 million for solidarity, of which €15 million for individual personal support and €82 million to finance the general welfare system;
- €63 million in respect of economic aid, of which almost half relates to employment;
- €11 million in respect of contributions, excluding the FIP; and
- €115 million in respect of subsidies, of which €93 million for the public sector (81%) and €22 million for the private sector (19%).

Ordinary operating expenditure showed a slight increase (+€1.5 million or 1.97% compared to 2011).

Unlike the three previous expenditure items and for the third consecutive year, personnel costs have fallen (-€9.218 million between 2011 and 2012), demonstrating the efforts being made by the authority to reduce its wage bill.

Finally, in accordance with the authority's accounts stabilisation plan, a loan guarantee provision allowance was posted in an amount of €11.732 million and the amount of bad debt write-offs totals almost €16.7481 million.

Changes in actual operating expenditure from 2008 to 2012:

Nota : Les données 2011 s'entendent hors écritures relatives à la vente de l'ATR

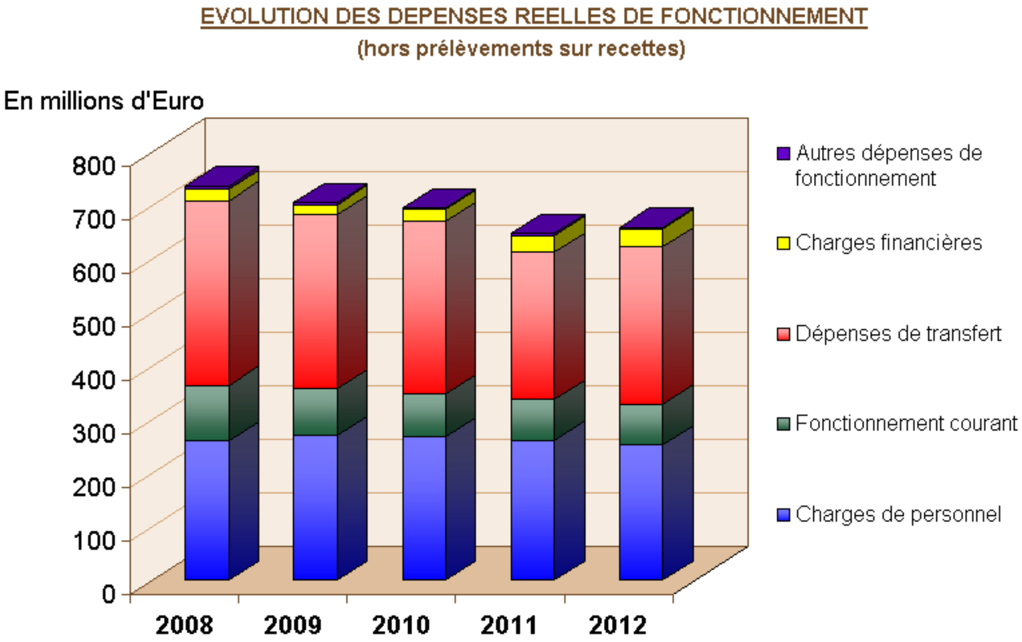
En Euro	2008	2009	2010	2011	2012	Evolution 2012 / 2011
Charges de personnel	260 906 421	270 760 162	267 587 394	261 298 313	251 986 552	-3,56%
Fonctionnement courant	102 772 923	87 713 536	80 376 933	75 638 363	77 127 340	1,97%
Dépenses de transfert	344 826 203	324 323 741	322 144 803	275 911 333	293 472 264	6,36%
Charges financières	20 994 217	17 740 809	21 307 223	30 816 988	33 442 308	8,52%
Dotations aux provisions	2 002 820	2 002 820	21 978 699	14 057 719	12 910 931	-8,16%
Admission en non valeur	0	473 284	18 465 702	23 312 707	16 480 804	-29,31%
Autres dépenses de fonctionnement	6 505 009	4 836 939	3 852 922	2 923 501	2 391 499	-18,20%
Sous Total (*)	**738 007 593**	**707 851 291**	**735 713 676**	**683 958 923**	**687 811 697**	**0,56%**
FIP	149 276 692	121 865 961	111 725 371	105 465 207	101 379 348	-3,87%
Dégrèvements, rembts & annulations	35 572 176	47 418 743	46 284 795	38 029 546	47 398 815	24,64%
TOTAL GENERAL	**922 856 461**	**877 135 995**	**893 723 842**	**827 453 677**	**836 589 860**	**1,10%**

Nota : Les données 2011 s'entendent hors écritures relatives à la vente de l'ATR

N.B. 2011 data excludes entries relating to the sale of ATR
In euros
Personnel costs
Ordinary operating expenditure
Transfer expenditure
Finance costs
Appropriation to provisions
Bad debts written-off
Other operating expenditure

Sub-Total (*)
FIP
Reductions, reimbursements and cancellations

OVERALL TOTAL
N.B. 2011 data excludes entries relating to the sale of ATR



CHANGES IN ACTUAL OPERATING EXPENDITURE
(excluding transfers from revenue)

In millions of euros
- Other operating expenditure
- Finance costs
- Transfer expenditure
- Ordinary operating expenditure
- Personnel costs

Personnel costs:

In 2012, the Polynésie Française continued in its efforts to reduce personnel costs.

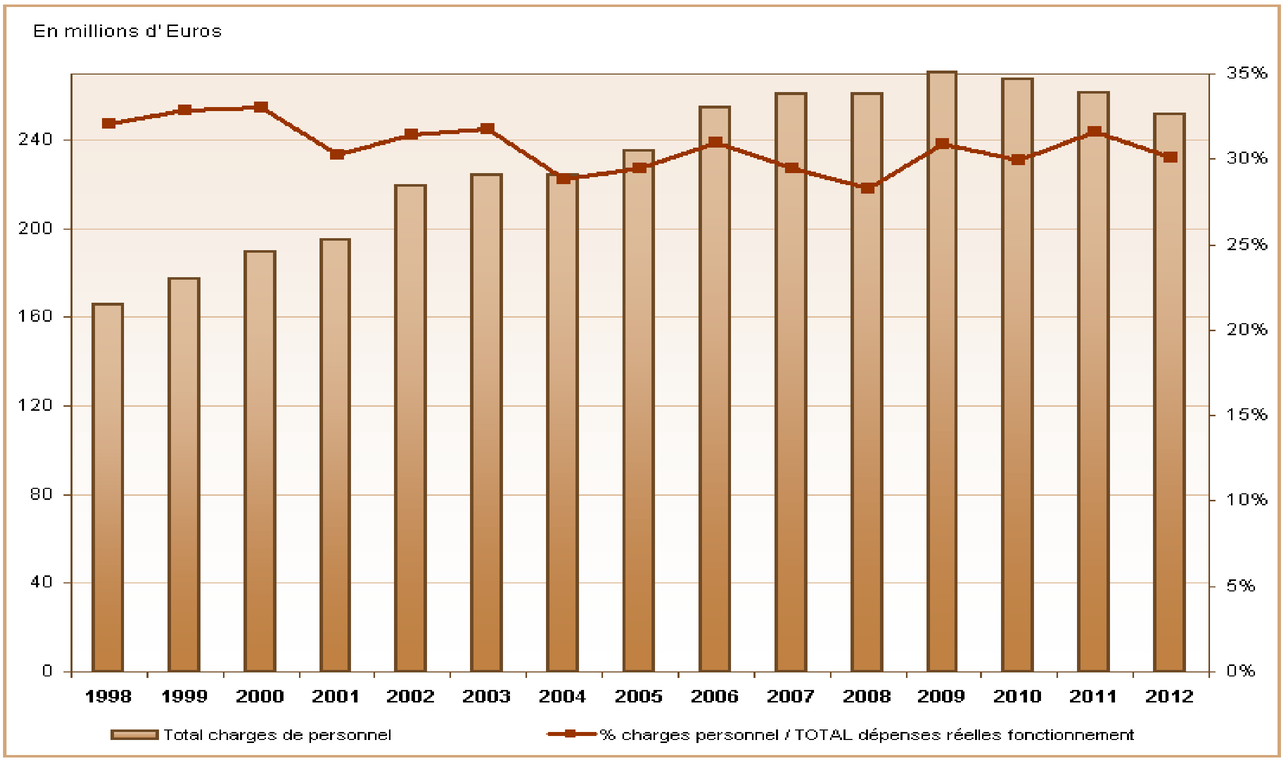
The savings made compared to the previous year are in the order of €9.312 million (-3.56%), which has been made possible by:

- eliminating 50 positions of which 42 in the primary budget,
- the freezing of 118 positions during the year, as each position became vacant,
- the freezing of government salaries (in force since 2009),
- maintaining the level of the guaranteed minimum wage (SMIG),
- a reduction of 10% of the rates of compensation for civil servants and ministerial staff,
- a decrease of 50% in the rates of compensation for ministers.

The forecast wage bill for 2012 established last year at an amount of €257.266 million has largely been realised as it totalled €251.987 million.

The table below illustrates changes in personnel costs from 1998 to 2012:

(*) Article 61 jusqu'en 2006 et article 64 à partir de 2007



(*) *Article 61 up until 2006 and article 64 as from 2007*
In millions of euros
- Total personnel costs - % personnel costs/TOTAL actual operating expenditure

(b) Capital section

(i) Actual capital revenue (excluding adjusting entries)

The deterioration in actual capital revenue continued in 2012 (-47.96% or -€62 million compared to 2011). In the space of three years, actual capital revenue has fallen by 73%.

This situation can be explained by:

- the reduction in borrowing utilisations, which amounted to just under €33 million in 2012 compared to €102.236 million the previous year,
- non-completion of asset disposals whereas in 2011 the sale of the presidential aircraft generated extraordinary income of €6.2 million,
- a decrease in State contributions under the Projects Contracts and the Extraordinary Investment Fund which have expired.

However, the increase in importance of the third financial instrument (3IF) of State funding for priority capital investments in the Polynésie Française should be noted. In place of an annual endowment (approximately €58.660 million), projects have been contracted with the State's contribution being paid out gradually as works progress. Thus in 2012, €21.082 million was received compared to €1.848 million in the previous year when the scheme was launched.

Similarly, payments as part of the State's contribution to school construction projects have increased by almost €3.764 million between 2011 and 2012. This relates to repayment of expenditure incurred by the Polynésie Française in 2011 and 2012.

Changes in actual capital revenue from 2008 to 2012

En Euro	2008	2009	2010	2011	2012	Evol° 2012 / 2011
Recettes diverses d'investissement	437 691	507 798	871 035	7 209 030	3 467 520	-51,9%
Rembt.avances et créances sur tiers	1 333 433	324 235	328 056	4 525 499	0	-100,00%
Emprunts et dettes à long ou moyen terme	98 605 000	145 700 000	113 500 000	102 497 615	33 000 000	-67,80%
Subventions de l'État	423 125	2 708 800	1 859 798	6 801 664	1 432 647	-78,94%
DGDE / 3IF	88 721 942	63 359 010	63 031 494	1 847 905	21 082 471	1040,89%
Subventions de l'État (ex FREPF)	31 050 000	31 050 000	31 050 000	0	0	
Subventions de l'État (Contrat de Développement	998 707	0	0	0	0	
Subventions de l'État (éducation)	740 209	3 749 685	7 324 894	758 202	4 521 799	496,38%
Subventions de l'État (Contrat de projets)	0	635 128	2 461 159	4 929 351	3 405 772	-30,91%
TOTAL GÉNÉRAL	**222 310 108**	**248 034 656**	**220 426 436**	**128 569 266**	**66 910 209**	**-47,96%**

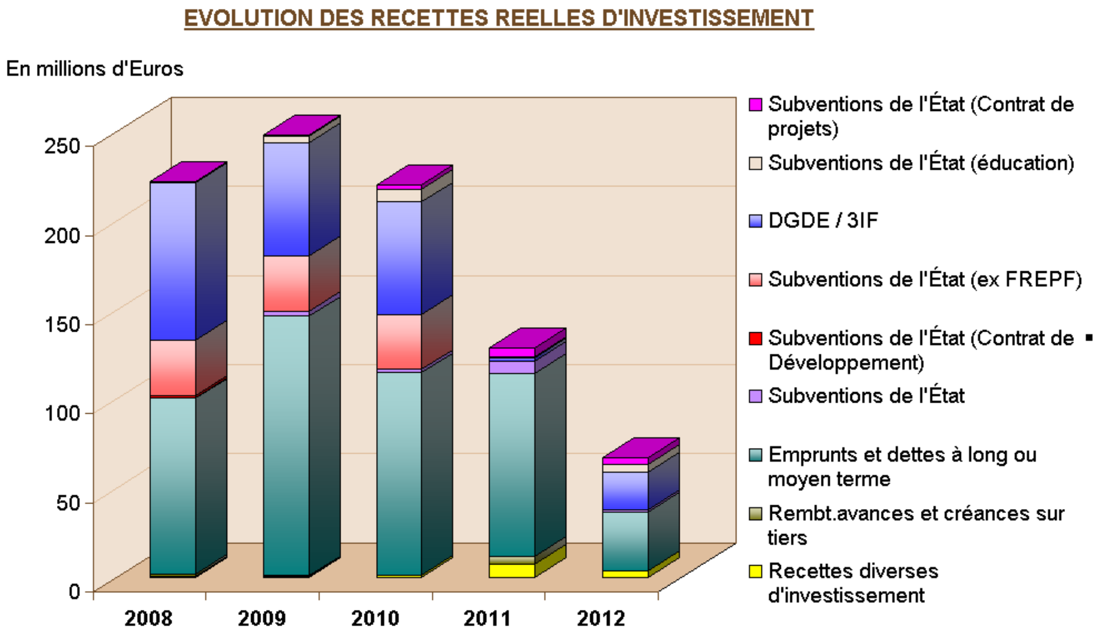
Nota : les recettes diverses 2011 sont re-traitées des écritures relatives à la vente de l'ATR

In euros

2008 2009 2010 2011 2012 Variation 2012/2011

Miscellaneous capital revenue
Repayment of advances and third party receivables
Long or medium-term borrowings and debt
State subsidies
DGDE/3IF
State subsidies (excl FREPF)
State subsidies (Development Contract)
State subsidies (Education)
State subsidies (Projects contracts)

OVERALL TOTAL
NB : miscellaneous revenue 2011 has been restated to include entries relating to the sale of ATR



CHANGES IN ACTUAL CAPITAL REVENUE

In millions of euros

- State subsidies (Projects contracts)
- State subsidies (Education)
- DGDE/3IF
- State subsidies (excl FREPF)
- State subsidies (Development Contract)
- State subsidies
- Long or medium-term debt and borrowings
- Repayment of advances and third party receivables
- Miscellaneous capital revenue

(ii) Actual capital expenditure (excluding adjusting entries)

The amount of actual capital expenditure, excluding repayment of principal on debt, totalled approximately €113.130 million in 2012. It has decreased by more than €22.626 million compared to the year before, which is a fall of 16.90%.

