



**VMG**

FILIALE DU CRÉDIT FONCIER

**Reference Document 2007 Update**

**at June 30, 2008 and including**

**a half-yearly financial report**

**1<sup>st</sup> SEMESTER 2008**



**The original French-language update of the reference document was filed with the Autorité des Marchés Financiers (French Financial Markets Authority) on August 28, 2008, pursuant to Article 212-13 of the AMF general regulations, under the number D.08-0342-A01. It is an addition to the original French-language version VMG's reference document, filed with the Autorité des Marchés Financiers (French Financial Markets Authority) on April 30, 2008, pursuant to Article 212-13 of the AMF general regulations, under the number D.08-0342. As such, it may be used in support of a financial transaction when accompanied by a prospectus duly approved by the AMF.**

# CONTENTS

<b>PART 1:</b> .....	<b>4</b>
<b>KEY FIGURES</b> .....	<b>5</b>
<b>PART 2:</b> .....	<b>7</b>
1. PERSONS RESPONSIBLE .....	8
1.1. Person responsible for updating the Reference Document including a half-yearly financial report. 8	
1.2. Statement by the person responsible for updating the Reference Document including a half-yearly financial report.....	8
3. ISSUER RISKS .....	9
3.1. Market risks.....	9
3.2. Legal risks.....	9
3.3. Industrial and environmental risks.....	9
3.4. Insurance – Coverage to protect the Issuer against potential risks.....	9
3.5. Other specific risks .....	9
<b>4. GENERAL INFORMATION CONCERNING THE ISSUER</b> .....	<b>10</b>
<b>5. COMPANY FINANCIAL POSITION AND ACTIVITY DEVELOPMENTS</b> .....	<b>11</b>
<b>5.1 FCC UNITS</b> .....	11
5.3 ISSUES .....	12
5.6 PRESENTATION OF THE INCOME STATEMENT AT JUNE 30, 2008.....	12
<b>6.2 RECENT EVENTS</b> .....	13
<b>6.3 OUTLOOK</b> .....	13
<b>8. INFORMATION ON TRENDS</b> .....	<b>14</b>
<b>9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES</b> .....	<b>14</b>
<b>11. FINANCIAL INFORMATION CONCERNING THE ISSUER’S ASSETS &amp; LIABILITIES, FINANCIAL POSITION AND EARNINGS</b> .....	<b>15</b>
<b>11.1 VMG’S HISTORICAL FINANCIAL INFORMATION</b> .....	15
I - KEY EVENTS DURING THE FIRST HALF OF 2008.....	20
II - PRINCIPLES .....	20
C - Available-for-sale securities.....	23
D - Borrowings and bonds .....	24
III - NOTES TO THE BALANCE SHEET AND INCOME STATEMENT.....	25
IV - ADDITIONAL INFORMATION .....	- 31 -
V - CASH FLOW STATEMENT.....	- 32 -
VAUBAN MOBILISATIONS GARANTIES .....	- 34 -
Paris la Défense and Neuilly-sur-Seine, August 27, 2008.....	- 35 -
<b>AMF CROSS-REFERENCE TABLE</b> .....	<b>- 36 -</b>
<b>COMPONENTS OF THE HALF-YEARLY FINANCIAL REPORT AT JUNE 30, 2008</b> .....	<b>- 39 -</b>

NOTE: only the sections of the Reference Document 2007 concerned by this update are included in this table of contents. To facilitate reading, we retained the original numbering of the Reference Document 2007.

# **PART 1:**

## **Overview**



<b>INCOME STATEMENT</b> (in euros)	<b>30/06/2008</b>	<b>30/06/2007</b>	<b>31/12/2007</b>
<b>REVENUE FROM OPERATIONS</b>			
- Services rendered	128 300.00	127 300.00	274 534.70
Net revenue	128 300.00	127 300.00	274 534.70
- Deferred expenses	-	-	-
- Other income	-	-	-
<b>TOTAL OPERATING REVENUE</b>	<b>128 300.00</b>	<b>127 300.00</b>	<b>274 534.70</b>
<b>OPERATING EXPENSES</b>			
- Other purchases and expenses	965 468.10	927 284.12	1 596 480.48
- Taxes and assessments	110 959.89	110 337.55	110 970.15
- Salaries and wages	10 000.02	4 999.98	12 499.98
- Payroll taxes	3 242.10	1 379.19	3 431.60
- Depreciation and amortisation accruals	-	-	-
- Provisions and impairments on current assets	-	-	-
- Other expenses	14 400.00	16 200.00	37 650.00
<b>TOTAL OPERATING EXPENSES</b>	<b>1 104 070.11</b>	<b>1 060 200.84</b>	<b>1 761 032.21</b>
<b>OPERATING INCOME</b>	<b>- 975 770.11</b>	<b>- 932 900.84</b>	<b>- 1 486 497.51</b>
<b>INVESTMENT INCOME</b>			
- Income from equity holdings	87 995 467.97	117 557 065.28	222 063 844.47
- Income from Negotiable Certificates of Deposit and medium-term notes	190 826 112.85	201 035 667.60	399 857 354.47
- Other interest income	9 230.17	49 472.58	55 243.39
- Deferred expenses	-	-	-
- Net income from the sale of investment securities	-	-	-
<b>TOTAL INVESTMENT INCOME</b>	<b>278 830 810.99</b>	<b>318 642 205.46</b>	<b>621 976 442.33</b>
<b>FINANCIAL EXPENSES</b>			
- Depreciation, amortisation and provisions	6 815 457.86	7 177 242.12	14 171 704.34
- Interest expense	263 846 013.38	302 353 294.55	589 840 740.88
- Issuing expenses	-	-	-
- Other interest expense	-	-	-
<b>TOTAL FINANCIAL EXPENSES</b>	<b>270 661 471.24</b>	<b>309 530 536.67</b>	<b>604 012 445.22</b>
<b>FINANCIAL INCOME</b>	<b>8 169 339.75</b>	<b>9 111 668.79</b>	<b>17 963 997.11</b>
<b>EARNINGS BEFORE TAX</b>	<b>7 193 569.64</b>	<b>8 178 767.95</b>	<b>16 477 499.60</b>
<b>EXTRAORDINARY GAINS</b>			
- On management operations	-	-	-
- On capital transactions	787 159 015.91	558 001 981.00	1 142 475 269.35
- Reversal of impairments, provisions and deferred expenses	-	-	-
<b>TOTAL EXTRAORDINARY GAINS</b>	<b>787 159 015.91</b>	<b>558 001 981.00</b>	<b>1 142 475 269.35</b>
<b>EXTRAORDINARY CHARGES</b>			
- On management operations	-	-	-
- On capital transactions	787 159 015.91	558 001 981.00	1 142 475 269.35
<b>TOTAL EXTRAORDINARY CHARGES</b>	<b>787 159 015.91</b>	<b>558 001 981.00</b>	<b>1 142 475 269.35</b>
<b>EXTRAORDINARY INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CORPORATE INCOME TAX</b>	2 453 343.00	2 792 839.00	5 654 759.00
<b>TOTAL EARNINGS</b>	<b>1 066 118 126.90</b>	<b>876 771 486.46</b>	<b>1 764 726 246.38</b>
<b>TOTAL EXPENSES</b>	<b>1 061 377 900.26</b>	<b>871 385 557.51</b>	<b>1 753 903 505.78</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>4 740 226.64</b>	<b>5 385 928.95</b>	<b>10 822 740.60</b>

