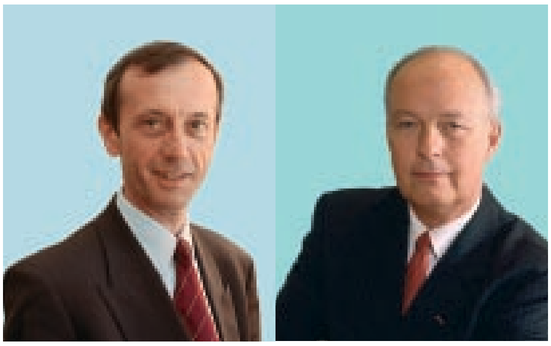
“Today, for tomorrow”

2004 ANNUAL REPORT

FRR

Fonds de réserve pour les retraites

Raoul Briet Chairman of the Supervisory Board
Francis Mayer Chairman of the Executive Board



Letter from the Chairmen of the Supervisory and Executive Boards

In 2003, the FRR made a series of decisive choices concerning its future. In 2004, the focus was on operational start-up.

The process of selecting asset managers was completed in July 2004. In all, 38 mandates were awarded to asset managers in 12 asset classes, for an indicative total amount of 16 billion euros. The FRR also selected a transition broker and an overlay manager, making it possible to begin activating the first mandates as of July 2004. By the end of the year, the FRR had invested close to 6.4 billion euros in the financial markets, and has continued to do so since. By the end of April 2005, invested assets had reached more than 12 billion euros. The FRR adopted a gradual strategy for investing its funds, with the aim of smoothing entry points in accordance with its long-term risk diversification strategy. Although no asset classes were overlooked, the FRR responded to prevailing market conditions by focusing on the activation of equity mandates, in particular with managers selected to invest in the European equity markets on its behalf. Conversely, and for the same reason, the spread on the activation of bond mandates was widened.

As this operational start-up phase was being completed, the FRR refined its investment strategy implantation by defining the Executive Board's tactical latitude around the strategic allocation's key asset classes. In addition, the range of admissible assets was broadened to include private equity, leading to an RFP in 2005. FRR professionals continued to work with key industry players to determine Fund doctrine with respect to future mandates for SRI (socially responsible investment) management.

In accordance with Fund orientations approved in 2003, the FRR also defined and disclosed its guidelines on proxy voting by the managers that invest in listed equities on its behalf.

Through these initiatives, and thanks to the expertise and dedication of its professional staff, the FRR made a strong statement about its identity: that of a long-term investor whose aim is to promote the survival of the French pension system, while seeking the best possible risk-return tradeoff and playing an active part in promoting the fundamental notion of socially responsible investment. The Fund also seeks recognition as a leading institutional investor—innovative, demanding and dedicated to cost discipline.

The professionalism and openness with which the initial RFP process was conducted drew praise from numerous observers, both in France and abroad, the French parliament also expressed its confidence in the Fund, when it decided in late December 2004 to entrust the FRR with the management until 2020 of 3.1 billion euros resulting from a cash payment due by the electricity and gas industries to the French Old Age Fund (Caisse Nationale d'Assurance Vieillesse). Both of these events offer strong encouragement to the FRR to pursue the path it has chosen.

Fonds de réserve pour les retraites

The Fonds de Réserve pour les Retraites (FRR – French Pensions Reserve Fund) was set up with the long-term aim of managing the sums allocated to it and setting them aside in a trust until 2020.

Established by the French Act of July 17, 2001 as a publicly-owned, state-funded administrative agency, the FRR seeks to contribute to the long-term survival of mandatory old-age insurance plans (the general plan, CNAVTS), aligned plans for salaried farm workers (ORGANIC) and skilled crafts-persons (CANCAVA). It also supports adjustments made to the French pay-as-you-go system (PAYGO) to redistribute the burden and promote solidarity between the generations in light of long-term demographic trends.

The FRR had reserves totaling 19.256 billion euros as of December 31, 2004. By virtue of the Act of 2001, it receives a number of different allocations, which can be divided into four broad categories:
- a portion of the 2 percent social tax on income from estates and investments;
- surpluses from the French National Old Age Fund (CNAV - Caisse Nationale d'Assurance Vieillesse);
- proceeds from the sale of certain state-owned assets (through privatization, the sale of Caisse d'épargne units, the sale of UMTS licenses, etc.);
- Miscellaneous endowments and allocations.

The FRR is governed by a Supervisory Board and an Executive Board.

The Supervisory Board has 20 members, including members of parliament, labor/management stakeholders, representatives of ministries under whose general supervision the FRR operates (i.e., ministries of Social Security and the Economy, Finance and Industry) and individuals with recognized credentials in fields that are relevant to the Fund's stated missions.