It is the lowest level of investment ever seen in the Polynésie Française, the record having already been set in 2011.

The reason for this decrease in capital spending by the authority lies in the non-contractualization of borrowings throughout the first six months of 2012, which prevented the government from utilising commitment authorisations and delegating funding credits, for fear of not being able to honour expenditure incurrred in the event of a shortfall in financing.

As a result, public works have dramatically decreased: tangible fixed assets have again fallen by 40% (compared to -49% in 2011) and miscellaneous capital expenditure by 38% compared to 2011.

Other entities such as public establishments and *communes* are also involved in public procurement. Here again the difficulties encountered by the country have had a direct impact on the budgets of the other public organisations and authorities as shown by a new fall of

11% in equipment subsidies, 43% of which are intended for public establishments and 34% for *communes*.

The Polynésie Française has granted an advance of €8.380 million to the The Polynésie Française *Hospital Centre* which has been encountering financial difficulties related to the opening of a new facility in Taaone.

As regards debt, the amount of principal repayments on borrowings and long-term debt has returned to levels similar to those of 2008 to 2010, i.e. €68.178 million, 2011 being rather unusual due to the final redemption of a bond issue made in 2001 (approximately €20.112 million).

Changes in actual capital expenditure from 2008 to 2012:

En Euro	2008	2009	2010	2011	2012	Evol° 2012 / 2011
Dépenses diverses d'investissement	31 800 805	7 207 391	13 868 378	15 060 796	9 331 295	-38,04%
Subventions d'équipement versées	61 523 362	54 340 499	45 611 183	30 921 715	27 497 305	-11,07%
Immobilisations corporelles	31 593 379	64 108 384	52 389 031	28 612 400	17 060 307	-40,37%
Immobilisations en cours	106 416 498	113 677 559	119 176 746	60 891 679	50 854 035	-16,48%
Participations et avances	25 140 000	20 254 460	9 360 460	636 461	8 380 000	1216,66%
Dépenses réelles hors rembt de la Dette	**256 474 044**	**259 588 293**	**240 405 798**	**136 123 051**	**113 122 942**	**-16,90%**
Rembt emprunts et dettes à L&M terme	60 916 891	62 811 894	63 799 354	82 516 403	68 177 829	-17,38%
TOTAL GENERAL	**317 390 935**	**322 400 187**	**304 205 152**	**218 639 454**	**181 300 771**	**-17,08%**

Nota : les dépenses d'investissement 2011 sont re-traitées des écritures relatives à la vente de l'ATR

2008 2009 2010 2011 2012 Variation 2012/2011

In euros

Miscellaneous capital expenditure

Equipment subsidies paid

Tangible fixed assets

Current fixed assets

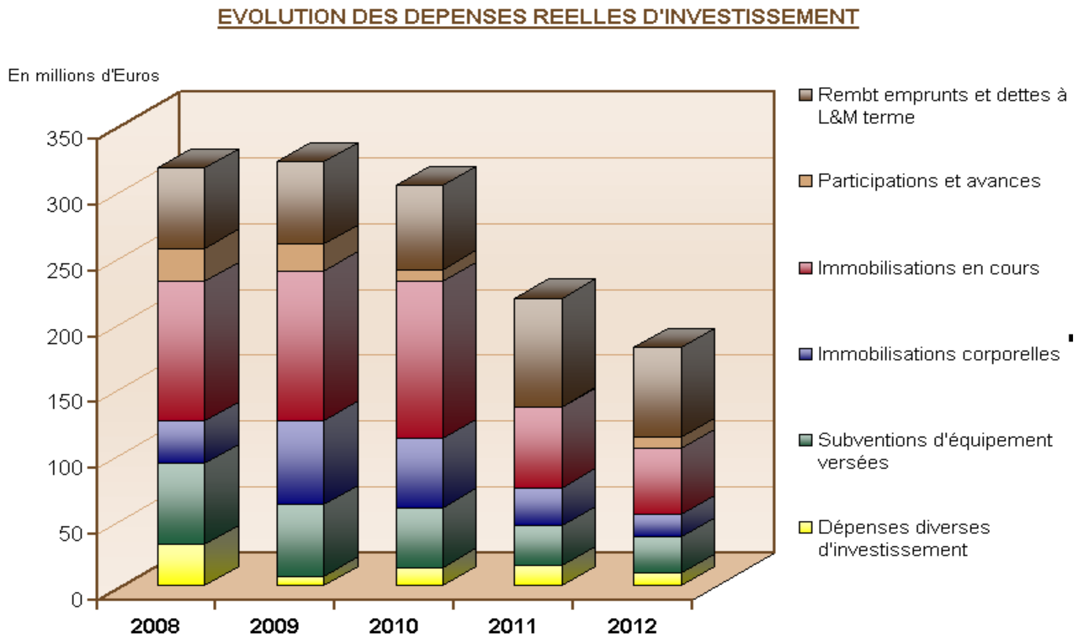
Contributions and advances

Actual expenditure excluding debt repayment

Repayment of long and medium term debt and borrowings

OVERALL TOTAL

NB: capital expenditure 2011 has been restated to include entries relating to the sale of ATR



<u>CHANGES IN ACTUAL CAPITAL EXPENDITURE</u>

In millions of euros

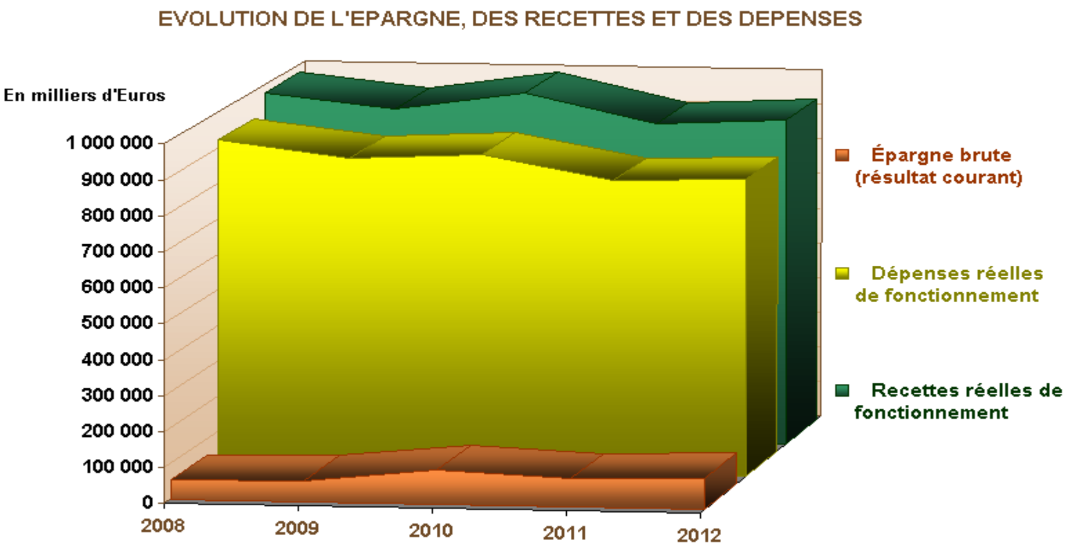
- Repayment of long and medium term debt and borrowings
- Contributions and advances
- Current fixed assets
- Tangible fixed assets
- Equipment subsidies paid
- Miscellaneous capital expenditure

(c) Gross savings and financing of capital spending

Gross savings

In 2012, actual operating revenue increased by €16.929 million and actual expenditure by €9.136 million compared to 2011.

Gross savings therefore totalled €86.314 million in 2012, an increase of €7.793 million compared to 2011.



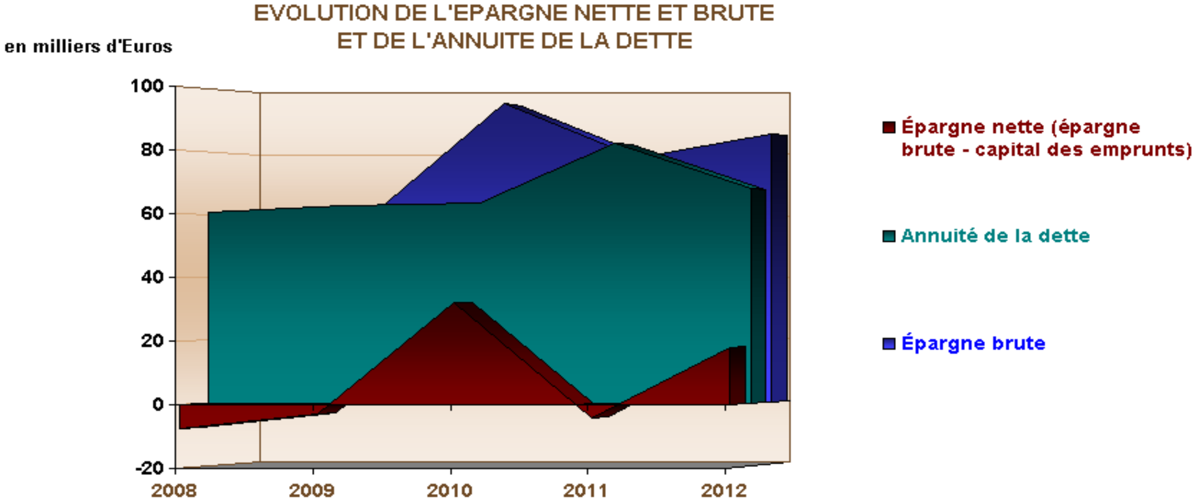
CHANGES IN SAVINGS, REVENUE AND EXPENDITURE

In thousands of euros

Gross savings (operating results)
Actual operating expenditure
Actual operating revenue

At an amount of €86.314 million, gross savings are sufficient to cover repayments of principal on debt which in 2012 amount to more than €67.878 million.

Therefore, after a negative position in 2011, net savings return to positive territory and total around €17.598 million.



CHANGES IN NET AND GROSS SAVINGS AND ANNUAL DEBT REPAYMENT
In thousands of euros

- Net savings (gross savings-principal on borrowings)
- Annual debt repayment
- Gross savings

Amounts available for investment and financing of investment

The 3rd financial instrument (3IF) for State funding of priority investment in the Polynésie Française, which replaced the "investment" part of the DGDE, is beginning to have a positive impact on the amount available for investment. Consequently the level of contributions and subsidies doubled in 2012 compared to 2011 having fallen by €91.342 million between 2010 and 2011.

A total amount of €3.394 million was reimbursed by the development and construction institution (*Etablissement d'aménagement et de construction*) under the agreements relating to the new Taaone hospital centre construction project, which enabled €2.514 million in principal repayments of debt to be made.

In 2013, the increasing significance of the 3IF measures should enable an amount of close to €83.800 million of funds available for investment to be reached.

In 2012, the amount available for investment covered almost 46% of the investment requirement compared to only 16% in 2011.

Excluding advances to third parties (The Polynésie Française granted an advance of €8.380 million to the new hospital centre), all other capital spending has decreased.

Borrowing utilisations, having fallen by €69.554 million, are not sufficient to maintain an overall positive result for the financial year. It should be noted, however, that the socredo/afd loan entered into at the end of 2012 (but not fully utilised) will ultimately redress the position.

Consequently the 2012 financial year ends with a negative balance of €28.245 million.

(d) Annual results

Taking into consideration the overall results of the financial year (-€28.245 million) and the integration into the accounts of two public establishments which closed in 2010 and 2011, the overall cumulative results totalled €71.693 million compared to €96.861 million in 2011.

However, due to the large amount of capital revenue carried forward, the overall net results increased to a little over €29.650 million.

En milliers d'Euros	2008	2009	2010	2011	2012
Résultat global de l'exercice (Inv + fonct)	**-41 736**	**-14 483**	**12 088**	**-11 718**	**-28 245**
(+) Résultat antérieur reporté	152 288	110 551	96 068	108 156	96 861
Résultat cumulé global à la clôture	**110 551**	**96 068**	**108 156**	**96 861**	**71 693**
dont écritures non budgétaires	0	0	0	423	3 078
Reports d'investissement					
(-) Dépenses	332 316	342 751	248 306	210 906	228 082
(+) Recettes	240 313	296 712	148 761	120 539	186 039
(=) Résultat net global	**18 548**	**50 029**	**8 610**	**6 494**	**29 650**

In thousands of euros

Overall results of the financial year (Cap + Op)
(+) Previous results carried forward

Year-end overall cumulative results
Of which non-budgetary entries
Capital carried forward :
(-) Expenditure
(+) Revenue
(=) Overall net result

2.5 Debt and cash flow

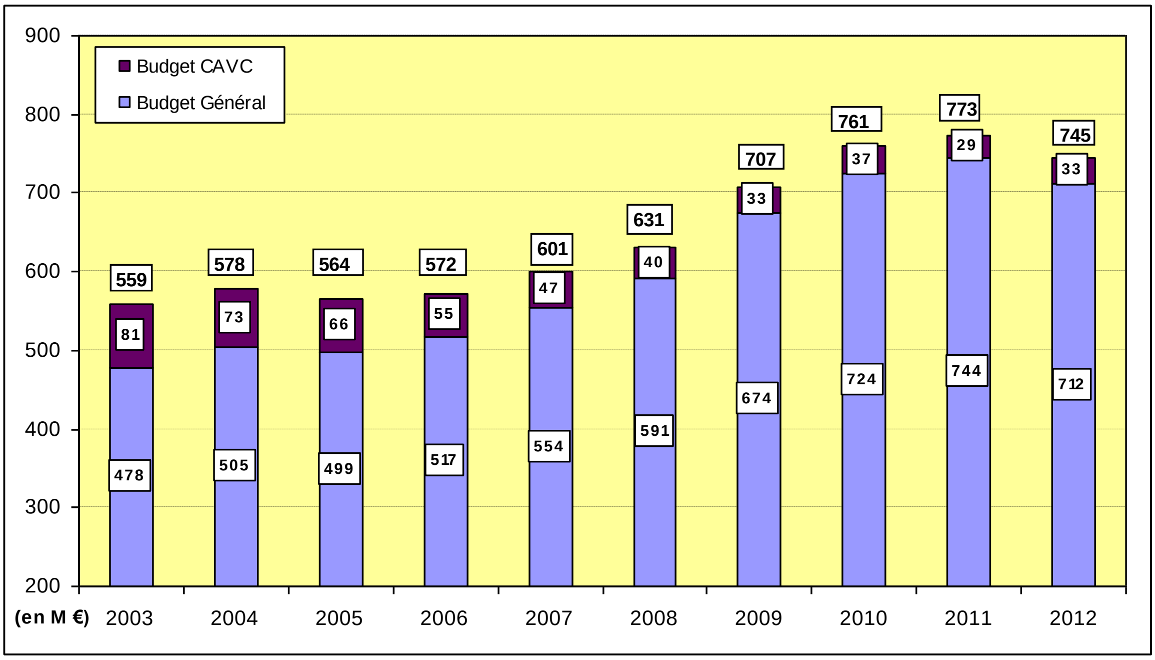
(a) The Polynésie Française indebtedness

Total outstanding debt includes the general budget outstanding indebtedness and that of the special account "disaster victims aid account" ("CAVC"). The Polynésie Française's outstanding debt as at 31 December 2012 was €744.8 million.