**PART 2:**

**Half-yearly Financial Report**

## **1. Persons responsible**

### **1.1. Person responsible for updating the Reference Document including a half-yearly financial report**

**Ms. Sandrine Guérin**

Chairperson of the Management Board of Vauban Mobilisations Garanties

Address: 4, quai de Bercy – 94224 Charenton Cedex

Telephone: +33 (0)1 57 44 92 05

Fax: +33 (0)1 57 44 78 89

### **1.2. Statement by the person responsible for updating the Reference Document including a half-yearly financial report**

I hereby declare, after having taken every reasonable measure to this purpose, that the information provided in this update is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I hereby declare that, to the best of my knowledge, all accounts for the half-year have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and results of the Company, and that the half-yearly report herein presents an accurate picture of events that occurred during the first six months of the year, their impact on the accounts, the major transactions between affiliated companies and a description of the principal risks and uncertainties for the remaining six months of the year.

I have received a letter from the statutory auditors indicating that they have completed their work which consisted of verifying the information about the financial position and the accounts provided in this update as well as a reading of the entire update.

The statutory auditors have drafted reports on the *pro forma* historical financial information presented in this update. These reports are included on pages 59-60 of the reference document filed with the AMF on April 30, 2008 under the number D.08-0342.

Signed in Charenton-le-Pont, August 27, 2008

Sandrine Guérin

Chairperson of the Management Board

### **3. Issuer risks**

#### **3.1. Market risks**

Given the high ratings conferred on VMG issues, strict rules have been set forth in company's Internal Regulations in terms of:

- > Acquiring FCC assets
- > Investing cash balances
- > Negotiating interest rate swaps

VMG is protected against interest rate risk by a Compensation Provision that is calculated using rules set forth in the internal regulations.

The company does not have any currency positions.

VMG is not affected by the liquidity crisis because it is never in a position of having to liquidate its assets in the market to pay its debts. The structure is based on cash flows derived from its assets.

#### **3.2. Legal risks**

Given the nature of its business and modus operandi, VMG is not exposed to legal risks.

#### **3.3. Industrial and environmental risks**

In terms of social and environmental issues, VMG relies on human and material resources provided by Crédit Foncier. Its business is not likely to have an impact on the environment.

#### **3.4. Insurance – Coverage to protect the Issuer against potential risks.**

Under the Subcontracting Agreement between VMG and Entenial, which was renewed by Crédit Foncier, VMG is covered by insurance taken out by its parent company.

Crédit Foncier is insured against risks related to its responsibility as an employer and credit institution. It has taken out several types of contracts covering damages or losses liable to be caused to third parties and property by its employees at work. It is covered against the risks of theft, malicious acts and fraud. VMG has chosen not to take out a specific policy covering potential operating losses since its management units are located at several different sites, it has a back-up IT system and because industry practices do not warrant such a policy.

#### **3.5. Other specific risks**

Faced with rising interest rates, Crédit Foncier de France announced on January 18, 2008 that it would renegotiate variable-rate home loans contracted by certain customers. Some of the loans in question are pooled into debt securitisation funds of which VMG owns senior units. On July 31, 2008, amendments to the documentation of these debt securitisation funds were signed, fully immunising holders of FCC units against any adverse effects.

None of the impacts of these renegotiations will therefore be borne by VMG.

## **4. General information concerning the issuer**

### **4.4.4.2 Issued share capital**

VMG's share capital at June 30, 2008 stood at €19,310,626.35 divided into 59,076 fully paid-up shares.

### **4.4.4.6 The company's share capital over the past five years**

The combined general meeting of June 18, 2008, having voted on the accounts closed at December 31, 2007, noted that no dividends had been distributed for the 2007 financial year.

## 5. Company financial position and activity developments

### 5.1 FCC UNITS

During the first half-year of 2008, VMG did not acquire any FCC senior securitisation units and did not issue any debt securities.

The outstanding residuals of the Partimmo 11/98, Partimmo 03/99 and Partimmo 11/99 FCC units represent less than 10% of their respective initial values; Crédit Foncier requested to unwind these funds early. VMG recognised the full redemption of the Partimmo 11/98 units it held on January 28, 2008 and the Partimmo 03/99 and Partimmo 11/99 units on April 28, 2008.

After taking into account these early retirements and other FCC redemptions (normal redemptions or early redemption of debt securities), outstanding FCC units at June 30, 2008, excluding accrued interest, amounted to €3,662.4 million, broken down as follows:

	Nominal Euros	Quantity	Rate	Book value (€'000)
<b>PARTIMMO - 06/2000</b> (70% owner occupied – 30% investor)	2,863.94	115 242	5.80%	330,046
<b>PARTIMMO - 10/2001</b> (63% owner occupied – 37% investor)	2,653.94	156 861	5.00%	416,300
<b>PARTIMMO - 07/2002</b> (55% owner occupied – 45% investor)	3,312.00	113 511	5.20%	375,948
<b>PARTIMMO - 10/2002</b> (61% owner occupied – 28% investor - 11% co-owners)	3,309.15	65 655	4.53%	217,262
<b>PARTIMMO - 05/2003</b> (56% owner occupied – 41% investor – 3% co-owners)	4,594.70	89 407	4.00%	410,798
<b>PARTIMMO - 11/2003</b> (68% owner occupied – 30% investor – 2% co-owners)	4,799.42	96 223	4.20%	461,815
<b>ZEBRE ONE</b> (68% owner occupied – 29% investor – 3% co-owners)	4,804.71	106 184	4.25%	510,183
<b>ZEBRE TWO</b> (48% owner occupied – 44% investor – 8% co-owners)	5,912.08	68 016	3.46%	402,116
<b>ZEBRE 2006 -01</b> (65% owner occupied – 35% investor)	8,087.88	62 991	4.30%	509,464
<b>Subtotal</b>				<b>3,633,932</b>
Accrued interest				28,469
<b>TOTAL</b>				<b>3,662,401</b>

### 5.3 ISSUES

VMG did not issue any bonds during the first six months of 2008, though achieved its aims of maintaining its visibility and reputation with investors. VMG repaid two outstanding issues for a total of €500 million on January 28, 2008.