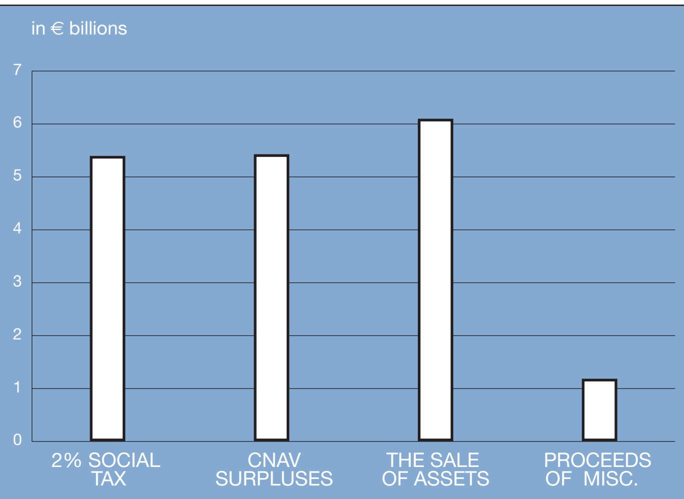
The Board's primary responsibilities include defining the general investment policy guidelines for the Fund's assets and reviewing the Fund's annual financial statements and performance.

The Supervisory Board held two meetings in 2004, the year in which the Fund became operational. It met in May to approve the financial statements and the 2003 management report, and again in September to make an initial assessment of the Fund's manager selection process.

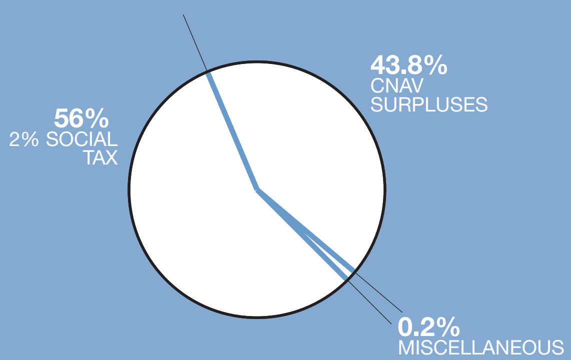
The Executive Board has three members and is chaired by the Chief Executive Officer of the Caisse des Dépôts et Consignations. It is responsible for the Fund's management, and submits regular reports on this subject to the Supervisory Board. It also executes the general investment policy defined by the Supervisory Board and ensures compliance.

The Executive Board is assisted in the task of screening investment firms under consideration for managing the Fund's assets by the Manager Selection Committee, which receives reports on the execution of management mandates.

SOURCES OF CONTRIBUTION TO THE FRR ACCUMULATED AS OF DECEMBER 31, 2004



SOURCES OF CONTRIBUTION IN 2004



Results of the FRR 's selection process

The Fund began operating in 2004, and completed the process of selecting management companies in July of last year.

The Fund issued an international request for proposals (RFP) on July 31, 2003, for an indicative amount of 16 billion euros and covering 12 asset classes—i.e., 39 management mandates, of which 12 were standby (mandates for which the FRR reserves the right to activate as needed).

This very demanding selection process, for the FRR as well as for management candidates, met the highest standards of independence and transparency. It was carried out in two phases:
– eigibility for consideration: primarily with respect to quantitative criteria related to experience. Of the 410 proposals submitted, 137 were chosen in the initial phase;
– questionnaire mailed to eligible candidates, after analysis of the offers submitted, interviews with companies that submitted the best proposals for futher information.

The FRR received assistance with technical analysis from an independent financial consultant.

Following the selection process, 38 management mandates were awarded, including 11 standby mandates (one per asset class, with the exception of Lot 1 'Large cap eurozone equities') for an indicative unit size ranging from 240 million to 960 million euros (average size: 600 million euros).

The French and international financial press praised this RFP, not only for its breadth—it was the largest ever completed at one time—as well as for its international visibility, the level of market interest it generated, and the diversity of the asset classes it covered.

In 2004, the FRR also issued requests for proposals to select: (i) a transition broker (to centralize manager buy orders during the portfolio build-up period only, minimize transaction costs and facilitate execution); and (ii) an overlay manager, whose mission is to implement transversal management of tactical allocation strategies and manage exposure to exchange rate risks.

SELECTION PROCESS TIMETABLE

2004

July 29, 2004
Results of the overlay manager selection process

July 7, 2004
Results of the selection process for lots 6,7, 8 and 9

July 1, 2004
Results of the transition broker selection process

June 3, 2004
Results of the selection process for lots 3, 5, 11 and 12

April 5, 2004
Results of the selection process for lots 1, 2, 4 and 10

February 2, 2004
Submission of candidate proposals

2003

December 19, 2003
Results of the first phase of the RFP and mailing of mandate projects and questionnaires to candidates selected for the second phase

April 2, 2003
Fund general investment policy guidelines

Organizational consolidation

In addition to being the year in which the Fund became operational, 2004 was also devoted to consolidating the Fund's organization, resources and structures. The 27 employees working for the Fund on December 31, 2004 were assigned to one of three departments. Efforts to establish formal work processes, particularly in the area of monitoring management mandates and controlling the risks related to investments made in connection with portfolio activation, were also pursued throughout 2004.

In November of 2003, the FRR Executive Board approved the budget for the year 2004.

Since this was the first budget to include costs related to the start-up of Fund operations and the activation of portfolios after the completion of the management selection process, it differs substantially from the 2003 budget in terms of the structure and volume of the main line items. In particular, expenses directly related to the financial management of Fund assets (management fees and expenses on securities) changed significantly.