The CAVC special account is the account in which all transactions relating to the repair and reconstruction of public buildings damaged by natural disasters such as cyclones, tropical depressions, floods, landslides, etc. are recorded.

(i) Retrospective analysis of debt

- Changes in outstanding indebtedness (as at 31 December)



CAVC Budget
General Budget
(In M€)

The authority has, since 2003, increased its use of borrowings in a continuous and controlled manner.

Depending on available cash and the negotiated contract terms, borrowings were utilised on the latest availability date for drawdown thus reducing finance costs.

The sharp rise of €76 million between the financial years 2008 and 2009 results from the utilisation in 2009 of the full amount of all borrowings entered into in 2008 and part of the borrowings negotiated in 2009 and increased borrowing in 2009, including an amount of €50 million utilised in 2010.

A 2-year deferred repayment schedule was negotiated for the 2008 and 2009 contracts. Final redemption of the €20 million bond issue made in 2001 took place on its due date in March 2011.

- Debt ratios

Encours de dette au 31 décembre rapporté aux recettes de fonctionnement de l'exercice

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Encours / Recettes réelles de fonct.	62,92%	65,33%	57,03%	57,47%	60,07%	63,87%	74,48%	75,93%	84,20%	79,78%

Encours de dette au 31 décembre rapporté à l'épargne brute de l'exercice ou Capacité de désendettement

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Encours / Epargne brute	0,62 ans	4,63 ans	2,73 ans	3,31 ans	5,26 ans	9,6 ans	11,35 ans	7,32 ans	6,69 ans	5,72 ans

Encours de dette par habitant au 31 décembre de l'année

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Encours en € par habitant	2 241,95	2 284,23	2 201,47	2 202,72	2 304,91	2 422,85	2 648,92	2 817,08	2 879,97	2 776,29

Ratio of outstanding debt as at 31 December to full-year operating revenue

Outstanding debt/Actual operating revenue

Ratio of outstanding debt as at 31 December to full-year gross savings or debt amortisation capacity

Outstanding debt/Gross savings

Outstanding debt per inhabitant as at 31 December

Outstanding debt in € per inhabitant

Total outstanding indebtedness represents almost 80% of actual operating revenue.

The gradual improvement in the debt amortisation capacity of the authority since 2010 is the result of the initial measures taken by the Polynésie Française's government to redress the public finances. The 2012 ratio is substantially similar to that of 2007.

Outstanding indebtedness per inhabitant has stabilised at €2,800 in the last three financial years.

(ii) Indebtedness situation and management at 1st September 2013

- **Outstanding indebtedness**

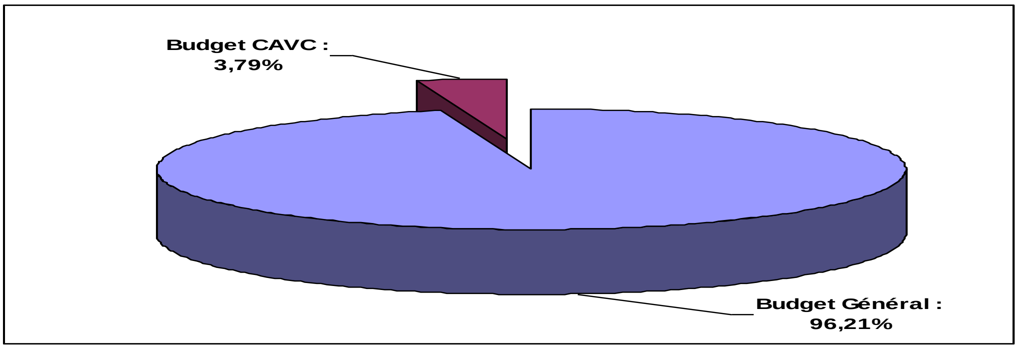
As at 1st September 2013, the outstanding indebtedness of the Polynésie Française stood at €752,298,758.73.

– *Distribution of outstanding indebtedness by budget:*

The breakdown of outstanding indebtedness is as follows:

▪ €723.770 million under the general budget, i.e. 96.21% of total indebtedness;

- €28.528 million under the CAVC budget, i.e. 3.79% of total indebtedness.



CAVC Budget 3.79%
General Budget 96.21%

– *Breakdown of outstanding indebtedness by lender (amounts in euros):*

Lenders	Oustanding indebtedness as at 1st September 2013	
	Amount	%
Caisse française de Financement Local (SFIL)	263,394,215.28	35.01%
Agence Française de Développement (AFD)	201,972,916.78	26.85%
Groupe BPCE	112,795,407.88	14.99%
DEXIA Crédit Local	52,547,793.55	6.98%
Crédit Agricole (ex-BFT)	43,726,668.90	5.81%
Groupe Société Générale	41,062,000.00	5.46%
Banque Socredo	30,000,000.00	3.99%
BEI – FED	3,951,014.06	0.53%
Crédit Lyonnais	2,000,000.00	0.27%
Caisse des Dépôts et des Consignations	848,742.30	0.11%
Total indebtedness	**752,298,758.75**	**100.00%**

(iii) Structure of the Polynésie Française's debt

- **Distribution by rate tranche**

Almost half of outstanding indebtedness bears interest at a rate of less than or equal to 4%.

The average interest rate on the Polynésie Française's debt was 3.95% at 1st September 2013 compared to 4.17% at 31st December 2012, compared to 4.40% in 2011. The average level in 2011 reflects firstly the increase of interest rates in the markets due to the economic situation, but above all the increase in commercial margins and also the interest rate levels obtained in connection with the destructuring of part of its structured debt in 2011.

Tranches de taux	Encours	%
taux >= 8.00%	8 902 191,32	1,18%
6.00% < taux <= 8.00%	95 705 814,33	12,72%
4.00% < taux <= 6.00%	335 713 191,20	44,62%
3.00% < taux <= 4.00%	197 223 802,80	26,22%
taux <= 3.00%	114 753 759,08	15,25%
Encours au 01-09-2013	**752 298 758,73**	**100,00%**

Rate tranches Outstanding debt %
…rate
…rate
…rate
…rate
…rate

Outstanding debt as at 01/09/2013
** Indebtedess in Euros*

- **Distribution by rate type**

Encours de dette au	**31/12/2010**		**31/12/2011**		**31/12/2012**		**au 1er septembre 2013**	
Dette à taux fixe	294 348 066,66	38,70%	453 790 579,99	58,73%	452 947 380,01	60,82%	560 929 171,64	74,56%
Dette à taux variable	245 449 917,59	32,27%	133 117 227,78	17,23%	170 618 958,59	22,91%	131 785 672,03	17,52%
Dette structurée	220 813 000,00	29,03%	185 700 800,00	24,04%	121 227 843,39	16,28%	59 583 915,05	7,92%
Total	**760 610 984,24**	**100,00%**	**772 608 607,76**	**100,00%**	**744 794 181,99**	**100,00%**	**752 298 758,73**	**100,00%**

** Amounts in Euros*

Outstanding debt as at … … … … **as at 1st September 2013**
Fixed rate debt
Variable rate debt
Structured debt
Total

– Fixed rate debt

Fixed rate borrowings represent 74.56% of total indebtedness. Since 2010, the increased proportion of this category of debt can be explained first by the authority's desire to reduce its level of structured debt through refinancing transactions and second by the consolidation of two initially variable rate "hybrid product" credit lines.

– Structured debt

At 1st September 2013, €752.299 million remains outstanding under 4 contracts entered into with Groupe Dexia, i.e. 7.92% of the authority's total outstanding indebtedness. These products have been kept on watch since the end of the bonus fixed rate period.

Name	Interest Rate	Condition	Outstanding at 01/09/2013
Dual EUR CHF Fixed	3.65%	If the EUR/CHF exchange rate >=1.42 CHF	8,902,189.40
INFLATION FSE	3.90%	If the annual FSE inflation rate > or = 0.00%	14,780,109.72
CORIALYS DUALIS – 2007	3.40%	No condition until 01/08/2011 inclusive if the EUR/CHF exchange rate >=EUR/USD	15,271,531.90
FIXIA USD	3.99% 3.99%	01/04/2011 due date if Libor USD 12M < or = 6.75%	20,630,084.03
Total structured debt			**59,583,915.05**
Total outstanding			**752,298,758.73**
Structured debt share of total debt			**7.92%**

– Bond issues

The authority has made only one bond issue, in 2001, in an amount of €20 million. This bond issue was redeemed in full on its due date in March 2011.

- **Distribution by currency**

No foreign currency denominated indebtedness exists. All loans are either denominated in Euros or in Pacific Francs (1€ = 119.331742243 FCP).

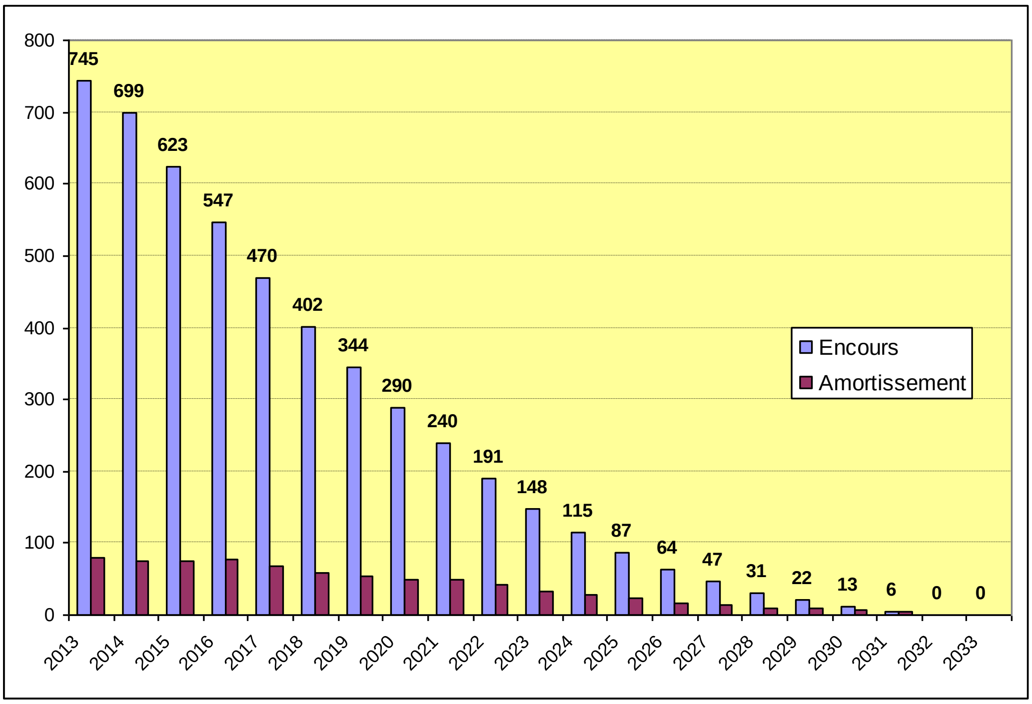
- **Residual term to maturity of the Polynésie Française's debt**

The residual term to maturity represents the time remaining until repayment in full of the debt. This stands at 11 years and one month.

Forecast debt amortisation of the Polynésie Française schedule at 1 January 2013:

en M€	Encours	Amortissement
2013	744,79	80,08
2014	698,71	75,79
2015	622,92	75,84
2016	547,08	76,94
2017	470,14	68,28
2018	401,87	57,84
2019	344,03	54,38
2020	289,65	49,91
2021	239,74	48,94
2022	190,79	42,34
2023	148,45	33,15
2024	115,30	28,67
2025	86,63	23,11
2026	63,52	16,92
2027	46,59	15,19
2028	31,41	9,21
2029	22,20	9,31
2030	12,89	7,22
2031	5,67	5,63
2032	0,04	0,03
2033	0,01	0,01
In M€	**Outstanding**	**Amortisation**

The Polynésie Française's debt amortisation profile at 1st January 2013 (in M€):



○ Outstanding
○ Amortisation

(iv) Active debt management

As part of its borrowing policy, and to the extent possible, the authority seeks to diversify its debt by employing different types of product including bond issues. The authority launched a bond issue in 2001 in an amount of €20 million which was redeemed in full on its due date in March 2011 and shall make further bond issues under this Programme.

Securing its outstanding structured debt remains a priority for the Polynésie Française. By actively managing its debt it has been able very rapidly to act in finalising the rescheduling of structured products, on or close to passing through structured interest-rate formula barrier thresholds.

Finally, the purpose of active debt management is to manage the cost of credit either by locking-in low interest rates or by taking measures to minimise interest costs if interest rates rise by using derivative products or interest rate swaps.

(b) Cash flow

The Polynésie Française does not at the present time have any liquidity facilities.

For day-to-day cash management purposes, it used so-called hybrid products enabling it, in the event of a close-of-day cash surplus, either to temporarily repay or re-borrow for the following day's liquidity requirements.

Since 2010, these contracts have been consolidated and it has not been possible to replace them. Indeed, since the outbreak of the global financial crisis, this product is no longer offered its commercialisation having been suspended given the difficulty banks faced in fixing commercial margins on short-term rates.

The Polynésie Française still holds this type of contract in its portfolio. However, the conditions of their use are more restrictive (minimum fund transfer amounts, fund transfer times in excess of 4 business days, …).

Finally, surplus cash is kept in account 515 – Treasury Account and active cash management essentially involves constituting reserves to honour all mandatory commitments on their due date such as annual interest payments on debt, payroll and priority commitments (under accounting or legal obligations).

Since 2009 the authority has encountered repeated cash management difficulties (supplier payment times have increased), but this has never resulted in a payment incident on mandatory or priority expenditure (annual interest payments on debt and payroll).