Outstanding VMG issues at June 30, 2008 are broken down as follows:

(in thousands of euro\$)

Issue date	Amount	Rate	Maturity
20/04/99	500,000	4.375	28/04/09
25/07/00	150,000	4.375	28/04/09
05/10/00	150,000	4.375	28/04/09
04/12/00	500,000	6.00	28/10/11
15/11/01	1,100,000	4.50	28/10/08
30/07/02	800,000	5.25	30/07/12
10/04/03	100,000	5.25	30/07/12
30/06/03	800,000	3.75	29/07/13
28/11/03	700,000	3.75	29/07/13
09/12/04	500,000	3.125	28/01/10
09/12/04	500,000	4.125	30/01/17
16/11/05	250,000	3.50	28/01/16
	<b>6,050,000.00</b>		

### 5.6 PRESENTATION OF THE INCOME STATEMENT AT JUNE 30, 2008

In millions of €

INCOME STATEMENT AT JUNE 30, 2008				
EXPENSES		INCOME		EARNINGS
Subordinated loan payments	83.60	FCC Unit income	88.00	6.65
Issue Repayment Reserve payments	42.67	Income from reinvested issue repayment reserves	44.91	
Interest on issues	133.42	Interest on loans and NDS	140.28	0.04
Issuing expenses	6.82	Deferred expenses	-	
Cash collateral immobilisation fee	4.16	Income from reinvested issue remuneration and compensation provisions	4.38	0.22
Other expenses	3.56	Income from reinvested current account deposits	1.24	2.17
		Other income	0.14	
				<b>4.74</b>

Net income at June 30, 2008 amounted to €4,740,226.64 after corporate income tax of €2,453,343 (compared to net income of €5,385,928.95 during the first six months of 2007).

VMG's income is based on fixed remuneration differences between its assets and liabilities. Since it has less assets on its balance sheet compared with the same period in 2007, its income automatically adjusts downward by the same proportion.

## **6.2 RECENT EVENTS**

The Company did not record any recent events that significantly impact the evaluation of its solvency.

## **6.3 OUTLOOK**

VMG will remain Crédit Foncier's triple-A rated refinancing vehicle, alongside Groupe Caisse d'Epargne's GCE Covered Bonds and Compagnie de Financement Foncier.

## **8. Information on trends**

### **Outlook for Vauban Mobilisations Garanties**

#### ***Trends***

No significant deterioration has affected the outlook of the Company since its last financial report was audited and published.

No known trend, uncertainty, claim, commitment or event is likely to have a material impact on the Company's outlook.

#### ***Material events***

No material events have affected the Company's situation since its last financial report was audited and published.

## **9. Administrative, management and supervisory bodies**

### **9.1.1.1 Members of the Management Board and the Supervisory Board**

#### **Management Board**

- **Denys Anorga**, member of the Management Board since January 20, 2005, tendered his resignation from VMG's Management Board on May 30, 2008

#### **Supervisory Board**

- **François-Xavier de Fournas** member of the Supervisory Board since July 13, 2004 and Deputy Chairman of the Supervisory Board since October 21, 2004, passed away at the end of the first semester of 2008.



## Description of certain asset items

	(IN EUROS)	
	30/06/2008	31/12/2007
<b>TRADE RECEIVABLES</b>		
- Customers - services rendered	-	-
- Customers - invoices to be issued	150 696.00	-
	<b>150 696.00</b>	<b>-</b>
<b>OTHER RECEIVABLES</b>		
- VAT deductible on goods & services	24 500.00	-
- VAT on invoices not yet received	-	-
- VAT - credit to carry forward	-	-
- Miscellaneous receivables		
- Current account – CFF taxes		
- State - Corporate income tax	2 827 385.00	
- State - Minimum corporate income tax	-	-
	<b>2 851 885.00</b>	<b>-</b>
<b>NEGOTIABLE DEBT SECURITIES</b>		
- Negotiable certificates of deposit	2 694 733 584.00	2 389 800 047.00
- Accrued interest on negotiable certificates of deposit	13 186 609.30	10 220 376.24
- Medium-term notes – CFF	6 007 539 417.00	6 503 951 317.00
- Accrued interest on medium-term notes - CFF	177 603 463.57	150 824 613.13
	<b>8 893 063 073.87</b>	<b>9 054 796 353.37</b>
<b>ACCRUALS</b>		
- Issuing expenses	4 729 712.30	5 599 948.05
- Deferred expenses	-	-
	<b>4 729 712.30</b>	<b>5 599 948.05</b>
<b>BOND REDEMPTION PREMIUMS</b>		
- Bond redemption premiums	36 693 193.36	42 638 415.47
- Deferred expenses	3 987 449.05	4 369 705.88
- Bond issue premiums	-	-
	<b>40 680 642.41</b>	<b>47 008 121.35</b>

## Description of certain liability items

	(IN EUROS)	
	30/06/2008	31/12/2007
<b>OTHER BONDS</b>		
- Other bonds	6 050 000 000.00	6 550 000 000.00
- Bond issue premiums	3 697 494.62	4 173 255.16
- Accrued interest on other bonds	174 116 598.35	147 475 973.88
	<b>6 227 814 092.97</b>	<b>6 701 649 229.04</b>
<b>OTHER BORROWINGS</b>		
- CFF cash collateral	209 942 870.00	195 267 211.00
- Issue Repayment Reserve	2 416 067 526.37	2 128 908 510.46
- Subordinated Loans	3 633 932 473.63	4 421 091 489.54
- Accrued interest on CFF cash collateral	1 528 543.03	1 301 160.83
- Accrued interest on reinvested CFF issue repayment reserves	16 397 760.19	14 250 340.40
- Interest due on subordinated loans (IF + IVA)	27 045 558.32	32 927 059.50
- Current account – CFF taxes	2 453 343.00	
	<b>6 307 368 074.54</b>	<b>6 793 745 771.73</b>
<b>TRADE ACCOUNTS PAYABLE</b>		
- Suppliers - purchases	-	-
- Suppliers - invoices not yet received	173 270.52	186 067.48
	<b>173 270.52</b>	<b>186 067.48</b>
<b>TAXES PAYABLE</b>		
- Payroll taxes	-	2 244.58
- Personnel – other accrued expenses	123.00	153.75
- State - Corporate income tax		190 573.00
- VAT collected	-	-
- VAT to be disbursed	-	-
- VAT on invoices to be issued	24 696.00	-
- State - accrued expenses	837.04	116.22
	<b>25 656.04</b>	<b>193 087.55</b>
<b>OTHER LIABILITIES</b>		
- Director's fees & other remuneration	6 750.00	-
- CFF suspense account	-	-
- Shareholders - dividends payable	-	-
	<b>6 750.00</b>	<b>-</b>