The budget also reflects efforts to consolidate the FRR's organization by allocating adequate human and technical resources. These resources were calibrated to align with the Fund's objectives, set by its Supervisory Board.

BUDGET

in € millions

	2003	2004
Payroll expense	3,739	4,482
Financial management	0,000	4,824
Custody / fund administration	1,345	4,673
IT (Dedicated IS)	0,332	1,083
Consultants	1,620	0,994
Other overhead costs	1,511	1,646
Start-up costs *	5,156	–
Total	**13,703**	**17,702**

* These start-up costs reflect the cost of services carried out by the CDC on behalf of the FRR (expenses committed in 2001 and 2002 to cover administrative start-up costs).

Strategic allocation

The FRR determined its initial strategic allocation in the spring of 2003. This allocation was based on the investment universe authorized under regulations applicable to the Fund and consented to by the Supervisory Board: equities and bonds issued by OECD countries; corporate investment grade bonds and inflation-linked bonds.

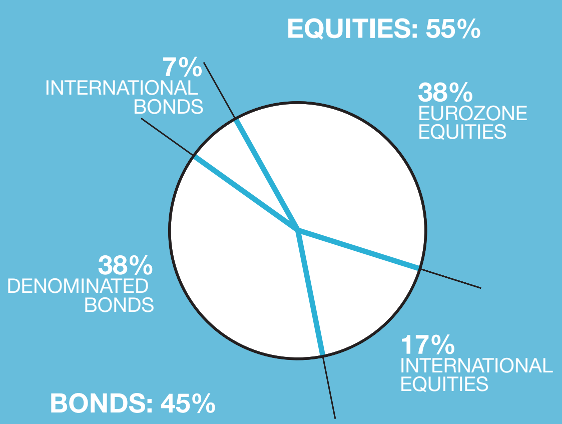
Strategic targets were defined for each of the major asset classes (see graph). In parallel, the Supervisory Board granted the Executive Board a margin of allocation leeway to allow for adjustments in the relative weightings of these large asset classes in response to observed market volatility during the economic cycle. For example, the overall weighting of equities in the portfolio may deviate by no more than 5.5 percentage points in either direction from the target allocation of 55 percent.

Naturally, the strategic benchmark defined by the Supervisory Board will apply to the FRR only after most of the portfolio has been invested.

The FRR intends to gradually consider adjusting its strategic allocation to accommodate new asset classes. In early 2005, the Supervisory Board accepted the Executive Board's proposal to include investment capital and select specialized asset managers accordingly.

BOND/EQUITY ALLOCATION

Source: FRR



FRR STRATEGIES: THE 12 LOTS

	Name	Management
Lot 1	Eurozone large caps	passive
Lot 2	Eurozone small and mid caps	active
Lot 3	Eurozone large caps	active
Lot 4	US large caps	passive
Lot 5	US mid caps	active
Lot 6	US large caps, value style	active
Lot 7	US large caps, growth style	active
Lot 8	Europe ex-eurozone large caps	active
Lot 9	Pacific Rim large caps	active
Lot 10	Eurozone bonds, sovereign and credit	active
Lot 11	International bonds indexed to inflation	active
Lot 12	International bonds ex-eurozone	active

Activation and investment strategy in 2004

On December 31, 2004, the FRR had invested a total of 6.371 billion euros in the financial markets. These investments were made on the basis of the guidelines set forth by the Executive Board in its activation strategy. They were initiated after the request for proposals process launched to select the first FRR managers was completed, and after the technical specifications for management mandates had been determined.

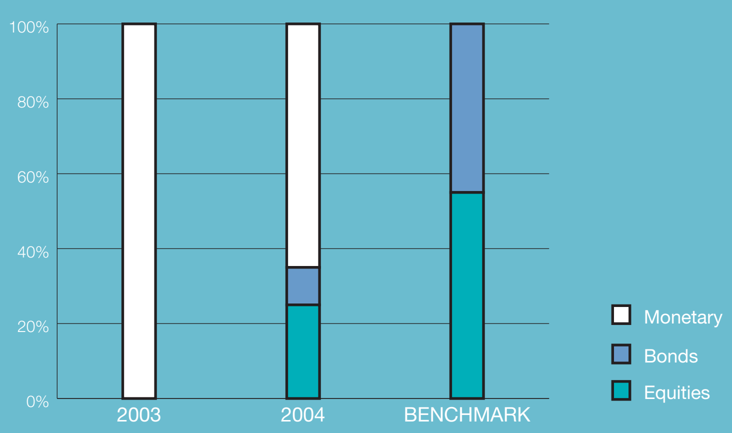
In light of the substantial amounts to be invested, the FRR considered it unwise to concentrate all of its strategic equity allocation in a single period. It preferred to follow a progressive investment policy to smooth out the entry points, an approach that is more consistent with its long-term risk diversification aims. This same approach led to the activation of management mandates across all asset classes included in its initial allocation. At the same time, some asset classes were invested more rapidly than others to take valuation differences into account. This strategy led the FRR to prefer the activation of equity market mandates—in particular for European equity markets—in the second half of the year. With respect to the bond markets, which presented very high entry points from a long-term perspective, the FRR opted to further spread out the activation of fixed-income mandates.