(c) Other commitments-loan guarantees

Debt guaranteed by the Polynésie Française principally involves the health and social sector and the transport and telecommunications sector representing respectively 62.48% and 31.70% of total guaranteed debt. Debt guaranteed by the authority is as follows:

	Total as at 01/01/2013	**Transport and Telecommunications**	**Health or Social**	**Energy**	**Education**	**Other sectors**
AIR TAHITI NUI	20,171,971.96	20,171,971.96				
CODER MARAMA NUI	520,907.93			520,907.93		
OFFICE POLYNESIEN DE L'HABITAT	39,762,943.19		39,762,943.19			
PORT AUTONOME	43,383.17					43,383.17
Prêts d'études aux Etudiants	3,002,865.92				3,002,865.92	
SEM TAHITI NUI RAVA'AI	140,905.97					140,905.97
TOTAL	63,642,978.14 100%	20,171,971.96 31.70%	39,762,943.19 62.48%	520,907.93 0.82%	3,002,865.92 4.72%	184,289.14 0.29%

The ratio of annual public and guaranteed debt repayment to actual operating revenue is 12.73%.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Annual public and guaranteed debt repayment / actual operating revenue	10.90%	10.27%	10.46%	10.42%	14.56%	12.73%

Pursuant to the provisions of Article 45 of the country law n°2009-15 dated 24 August 2009 setting forth the conditions and criteria for allocation of financial aid and granting of loan guarantees to legal entities other than *communes*, the Polynésie Française set aside a guarantee reserve of €16.427 million, i.e. 25.81% of its guaranteed indebtedness, well above the minimum regulatory threshold of 2%.

Furthermore the budget for the financial year 2013 provides for an increase of this guarantee reserve fund to 43.9% of guaranteed indebtedness, i.e. a funded provision of €24.807 million.

No new guarantees have been granted since 2011.

2.6 2011 and 2012 administrative accounts

The Polynésie Française administrative account (AA) for the 2012 financial year was approved by the assembly in public session on 28 June 2013, in full conformity with the management account of the authority paymaster.

The Polynésie Française administrative account (AA) for the 2011 financial year was approved by the assembly in public session on 21 June 2012, in full conformity with the management account of the authority paymaster.

The administrative accounts are reproduced below:

ART	TITLE			ADMINISTRATIVE ACCOUNT GENERAL BALANCE						BUDGETARY YEAR 2012 (In €)			
		BUDGETARY ENTRIES				ACTUAL ENTRIES				ADJUSTING ENTRIES			
		EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%
CAPITAL SECTION		289,456,768.61	100.00	178,522,868.16	100.00	181,300,771.58	100.00	66,910,208.95	100.00	108,155,997.03	100.00	111,612,659.21	100.00
13	Capital subsidies			30,442,688.51	17.05			30,442,688.51	45.50				
16	Borrowings and equivalent debts	168,818,270.07	58.32	136,740,441.12	76.60	68,177,829.02	37.60	33,000,000.07	49.32	100,640,441.05	93.05	103,740,441.06	92.95
19	Gain/loss on realisation of fixed assets			53,799.42	0.03							53,799,42	0.05
20	Intangible fixed assets	43,329,732.78	14.97	58,450.71	0.03	35,814,176.80	19.75	58,450.71	0.09	7,515,555.98	6.95		
21	Tangible fixed assets	17,060,306.80	5.89	8,356,217.85	4.68	17,060,306.80	9.41	894,461.30	1.34			7,461,756.55	6.69
22	Fixed assets received by way of appropriation												
23	Current fixed assets	50,854,035.01	17.57	2,514,608.36	1.41	50,854,035.01	28.05	2,514,608.36	3.76				
26	Equity interests and receivables attached to equity interests												
27	Other financial fixed assets	8,380,000.02	2.90			8,380,000.02	4.62						
28	Amortisation of fixed assets			356,662.18	0.20							356,662.18	0.32
45	Related separate accounts	1,014,423.92	0.35			1,014,423.92	0.56						
OPERATING SECTION		949,869,233.38	100.00	1,032,557,766.99	100.00	836,589,862.12	100.00	922,735,057.92	100.00	113,279,371.26	100.00	109,822,709.07	100.00
60	Purchases and stock variation	24,121,277.03	2.54			21,170,876.98	2.53			2,950,400.05	2.60		
61	External services	16,074,789.44	1.69			16,060,357.83	1.92			14,431.61	0.01		
62	Other external services	34,757,204.02	3.66	2,402.76	0.00	33,107,162.63	3.96	2,402.76	0.00	1,650,041.39	1.46		
63	Duties, taxes and equivalent payments	102,128.51	0.01			103,128.51	0.01						
64	Personnel costs	248,586,071.57	26.17	409,120.54	0.04	247,569,054.32	29.59	409,120.54	0.04	1,017,017.25	0.90		
65	Other operational expenses	357,262,871.93	37.61	257,343.40	0.02	357,259,747.24	42.70	257,343.40	0.03	3,124.68	0.00		
66	Finance costs	36,541,825.57	3.85			33,441,825.56	4.00			3,100,000.01	2.74		
67	Extraordinary expenses	115,022,712.74	12.11			114,957,932.06	13.74			64,780.69	0.06		
68	Amortisation and provision expense	13,267,592.90	1.40			12,910,930.72	1.54			356,662.18	0.31		
70	Proceeds of *sces du domaine* and miscellaneous sales	9,846.27	0.00	22,243,133.45	2.15	9,846.27	0.00	22,143,133.45	2.41				
71	Indirect duties and taxes	67,637,374.78	7.12	546,536,254.77	52.93			478,898,879.99	51.90	67,637,374.78	59,71	67,637,374.78	61.59
72	Contracted-out works (adjusting entry)			5,699,795.67	0.55							5,699,795.67	5.19
73	Direct duties and taxes	36,485,538.63	3.84	238,892,629.77	23.14			202,407,091.14	21.94	36,485,538.63	32.21	36,485,538.63	35.22
74	Endowments and contributions			115,223,848.92	11.16			115,223,848.92	12.49				
75	Other operational income			4,539,422.65	0.44			4,539,422.65	0.49				
76	Financial income			1,294,971.74	0.13			1,294,971.74	0.14				
77	Extraordinary income			84,076,180.43	8.14			84,076,180.43	9.11				
78	Reversals of amortisations and provisions			13,382,662.91	1.30			13,382,662.91	1.45				
	OVERALL TOTAL	1,239,326,001.99		1,211,080,635.15		1,017,890,633.70		989,645,266.86		221,435,368.29		221,435,368.29	
	Operating result	82,688,533.62				86,145,195.80							
	Capital result (Excl. a/c 106 8)			110,933,900.45				114,390,562.64					
	Overall result	-28,245,366.84				-28,245,366.84							
		1,211,080,635.15		1,211,080,635.15		989,645,266.86		989,645,266.86					
		Capital		**Operating**		**Total**							
	Cumulative result as at 01/01/12	14,152,803.16		82,707,933.87		96,860,737.03							
	Account 106 8 -	76,214,407.71		-76,214,407.71									

	capitalised operating surplus												
	2012 financial year result (excluding account 106 - 8)	-110,933,900.45		82,688,533.62		-28,245,366.84							
	Cumulative result as at 31/12/12	-20,566,689.59		89,182,059.78		68,615,370.19							
	(1) including 2011 operating result of FSPPN: 69,292F cf delib no. 2012-24 APF of 03/07/12												
	ICPF (Polynésie Française Consumer Institute) account integration adjustment	-119,466.45		119,466.45		0.00							
	EPAP account integration	22,433.61		2,955,768.51		2,978,202.12							
	ATP account integration	6,531,53		93,276.94		99,808.47							
	Cumulative result at 31/12/12 (restated for EPAP and ATP accounts)	-20,657,190.90		92,350,571.69		71,693,380.79							

ADMINISTRATIVE ACCOUNT
GENERAL BALANCE

BUDGETARY YEAR 2011
(in €)

ART	TITLE	BUDGETARY ENTRIES				ACTUAL ENTRIES				ADJUSTING ENTRIES			
		EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%
CAPITAL SECTION		342,128,231.48	100.00	302,547,543.66	100.00	218,639,454.61	100.00	128,569,266.68	100.00	123,488,776.88	100.00	173,978,276.98	100.00
13	Capital subsidies			14,337,121.58	4.74			14,337,121.58	11.15				
16	Borrowings and equivalent debts	198,128,742.59	57.91	218,109,954.88	72.09	82,516,403.41	37.74	102,497,615.71	79.72	115,612,339.17	93.62	115,612,339.17	66.45
19	Gain/loss on realisation of fixed assets	7,700,608.54	2.25							7,700,608.54	6.24		
20	Intangible fixed assets	40,169,909.95	11.74	634,057.99	0.21	40,169,909.95	18.37	634,057.99	0.49				
21	Tangible fixed assets	28,788,228.98	8.41	14,234,472.27	4.70	28,612,399.82	13.09	6,358,034.57	4.95	175,829.16	0.14	7,876,437.70	4.53
22	Fixed assets received by way of appropriation												
23	Current fixed assets	60,891,679.35	17.80	214,889.26	0.07	60,891,679.35	27.85	214,889.26	0.17				
26	Equity interests and receivables attached to equity interests	636,461.00	0.19	4,345,918.26	1.44	636,461.00	0.29	4,345,918.26	3.38				
27	Other financial fixed assets			179,580.63	0.06			179,580.63	0.14				
28	Amortisation of fixed assets			50,489,500.10	16.69							50,489,500.10	29.02
45	Related separate accounts	5,812,601.08	1.70	2,048.69	0.00	5,812,601.08	2.66	2,048.69	0.00				
OPERATING SECTION		987,414,362.71	100.00	1,015,276,942.74	100.00	827,453,678.70	100.00	905,805,758.83	100.00	159,960,684.01	100.00	109,471,183.91	100.00
60	Purchases and stock variation	19,083,174.41	1.93	918.93	0.00	17,029,258.47	2.06	918.93	0.00	2,053,915.94	1.28		
61	External services	16,814,963.00	1.70	16,373.00	0.00	16,766,631.90	2.03	16,373.00	0.00	48,331.11	0.03		
62	Other external services	32,577,719.55	3.30	24,664.86	0.00	31,799,880.93	3.84	24,664.86	0.00	777,838.62	0.49		
63	Duties, taxes and equivalent payments	107,161.58	0.01			107,161.58	0.01						
64	Personnel costs	253,023,944.18	25.62	1,628,314.63	0.16	252,514,647.94	30.52	1,628,314.63	0.18	509,296.24	0.32		
65	Other operational expenses	345,726,158.43	35.01	2,445,100.92	0.24	345,726,158.43	41.78	2,445,100.92	0.27				
66	Finance costs	30,816,987.88	3.12	127,260.05	0.01	30,816,987.88	3.72	127,260.05	0.01				
67	Extraordinary expenses	132,841,219.82	13.45			118,635,232.33	14.34			14,205,987.49	8.88		
68	Amortisation and provision expense	64,547,219.35	6.54			14,057,719.24	1.70			50,489,500.10	31.56		
70	Proceeds of estate disposals and miscellaneous sales			20,725,774.52	2.04			20,725,774.52	2.29				
71	Indirect duties and taxes	53,237,193.33	5.39	557,645,517.77	54.93			504,408,324.44	55.69	53,237,193.33	33.28	53,237,193.33	48.63
72	Contracted-out works (adjusting entry)			3,686,760.84	0.36			0.00	0.00			3,686,760.84	3.37
73	Direct duties and taxes	38,638,621.19	3.91	248,260,581.73	24.45			209,621,960.54	23.14	38,638,621.19	24.16	38,638,621.19	35.30
74	Endowments and contributions			115,414,865.80	11.37			115,414,865.80	12.74				
75	Other operational income			3,725,486.62	0.37			3,725,486.62	0.41				
76	Financial income			1,173,444.76	0.12			1,173,444.76	0.13				
77	Extraordinary income			22,984,868.60	2.26			9,076,260.04	1.00			13,908,608.56	12.71
78	Reversals of amortisations and provisions			37,417,009.71	3.69			37,417,009.71	4.13				

ADMINISTRATIVE ACCOUNT
GENERAL BALANCE

BUDGETARY YEAR 2011
(in €)

ART	TITLE	BUDGETARY ENTRIES				ACTUAL ENTRIES				ADJUSTING ENTRIES			
		EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%	EXPENDITURE	%	REVENUE	%
	OVERALL TOTAL	1,329,542,594.19		1,317,824,486.41		1,046,093,133.30		1,034,375,025.52		283,449,460.89		283,449,460.89	
	Operating result	27,862,580.03				78,352,080.14							
	Capital result (Excl. a/c 106 8)			39,580,687.82				90,070,187.92					
	Overall result	-11,718,107.79				-11,718,107.79							
		1,317,824,486.41		1,317,824,486.41		1,034,375,025.52		1,034,375,025.52					

	Capital		Operating		Total
Cumulative result as at 01/01/11	-21,349,926.60		129,505,882.44		108,155,955.84
Account 106 8 - capitalised operating surplus	74,750,147.47		-74,750,147.47		0.00
2011 financial year result (excluding account 106 -8)	-39,580,687.82		27,862,580.03		-11,718,107.79
Cumulative result as at 31/12/11	13,819,533.05		82,618,315.01		96,437,848.05

Ecole Normale Mixte de la FP (ENM) account balance integration	213,444.14		89,038.20		302,482.34
ICPF (Polynésie Française Consumer Institute) account balance integration	119,825.97				119,825.97

Cumulative result at 31/12/11 (restated for ENM /ICPF accounts)	14,152,803.16		82,707,353.20		96,860,156,36

2.7 2013 Budgets

(a) 2013 primary budget

The global crisis which has been raging for four years greatly impacted on formation of the 2013 primary budget.

Consequently, continuing on from the previous budget, redressing and stabilising the authority's finances remains the priority.

Bad debt write-offs[2] have increased by 2% compared to the previous year, whereas allocations to provisions have fallen by 27% whilst remaining at above €8.380 million.

Implementation of the voluntary redundancy plan aims to make savings of €10.056 million per full-year as from 2014. It is a redundancy incentive scheme offered to civil servants. Those accepting would leave the administration with a redundancy package (15 or 20 times final salary). For the time being, no agreement has been reached with the State on financing such redundancies.

Nevertheless, this measure was considered imperative, hence the increase of €6.704 million in credits set aside for personnel costs. Furthermore, down-sizing of the Polynésie Française civil service is also taking place through restructuring its satellite offices.

In terms of revenues, the extraordinary dividend payment from the industrial and commercial public establishment “Office des Postes et des Télécommunications” in an amount of €25.140 million together with the abolition of the customs duty exemption on certain State defence imports (€8.380 million) limited their fall to -0.3% compared to 2012. Last year, they fell by 7% compared to 2011.