<b>INCOME STATEMENT</b> (in euros)	<b>30/06/2008</b>	<b>30/06/2007</b>	<b>31/12/2007</b>
<b>REVENUE FROM OPERATIONS</b>			
- Services rendered	128 300.00	127 300.00	274 534.70
Net revenue	128 300.00	127 300.00	274 534.70
- Deferred expenses	-	-	-
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<b>TOTAL OPERATING REVENUE</b>	<b>128 300.00</b>	<b>127 300.00</b>	<b>274 534.70</b>
<b>OPERATING EXPENSES</b>			
- Other purchases and expenses	965 468.10	927 284.12	1 596 480.48
- Taxes and assessments	110 959.89	110 337.55	110 970.15
- Salaries and wages	10 000.02	4 999.98	12 499.98
- Payroll taxes	3 242.10	1 379.19	3 431.60
- Depreciation and amortisation accruals	-	-	-
- Impairments and provisions for current assets	-	-	-
- Other expenses	14 400.00	16 200.00	37 650.00
<b>TOTAL OPERATING EXPENSES</b>	<b>1 104 070.11</b>	<b>1 060 200.84</b>	<b>1 761 032.21</b>
<b>OPERATING INCOME</b>	<b>975 770.11</b>	<b>932 900.84</b>	<b>1 486 497.51</b>
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- Interest expense	263 846 013.38	302 353 294.55	589 840 740.88
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<b>FINANCIAL INCOME</b>	<b>8 169 339.75</b>	<b>9 111 668.79</b>	<b>17 963 997.11</b>
<b>EARNINGS BEFORE TAX</b>	<b>7 193 569.64</b>	<b>8 178 767.95</b>	<b>16 477 499.60</b>
<b>EXTRAORDINARY GAINS</b>			
- On management operations	-	-	-
- On capital transactions	787 159 015.91	558 001 981.00	1 142 475 269.35
- Reversal of impairments, provisions and deferred expenses	-	-	-
<b>TOTAL EXTRAORDINARY GAINS</b>	<b>787 159 015.91</b>	<b>558 001 981.00</b>	<b>1 142 475 269.35</b>
<b>EXTRAORDINARY CHARGES</b>			
- On management operations	-	-	-
- On capital transactions	787 159 015.91	558 001 981.00	1 142 475 269.35
<b>TOTAL EXTRAORDINARY CHARGES</b>	<b>787 159 015.91</b>	<b>558 001 981.00</b>	<b>1 142 475 269.35</b>
<b>EXTRAORDINARY INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CORPORATE INCOME TAX</b>	2 453 343.00	2 792 839.00	5 654 759.00
<b>TOTAL EARNINGS</b>	<b>1 066 118 126.90</b>	<b>876 771 486.46</b>	<b>1 764 726 246.38</b>
<b>TOTAL EXPENSES</b>	<b>1 061 377 900.26</b>	<b>871 385 557.51</b>	<b>1 753 903 505.78</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>4 740 226.64</b>	<b>5 385 928.95</b>	<b>10 822 740.60</b>

## Description of certain income statement items

	(IN EUROS)		
	30/06/2008	30/06/2007	31/12/2007
<b>PRODUCTION SOLD (GOODS &amp; SERVICES)</b>			
- Services rebilled to CFF	128 300.00	127 300.00	274 534.70
	<b>128 300.00</b>	<b>127 300.00</b>	<b>274 534.70</b>
<b>INCOME FROM NEGOTIABLE CERTIFICATES OF DEPOSIT AND MEDIUM-TERM NOTES</b>			
- Revenue from medium-term notes	136 441 264.26	158 366 241.12	308 127 111.61
- Premium/discount on medium-term notes	3 843 053.65	3 635 628.40	7 331 515.84
- Revenue from negotiable certificates of deposit	50 541 794.94	39 033 798.08	84 398 727.02
	<b>190 826 112.85</b>	<b>201 035 667.60</b>	<b>399 857 354.47</b>
<b>OTHER PURCHASES AND EXPENSES</b>			
- CFF subcontracting commission	304 898.03	304 898.03	304 898.03
- General outsourcing	690.88	673.13	1 357.13
- Fees	104 710.00	28 431.12	78 446.36
Legal fees and litigation	18.98	547.69	1 259.01
- Miscellaneous	-	-	117.21
- Legal notices, inserts and advertising	291.13	975.19	3 486.56
- Publications	-	12 868.96	23 920.00
- Travel expenses	-	-	696.50
- Reception	72.00	-	-
- Banking services	-	-	-
- Commissions on security transactions (buy, sell, hold)	60 000.00	30 000.00	90 000.00
- Annual issue commissions	250.00	-	-
- Other fees & commissions	128 300.00	127 300.00	274 534.70
- CFF cash management commissions	183 137.52	210 795.00	408 882.49
- Commission for Foncier securitisation mandate	183 137.52	210 795.00	408 882.49
	<b>965 468.10</b>	<b>927 284.12</b>	<b>1 596 480.48</b>
<b>TAXES AND ASSESSMENTS</b>			
- Local business tax	-	-	55.00
- Payroll tax	836.64	273.05	758.40
- Apprenticeship & training tax	123.25	64.50	156.75
- Minimum corporate income tax	110 000.00	110 000.00	110 000.00
	<b>110 959.89</b>	<b>110 337.55</b>	<b>110 970.15</b>
<b>SALARIES AND WAGES</b>			
- Wages & salaries	10 000.02	4 999.98	12 499.98
- Bonuses & incentives	-	-	-
	<b>10 000.02</b>	<b>4 999.98</b>	<b>12 499.98</b>
<b>PAYROLL TAXES</b>			
- URSSAF	2 150.94	1 084.84	2 710.79
- Pension funds	377.16	294.35	720.81
- ASSEDICS	714.00	-	-
	<b>3 242.10</b>	<b>1 379.19</b>	<b>3 431.60</b>
<b>INTEREST EXPENSE</b>			
- Interest on subordinated loans	126 262 659.13	143 904 739.65	281 399 903.41
- Interest on borrowings & related debt	133 422 120.76	154 432 832.12	300 651 591.44
- Interest on current accounts and deposits	-	-	-
- Interest on CFF cash collateral	4 161 233.49	4 015 722.78	7 789 246.03
	<b>263 846 013.38</b>	<b>302 353 294.55</b>	<b>589 840 740.88</b>
<b>FINANCIAL DEPRECIATION, AMORTISATION AND PROVISIONS</b>			
- Amortisation of debt redemption premiums	5 945 222.11	6 151 951.20	12 178 218.90
- Amortisation of issuing expenses	870 235.75	1 025 290.92	1 993 485.44
	<b>6 815 457.86</b>	<b>7 177 242.12</b>	<b>14 171 704.34</b>

## **Notes to the Financial Statements**

Notes to the balance sheet before appropriation of earnings for the half-year ended June 30, 2008, showing total assets of €12,607,956,457.98 and notes to the income statement, showing revenue of €1,066,118,126.90 and net income of €4,740,226.64.

This situation lasted for six months covering the period from January 1 to June 30, 2008.

The notes are on Pages 20 to 33 below.

The accounting methods and calculations used for the annual financial statements are identical to those used for the last period's statements.

### **I - KEY EVENTS DURING THE FIRST HALF OF 2008**

The following key events affected the Company during the first half-year of 2008:

- Since January 1, 2008, VMG has been part of a tax consolidation group headed by Crédit Foncier.

### **II - PRINCIPLES**

#### **1. Operating principles**

VMG is a refinancing vehicle belonging to the Crédit Foncier group whose role is to issue debt secured by the latter's loans.

VMG issues debt in the form of investment securities, negotiable debt securities or bank loans. The proceeds from these issues are then used by Crédit Foncier to originate loans or for purchases of negotiable debt securities issued by Crédit Foncier.

To ensure the repayment of its senior debt, VMG holds quality assets comprised of FCC units financed by subordinated loans granted by Crédit Foncier.

VMG's balance sheet and income statement illustrate the principle behind securitised refinancing.

The Internal Regulations governing VMG's activities stipulate the rules the Management Board must follow to respect this principle. They also stipulate the means and procedures by which Supervisory Board carries out its oversight role.