The FRR invested a third of its assets between June 30 and December 31, 2004. At year-end 2004, the Fund's portfolio was invested as follows: 25.6% in equities, 7.8% in bonds and 66.6% in cash.

Given the international structure of the FRR's portfolio, foreign exchange rate risks for assets invested outside the euro zone are 80 to 100 percent hedged.

The portfolios activated were invested with the assistance of a transition broker, whose role was to optimize the execution costs on significant volumes of securities purchased.

ANALYSIS OF TOTAL FUND ASSETS AT 12/31 OF EACH YEAR



Market trends in 2004

The economic environment

The economic recovery that began in 2003 gathered momentum in 2004. The US economy grew by a brisk 4.4 percent and began to create jobs. Japan recorded GDP growth of 2.6%, with exports getting a boost from the strength of its regional trading partners—in particular, China, where GDP once again grew by nearly 10% last year. Despite a clear rebound, the Eurozone managed only 1.8% GDP growth, stymied by persistently weak domestic demand in Germany.

Two factors cast a slight shadow on the generally bright economic backdrop in the second half of the year: the surge in oil prices and the significant depreciation in the US dollar. Both weighed on business sentiment and manufacturing activity at the end of the year, particularly in Europe.

Equity markets

The equity markets faltered in the first half of the year and then staged a comeback in the second. Early in the year, equities were penalized by fears that economic growth would fail to create jobs in the United States and by an abrupt slowdown in the Chinese economy. The improvement in equity market performance in the second half of the year was achieved despite rising oil prices, as their historically attractive valuation enabled equities to absorb the adverse impact. This was especially true for the Asian and European markets, which were the top performers over the second half of the year. US markets were able to catch up only partially in the fall, after the US presidential election.

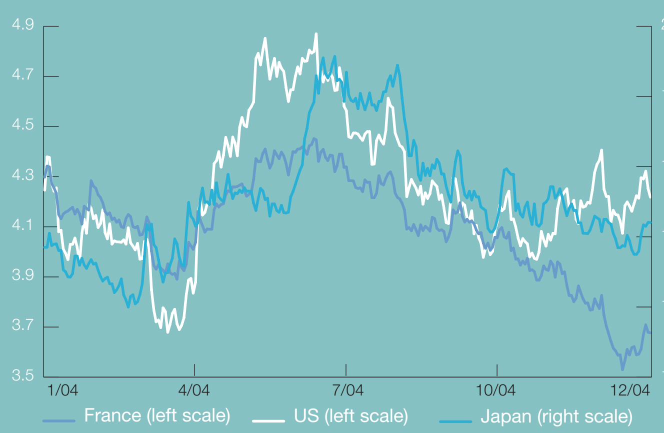
Money and bond markets

The fact that inflation was contained made life easier for the central banks. In the United States, the Fed hiked its key rates by a total of 125bps in 2004, from extremely low levels. The ECB left interest rates unchanged throughout the year, against a backdrop of weak growth and controlled inflation.

The bond markets behaved oddly considering the stage in the cycle, with long-term yields either relaxing over the period (Eurozone) or staying unchanged (United States). It would appear that the benign inflation outlook, combined with uncertainty about the economy in light of rising oil prices, was beneficial for bonds. Asian central bank demand for bonds also rose, as they bought up debt instruments – particularly denominated in dollars – to avoid currency appreciation and protect regional exports.

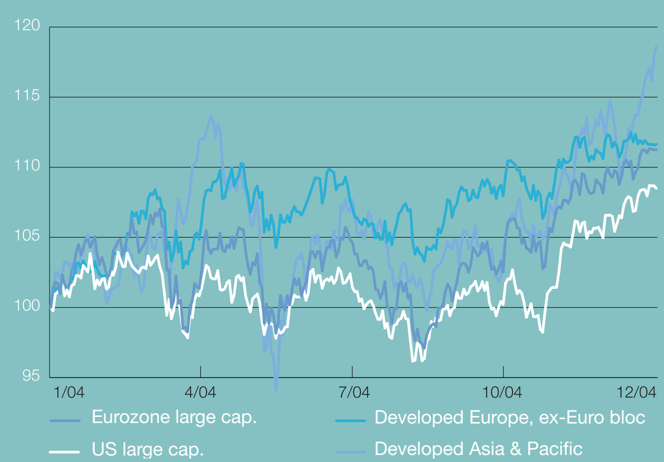
10-YEAR INTEREST RATE

Source: Bloomberg



FTSE EQUITY INDICES (TOTAL YIELD, LOCAL CURRENCY)

Source: FTSE



Management performance

Overall performance

In 2004, the Fund's net assets registered a return of 3.98%, reflecting the investment return provided on mandates progressively invested throughout the year and returns on cash instruments not yet invested in these mandates. This figure is net of transaction costs and gross of management expenses. It is calculated on the basis of average portfolio assets.

