

CADES

FEBRUARY 2002 - No. 6

Newsletter

caades 5.125% October 2008
caades 3.375% July 2004
caades 5.25% October 2012
caades 3.375% July 2004



Patrice RACT MADOUX
Chairman of CADES

E D I T O R I A L

In just over six years – roughly a third of the way into its planned term – CADES has amply demonstrated its efficacy, both as a social security amortization fund and as a debt issuer. We have already paid down €10.09 billion, out of a total of €50.94 billion in accrued liabilities, through more than 2,500 financial market transactions denominated in 11 currencies. On the basis of conservative, reasonable redemption hypotheses through January 2014, CADES expects to fully repay the outstanding balance of €40.85 billion on schedule.

In 2001, CADES was particularly active in the area of long-term products, listing three of its benchmark debt issues on the MTS France electronic trading platform (each was tapped up to more than €3 billion at the time of listing) and enhancing its range of products pegged to the French consumer price index. More importantly, CADES has secured its reputation in Europe as a strong and innovative issuer.

In 2002, we plan to issue another €4.5 billion in the financial markets. Three key considerations will underpin the pursuit of our defined strategy: the need to maintain a high level of liquidity for our issues listed on MTS France; the desire to build on our indexed products; and the ability to develop the kind of customized issues for which issuers of our stature are increasingly sought out.

But more than anything else, we will remain committed to quality, liquidity and creativity.

P Ractelx

A sought-after, liquid, flexible issuer

At December 31, 2001, CADES debt totaled €40.85 billion.

**Total debt:
€40.85 billion**

Focus

At December 31, 2001, indexed bonds issued by CADES totaled €5.13 billion.

**Indexed:
€5.13 billion**

An issuer of quality

CADES enjoys a triple-A rating and a 0% Basel ratio weighting.

**AAA/A1+
Aaa/P1
AAA/F1+
0%**

July 2004
caades 3.375% July 2004
s 5.25% October 2012



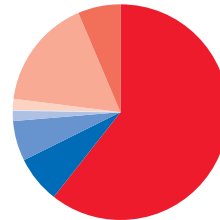
Accomplishments in line with objectives

€4.3 billion issued

In 2000, CADES issued an impressive €2.1 billion in international medium-term debt (EMTN). In 2001, CADES was particularly active in the bond markets, completing 12 transactions.

Worth noting: two MTS benchmark issues (3.375% July 2004 and 5.25% October 2012) and indexed bonds were tapped up ten times.

Analysis of debt structure by instrument



Euro-denominated:	60%	Domestic CP	0%
MTNs:	7%	IAB	2%
Private placements:	6%	Inflation-linked bonds(CADES)	17%
Commercial paper:	2%	Other denominations:	6%

CADES: an active issuer

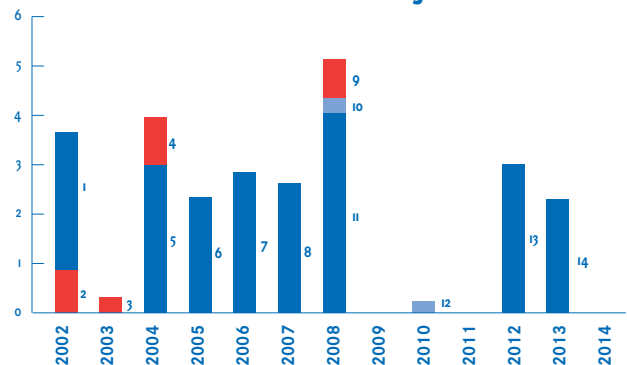
Since it was founded, CADES has been an active debt issuer. After an initial period during which most of its issues were short-term instruments, CADES shifted its focus, smoothing out its debt profile with longer maturities that combine liquidity and creativity. In six years, CADES has issued 40 tranches of bonds in six different currencies, including two indexed issues; 2,420 short-term papers (domestic, US and euro commercial paper); two syndicated loans; 36 MTNs; and nine private placements.

Debt structure by currency

in euros

EUR	25 024 114 908	USD	1 952 232 935
GBP	1 065 232 111	JPY	98 339 977
HKD	64 000 000	CHF	316 000 000

Amortization schedule of medium- and long-term debt

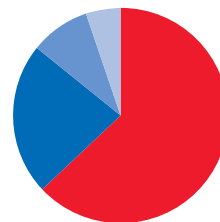


- | | |
|---------------------------------|--|
| 1. EUR 5.5% 25 April 2002 | 8. EUR 6.25% 25 October 2007 |
| 2. USD 6.5% 11 March 2002 | 9. GBP 6.25% 5 March 2008 |
| 3. CHF 2.5% 17 March 2003 | 10. EUR Indexed amortization (IAB) 4.71% 11 May 2008 |
| 4. NLG 6.375% 29 July 2004 | 11. EUR 5.125% 25 October 2008 |
| 5. EUR 3.375% 12 July 2004 | 12. EUR IAB 4.6% 15 July 2010 |
| 6. EUR 6% 25 July 2005 | 13. EUR 5.25% 25 October 2012 |
| 7. EUR Cades/ 3.8% 25 July 2006 | 14. EUR Cades/ 3% 25 July 2013 |

CADES: an international issuer

At December 31, more than 35% of the CADES debt was in the hands of non-resident investors. This diversity reflects its reputation as an issuer of quality, its 0% Basel ratio weighting, and the intensive communications campaigns initiated abroad. In less than six years, CADES has made more than 25 overseas presentations.