The financial position displaying the balance sheet's main items is reported in accordance with the following pro-forma model (in millions of euros):

	30/06/08	31/12/07	31/12/06		30/06/08	31/12/07	31/12/06
FCC Units	3662	4456	5605	Subordinated Loans	3661	4454	5603
<i>(Other equity holdings)</i>				Issue Repayment Reserve	2432	2143	1497
				<i>(Borrowings)</i>			
Loans	-	-	-	Bond issues	6228	6702	7213
<i>(Loans and accrued interest)</i>				Money market issues (borrowings)	-	-	-
Negotiable debt securities and accrued interest	6185	6655	7163				
Short-term cash investments	2708	2400	1748	Cash collateral (borrowings)	211	197	209

## **2. Accounting Principles**

Generally accepted accounting principles, including the principle of prudence, that adhere to the following basic assumptions have been used for the financial statements:

- Business continuity
- Permanence of accounting methods from one year to the next
- Periodicity

These principles comply with general rules for establishing and presenting financial statements.

### **A - Equity holdings (Securities and accrued interest)**

Equity holdings correspond to senior securitisation units recognised at face value after taking into account amortisation since their date of acquisition.

Receivables on the above holdings consist of accrued interest at June 30, 2008.

These assets are broken down as follows:

	Nominal value	Quantity	Coupon rate	Book value (€'000)
<b>PARTIMMO - 06/2000</b> (70% owner occupied – 30% investor)	2,863.94	115 242	5.80%	330,046
<b>PARTIMMO - 10/2001</b> (63% owner occupied – 37% investor)	2,653.94	156 861	5.00%	416,300
<b>PARTIMMO - 07/2002</b> (55% owner occupied – 45% investor)	3,312.00	113 511	5.20%	375,948
<b>PARTIMMO - 10/2002</b> (61% owner occupied - 28% investor - 11% co-owner)	3,309.15	65 655	4.53%	217,262
<b>PARTIMMO - 05/2003</b> (56% owner occupied – 41% investor - 3% co-owner)	4,594.70	89 407	4.00%	410,798
<b>PARTIMMO - 11/2003</b> (68% owner occupied – 30% investor - 2% co-owner)	4,799.42	96 223	4.20%	461,815
<b>ZEBRE ONE</b> (68% owner occupied – 29% investor - 3% co-owner)	4,804.71	106 184	4.25%	510,183
<b>ZEBRE TWO</b> (48% owner occupied – 44% investor - 8% co-owner)	5,912.08	68 016	3.46%	402,116
<b>ZEBRE 2006-01</b> (65% owner occupied – 35% investor)	8,087.88	62 991	4.30%	509,464
<b>Subtotal</b>				<b>3,633,932</b>
Accrued interest				28,469
<b>TOTAL</b>				<b>3,662,401</b>

## B - Negotiable Debt Securities

- These are medium-term notes issued by Crédit Foncier and purchased by VMG pursuant to the provisions of the Subscription Master Agreement for Negotiable Debt Securities.

At June 30, 2008, VMG held the following Crédit Foncier medium-term notes:

*(in thousands of euros)*

<b>Purchase date</b>	<b>Amount</b>	<b>Rate</b>	<b>Maturity</b>
20/04/99	494,645	4.56	28/04/09
25/07/00	148,421	4.56	28/04/09
05/10/00	148,421	4.56	28/04/09
04/12/00	496,269	6.14	28/10/11
15/11/01	1,091,233	4.661	28/10/08
30/07/02	791,713	5.42	30/07/12
10/04/03	98,962	5.42	30/07/12
30/06/03	797,218	3.81	29/07/13
28/11/03	697,430	3.81	29/07/13
09/12/04	496,745	3.29	28/01/10
09/12/04	497,890	4.19	30/01/17
16/11/05	248,593	3.586	28/01/16
	<b>6,007,539</b>		

- This item also includes Negotiable Certificates of Deposit purchased by reinvesting cash balances from cash collateral (€62.90 million) and the Issue Repayment Reserve (€2,631.83 million), as well as accrued interest at June 30, 2008.

## C - Available-for-sale securities

At June 30, 2008, VMG held no available-for-sale securities.

## D - Borrowings and bonds

Borrowings and bonds outstanding are recognised at their redemption value.

Borrowing expenses (placement commissions, brokerage fees, other expenses) are amortised over the life of the debt. Expenses that have not yet been amortised are recognised under the item "Accruals – issue expenses".

Redemption premiums on bonds are amortised over the life of the bonds. Since June 30, 2006, issue premiums are no longer netted with redemption premiums and are recognised as "issue premiums" under the "Bonds" item.

Interest expense is determined under the accruals concept based on the yield to maturity and recognised as "Deferred expenses on bonds" under the "Bond redemption premiums" item.

Accrued expenses and issuance costs were previously recognised under the "Expenses attributable to other periods" item.

No bonds were issued in the first half of 2008.

Outstanding VMG issues at June 30, 2008 are broken down as follows:

*(in thousands of euros)*

<b>Issue date</b>	<b>Amount</b>	<b>Rate</b>	<b>Maturity</b>
20/04/99	500,000	4.375	28/04/09
25/07/00	150,000	4.375	28/04/09
05/10/00	150,000	4.375	28/04/09
04/12/00	500,000	6.00	28/10/11
15/11/01	1,100,000	4.50	28/10/08
30/07/02	800,000	5.25	30/07/12
10/04/03	100,000	5.25	30/07/12
30/06/03	800,000	3.75	29/07/13
28/11/03	700,000	3.75	29/07/13
09/12/04	500,000	3.125	28/01/10
09/12/04	500,000	4.125	30/01/17
16/11/05	250,000	3.50	28/01/16
	<b>6,050,000.00</b>		

III - NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

**Statement of assets**

Item	Gross value at year start	Increase	Decrease	Gross value at 30/06/08
- Equity holdings and accrued interest	4,455,751,552	87,995,468	881,345,538	3,662,401,482
- Loans and accrued interest	-	-	-	-
<b>Total</b>	<b>4,455,751,552</b>	<b>87,995,468</b>	<b>881,345,538</b>	<b>3,662,401,482</b>

**Accrued income**

AMOUNT OF ACCRUED INCOME INCLUDED UNDER THE FOLLOWING ITEMS	Amount	
	30/06/2008	31/12/2007
- Other equity holdings	28,469,009	34,660,063
- Loans	-	-
- Trade receivables	150,696	-
Negotiable debt securities - Medium-term notes	177,603,464	150,824,613
Negotiable debt securities - Negotiable Certificates of Deposit	13,186,609	10,220,376
	<b>219,409,778</b>	<b>195,705,052</b>

**Breakdown of share capital**

ITEM	Number
- Shares outstanding at year start	59 076
- Shares outstanding at the end of the period	59 076