This average return does not reflect the fact that investments were concentrated in the second half of the year only, for the reasons provided above. Average cash totaled €14.9 billion in 2004, and generated interest of around 2% (i.e., close to the money market rate).

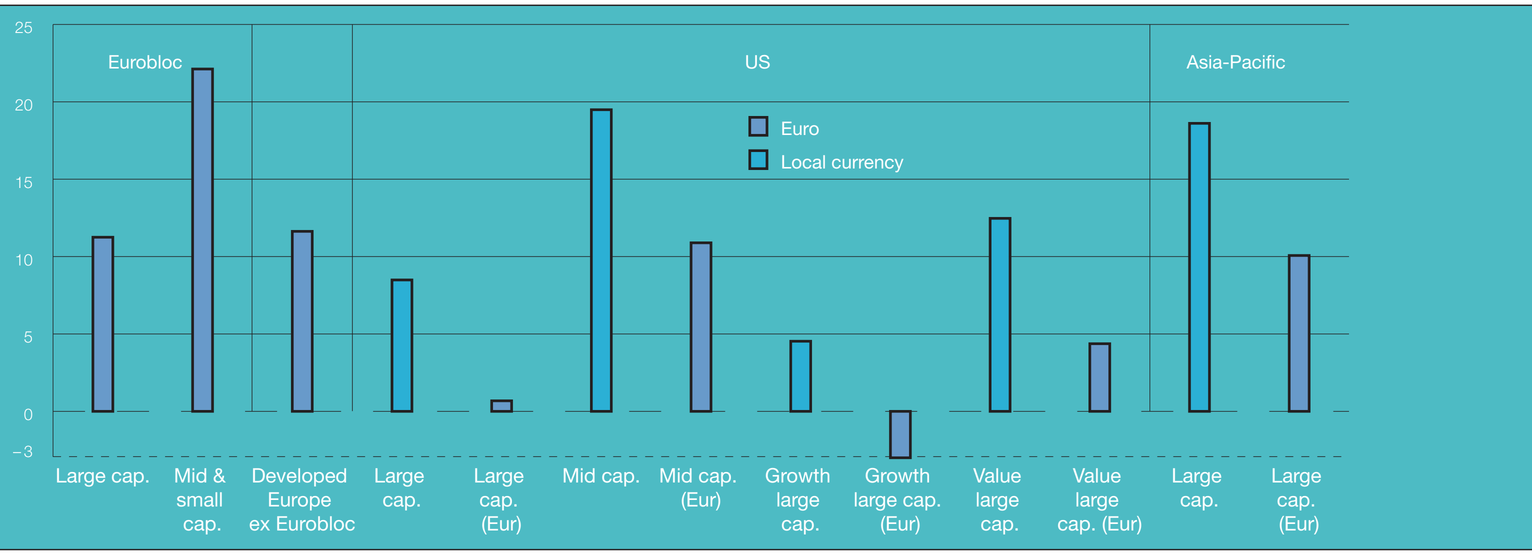
The total return on equity and bond investments was 9.46% in 2004. This high return on the FRR's invested assets in 2004 reflects the second-half upturn in the various equity markets and allocation decisions made during the start-up phase. By opting to activate mandates for the equity markets, in particular the European equity markets for small and mid caps, the FRR overweighted strategies that turned out to be the most profitable over the second half of the year (see graph). Furthermore, the decision to 80-100 percent hedge exposure to currencies other than the euro protected the Fund's invested assets from the dollar's sharp depreciation in the fall of 2004.

Manager performance

As a reminder, the FRR built its investment portfolio by identifying a certain number of benchmark tracking management mandates in equity markets considered to be the most efficient, and by awarding active management mandates for strategies generally considered to be less arbitrated. The objective of benchmark tracking management mandates is to offer the Fund a low-cost way of leveraging market trends, while active management mandates seek to beat their benchmarks in terms of performance, under a variety of possible configurations.

Given that no track record exists at this time with respect to the activation of mandates, it would seem premature to assess the relative performance of the various asset classes.

CHANGE IN FTSE INDICES IN 2004 (TOTAL RETURN, %)



2004 financial statements

The Fund's equity totaled 19.256 billion euros at the December 31, 2004 reporting date, compared with 16.445 billion euros one year earlier. The increase of 2.8 billion euros reflects:

- €2,157.9 million in additional funds paid in 2004;
- €342.2 million in earnings for the period;
- €310.6 million in estimated unrealized capital gains on marketable securities and currencies.

In light of this increase, the Fund's equity on December 31, 2004 can be analyzed as follows (in millions of euros):

Contributions/Endowments	17,891.9
Prior earnings	711.8
Earnings for the period	342.2
Unrealized capital gains or losses	310.6
Total Fund equity	**19,256.5**

Financial management includes the following two categories:

– **Management of activated mandates** (€6.120 billion), which generated total earnings of €363.3 million, itemized as follows:

Investment income (1)	68.4
Interest expens (2)	15.7
Result (management mandates) (3)	**52.7**
To which is added:	
Unrealized gains or losses on marketable securities	243.8
Unrealized gains or losses on currency	66.8
Total result	**363.3**

(1) Gains on the sale of securities, foreign exchange gains, coupons, dividends and accrued interest receivable.
(2) Losses on the sale of securities and foreign exchange losses.
(3) This result does not include the purchase price or sale price of marketable securities or management fees, which totaled €2.1 million and €2.7 million, respectively.