[2] Once a receivable is considered to be irrecoverable (generally if the debtor is declared insolvent), the local authority auditor may request that its recovery is suspended, which means writing it off as a bad debt. This is treated as an operating expense and the authority must ensure that it is financed out of its operating revenue. Nevertheless, the debt is not cancelled and its recovery may be reinstated, in particular if the debtor’s financial situation improves.

Operating Budget (in euros) – Financial Years 2012/2013

Operating Budget (in euros) – Financial Years 2012/2013							
In euros	2012 BUDGET			PB 2013	PB 2013	Change	
	PRIMARY	**AMENDED**	**REALISATION (provisional)**		**% operations**	**PB 2013/PB 2012**	**PB 2013/AA 2012**
I. ACTUAL REVENUE	**881,027,827**	**933,855,992**	**922,735,056**	**878,330,764**	**100.00**	**-0.31**	**-4.81**
I.I - TAX REVENUE	**728,648,081**	**711,343,422**	**707,018,320**	**702,373,710**	**79.97**	**-3.61**	**-0.66**
I.I.I – INDIRECT TAXES	**509,516,109**	**509,809,450**	**504,611,229**	**509,907,736**	**58.05**	**0.08**	**1.05**
VAT	299,316,840	299,610,180	300,457,564	299,324,382	34.08	0.00	-0.38
Import VAT	142,259,716	142,359,516	145,015,107	149,606,060	16.55	0.95	-1.01
Internal VAT	157,057,133	155,550,462	155,564,455	155,516,522	15.75	0.65	0.21
Import duty	156,465,285	156,465,285	151,397,513	161,476,638	18.38	3.20	6.66
Internal consumption duty	23,253,662	23,253,662	22,782,873	18,464,492	2.10	-20.60	-18.95
Export duty	3,788,598	3,788,598	3,367,446	3,788,598	0.43	0.00	12.51
Stamp and registration duties	26,178,282	26,178,282	26,110,790	26,253,702	2.99	0.29	0.55
Other indirect taxes	513,443	513,443	495,043	599,924	0.07	16.84	21.19
I.I.II – DIRECT TAXES	**219,131,972**	**201,533,972**	**202,407,091**	**192,465,974**	**21.91**	**-12.17**	**-4.91**
I.II – OTHER REVENUE	**151,416,046**	**212,099,716**	**211,626,645**	**174,993,354**	**19.92**	**15.57**	**-17.31**
Estate income	5,069,649	5,196,159	9,0404,620	6,938,389	0.79	36.86	-23.25
Other provision of services	14,598,555	14,676,586	13,202,514	16,024,160	1.82	9.77	21.37
Financial income	703,711	745,611	1,294,972	25,886,658	2.95	3,578.59	1,899.01
Other operational income	3,445,983	3,445,983	4,539,423	3,257,725	0.37	-5.46	-28.23
State subsidies	122,249,432	117,663,606	114,638,329	117,740,795	13.41	-3.69	2.71
DGA	90,552,000	90,595,656	90,515,655	90,595,512	10.51	0.05	0.02
Education and Solidarity	15,562,571	16,196,141	16,196,040	16,196,141	1.64	6.51	0.01
Youth and Sport	1,566,260	1,900,600	1,500,600	1,500,596	0.15	-4.51	0.00
Other State contributions	12,966,601	9,591,212	6,566,056	9,646,546	1.10	-25.62	46.57
Other contributions	1,158,717	1,186,397	585,520	955,628	0.11	-17.53	63.21
Cancelled expenditure	3,352,000	3,451,867	3,665,299	3,352,000	0.38	0.00	-8.55
Extraordinary income	838,000	50,915,349	51,277,307	838,000	0.10	0.00	-98.37
Reversals of amortisation and provisions	0	14,818,157	13,382,663	0	0.00		
I.III – INCOME FROM PREVIOUS YEARS	**963,700**	**10,412,854**	**4,090,091**	**963,700**	**0.11**	**0.00**	**-76.44**
Operating result carried forward	0	9,449,154	0	0	0.00		
Income from previous years	963,700	963,700	4,090,091	963,700	0.11	0.00	-76.44
II. ACCRUAL REVENUE	**77,165,554**	**124,690,929**	**109,822,709**	**112,610,272**		**45.93**	**2.54**
Duty and tax exemptions (adjusting entry)	37,710,000	67,637,375	67,637,375	59,917,000			
Contracted-out works	18,505,554	18,505,554	5,699,796	18,335,272			
Tax credits (Defiscalisation law) IS	19,274,000	36,034,000	31,936,669	30,168,000			
Tax credits (Defiscalisation law) IT	1,676,000	2,514,000	4,548,870	4,190,000			
OPERATING REVENUE OVERALL TOTAL	**958,193,381**	**1,058,546,920**	**1,032,557,765**	**990,941,037**		**3.42**	**-4.03**
I. ACTUAL EXPENDITURE	**805,251,970**	**863,717,306**	**836,589,860**	**822,452,574**	**100.00**	**2.14**	**-1.69**
I.I – MANDATORY EXPENDITURE	**407,547,708**	**406,663,963**	**400,762,298**	**409,934,181**	**47.08**	**0.59**	**2.29**
Personnel costs	255,597,154	254,432,960	253,029,711	262,523,444	29.46	2.71	3.75
FIP payment	101,379,348	101,379,348	101,379,348	100,478,548	11.74	-0.89	-0.89
Interest on debt	37,295,190	37,295,190	33,442,308	37,295,190	4.32	0.00	11.52
Appropriation to provisions	13,276,015	13,556,465	12,910,931	9,637,000	1.57	-27.41	-25.36
I.II - INSTITUTIONAL ENDOWMENTS	**19,835,460**	**19,905,014**	**19,905,014**	**19,544,674**	**2.30**	**-1.47**	**-1.81**
APF endowment	19,114,780	19,114,780	19,114,780	18,754,440	2.21	-1.89	-1.89
CESC endowment	720,680	790,234	790,234	790,234	0.09	9.65	0.00
I.III - TRANSFER EXPENDITURE	**243,547,130**	**282,034,444**	**273,542,284**	**251,706,362**	**32.65**	**3.35**	**-7.98**
Of which DARSE	2,203,940	2,656,125	2,171,258	2,245,840	0.31	1.90	3.43
Of which employment initiative programme	36,637,360	33,288,221	30,224,106	32,447,360	3.85	-11.44	7.36
Of which RNS, RSPF, RGS subsidies	60,922,600	81,872,600	81,872,600	65,112,600	9.48	6.88	-20.47
I.IV – Ordinary operating expenditure Ministries and departments	**83,366,546**	**88,943,287**	**81,618,318**	**89,994,293**	**10.30**	**7.95**	**10.26**
I.V- REVENUE-REDUCING EXPENDITURE	**50,955,126**	**66,170,598**	**63,861,946**	**51,273,064**	**7.66**	**0.62**	**-19.71**
Bad debts written-off	14,287,900	25,255,254	16,480,804	14,614,720	2.92	2.29	-11.32
Reimbursement of VAT credits and previous year rebates	36,667,226	40,915,344	47,381,142	36,658,344	4.74	-0.02	-22.63

II. ADJUSTING ENTRIES	**152,941,411**	**194,829,614**	**110,179,371**	**168,488,462**		**10.17**	**52.92**
Contracted-out works	18,505,554	18,505,554	5,699,796	18,335,272			
IS tax credits	19,274,000	36,034,000	31,936,669	30,168,000			
IT tax credits	1,676,000	2,514,000	4,548,870	4,190,000			
Duty and tax exemptions	37,710,000	67,637,375	67,637,375	59,917,000			
Amortisation expense	2,007,653	2,007,653	356,662	2,007,653			
Self-financing levy	73,768,203	68,131,032	0	53,870,537			
OPERATING EXPENDITURE OVERALL TOTAL	**958,193,381**	**1,058,546,920**	**946,769,231**	**990,941,037**		**3.42**	**4.67**

Capital Budget (in euros) – Financial Years 2012/2013

In euros	2012 BUDGET			2013 PRIMARY BUDGET	Change PB 2013/ PB 2012
	PRIMARY	AMENDED (with 2011 carry forward)	REALISATION (provisional)		
A. SELF-FINANCING	**6,699,517**	**3,576,345**	**10,907,240**	**2,246,190**	**-66.47%**
B. CUMULATIVE CAPITAL RESULT AFTER N-1 APPROPRIATION	**0**	**90,367,211**		**0**	
C. FIXED ASSET DISPOSALS	**12,570,000**	**11,570,198**	**840,662**	**29,330,000**	**133.33%**
D. MISCELLANEOUS REVENUE	**2,514,000**	**13,412,609**	**2,626,858**	**16,760,000**	**566.67%**
Reimbursement of equipment subsidies paid	0	0	58,450	0	
Reimbursement of advances and third party receivables	2,514,000	10,898,609	2,514,608	16,760,000	566.67%
Miscellaneous	0	2,514,000	53,800	0	
E. BORROWINGS	**71,133,004**	**91,247,504**	**33,000,000**	**83,800,000**	**17.81%**
F. SUB-TOTAL TERRITORY'S OWN FUNDS	**92,916,521**	**210,173,866**	**47,374,761**	**132,136,190**	**42.21%**
G. SUBSIDIES	**69,925,988**	**92,913,274**	**30,442,688**	**37,279,845**	**-46.69%**
DGDE/3IF	54,343,654	67,428,881	21,082,471	28,722,047	-47.15%
State subsidies (excl FREPF)	0	0	0	0	
State subsidies (Development Contract)	0	391,099	0	0	
State subsidies (Education)	4,132,066	7,278,583	4,521,799	2,115,490	-48.80%
State subsidies (Projects contracts)	9,975,637	13,133,785	3,405,772	5,326,811	-46.60%
State subsidies (other)	*1,474,632*	4,679,604	1,432,647	1,115,497	-24.35%
Other subsidies	0	1,321	0	0	
H. TOTAL FUNDS YEAR N, excluding debt and adjusting entries	**162,842,509**	**303,087,140**	**77,817,449**	**169,416,035**	**4.04%**
I. SELF-FINANCING DEBT REPAYMENT	**69,076,340**	**66,562,340**	**65,663,829**	**53,632,000**	**-22,36%**
J. OVERALL TOTAL FUNDS YEAR N (excluding adjusting entries)	**231,918,849**	**369,649,480**	**143,481,279**	**223,048,035**	**-3,82%**

(b) Budgetary amendments

(i) Budget amendent 1-2013 adopted on 14 Feburary 2013

The main purpose of budget amendment n° 1 was to utilise the 2012 financial year budget surplus to help finance the 2013 annual repayment of principal on debt by employing own funds derived from the operating section in substitution for the €20.950 million in capital revenue derived from asset disposals initially applied towards principal debt repayments.

In addition, in the capital section, €6.838 million has been entered to finance construction of administrative buildings, equipment for controlling the new hospital energy bills and animal hazard prevention equipment.

With the revised total, the general budget equals:

- for the operating section: €905.757 million
- for the capital section: €229.887 million

(ii) Budget amendment 2-2013 adopted on 28 March 2013

The budget amendment n° 2 enabled urgent expenditure both in the operating and capital sections to be entered.

With the revised total, the general budget equals:

- for the operating section: €911.825 million
- for the capital section: €230.186 million

(iii) Budget amendment 3-2013 adopted on 11 July 2013

The budget amendment n°3 formalised the carrying forward of remaining 2012 credits after checking 2012 management account entries with the Polynésie Française paymaster.

Consequently, payment credits were carried forward in a total amount of €227.936 million, of which €69.554 million in adjusting entries. These have been financed by unrealised items on subsidies granted (€58.660 million), loans entered into (€51.956 million), repayment of the advance granted to the Polynésie Française hospital centre in 2012 (€8.380 million) and a priority levy on the cumulative operating surplus (€38.548 million).

With the revised total, the general budget equals:

- for the capital section: €388.702 million

(iv) Budget amendment 4-2013 adopted on 13 July 2013

This budget amendment, releasing €16.76 million in self-financing capacity in place of revenue from highly uncertain asset disposals, gives Polynésie Française the ability to finance capital spending, whilst ensuring integrity of the budget for the financial year. The aim of this budget amendment is to relaunch public procurement as from the 2013 financial year thereby returning to the path towards growth.

A proper public expenditure reduction policy

The creation of an allowance of €6.7 million to finance the departure of 200 civil servants by the end of the year, reflects the government's commitment to implementing a real headcount reduction programme.

This commitment is part of a planned process, with the help of the State, to reduce the wage bill of the administration. These measures extend through 2014 and 2015 with a planned additional 800 departures, bringing the total public civil service headcount reduction to 1000.

Capital spending policy oriented towards productive sectors

One of the priorities is social housing, a source of jobs which satisfies a real economic need, and tourism development.

The redeployment of payment credits releases €8.38 million towards financing social housing construction projects.

Furthermore a significant land reserve covering an area of almost 8 hectares has been created. This lies at the heart of an ambitious integrated tourism development project. Private sector investment will be sought to develop this land through public-private partnership arrangements.

Payment credits in an amount of €16.76 million for the 2013 financial year will be earmarked for analysis relating to this project and other plans and for site development operations.

As regards capital spending financed by the State, the reopening of constructive dialogue is also beginning to bear fruit. The State has, through the extraordinary investment fund (Fonds Exceptionnel d'Investissement (F.E.I.)) for 2013, confirmed its contribution to the financing of several projects in particular the "*fiber to home*" project organised by the *Office des postes et télécommunications*.

The indebtedness and cash flow situation of the authority, on the one hand, and the precarious social situation of an ever growing portion of the population, on the other hand, have resulted in the creation of two special appropriation accounts: the "debt guarantee and investment fund" and the "fund for employment and the fight against poverty".

- Debt guarantee and investment fund

  The Polynésie Française's indebtedness has increased from €577.38 million in 2004, to €744.98 million in 2012 and the annual debt burden has reached almost €108.94 million in 2013.

  The budgetary and financial situation has continued to deteriorate since 2004 and with it the entire economic position of the authority putting numerous businesses in great difficulty and resulting in increased unemployment.

  The Country's rating, which previously was excellent, was downgraded to BB+ in 2012. This rating categorises its debt as speculative, but can be explained above all by "very negative" financial management and governance, a "negative" liquidity position and a high level of off-balance sheet commitments, as Standard and Poor's observed in November 2012.

The creation of the debt guarantee and investment fund was approved by the Polynésie Française assembly, with the aim of restoring the authority's credit quality.

This fund will initially be funded by the proceeds of dividends received from the *Office des postes et télécommunications* in an amount of €33.52 million. It will then be funded by all or part of the proceeds of asset disposals to be realised over the next five years.