*Statement of changes in shareholders' equity*

	Opening balance 01/01/2007	Allocations	Changes in capital and reserves		Amount at 31/12/2007	Allocations	Changes in capital and reserves		Amount at 30/06/2008
			Dividends paid in shares	Other changes			Dividends paid in shares	Other changes	
Share capital (1)	10 208 370		9 102 256	0	19 310 626				19 310 626
Share premiums					0				0
Reserves					0				0
Legal reserve	172 794	524 003			696 797	541 137			1 237 934
General reserve	0				0				0
Regulated reserves	0				0				0
of which									0
Regulated revaluation reserves	0				0				0
Special long-term capital gains reserves	0				0				0
Retained earnings	6 726 263	851 980			7 578 243	10 281 604			17 859 847
Net shareholders' equity before income for the year	17 107 427	1 375 983	9 102 256	0	27 585 666	10 822 741	0	0	38 408 407
Income for the year before allocation	10 480 073				10 822 741				4 740 227
Net shareholders' equity after income for the year	27 587 500	1 375 983	9 102 256	0	38 408 407	10 822 741	0	0	43 148 634
Dividends distributed		9 104 090				0			
	<b>Opening balance 01/01/2007</b>	<b>Allocations</b>	<b>Changes in provisions</b>		<b>Amount at 31/12/2007</b>	<b>Allocations</b>	<b>Changes in provisions</b>		<b>Amount at 30/06/2008</b>
			<b>Increases</b>	<b>Reversals</b>			<b>Increases</b>	<b>Reversals</b>	
Regulated revaluation reserves	0			0	0			0	0
Other regulated reserves					0				0
Regulated provisions	0	0	0	0	0	0	0	0	0
<b>Amount of shareholders' equity before allocation</b>	<b>27,587,500</b>	<b>1,375,983</b>	<b>9,102,256</b>	<b>0</b>	<b>38,408,407</b>	<b>10,822,741</b>	<b>0</b>	<b>0</b>	<b>43,148,634</b>
	<b>Opening balance 01/01/2007</b>	<b>Allocations</b>	<b>Changes in FGBR</b>		<b>Amount at 31/12/2007</b>	<b>Allocations</b>	<b>Changes in FGBR</b>		<b>Amount at 30/06/2008</b>
			<b>Increases</b>	<b>Reversals</b>			<b>Increases</b>	<b>Reversals</b>	
Fund for general banking risks	0	0		0	0			0	0
<b>TOTAL</b>	<b>27,587,500</b>	<b>1,375,983</b>	<b>9,102,256</b>	<b>0</b>	<b>38,408,407</b>	<b>10,822,741</b>	<b>0</b>	<b>0</b>	<b>43,148,634</b>
8									

(1) The share capital comprises 59,076 shares, including 15,000 worth a nominal value of €15.24, 4,961 worth a nominal value of €302.21, 19,622 worth a nominal value of €432.19 and 19,493 worth a nominal value of €466.95.

They all give their holders the same rights. No revaluation has been carried out to date. No new shares were issued during the accounting period.

**Maturity schedule of  
receivables**

ITEM	GROSS AMOUNT	MATURITY	
		1 year or less	More than 1 year
<b>Long-term loans and investments</b>			
- FCC Units (a)	3,633,932,474	225,814,111	3,408,118,363
- Accrued interest on equity holdings	28,469,009	28,469,009	-
- Loans	-	-	-
- Accrued interest on loans	-	-	-
<b>Current assets</b>			
- Trade receivables	150,696	150,696	-
- Personnel and accounts payable	-	-	-
- Negotiable Debt Securities - Medium-term notes	6,007,539,417	1,882,720,000	4,124,819,417
- Negotiable Debt Securities - Negotiable Certificates of Deposit	2,694,733,584	2,694,733,584	-
Accrued interest on Negotiable Debt Securities	190,790,073	190,790,073	-
- State - Value added tax	24,500	24,500	-
- State - Corporate income tax	2,827,385	2,827,385	-
- Current account – corporate income tax deposit	-	-	-
<b>TOTAL</b>	<b>12,558,467,137</b>	<b>5,025,529,358</b>	<b>7,532,937,780</b>
More than 5 years:			4,776,866,814

(a) These amounts are calculated based on theoretical repayment schedules. The nature of receivables held by the FCC and the theoretical rate of repayment thereof make it impossible to state what receivables mature in more or less than one year.

**Maturity schedule of liabilities**

ITEM	GROSS AMOUNT	MATURITY	
		1 year or less	More than 1 year
<b>Liabilities</b>			
- Outstanding bonds and accrued interest	6,227,814,093	2,075,022,724	4,152,791,369
- Other borrowings and accrued interest	-	-	-
- Subordinated loans and accrued interest (a)	6,093,443,319	2,685,324,956	3,408,118,363
- Cash collateral and accrued interest	211,471,413	211,471,413	-
- Current account – tax consolidation	2,453,343	2,453,343	-
- Trade payables	173,271	173,271	-
- Social security liabilities	-	-	-
- Tax debts	-	-	-
- Corporate income tax	-	-	-
- Value added tax	24,696	24,696	-
- Other taxes	960	960	-
- Other liabilities	6,750	6,750	-
<i>Of which, dividends payable -</i>	-	-	-
<b>TOTAL</b>	<b>12,535,387,844</b>	<b>4,974,478,112</b>	<b>7,560,909,732</b>
More than 5 years:			4,785,736,314

(a) Proceeds from subordinated loans are used to finance purchases of FCC Units. Repayment of these loans is governed by VMG's Internal Regulations. Maturities of more or less than one year shown above correspond to the theoretical maturity schedule of the FCC Units.

<b>Breakdown of accruals at June 30, 2008</b>				
	Total at 31/12/2007	Increase in 2008	Amortisation 2008	Balance sheet amount
- Issuing expenses	5,599,948		870,236	4,729,712
Total	<b>5,599,948</b>		<b>870,236</b>	<b>4,729,712</b>

<b>Breakdown of bond redemption premiums</b>				
	Total at 31/12/2007	Increase in 2008	Amortisation 2008	Balance sheet amount
- Redemption premiums	42,638,415		5,945,222	36,693,193
- Deferred expenses	4,369,706		382,257	3,987,449
Total	<b>47,008,121</b>		<b>6,327,479</b>	<b>40,680,642</b>

<b>Breakdown of deferred income and expenses at June 30, 2008</b>				
	Total at 31/12/2007	Increase in 2008	Amortisation 2008	Balance sheet amount
- Deferred expenses (Premiums on CFF medium-term notes)	4,544,959		523,808	4,021,151
- Deferred income (Discounts on CFF medium-term notes)	33,786,842		4,366,862	29,419,980

**Accrued expenses**

<b>AMOUNT OF ACCRUED EXPENSES</b>	<b>Amount</b>	
	30/06/08	31/12/07
- Bonds	174,116,598	147,475,974
- Other borrowings and financial debts – Other borrowings	-	-
- Other borrowings and financial debts - Subordinated debt	43,443,319	47,177,400
- Other borrowings and financial debts – Cash collateral	1,528,543	1,301,161
- Other borrowings and financial debts - Corporate income tax (tax consolidation)	2,453,343	-
- Trade accounts payable	173,271	186,067
- Tax debts & social security liabilities	25,656	193,088
- Other liabilities	6,750	-
	<b>221,747,479</b>	<b>196,333,690</b>

**Elements under several balance sheet items**

ITEM	<b>Amount concerning</b>	
	<b>Affiliated companies</b>	<b>Associate companies</b>
- Loans and accrued interest	-	-
- Trade receivables	150,696	-
- Other receivables (current account – tax consolidation)	-	-
- Negotiable Debt Securities and accrued interest	8,893,063,074	-
- Other borrowings and financial debts	6,307,368,075	-
- Trade accounts payable	63,313	-
- Social security liabilities	-	-
- Other liabilities (dividends)	-	-
	<b>15,200,645,158</b>	-

**Elements under several income statement items**

ITEM	Amount concerning	
	Affiliated companies	Associate companies
- Services rendered	128,300	-
- Income from Negotiable Certificates Of Deposit and medium-term notes	190,826,113	-
- Other purchases and expenses	548,036	-
- Interest on subordinated loans	126,262,659	-
- Interest on cash collateral	4,161,233	-
- Corporate income tax	2,453,343	-
	<b>324,379,684</b>	-

**Deferred expenses**

Expenses related to issues incurred during the financial year are recognised under "Accruals – issuing expenses" through the deferred expenses account. These expenses are then amortised on a straight-line basis over the life of the debt.