– cash management

In 2004, the Fund's average cash flow position was 14.902 billion euros, invested in fixed and floating rate term accounts. Investment income from cash flow management was **€306.6 million.**

Mandate management	**52.7**
Cash management	**306.6**
Unrealized gains or losses on marketable securities and foreign currency management	**310.6**
Total	**669.9**

Income for the period ended December 31, 2004 totaled **€375.6 million,** in income less €33.4 million in expenses.

Expenses (in € million)	
Operating expenses	17.7
Interest expense	15.7
Result	342.2
Total	**375.6**

Income (in € million)	
Investment income (1)	375.1
Non-recurring income	0.5
Total	**375.6**

(1) Mandate management income and cash management.

THE CORRESPONDING PORTFOLIO IS ITEMIZED IN THE TABLE BELOW:

In € millions

Marketable securities	Purchase price	Unrealized gains or losses *	Accrued interest	Market value
Total equities	4,676.8	209.3	–	4,886.1
Total bonds	1,266.7	34.7	22.3	1,323.7
Total Treasury bonds	160.3	- 0.2	0.8	160.9
Total marketable securities	**6,103.8**	**243.8**	**23.1**	**6,370.8**

* Difference between purchase price and fair market value at the end of the accounting period.

Priorities for 2005

The Executive Board is pursuing the portfolio activation strategy described above. The objective of the Executive Board continues to be to complete the portfolio activation phase as rapidly as possible, financial market conditions permitting.

At its meeting on January 26, the Fund's Supervisory Board defined the Fund's general guidelines for voting proxies in companies in which its mandated managers have invested on its behalf. These general guidelines have been made public and are being implemented by managers. The Executive Board will report to the Supervisory Board on this matter.

Work was also initiated in connection with two new requests for proposals:

– the first, which should be issued before this summer, pertains to SRI management mandates;

– the second, which is scheduled for after the summer holiday, pertains to private equity, a new asset class for the FRR.

SUPERVISORY BOARD AS OF MAY 1, 2005

Chairman
Raoul Briet

Vice-Chairman
Jean-Louis Beffa
Chairman and CEO,
the Saint-Gobain Group

Vice-Chairman
Jean-Christophe Le Duigou
Representing the CGT

Board Members*

Yves Bur
Member of Parliament

Marc Laffineur
Member of Parliament

Dominique Leclerc
Senator

Xavier Musca
Representing the French Minister of the Economy

Pierre-Mathieu Duhamel
Representing the French Minister in charge of the budget

Dominique Libault
Representing the French Minister in Charge of Social Security

Pierre Ricordeau
Representing the French Minister in Charge of Social Security

Bernard Caron
Representing the MEDEF

Alain Leclair
Representing the MEDEF

Guillaume Sarkozy
Representing the MEDEF

Dany Bourdeaux
Representing the UPA

Jean-François Veysset
Representing the CGPME

Jean-Paul Le Bail
Representing the CFDT

Solange Morgenstern
Representing the CFE-CGC

Jean-Jacques Poujade
Representing the CGT-FO

Isabelle Sancerni
Representing the CFTC

EXECUTIVE BOARD

Chairman
Francis Mayer

Other members
Antoine de Salins
Philippe Most

MANAGER SELECTION COMMITTEE

Chairman
Antoine de Salins

Alain Hindié
Consultant

René Karsenti
Director General of Finance, BEI

Christopher Nowakowski
International consultant

Alain Robidel
Associate Director, AC2F Consultants

* The appointment of a second senator is pending.

Balance sheet as of December 31, 2004

ASSETS in euros

	2004			2003
	Gross value	D&A Valuation variance	Net value	
Long-term assets	**–**	**–**	**2,673.15**	**–**
Other fixed assets	2,948.90	275.75	2,673.15	–
Operating receivables	**–**	**–**	**1,113,763,689.88**	**1,797,529,569.17**
Sales pending settlement	712,989.43	–	712,989.43	–
Currency receivable	1,001,744,424.04	–	1,001,744,424.04	–
Funding or allowances receivable	30,371,640.68	–	30,371,640.68	1,741,001,232.93
Accrued income	80,934,635.73	–	80,934,635.73	56,528,336.24
Marketable securities	**–**	**–**	**6,370,829,564.52**	**–**
Equities	4,676,784,759.36	209,339,407.17	4,886,124,166.53	–
Bonds	1,289,023,553.83	34,715,528.47	1,323,739,082.30	–
Negotiable debt securities	161,176,946.16	-210,630.47	160,966,315.69	–
Cash and near cash	**–**	**–**	**12,734,191,766.40**	**14,661,303,631.35**
Interest coupons due and immediately payable	4,167,764.81	39,209.21	4,128,555.60	–
Cash and liquidities	12,719,351,706.34	-63,488.11	12,719,288,218.23	14,661,303,631.35
Forward sales	11,349,161.13	-574,168.56	10,774,992.57	–
Total assets	**–**	**–**	**20,218,787,693.95**	**16,458,833,200.52**