In 2014, this fund will also be allocated the proceeds of the advertising tax, the insurance business tax, the technical provisions surplus tax, the net banking income tax and finally the commercial space tax.

In total, excluding the potential proceeds of some or all asset disposals feeding this fund, this represents an annual source of more than €23 million that will be paid into the debt guarantee and investment fund as from 2014.

The creation of this fund also forms part of the Polynésie Française's multi-year financing strategy for public investment and major projects, through the establishment of a "bank pool" that would guarantee the authority, over a period of 3 to 5 years, the granting of the necessary funds for it to realise its investments and major projects.

- Fund for employment and the fight against poverty

Economic recovery, a key factor in the return to growth and creation of jobs, also requires that essential emergency measures are taken to reduce unemployment and tackle poverty.

It is against this background that a special appropriation account named the "fund for employment and the fight against poverty" (FELP) has been created with the aim of bringing together all of the public resources that contribute to financing employment support and anti-poverty schemes and the territorial welfare system.

This fund gives an overall view of the efforts being devoted by the authority to supporting the least well-off and provides a measure of the effectiveness and relevance of its action in this area.

With regard to financing the territorial welfare system, as from 1st August 2013 all of the contributory tax revenues will be allocated to the "fund for employment and the fight against poverty".

The territorial welfare contribution and various taxes on "importation of tobacco, alcohol and sugar based products", the charge rates of which have been raised, will be applied towards this new fund.

In total, this new fund will have a budget over the last five months of 2013 of €95.53 million.

In 2014, based on current forecasts, the fund may benefit from an estimated amount of €238 million.

Adoption of tax reforms

Finally, as part of its latest budgetary reforms, a number of tax laws were adopted by the Polynésie Française assembly. The rates of various taxes, including VAT on services, were increased as from 1st October 2013 or 1st January 2014.

Revenue generated from these measures for the 2013 financial year is estimated at €5.7 million for 2013 and €42.82 million on a full-year basis.

At the same time, in order to support businesses and mitigate the effects of the crisis, a 5 point decrease in the corporation tax assessment scales has been approved. In addition, new enterprises are exempt from corporation tax or transaction tax in their second year of operations. Details of these measures are shown in the table below:

GENERAL BUDGET	**2013**	**2014**
VAT	5,446,988	20,111,957
Decrease of the corporation tax assessment scales		-11,480,575
Reduction of tax credit application rates		10,558,777
Abolition of exemption from tax on investment income for general partnerships and civil companies (*sociétés en nom collectif* and *sociétés civiles*)		8,379,982
Exemption from corporation tax and transaction tax in 2nd year of operations		-586,599
Tax on advertising	251,399	0
Increase in the rate of withholding tax on non-residents' income		3,770,992
TOTAL GENERAL BUDGET	5,698,388	30,754,534

In total the budgetary impact over 2014 is €30.75 million.

Amended operating budget (in Euros) –2013 Financial year
Amended capital budget (in Euros) –2013 Financial year

In euros	**2013 BUDGET**	
	PRIMARY	**AMENDED (with 2012 carry forward)**
A. SELF-FINANCING	**2,246,190**	**20,354,517**
B. CUMULATIVE CAPITAL RESULT AFTER N-1 APPROPRIATION	**0**	**39,043,625**
C. FIXED ASSET DISPOSALS	**29,330,000**	**838,000**
D. MISCELLANEOUS REVENUE	**16,760,000**	**25,140,000**
Reimbursement of equipment subsidies paid	0	0
Reimbursement of advances and third party receivables	16,760,000	25,140,000
Miscellaneous	0	0
E. BORROWINGS	**83,800,000**	**134,885,983**
F. SUB-TOTAL TERRITORY’S OWN FUNDS	**132,136,190**	**220,262,125**

G. SUBSIDIES	**37,279,845**	**97,827,697**
DGDE/3IF	28,722,047	74,565,465
State subsidies (excl FREPF)	0	0
State subsidies (Development Contract)	0	0
State subsidies (Education)	2,115,490	4,854,454
State subsidies (Projects contracts)	5,326,811	14,460,380
State subsidies (other)	1,115,497	3,946,077
Other subsidies	0	1,321
H. TOTAL FUNDS YEAR N, excluding debt and adjusting entries	**169,416,035**	**318,089,822**

I. SELF-FINANCING DEBT REPAYMENT	**53,632,000**	**74,582,000**
J. OVERALL TOTAL FUNDS YEAR N (excluding adjusting entries)	**223,048,035**	**392,671,822**

	2013 BUDGET	
In euros		
	PRIMARY	**AMENDED**
I. ACTUAL REVENUE	**878,330,764**	**935,942,956**
I.I - TAX REVENUE	**702,373,710**	**708,072,149**
I.I.I – INDIRECT TAXES	**509,907,736**	**515,606,175**
VAT	299,324,382	304,771,421
Import VAT	*143,608,060*	*143,608,060*
Internal VAT	*155,716,322*	*161,163,361*
Import duty	161,476,638	161,476,638
Internal consumption duty	18,464,492	18,715,892
Export duty	3,788,598	3,788,598
Stamp and registration duties	26,253,702	26,253,702
Other indirect taxes	599,924	599,924
I.I.II – DIRECT TAXES	**192,465,974**	**192,465,974**
I.II – OTHER REVENUE	**174,993,354**	**194,259,820**
Estate income	6,938,389	6,939,172
Other provision of services	16,024,160	16,036,730
Financial income	25,886,658	33,550,765
Other operational income	3,257,725	3,257,725
State subsidies	117,740,795	120,772,055
DGA	*90,595,312*	*90,826,759*
Education and Solidarity	*16,198,141*	*15,514,187*
Health	*0*	*23,771*
Youth and Sport	*1,300,596*	*1,313,592*
Other State contributions	*9,646,746*	*13,093,746*
Other contributions	955,628	1,333,186
Cancelled expenditure	3,352,000	3,355,538
Extraordinary income	838,000	6,687,240
I.III – INCOME FROM PREVIOUS YEARS	**963,700**	**33,610,987**
Operating result carried forward	0	32,647,287
Income from previous years	963,700	963,700
II. ACCRUAL REVENUE	**112,610,272**	**127,443,135**
Duty and tax exemptions (adjusting entry)	59,917,000	73,995,662
Contracted-out works	18,335,272	19,089,472
Tax credits (Defiscalisation law) IS	30,168,000	30,168,000
Tax credits (Defiscalisation law) IT	4,190,000	4,190,000
OPERATING REVENUE OVERALL TOTAL	**990,941,037**	**1,063,386,091**
I. ACTUAL EXPENDITURE	**822,452,574**	**859,000,572**
I.I – MANDATORY EXPENDITURE	**413,573,196**	**424,829,607**
Personnel costs	262,523,444	271,535,340
FIP payment	100,478,548	102,442,613
Interest on debt	37,295,190	37,295,190
Appropriation to provisions	13,276,015	13,556,465
I.II - INSTITUTIONAL ENDOWMENTS	**19,544,674**	**19,502,774**
APF endowment	18,754,440	18,754,440
CESC endowment	790,234	748,334
I.III - TRANSFER EXPENDITURE	**251,706,362**	**238,151,708**
+Account 65	209,530,032	188,314,945
+Extraordinary subsidies	37,894,182	38,401,536
+Other extraordinary expenses	7,307,360	14,430,360
-Indemnities, part-time fees and expense claims of elected officials, members of institutions and	2,504,279	2,451,485
-Miscellaneous ordinary management expenses		
Of which DARSE	520,932	543,649
Of which employment initiative programme	2,245,840	2,245,840
Of which RNS, RSPF, RGS subsidies	32,447,360	32,388,700
	65,112,600	43,219,850
I.IV – Ordinary operating expenditure Ministries and departments	**86,355,278**	**122,195,303**
I.V- REVENUE- REDUCING EXPENDITURE	**51,273,064**	**54,321,181**
Bad debts written-off	14,614,720	12,275,494
Reimbursement of VAT credits and previous year rebates	36,658,344	42,045,687
Cancelled certificates of receipt (for previous years)		

Reimbursement of VAT credits	18,222,344	19,599,127
	18,436,000	22,446,560
II. ADJUSTING ENTRIES	**168,488,462**	**204,385,519**
Contracted-out works	18,335,272	19,089,472
IS tax credits	30,168,000	30,168,000
IT tax credits	4,190,000	4,190,000
Duty and tax exemptions	59,917,000	73,995,662
Amortisation expense	2,007,653	2,007,653
Self-financing levy	53,870,537	74,934,731
OPERATING EXPENDITURE OVERALL TOTAL	**990,941,037**	**1,063,386,091**

2.8 Trade balance and balance of payments

(a) External trade

The Polynésie Française's external trade is characterised by a low coverage ratio and a trade balance deficit: exports of local products, essentially pearl products, fish and noni are not sufficient to cover imports.

Other local exported products include copra oil, nacre (mother of pearl), vanilla, monoi and to a lesser extent, local beer.

The Polynésie Française's trade deficit has deepened reaching an amount of €1.197 million in 2012 despite a coverage rate which rose to 11.9% in 2012 compared to 11.3% in 2011.

Earnings from local exports rose 4.6% compared to 2011.

This recovery in exports (+€4.37 million) is due to the growth in fish and vanilla sales whereas pearl products, which represented 59.7% of the Polynésie Française's exports, have fallen by 3.30%. This is the seventh consecutive year of decline for this product which has fallen from €92 million in 2006 to €60 million in 2012 (-36%).

Imports and in particular civil imports recovered in 2012 having fallen into 2011.

EXTERNAL TRADE					
Units: millions of euros					
	2008	**2009**	**2010**	**2011**	**2012**
Total imports (CIF)	**1,493**	**1,247**	**1,344**	**1,334**	**1,358**
Civil imports	1,474	1,233	1,302	1,290	1,329
Military imports	19	14	43	44	29
Total exports (FOB)	**186**	**120**	**164**	**150**	**161**
Civil exports	136	105	116	121	108
-of which local product exports	*111*	*90*	*93*	*95*	*99*
Military exports	50	15	48	30	53
Overall trade balance (total exports – total imports)	**-1,307**	**-1,127**	**-1,180**	**-1,184**	**-1,197**
Overall coverage rate (%) (total exports /total imports)	**12.5**	**9.6**	**12.2**	**11.3**	**11.9**
Actual coverage rate (%) (local exports /civil imports)	**7.5**	**7.3**	**7.1**	**7.4**	**7.5**

LOCAL EXPORTS (FOB value)					
Units: millions of euros					
	2008	**2009**	**2010**	**2011**	**2012**
Raw cultured pearls	69.7	62.6	61.7	59.6	57.7
Noni	4.7	6.4	6.2	6.5	5.4
Pearl fabrications	10.3	1.7	2.0	1.8	0.7
Fish and shell fish	2.3	4.5	5.7	7.1	13.3
Nacre (mother of pearl)	2.3	1.8	2.1	2.5	2.2
Copra	4.0	2.2	3.3	6.2	6.0
Monoi	1.6	1.2	1.7	2.2	1.9
Vanilla	1.6	1.7	1.9	1.8	2.5
Beer	0.8	0.6	0.6	0.5	0.5
Worked cultured pearls	1.3	1.7	1.0	1.7	1.6
Cut flowers	0.0	0.0	0.0		0.0
Miscellaneous	11.9	5.6	6.3	5.0	7.5
Total local exports	**110.51**	**89.98**	**92.61**	**94.99**	**99.36**

(b) Balance of payments in 2011

In 2011, the economic outlook for the Polynésie Française was unfavourable, both due to the country's own financial difficulties and the vagaries of an unstable global environment.

Maintaining a current account surplus:

The current account balance improved in 2011 with a reduction in the trade deficit aided by the fall in imports and, to a lesser extent, the slight rise in exports.

The services surplus increased with a rise in the positive balance on "air transport" whereas tourism revenue fell (-€39.330 million between 2010 and 2011).

Capital outflow:

The finance account registered a net capital outflow (-€12 million).

Nevertheless, net outflows resulting from "other investments" almost entirely offset net inflows from direct and portfolio investments, the change in the last two items reflecting a trend of repatriation of capital by residents.

BALANCE OF PAYMENTS					
Units: millions of euros					
	2007	**2008**	**2009**(1)	**2010**(1)	**2011**
Current transaction accounts	**198**	**-62**	**-30**	**116**	**238**
Goods	-1,196	-1,335	-1,098	-1,192	-1,168
Services	427	323	222	229	293
Income	434	458	448	458	493
Current transfers	533	493	397	622	621
Capital account	**0**	**0**	**0**	**-1**	**-1**
Financial account	**-244**	**-85**	**-175**	**90**	**-12**
Direct investments	33	-11	10	20	70
Portfolio investments	14	-80	-91	-5	118
Other investments	-291	6	-94	75	-200
Net errors and omissions	**46**	**146**	**205**	**-205**	**-225**

2.9 The Polynésie Française's credit rating

On 15 November 2013, the credit rating agency Standard & Poor's confirmed the Polynésie Française's long-term credit rating of BB+ with a continuing stable outlook.

2.10 Disputes

By a judgment dated 3 July 2013 n°1300111, the Polynésie Française administrative tribunal declared as illegal the provisions of Articles LP 339-1 and 339-2 of the Polynésie Française's tax code for introducing a fixed access duty payable by certain Internet service providers as they were contrary to Article D. 212-2 of the French post and telecommunications Code (*Code des postes et des communications électroniques*) and in particular the principle of fair and effective competition. The tribunal therefore discharged one of the Internet service provider companies, SAS VITI, from the individual claim brought against it in an amount of €3.226 million. The Polynésie Française executed this judgment.

To the extent that it does not concern an appeal on an issue of legality brought directly in respect of a provision of law but rather a procedural argument enabling the petitioner, and the petitioner only, to avoid application of the disputed provision, the decision of the judge is binding only as between the parties to the dispute.

In practice however, the administrative Tribunal may adopt an identical position with regard to other valid claimants, thereby depriving the provision from any practical effect as it will be systematically thrown out by the judge each time it is relied upon.

Therefore to protect against potential appeals brought by other operators with valid claims, the Polynésie Française has decided to set aside a litigation risk provision which it estimates, given the specific nature of each case, at €18.184 million for the 2014 budgetary year.

The deadline for appeal against the "VITI" judgment is 3 November 2013, but an appeal against this judgment is, for the time being, ruled out by the Polynésie Française due to lack of any really effective argument to support a reversal of the decision.

However, a substitute tax provision is being considered for submission to the vote of the Polynésie Française assembly at the time the Polynésie Française primary budget for the 2014 budgetary year is adopted.

2.11 Recent events

Recent events concerning management of the Polynésie Française's indebtedness with the aim of improving its credit quality are described in paragraph 2.7(b)(iv) above.