**Extraordinary gains and charges**

The FCC Units held by the Company are recognised as financial assets. Accounting rules applicable to trading companies require that gains and charges from the disposal of fixed assets be reported as extraordinary items.

As the Units are redeemable at their face value, extraordinary gains of €787.16 million for the first six months of 2008 offset extraordinary charges of €787.16 million from the impairment of long-term loans and investments, resulting in no extraordinary income.

### ***Financial commitments***

<b>COMMITMENTS MADE</b>	<b>Amount</b>
- Deposit of FCC Units and re-invested cash balances from cash collateral and the Issue Repayment Reserve into a Financial Instruments Account. This account has been pledged as a guarantee of the timely payment to banks and counterparties to interest rate swap agreements of any sums payable on bonds or other debt securities issued by VMG.	6,265,766,058
<b>COMMITMENTS RECEIVED</b>	<b>None</b>

### ***Tax consolidation***

Since January 1, 2008, VMG has been part of a tax consolidation group headed by Crédit Foncier.

VMG paid corporate income tax of €2,453,343 for the first half-year of 2008.

### ***Changes in deferred taxes***

No deferred tax liabilities or timing differences existed at June 30, 2008.

## **IV - ADDITIONAL INFORMATION**

The accounts of VMG are fully consolidated into those of its parent company, Crédit Foncier.

The total remuneration for members of the management and supervisory bodies amounted to €24,400.02 for the first six months of 2008.

## V – CASH FLOW STATEMENT

<b>CASH FLOW STATEMENT</b> <i>(in euros)</i>	<b>30/06/2008</b>	<b>31/12/2007</b>
<b>Operational activities</b>		
Net income for the year before tax	7,193,570	16,477,500
Adjustments		
Depreciation and amortisation of property, equipment, and intangible assets	-	-
Changes in provisions for impairments	-	-
Changes in provisions for contingencies and losses	-	-
Income from equity holdings	-87,995,468	-222,063,844
Interest expense on subordinated loans	126,262,659	281,399,903
Other income adjustments	2,149,243	10,468,913
Changes in customer receivables	0	0
Changes in short-term investment securities portfolio	496,411,900	497,964,000
Changes in other assets	-3,002,581	372,877
Changes in debts payable to banks and customers	-	-
Net issues of debt securities	-500,000,000	-500,000,000
Changes in other liabilities	304,114,539	630,375,213
Corporate income tax paid	-2,453,343	-5,654,759
<b>Total cash flows from operational activities</b>	<b>342,680,520</b>	<b>709,339,803</b>
<b>Investment activities</b>		
Proceeds from the disposal of:		
Long-term financial assets (FCC Units)	787,159,016	1,142,475,269
Tangible and intangible fixed assets	-	-
Disbursements for the acquisition of:		
Long-term financial assets (FCC Units)	-	-
Tangible and intangible fixed assets	-	-
Financial income from long-term financial assets (FCC Units)	94,186,522	228,971,356
Other	-	-
<b>Total cash flows from investing activities</b>	<b>881,345,538</b>	<b>1,371,446,625</b>
<b>Financing activities</b>		
Cash contribution to capital	0	621,824
Dividends distributed	0	-620,665
Net changes in subordinated loans	-787,159,016	-1,142,475,269
Interest expense on subordinated loans	-132,144,160	-287,962,039
Other changes	-	-1,744
<b>Total cash flows from financing activities</b>	<b>-919,303,176</b>	<b>-1,430,437,894</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>304,722,881</b>	<b>650,348,535</b>
Cash and cash equivalents at the beginning of the year	2,390,068,518	1,739,719,983
Cash and cash equivalents at the end of the period	2,694,791,399	2,390,068,518

<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS</b> <i>(in euros)</i>	<b>30/06/2008</b>	<b>31/12/2007</b>
<b>Cash and cash equivalents</b>	<b>2,694,791,399</b>	<b>2,390,068,518</b>
Cash, central bank, post office accounts	57,815	268,471
Certificates of deposits acquired with cash	2,694,733,584	2,389,800,047

## **Notes to the cash flow statement of Vauban Mobilisations Garanties**

The main method used was to analyse balance sheet movements by comparing the 2008 and 2007 audited and published financial statements. The breakdown of the cash flow statement into different sections is based on details provided in the notes to the financial statements of the years in question, including both the notes to the balance sheet as well as the income statement.

This document takes into account VMG's special status as a refinancing vehicle. Operational activities are therefore presented using the indirect method and include purchases of medium-term notes issued by VMG's parent company, Crédit Foncier de France, and refinancing operations involving senior debt issues whose proceeds are used to purchase said notes. VMG's main activity is to provide Crédit Foncier with the funds it needs to finance its loan origination business.

VMG's investment activities consist of purchasing FCC Units which serve as collateral for the senior debt issues mentioned above.

Finally, financing activities include transactions involving shareholders' capital and Subordinated Loans granted by Crédit Foncier de France for the purchase of FCC Units serving as collateral for bond issues.

Cash is defined as:

- Cash on hand or demand deposits with credit institutions
- Or negotiable certificates of deposits acquired by VMG by reinvesting cash collateral and issue repayment reserves.

**KPMG Audit**

Immeuble KPMG

1, cours Valmy

92923 Paris La Défense Cedex

**PricewaterhouseCoopers Audit**

63, rue de Villiers

92200 Neuilly-sur-Seine

**Statutory auditors' report on the financial information for the first six months of 2008**

To the Shareholders

**Vauban Mobilisations Garanties**

16, rue Volney

75002 Paris

Sir/Madam,

In accordance with the mandate we have been charged with by shareholders voting during your general meeting and pursuant to Articles L. 232-7 of the French Commercial Code and L. 451-1-2 III of the French Monetary and Financial Code, we have:

- Conducted a limited review of Vauban Mobilisations Garanties' half-yearly financial statements, for the period extending from January 1 to June 30, 2008, as presented in this report
- Verified the information provided in the half-yearly report

These half-yearly financial statements have been prepared under the responsibility of your Management Board. Our role is to provide an opinion on these financial statements, based on our limited review.

**1. Opinion on the financial statements**

We conducted our limited review in accordance with professional standards applicable in France. A limited review essentially consists of meeting with executives in charge of accounting and financial matters and implementing analytical procedures. This work is less extensive than those required for an audit according to professional standards applicable in France. Accordingly, this limited review provides a moderate degree of assurance that the financial statements taken as a whole are free of material misstatement, a lesser degree of assurance than that obtained by a full audit.