LIABILITIES in euros

			2004	2003
Shareholders' equity			**19,256,593,579.81**	**16,445,821,197.80**
Allowances			17,891,910,401.15	15,733,958,324.91
Reserves			711,862,872.89	299,779,698.26
Valuation variance			310,599,628.99	–
Annual result of operations			342,220,676.78	412,083,174.63
Payables			**26,498,152.59**	**13,012,002.72**
Supplier payables			6,942.15	910,515.13
Government and social security payables			62,556.48	40,990.01
Accrued liabilities			13,856,395.28	12,060,497.58
Purchases pending settlement			1,193,985.40	–
Currency payable			11,342,153.43	–
Other payables			36,119.85	–
Prepaid income			**1,057,116.63**	**–**
Discount interest			1,057,116.63	–
Cash and near cash			**934,638,844.92**	**–**
Forward sales	1,002,071,034.62	67,432,189.70	934,638,844.92	–
Total liabilities			**20,218,787,693.95**	**16,458,833,200.52**

Income statement as of December 31, 2004

Expenses in euros

	2004	2003
Outsourced services	17,114,966.34	13,217,626.56
Taxes	53,405.45	40,192.55
Payroll	532,720.48	412,655.66
D&A	275.75	–
Operating expenses	**17,701,368.02**	**13,670,474.77**
Forex losses	1,660,981.43	–
Expense on the sale of securities	13,889,255.00	–
Other interest expense	154,670.61	33,197.58
Interest expense	**15,704,907.04**	**33,197.58**
Non-recurring expense	**0**	**0**
Total expense	**33,406,275.06**	**13,703,672.35**
Year's income	**342,220,676.78**	**412,083,174.63**
Total	**375,626,951.84**	**425,786,846.98**

Income in euros

	2004	2003
Operating income	**0**	**0**
Return on investments in marketable securities	40,038,043.16	–
Forex gains	1,730,752.36	–
Income on the sale of securities	28,179,495.83	–
Other interest income	305,145,542.02	425,786,846.98
Interest income	**375,093,833.37**	**425,786,846.98**
Non-recurring income	**533,118.47**	**0**
Total income	**375,626,951.84**	**425,786,846.98**

Itemized statement of assets, as of December 31, 2004

	Net value
Tangible fixed assets	2,673.15
Total fixed assets	**2,673.15**
Sales pending settlement	712,989.43
Currency receivable	1,001,744,424.04
Funding or allowances receivable	30,371,640.68
Accrued income	80,934,635.73
Total receivables	**1,113,763,689.88**
Equities	4,886,124,166.53
Bonds (fixed-income securities)	1,323,739,082.30
Negotiable debt instruments	160,966,315.69
Total marketable securities	**6,370,829,564.52**
Interest coupons due and immediately payable	4,128,555.60
Cash and liquidities	12,719,288,218.23
Forward sales	10,774,992.57
Total cash	12,734,191,766.40
Total assets, itemized	**20,218,787,693.95**
Transactions involving financial instruments carried as liabilities	
Purchases pending settlement	*1,193,985.40*
Currency payable and carried over	*11,378,273.28*
Fixed-rate, short-term discount T-bills	*1,057,116.63*
Forward sales	*934,268,220.23*
Itemized net total	***19,271,761,415.38***

Paris, February 14, 2005

Chairman of Executive Board
Francis Mayer

NOTES TO THE ITEMIZED STATEMENT OF FUND ASSETS

1. Itemized financial statement presentation

As provided for under article L. 135-12 of the French Social Security Code *(Code de la Sécurité Sociale)*, the itemized statement of Fund assets corresponds to assets carried on the balance sheet at the December 31, 2004 reporting date. In addition, it includes transactions involving financial instruments carried as liabilities.

2. Valuation policies

Transaction recording dates are the trading dates for those transactions in the portfolio. Transactions are recorded at cost (accrued incomes and fees excluded), and the PRMP rule (*prix de revient moyen pondéré* – weighted average cost price) is used for realized capital gains or losses.

Asset values are calculated on the basis of positions held on Friday evening or the last TARGET business day of the week, and the last TARGET business day of the month. The default price is the closing price on the issuer's benchmark market, case by case on the principal quotation market.

Because the FRR's accounts are stated in euros, positions of FRR mandates in foreign currencies are valued and accounted for on the basis of exchange values calculated using WM/Reuters closing spot rates (4:00 pm London time).

Forex futures are valued on the basis of both a straight-line amortization of the initial swap points for the transaction and by the valuation of the foreign currency position based on WM/Reuters closing spot rates (1600 London time).

Statutory auditors' report

Dear Sirs,

In our capacity as statutory auditors and in accordance with article L.135-12 of the Social Security Code, we have examined the accompanying detailed statement of assets of the French Pensions Reserve Fund (FRR) as of 31 december 2004. The detailed statement of assets was prepared by the Board of Directors. Our role is to report on the accuracy of the detailed statement of assets based on our procedures.