TAXATION

The following is a limited summary of certain tax considerations concerning withholding tax applicable in France, in the Polynésie Française and in European Union to payments in respect of Notes made to any Noteholder.

Prospective investors' attention is drawn to the fact that the comments below are simply a summary of the applicable tax regime, based on French and European tax laws currently in force, and are subject to modification. Such summary is provided by way of general information and does not purport to be a comprehensive analysis of all tax considerations that may be relevant to holders of Notes. It is therefore recommended that prospective investors should consult with their usual tax adviser to examine their individual circumstances in detail.

1. EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

The directive on the taxation of savings income (2003/48/EC) adopted by the Council of the European Union on 3 June 2003 (the **Savings Directive**) requires each Member State to provide to the tax authorities of another Member State detailed information on all payments of interest or similar income as defined in the Savings Directive made by any paying agent in its jurisdiction to any physical person resident in such other Member State, or to certain limited kinds of entity established in such other Member State. However, during a transitional period, Luxembourg and Austria are instead obliged to implement a withholding tax system concerning such payments (such transitional period is expected to end on the signing of certain other accords relating to the exchange of information with various other countries). Several countries and territories outside the EU, including Switzerland, have adopted similar measures (a withholding tax system in the case of Switzerland). In April 2013, the government of Luxembourg announced its intention to abolish the withholding tax system as from 1st January 2015 and to implement the exchange of information specified in the Savings Directive. The current withholding tax rate applicable to such payments is 35%.

The European Commission has proposed various amendments to the Savings Directive which, if adopted, may amend or widen the scope of the requirements described above.

The Savings Directive was transposed into French law under Article 242 ter of the French *Code général des impôts* and Articles 49 I ter to 49 I sexies of Annex III t of the French *Code général des impôts*. Under these provisions, persons established in France who pay interest or similar income payments are subject to an obligation to report to the French tax authorities certain information relating to income paid to owners domiciled in another Member State and in particular the identity and address of the beneficiaries and a detailed list of different income groups paid to the latter.

2. FRANCE

Any payment when due of principal, interest and other revenues relating to the Notes made by, or on behalf of, the Issuer are not subject to any withholding tax in respect of any other tax or duty imposed, levied or recovered by the French Republic or by one of the competent authority for the tax-raising. However, interests and other similar revenues paid to natural persons who are tax residents of France are, subject to certain exceptions, subject to a 24% withholding tax attributable to the income tax due for the year on their total income and recoverable in the case it exceeds such amount, and subject to social security contributions (*CSG, CRDS* and other related contributions) at an effective rate of 15.5%. Practical arrangements for the collection of the fixed amount of levies (*prélèvement forfaitaire libératoire)* vary depending on whether the paying establishment is located in France or outside France.

3. THE POLYNÉSIE FRANÇAISE

Any payment when due of principal, interest and other revenues related to the Notes made by, or on behalh of, the Issuer is not subject to any withholding tax in respect of any other tax or duty imposed, levied or recovered by, or on behalh of, the Polynésie Française.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in a French language dealer agreement dated 27 November 2013 entered into between the Issuer, the Permanent Dealers and the Arranger (the **Dealer Agreement**), the Notes will be offered by the Issuer to the Permanent Dealers. However, the Issuer reserves the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between themselves in respect of Notes subscribed by such Dealer. If appropriate, the commissions in respect of an issue of Notes on a syndicated basis will be specified in the applicable Final Terms. The Issuer has agreed to reimburse the Arranger for the expenses incurred by them in connection with the establishment of the Programme and the Dealers for certain expenses in relation to their role under this Programme.

The Issuer has agreed to indemnify the Dealers against certain types of liability they may incur in connection with the offer and sale of Notes. The Dealers have undertaken to indemnify the Issuer against certain types of liability it may incur in connection with the offer and sale of Notes. The Dealer Agreement entitles the Dealers, under certain circumstances, to terminate any agreement they may enter into for the subscription of Notes prior to payment for such Notes being made to the Issuer.

1. GENERAL

These selling restrictions may be amended by mutual agreement between the Issuer and the Dealers in particular following any change to any applicable law, regulation or directive. Any such amendments shall be set out in a supplement to this Base Prospectus.

Each Dealer has undertaken to comply, to the fullest extent of the information in its possession, with all relevant laws, regulations and directives in each country in which it buys, offers, sells or delivers Notes or in which it holds or distributes the Base Prospectus, any other offer document or any Final Terms and neither the Issuer nor any of the Dealers shall incur any liability in respect thereof.

2. UNITED STATES OF AMERICA

The Notes have not and will not be registered pursuant to the United States Securities Act of 1933 (*U.S. Securities Act*) as amended (the **US Securities Act**). Subject to certain exceptions, Notes may not be offered or sold or, in the case of Materialised Notes, delivered in the territory of the United States of America or to, or for the benefit or on behalf of, U.S. Persons as defined in Regulation S of the US Securities Act (**Regulation S**). Each Dealer has undertaken and each new Dealer will be required to undertake, not to offer or sell any Note, or in the case of bearer Materialised Notes, to deliver such Notes in the territory of the United States of America except in compliance with the Dealer Agreement.

Bearer Materialised Notes with a maturity of greater than one year are subject to US tax rules and may not be offered, sold or delivered in the territory of the United States of America or any of its possessions or to U.S. Persons, with the exception of certain transactions which are permitted under US tax laws. Terms used in this paragraph shall have the meaning given to them in the U.S. Internal Revenue Code of 1986 and regulations made thereunder.

In addition, the offering or sale by any Dealer (whether or not participating in the offering) of any identifiable tranche of Notes within the United States of America within the first forty (40) days after the commencement of the offering, may violate the registration requirements under the US Securities Act.

3. UNITED KINGDOM

Each Dealer has represented and agreed and each new Dealer will be required to represent and agree that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve acquiring, holding, managing or selling financial products (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom, other than to persons whose ordinary activities involve acquiring, holding, managing or selling financial products (as principal or agent) for the purposes of their business or to persons who may reasonably be expected to acquire, hold, manage or sell financial products (as principal or agent) for the purposes of their business, where the issue of the Notes would otherwise constitute a violation of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**);

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not and will not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

4. ITALY

This Base Prospectus has not been and shall not be published in the Republic of Italy in connection with the offering of Notes. The offering of Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (the **Consob**) in the Republic of Italy in accordance with the Legislative Decree No. 58 of 24 February 1998 as amended (the **Financial Services Law**) and the Consob regulation No. 11971 of 14 May 1999 as amended (the **Issuer Regulation**) and, accordingly, the Notes may not be and shall not be, offered, sold or delivered, directly or indirectly, in the Republic of Italy in connection with an offer to the public, and no copy of this Base Prospectus, the applicable Final Terms or any other document relating to the Notes may be, nor shall be, distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of the Financial Services Law and Article 34-ter, paragraph 1(b) of the Issuer Regulation, or (b) pursuant to any other public offer exemption in accordance with Article 100 of the Financial Services Law and regulations made thereunder, including Article 34-ter, first paragraph, of the Issuer Regulation.

Any offer, sale or delivery of Notes and any distribution of this Base Prospectus, the applicable Final Terms or any other document relating to the Notes in the Republic of Italy in accordance with paragraphs (a) and (b) above must and shall be made in compliance with applicable Italian laws, in particular those relating to securities, taxation and trade and all other applicable laws and regulations and more specifically:

(a) must and shall be made by an investment firm, bank or financial intermediary authorised to conduct such activities in the Republic of Italy in accordance with the Financial Services Law, Consob regulation No. 16190 of 29 October 2007 (as amended) and Legislative Decree No. 385 of 1st September 1993 as amended; and

(b) must and shall be made in accordance with all laws and regulations or requirements and restrictions imposed by the Consob, the Bank of Italy and/or any other Italian authority.

It is the sole responsibility of Investors who subscribe for an offering of Notes to ensure that the Notes subscribed in connection with the offer have been offered and sold in accordance with applicable Italian laws and regulations. No person residing or located in the Republic of Italy, other than original addressees of this Base Prospectus, may rely on this Base Prospectus, the applicable Final Terms or any other document relating to the Notes.

5. FRANCE (INCLUDING THE POLYNÉSIE FRANÇAISE)

Each of the Dealers and the Issuer has represented and agreed that in connection with their initial placement, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France; it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the applicable Final Terms or any other offering material relating to the Notes and such offers, sales and placements of Notes in France will be made only to (i) providers of portfolio management-related investment services for the account of third parties (*prestataires de services d'investissement relatifs à la gestion de portefeuille pour le compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a restricted circle of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 and Articles L.754-1 and D.754-1 of the French *Code monétaire et financier*.

FORM OF FINAL TERMS

Set out below is the Form of Final Terms which will be completed for each Tranche of Notes:

Final Terms dated [●]

POLYNÉSIE FRANÇAISE

€200.000.000

Euro Medium Term Note Programme

SERIES No: [●]

TRANCHE No: [●]

[Brief description and aggregate nominal amount of Notes]

Issue Price: [●] *%*

[Name(s) of Dealer(s)]

PART A

CONTRACTUAL TERMS

This document constitutes the Final Terms in respect of the issue of notes described below (the **Notes**) and contains the final terms of the Notes. These Final Terms complete the base prospectus dated 27 November 2013 (in respect of which the *Autorité des marchés financiers* (the **AMF**) has granted visa No. 13-639 dated 27 November 2013) [and the supplement[s] to the base prospectus dated [●] (in respect of which the AMF has granted visa No. [●] dated [●])], relating to the 200.000.000 Euro Medium Term Note Programme of the Issuer which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Article 5.4 of Directive 2003/71/EC of the European Parliament and Council dated 4 November 2003 (the **Prospectus Directive**) as amended (in particular by directive 2010/73/EU of the European Parliament and Council dated 24 November 2010) to the extent that such directive has been implemented in a Member State of the European Economic Area and must be read in conjunction therewith. Terms used below shall have the meaning given to them in the Base Prospectus. The Notes shall be issued in accordance with the provisions of these Final Terms together with the Base Prospectus. The Issuer accepts responsibility for the information contained in these Final Terms which, together with the Base Prospectus, contain all material information in connection with the issue of Notes. Full information on the Issuer and the offer of Notes is available solely on the basis of these Final Terms and the Base Prospectus which together constitute the Prospectus. The Final Terms and the Base Prospectus are available on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.presidence.pf et www.lexpol.pf), [and] during normal business hours at the registered office of the Issuer and the specified offices of the Paying Agent(s) from which copies may be obtained. [The Base Prospectus is also available [on/at] [●].][3]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.*]

1.	**Issuer**:		Polynésie Française
2.	(a)	Series:	[●]
	(b)	Tranche:	[●]
	(c)	Date on which the Notes will be consolidated and form a single Series:	[The Notes shall be consolidated (*assimilable)* and form a single Series with [*describe the relevant Series*] issued by the Issuer on [*insert the relevant date*] (the **Existing Titles**) as of [*insert the relevant date*]. Once the Notes are listed, they shall be totally consolidated to the Existing Notes, and shall form a single Series.] / [Not Applicable]

[3] If the Notes are admitted to trading on a Regulated Market other than Euronext Paris.

3.	**Specified Currency(ies)**:	[●]
4.	**Aggregate Nominal Amount**:	[●]
	(a) Series:	[●]
	(b) Tranche:	[●]]
5.	**Issue Price**:	[●] *%* of the Aggregate Nominal Amount [plus accrued interest since [*insert the date*](in case of fungible issues or first broken coupon, if any)
6.	**Specified Denomination(s)**:	[●] *(only one Denomination for Dematerialised Notes)*
7.	(a) Issue Date:	[●]
	(b) Interest Period Commencement Date:	[●] [*Specify /* Issue Date / Not Applicable]
8.	**Maturity Date**:	[*specify the date or (for the Floating Rate Notes) the Coupon Payment Date of the relevant month and year or the nearest date from the Coupon Payment Date of the relevant month and year*]
9.	**Interest Basis**:	[Fixed Rate of [●] *%*] [EURIBOR, LIBOR or EONIA] +/-[●] *%* of the Floating Rate] [Zero Coupon Note] (other details indicated below)
10.	**Redemption/Payment Basis**:	Subject to repurchase and cancellation or anticipated redemption, the Notes will be redeemed at the Maturity Date at [100] % of their nominal amount. [Payment by instalment]
11.	**Change of Interest Basis**:	**[**Applicable (*for the Fixed/Floating Rate Notes*)/Not Applicable**]** *(Specify details related to the conversion of the Fixed/Floating Rate interest under Article 4.4)*
12.	**Redemption at the option of the Issuer/Noteholders**:	[Redemption at the option of the Issuer] / [Redemption at the option of the Noteholders] [Not Applicable] [(*other details indicated below*)]
13.	(a) Status of the Notes:	Senior
	(b) Authorisation date for the issue of the Notes:	[●]

14.	**Distribution Method**:	[Syndicated/Non-syndicated]

PROVISIONS RELATED TO INTERESTS (IF ANY) TO BE PAID

15.	**Provisions related to the Fixed Rate Notes**:		[Applicable/Not Applicable] (*If this paragraph is not applicable, delete other sub-paragraphs*)
	(a)	Interest Rate:	[●] % per year [payable [annually/half-yearly/quarterly/monthly/other (specify)] at maturity]
	(b)	Coupon Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any relevant Business Centre(s) for the "Business Day" definition*]/not adjusted]
	(c)	Fixed Coupon Amount[(s)]:	[●] per Specified Denomination of [●]
	(d)	Broken Amount[(s)]:	[*Include information relating to the initial or final Broken Amount which are different to the Fixed Coupon Amount(s) and Interest Payment Date(s) to which they relate*] [Not Applicable]
	(e)	Day Count Fraction (Article 4.1) :	[Actual/365 / Actual/365-FBF / Actual/Actual-[ICMA/FBF] / Actual/365 (Fixed) / Actual/360/ 30/360 / 360/360 / Bond Basis / 30/360 FBF / Actual 30A/360 (American Bond Basis).]
	(f)	Determination Date(s) (Article 4.1):	[[●] in each year (*specify the regular Coupon payment dates, excluding the Issue Date and the Maturity Date in the case of a first or last long or short Coupon*.] [Not Applicable] *N.B.: only applicable where the Day Count Fraction is Actual/Actual (ICMA) Basis*).
16.	**Provisions relating to Floating Rate Notes**:		[Applicable/Not Applicable] (*If this paragraph is not applicable, delete other sub-paragraphs*).
	(a)	Interest Period(s)/ Interest Accrual Period Date:	[●]
	(b)	Coupon Payment Date(s):	[●]
	(c)	First Coupon Payment Date:	[●]
	(d)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(e)	Business Center(s) (Article 4.1) :	[●]
(f)	Manner in which the Interest Rate[s] is/[are] to be determined:	[Screen Rate Determination/FBF Determination]
(g)	Party responsible for calculating the Interest Rate(s) and Coupon Amount(s) (if other than the Calculation Agent):	[●]
(h)	Screen Rate Determination (Article 4.3(ii)) :	[Applicable/Not Applicable]