Based on our limited review, we have not found any material misstatement likely to call into question, in light of French accounting rules and principles, the consistency and sincerity of the half-yearly financial statements nor their representation of the company's assets and its financial situation at the end of the semester as well as the results for the last semester.

## **2. Specific verification**

We also verified the information provided in the half-yearly financial report referencing the financial statements on which our limited review was based. We have no matters to report regarding its fair presentation and conformity with the half-yearly financial statements.

**Paris la Défense and Neuilly-sur-Seine, August 27, 2008**

The Statutory Auditors

**KPMG Audit**  
*Department of KPMG S.A.*

**PricewaterhouseCoopers Audit**

Rémy Tabuteau

Anik Chaumartin

## AMF CROSS-REFERENCE TABLE

Sections from the schema in Annex IV of CE Regulation No. 809/2004

	Item	Page in this update to the reference document 2007	Page in the reference document 2007
<b>1.</b>	<b>PERSONS RESPONSIBLE</b>		
1.1.	Persons responsible for the information	7	11
1.2.	Declaration by those responsible	7	11
<b>2.</b>	<b>STATUTORY AUDITORS</b>		
2.1.	Identification of statutory auditors		12 to 13
2.2.	Statutory auditors during the period covered by the historical financial information		12 to 13
<b>3.</b>	<b>SELECTED FINANCIAL INFORMATION</b>		
3.1.	Financial information	4 and 5	8 and 9
3.2.	Financial information for interim periods	N/A	N/A
<b>4.</b>	<b>RISK FACTORS</b>	8	14
<b>5.</b>	<b>INFORMATION ABOUT THE ISSUER</b>		
5.1.	Corporate history and development		
5.1.1.	Corporate name and commercial name of the issuer		15
5.1.2.	Issuer location and company registration number		15
5.1.3.	Date of incorporation and term of the issuer		15
5.1.4.	Registered office and legal form of the issuer		15 to 17
5.1.5.	Recent events that significantly impact the evaluation of the issuer's solvency	12	16 to 20
5.2.	Investment	N/A	N/A
<b>6.</b>	<b>BUSINESS OVERVIEW</b>		
6.1.	Main operations		
6.1.1.	Main categories of services rendered		21 to 30
6.1.2.	New product sold or new activities	N/A	N/A
6.2.	Main markets		21 to 22 and 30
6.3.	Commercial positioning	N/A	N/A
<b>7.</b>	<b>ORGANISATION CHART</b>		
7.1.	Description of the group and the issuer's role		31
7.2.	Interdependence with other group entities		31
<b>8.</b>	<b>INFORMATION ON TRENDS</b>		
8.1.	Declaration that no significant deterioration has affected the outlook of the Company since its last financial report	13	32
8.2.	Event reasonably likely to materially affect the outlook of the issuer	13	32
<b>9.</b>	<b>PROFIT FORECASTS AND ESTIMATES</b>	N/A	N/A
<b>10.</b>	<b>ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES</b>		
10.1.	Name, address and function of members of the administrative and management bodies and main positions outside the Company	13	33 to 40
10.2.	Declaration of the absence of conflicts of		40

	interest		
<b>11.</b>	<b>ADMINISTRATIVE AND MANAGEMENT BODIES</b>		
11.1.	Information on the audit committee	N/A	N/A
	Names of members and summary of the mandate	N/A	N/A
11.2.	Corporate governance		33 and 61 to 71
<b>12.</b>	<b>MAIN SHAREHOLDERS</b>		
12.1.	Holders, control		41
12.2.	Known agreement that may lead to a change of control	N/A	N/A
<b>13.</b>	<b>FINANCIAL INFORMATION CONCERNING ASSETS &amp; LIABILITIES, FINANCIAL POSITION AND EARNINGS</b>		
<b>13.1.</b>	<b>Historical financial information</b>		Reference Document 2006 (*)
<b>13.2.</b>	<b>Annual financial statements</b>		
	1. Balance Sheet	14 to 16	42 to 44
	2. Off-balance sheet	N/A	N/A
	• Income statement	17 to 18	45 to 46
	• Consolidated statement of cash flows	31 to 32	57 to 58
	• Accounting methods and explanatory notes	19 to 32	47 to 58
<b>13.3.</b>	<b>Verification of annual historical financial data</b>		
13.3.1.	Statutory auditors' report	33-34	59 to 60 (*)
13.3.2.	Other information in the document verified by the statutory auditors		58 to 71
13.3.3.	Financial information in the document from unaudited financial statements	4 to 5	8 to 9
<b>13.4.</b>	<b>Date of latest financial information</b>		
13.4.1.	Last year for which financial information has been audited		59
<b>13.5.</b>	<b>Interim financial information and other</b>		
13.5.1.	Quarterly or semi-annual financial information since the date of the last audited financial statements	N/A	N/A
13.5.2.	Interim financial information since the end of last year	N/A	N/A
<b>13.6.</b>	<b>Legal proceedings and arbitration</b>		74
<b>13.7.</b>	<b>Significant changes in the financial position or commercial positioning</b>		
	• Statement		74
<b>14.</b>	<b>ADDITIONAL INFORMATION</b>		
<b>14.1.</b>	<b>Share capital</b>		
14.1.1.	Amount of issued share capital	9	16 and 75
<b>14.2.</b>	<b>Memorandum and Articles of Association</b>		
14.2.1.	Registration and corporate purpose		15 to 16 and 76 to 78
<b>15.</b>	<b>MAJOR CONTRACTS</b>		
	• Regulated agreements		41
<b>16.</b>	<b>INFORMATION FROM THIRD PARTIES AND STATEMENTS BY EXPERTS AND</b>	N/A	N/A

	<b>DECLARATIONS OF ANY INTEREST</b>		
<b>17.</b>	<b>DOCUMENTS AVAILABLE TO THE PUBLIC</b>		
	Place where documents can be examined during the document's term of validity		78

(\*) Pursuant to Article 28 of Regulation 809-2004 on prospectuses, accounts for the financial year ended December 31, 2006 and the report of the statutory auditors thereon, on pages 42 to 77 of Reference Document No. D07-0667 filed with the French Financial Markets Authority on July 2, 2007, are incorporated in this document for reference.

The chapters of Reference Document No. D07-0667 not mentioned above are either irrelevant to the investor or covered elsewhere in this reference document.

<b>Components of the half-yearly financial report at June 30, 2008</b>	<b>Page in this update to the reference document 2007</b>	<b>Page in the reference document 2007</b>
<b>Statement from the person responsible for the reference document</b>	7	11
<b>MANAGEMENT REPORT</b>		
- Analysis of the financial position and results	10 to 12	17 to 20 and 27 to 28
- Risk factors	8	14
<b>FINANCIAL STATEMENTS</b>		
- Annual accounts	14 to 32	42 to 60
- Statutory auditors' report on the annual accounts	33-34	59 to 60
- Report from the Chairman of the Supervisory Board pursuant to Article L. 225-68 of the French Commercial Code		61 to 71
- Statutory auditors' report on internal control		72 to 73



## **VAUBAN MOBILISATIONS GARANTIES**



## **VAUBAN MOBILISATIONS GARANTIES**

French limited company with Management and Supervisory Boards, with share capital of €19 310 626.35

Registered office: 16, rue Volney - Paris 2<sup>ème</sup>

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