We conducted our work in accordance with professional standards applicable in France. Our work consisted of performing procedures to verify the existence, ownership and valuation of the components of the detailed statement of assets.

We have no matters to report with respect to the accuracy of the components of the detailed statement of assets.

Paris La Défense, 31 March 2005

The Statutory Auditors

Constantin Associés	**KPMG Audit**
Françoise Constant	Isabelle Bousquié

Free translation of a French language original.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For unlisted securities, valuation is based on the acquisition price (or the redemption value for unlisted bonds close to maturity).

In the event that price quotes are not available on the day of valuation, assets are valued on the basis of the last known price or using a predefined procedure in the case of previously established prices.

For fixed-income instruments, accrued coupon interest on the transaction or at valuation are expressed with respect to the value date. This accounting policy is related to the fact that operations are accounted for as of the date of the trade.

Eurozone government and corporate bonds are valued on the basis of ISMA prices.

Global bonds are valued on the basis of Merrill Lynch contributed prices for the US and on the basis of quoted prices for UK and Japan.

Inflation-index linked bonds are valued on the basis of closing prices, using the appropriate indexation coefficient, on the basis of quoted prices for the UK, and on the basis of contributed prices by ISMA and Merrill Lynch for eurozone and for US bonds, respectively.

BTF and BTAN French sovereign debt securities are valued on the basis of published Banque de France rates on the date of valuation.

The financial terms and conditions governing the use of SPIRRIS software are currently being negotiated with the *Caisse des dépôts et consignations*.

Asset management firms selected by the FRR [1]

as of March 31, 2005

Lot 1: Eurozone large caps, passive management
Indicative mandate size: 1 billion euros for a period of three years
– Barclays Global Investors Limited
– Crédit Agricole Asset Management
– Vanguard Investments Europe SA

Lot 2: Eurozone small and mid caps, active management
Indicative mandate size: 200 million euros for a period of five years
– AXA Investment Managers Paris (AXA Rosenberg Investment Management Ltd)
– Crédit Agricole Asset Management
– HSBC Asset Management Europe SA*
– Société Générale Asset Management

Lot 3: Eurozone large caps, active management
Indicative mandate size: 620 million euros for a period of four years
– AXA Investment Managers Paris (AXA Rosenberg Investment Management Ltd)
– Capital International Limited
– Groupama Asset Management
– Lombard Odier Darier Hentsch

Lot 4: US large caps, passive management
Indicative mandate size: 640 million euros for a period of three years
– Barclays Global Investors Limited*
– Vanguard Investments Europe SA

Lot 5: US mid caps, active management
Indicative mandate size: 200 million euros for a period of five years
– Société Générale Asset Management (Trust Company of the West-TCW)

Lot 6: US large caps, active value management style
Indicative mandate size: 460 million euros for a period of four years
– DWS Investments
– Robeco Institutional Asset Management* (Boston Partners Asset Management LLC)

Lot 7: US large caps, active growth management style
Indicative mandate size: 460 million euros for a period of four years
– AGF Asset Management (RCM Capital Management LLC)
– Goldman Sachs Asset Management*

Lot 8: Europe ex-eurozone large caps, active management
Indicative mandate size: 240 million euros for a period of four years
– AXA Investment Managers Paris (AXA Rosenberg Investment Management Ltd)
– Schroder Investment Management Ltd
– Invesco Gestion*

Lot 9: Pacific rim large caps, including Japan and excluding emerging countries, active management
Indicative mandate size: 240 million euros for a period of four years
– Capital International Limited
– Morgan Stanley Investment Management
– Nomura Asset Management UK Ltd*

Lot 10: Eurozone bonds, sovereign and credit (investment grade), active management
Indicative mandate size: 960 million euros for a period of four years
– AGF Asset Management
– AXA Investment Managers Paris
– BNP Paribas Asset Management SA
– IXIS Asset Management SA
– Crédit Agricole Asset Management*
– HSBC Asset Management Europe SA
– Robeco Institutional Asset Management

Lot 11: International bonds pegged to inflation (2/3 euro and 1/3 international non-euro), active management
Indicative mandate size: 480 million euros for a period of four years
– AXA Investment Managers Paris*
– Foreign and Colonial Asset Management

Lot 12: International bonds (non-euro denominated) government and corporate issuers (investment grade), active management style
Indicative mandate size: 480 million euros for a period of four years
– Capital International Limited*
– IXIS Asset Management SA (Loomis, Sayles & Company, L.P.)
– DWS Investments

(1) The name of the firm to which the contracting entity has eventually delegated financial management is indicated in parentheses when the names of this firm and of the contracting entity are different. Moreover, in accordance with regulations in force governing this RFP process, notification of the mandate awarded is binding on the FRR and will take place after the related contract has been finalized with the investment management firm whose proposal has been retained.

* Standby mandate: the FRR reserves the right to activate standby management mandates as needed, in particular with the aim of ensuring an adequate risk spread or in the event that one or more managers appointed for the same mandate is unavailable.

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FRR

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