•	Relevant Rate:	[●]
•	Screen Page:	[●]
•	Relevant Date:	[●]
•	Relevant Time:	[●]
•	Euro zone:	[●]
•	Coupon Determination Date:	[[●] [TARGET] Business Days in [*specify the city*] for [*specify the currency*] before [the first day of each Interest Period/each Interest Payment Date]]
•	Primary source for the Floating Rate:	[*Specify the relevant Screen Page or "Reference Banks"*]
•	Reference Banks (if the primary source is "Reference Banks"):	[*Specify four entities*/Not Applicable]
•	Relevant Financial Centre:	[*The financial centre most closely connected with the Benchmark– specify, if other than Paris*]
•	Benchmark:	[*EONIA, EURIBOR, LIBOR*]
•	Representative Amount:	[*Specify if quotations published on a Screen Page or offered by Reference Banks must be given for a transaction of a specific amount*]
•	Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Period*]
•	Specified Duration:	[*Specify period for quotation if other than duration of Interest Period*]

	(i)	FBF Determination (Article 4.3(i))	[Applicable/Not Applicable]
		• Floating Rate:	[●]
		• Determination Date for Floating Rate:	[●]
		• FBF Definitions:	[●]
	(j)	Margin(s):	[+/-] [●] % per annum
	(k)	Minimum Interest Rate:	[●] % per annum
	(l)	Maximum Interest Rate:	[●] % per annum
	(m)	Day Count Fraction (Article 4.1):	[●]
	(n)	Rate Multiplier:	[●]
17.	**Provisions relating to Zero Coupon Notes**:		[Applicable/Not Applicable]
			(*If this paragraph is not applicable, delete the remaining sub-paragraphs*)
	(a)	Amortisation Yield:	[●]% per annum
	(b)	Day Count Fraction:	[●]
	(c)	Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

18.	**Issuer Call**:		[Applicable/Not Applicable]
			(*If this paragraph is not applicable, delete the remaining sub-paragraphs*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount(s) for each Note:	[●] per Note [of Specified Denomination [●]]
	(c)	If redeemable in part:	
		(i) Minimum redemption amount:	[●]
		(ii) Maximum redemption amount:	[●]
	(d)	Notice period:	[●]

19.	**Noteholder Put**:		[Applicable/Not Applicable] (*If this paragraph is not applicable, delete the remaining sub-paragraphs*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount(s) for each Note:	[●] per Note [of Specified Denomination [●]]
	(c)	Notice period (Article 5.3) :	[●]
20.	**Final Redemption Amount for each Note**:		[[●] per Note [of Specified Denomination of [●]]]
21.	**Instalment Payment Amount**:		[Applicable/Not Applicable] (*If this paragraph is not applicable, delete the remaining sub-paragraphs*)
	(a)	Instalment Payment Date(s):	[●]
	(b)	Instalment Payment Amount for each Note:	[●]
22.	**Early Redemption Amount**:		
	(a)	Early Redemption Amount(s) for each Note paid on redemption for tax reasons (Article 5.6) or on Event of Default (Article 8):	[Pursuant to the Terms]/[●] per Note [of Specified Denomination [●]]
	(b)	Redemption for tax reasons on dates other than Interest Payment Dates (Article 5.6):	[Yes/No]
	(c)	Unmatured Coupons to be cancelled on early redemption (Materialised Notes only (Article 6.2(b)):	[Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	**Form of the Notes**:		[Dematerialised Notes/Materialised Notes] *(Materialised Notes are issued in bearer form only) (Delete as appropriate)*
	(a)	Form of Dematerialised Notes:	[*Dematerialised in bearer form/ Dematerialised registered form/* Not Applicable]
	(b)	Registration Agent:	[Not Applicable/*if applicable name and information*] (*N.B. a Registration Agent may be appointed in respect of Dematerialised Notes in*

		pure registered form (au nominatif pur) only).
	(c) Temporary Global Certificate:	[Not Applicable/Temporary Global Certificate exchangeable for Physical Notes on [●] (the **Exchange Date**), 40 days after the issue date, unless postponed, as specified in the Temporary Global Certificate.]
24.	**Financial Centre(s) (Article 6.7)**:	[Not Applicable/*Specify*]. *(N.B. this refers to the date and place for payment and not the Interest Payment Dates referred to in paragraphs 15(b) and 16(b).)*
25.	**Receipts for future Coupons to be attached to Physical Notes**:	[Yes/No/Not Applicable]. *(If yes, specify) (Only applicable to Materialised Notes.)*
26.	**Provisions relating to redenomination, renominalisation and reconventioning**:	[Applicable/Not Applicable]
27.	**Provisions relating to consolidation**:	[Not Applicable/The provisions [of Article 1.5] apply]
28.	**Masse (Article 10)** :	[Applicable/Not Applicable] *(In the case Article 10 apply, specify details relating to the initial and alternate Representatives and their remuneration)* [Name and contact details of the initial Representative are: [●] Name and contact details of the alternate Representative are: [●] The Representative of the Masse [shall receive a remuneration of €[●] per year with respect to its functions/shall not receive compensation with respect to its functions]]

PURPOSE OF THE FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [admission to trading of the Notes on [Euronext Paris/other *(specify)*]] described herein pursuant to the €200.000.000 Euro Medium Term Note Programme of the Polynésie Française.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.][4]

Signed on behalf of the Issuer:

By: ....

Duly authorised

[4] To be included if information is provided by a third party.

PART B

OTHER INFORMATION

1. ADMISSION TO TRADING

(a) Admission to trading:	[An application for admission of the Notes to trading on [Euronext Paris/other *(specify)*] as from [●] has been made.] [An application for admission of the Notes to trading on [Euronext Paris/other *(specify)*] as from [●] shall be made by the Issuer (or on its behalf).] [Not Applicable] (*in the case of fungible issues, specify that the original Notes have already been admitted to trading.*)
(b) Total estimated costs relating to admission to trading:	[[●]/Not Applicable]

2. RATINGS AND CONVERSION INTO EUROS

Ratings:	The Programme has been assigned a BB+ rating by Standard & Poor's Credit Market services France S.A.S. (**S&P**). S&P is established in the European Union and is registered in accordance with Regulation (EC) No. 1060/2009 relating to credit rating agencies as amended (the **CRA Regulation**). S&P is included on the list of rating agencies published by the European Financial Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes to be issued [have not been assigned any rating] [have been assigned the following rating: [[●] : [●]] [[Other] : [●]]] *(The rating assigned to the Notes issued under the Programme must be specified above or, if an issue of Notes has been assigned a specific rating, such specific rating should be specified above.)*
Conversion into euros:	[Not Applicable/ The aggregate nominal amount of the Notes issued has been converted into euros at a rate of [●], i.e. a sum of [●].] *(Only applicable to Notes which are not denominated in euros.)*

3. **[NOTIFICATION**

[The *Autorité des marchés financiers* has been requested to provide/The *Autorité des marchés financiers* has provided (*use the first alternative for Notes issued contemporaneously with the udpating of the Programme and the second alternative for subsequent issues*)] to (*insert the name of the relevant authority in the host Member State*) [a] certificate[s] of approval certifying that the prospectus and the supplement[s] [has]/[have] been prepared] in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

The purpose of this section is to describe any interest, including any conflict of interest that may have a material impact on the issue of Notes, identifying each person concerned and the nature of such interest. This may be satisfied by inserting the following statement:

["Except commissions related to the issue of Notes paid to the Dealer(s), to the knowledge of the Issuer, no other person involved in the issue of Notes has any interest material to it. The Dealer(s) and their affiliates have engaged and may engage in investment banking and/or commercial banking transactions with the Issuer, and may perform other services for it in the ordinary course of business."]]

5. **REASONS FOR THE OFFER AND USE OF PROCEEDS**

[Reasons for the Offer:	[●]]

6. **[FIXED RATE NOTES ONLY - YIELD**

Yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[FLOATING RATE NOTES ONLY – HISTORICAL INTEREST RATES**

Details of historical interest rates [EURIBOR, LIBOR, EONIA] achieved [Reuters].

8. **DISTRIBUTION**

If it is syndicated, names of the Placement Syndicate Members :	[Not Applicable/*give names*] (*If this paragraph is not applicable, delete the remaining sub-paragraphs*)
(a) Members responsible for the Regularisation Transactions (if any):	[Not Applicable/*give names*]
(b) Date of the underwriting agreement:	[●]
If it is not syndicated, names of the	[Not Applicable/*give name*]

Dealer:	
Sale restrictions – United States of America:	[Regulation S Compliance Category 1: Rules TEFRA C / Rules TEFRA D / Not Applicable] (*Rules TEFRA are not applicable to the Dematerialised Notes*)

9. OPERATIONAL INFORMATION

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	Depositary:	
	(i) Euroclear France acting as Central Depositary:	[Yes/No]
	(ii) Common Depositary for Euroclear and Clearstream, Luxembourg:	[Yes/No]
(d)	Any clearing system other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification numbers:	[Not Applicable/give name(s) and number(s)]
(e)	Delivery:	Delivery [against/free of payment]
(f)	Names and addresses of initial Paying Agents appointed for the Notes:	[●]
(g)	Names and addresses of additional Paying Agents appointed for the Notes:	[[●]/[Not Applicable]]

GENERAL INFORMATION

1. The Issuer has obtained all consents, approvals and authorisations necessary in France in connection with the establishment of the Programme. Any issue of Notes shall be authorised by order of the Issuer's Council of the Ministers and may only be made within the total ceiling available laid down in the budget discussions of the Polynésie Française Assembly. In accordance with the decree n°460 CM of 10 April 2013, the Issuer's Council of the Ministers has given the finance minister the power to negotiate and sign all acts necessary for implementing the bond issue within the range of 10,000,000 euros and 50,000,000 euros.

2. Except as described in this Base Prospectus, there has been no material change to the financial situation of the Issuer since 31 December 2012.

3. This Base Prospectus will be published on the websites of (a) the AMF (www.amf-france.org), (b) the Issuer (www.presidence.pf et www.lexpol.pf)and (c) any other relevant regulatory authority and shall be available for inspection and obtaining copies, free of charge, during normal office hours, at any day of the week (except Saturdays, Sundays and public holidays) at the office of the Fiscal Agent or the Paying Agents. So long as any Notes are admitted to trading on a regulated market in the EEA or offered to the public in a Member State other than France, in each case in accordance with the Prospectus Directive, the applicable Final Terms shall be published on the websites of (i) the AMF (www.amf-france.org) and (ii) the Issuer (www.presidence.pf et www.lexpol.pf).

4. Except as described in this Base Prospectus, the Issuer is not involved in, nor are there any governmental, legal or arbitration proceedings pending or threatened, of which the Issuer is aware, which may have or have had a material effect on the financial position of the Issuer during the twelve months prior to the date of this Base Prospectus.

5. An application for acceptance of the Notes for clearance through Euroclear France (66, rue de la Victoire – 75009 Paris – France), Euroclear (boulevard du Roi Albert II – 1210 Bruxelles – Belgique) and Clearstream, Luxembourg (42 avenue JF Kennedy – 1885 Luxembourg – Grand-Duché de Luxembourg) may be made. The Common Code and ISIN number (International Securities Identification Number) or the identification number of any other relevant clearing system for each Series of Notes shall be specified in the applicable Final Terms.

6. So long as any Notes issued under this Base Prospectus remain outstanding, copies of the following documents shall be available, upon publication, free of charge, during normal office hours, at any days of the week (except Saturdays, Sundays and public holidays) at the offices of the Fiscal Agent and the Paying Agents:

   (a) the Fiscal Agency Agreement (which includes the form of accounting letter (*lettre comptable*), the Temporary Global Certificates, Physical Notes, Coupons, Receipts and Talons);

   (b) the two most recent initial budgets (as amended, if applicable, by any supplemental budget) and the published administrative accounts of the Issuer;

   (c) all Final Terms relating to any Notes admitted to trading on Euronext Paris or any other regulated market of the EEA;

   (d) a copy of this Base Prospectus and any supplement to this Base Prospectus or any new base prospectus; and

(e) all reports, correspondence and other documents, appraisals and statements issued by any expert at the request of the Issuer, any extracts of which, or references to which, are contained in this Base Prospectus relating to any issue of Notes.

7. The price and the amount of the Notes issued within the Programme shall be determined by the Issuer and each relevant Dealer at the time of the issue in accordance with the market conditions.

8. For any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes shall be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the Issue Price. The specified yield shall be calculated as the yield to maturity as at the issue date of the notes and shall not be an indication of future yield.

RESPONSIBILITY FOR THE BASE PROSPECTUS

Person assuming responsibility for this Base Prospectus

In the name of the Issuer

I confirm, having taken all reasonable care to ensure that such is the case, that the information contained in this Base Prospectus is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import.

Papeete, November 27, 2013

POLYNÉSIE FRANÇAISE
Vice-chairman
B.P. 2551
98713 Papeete-Tahiti

Represented by: M Nuihau LAUREY, vice-chairman of the Polynésie Française Government, Minister for the economy, finance and the budget, the civil service, responsible for businesses and industry, export development, social dialogue and the fight against the rising cost-of-living.

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and with its *Réglement Général*, the *Autorité des marchés financiers* has granted to this Base Prospectus the visa No. 13-639 dated 27 November 2013. This prospectus was prepared by the Issuer and its signatories assume responsibility for it.

In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "*whether the document is complete and comprehensible, and whether the information it contains is coherent*". It does not imply that the AMF considers the transaction appropriate nor that it has verified the accounting and financial data set out in it.

In accordance with Article 212-32 of the *Réglement Général* of the AMF, the final terms of any issue or admission to trading of Notes on the basis of this base prospectus must be published.

Issuer

Polynésie Française
Vice-chairman
B.P. 2551
98713 Papeete - Thaiti

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75008 Paris
France

Dealers

HSBC France

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75008 Paris
France

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France

NATIXIS
30, avenue Pierre Mendès-France
75013 Paris
France

SOCIÉTÉ GÉNÉRALE
29 Boulevard Haussmann
75009 Paris
France

Fiscal Agent, Principal Paying Agent and Calculation Agent

BNP Paribas Securities Services
Les Grands Moulins de Pantin
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To the Placement Agent and to the Dealers

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