Geographic breakdown of investors



France	63%	Japan	9%
Europe	23%	Asia	5%

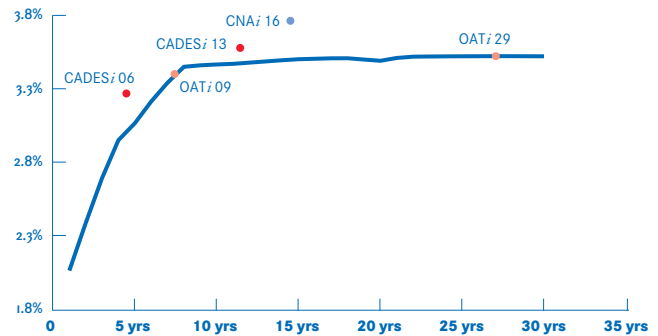
2001: Focus on long-term instruments

CADES, a benchmark issuer of bonds pegged to the French consumer price index

Indexed issues were prevalent for CADES in 2001, accounting for 57% of total issues. Ten tranches were issued in 2001 for a total of €2.48 billion on two outstanding notes, the Cades*i* 3.8% July 2006 and the Cades*i* 3.15% July 2013. This strategy, which is based on the strong correlation between French inflation and the CRDS, CADES' primary resource, has given CADES a pivotal position in this market, which is attracting increasing attention on the part of investors.

Yield curve

January 15, 2002

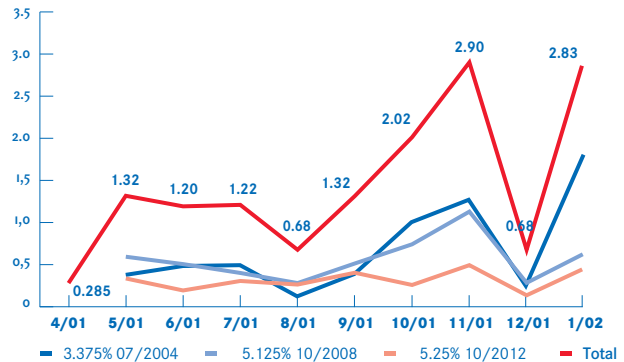


CADES on MTS France

In the interest of enhancing the liquidity of its benchmark issues in euros, CADES decided to list three of them as of April 2001 on MTS France, which were tapped up to more than €3 billion in 2001. This listing on MTS France, as well as the implementation of a pool of 16 primary dealers committed to making market, had an immediate impact: in November 2001, the aggregate liquidity of the three issues was €2 billion.

Transactions on MTS France

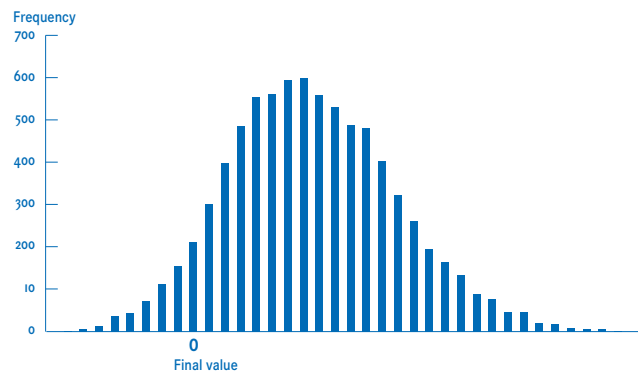
in euro billions



A secure structure

The Cades risk management strategy is supported by three pillars: an effective asset liability management model; the elimination of exchange rate volatility; and substantial reduction of the counterparty risk through weekly, and sometimes daily, automatic margin calls. CADES has also implemented an effective governance structure, subjecting its financial statements not only to an audit by its Board of Directors and Supervisory Board, whose members include legislators, but also to the specific mechanism that governs all public agencies in France. CADES has also opted for a parallel, private certified audit procedure, commonly used by credit institutions, in compliance with recommendations issued by the

Analysis of the final value of CADES issues: January 31, 2014 (current structure)



Basel Committee and the CRBF (*Comité de la réglementation Bancaire et Financière*), which regulates the French banking and financial services industry.

OUTLOOK for 2002

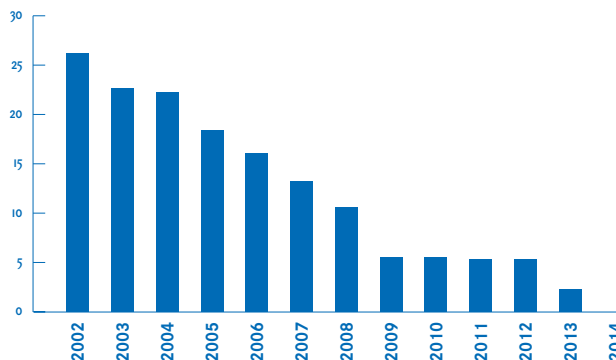
Based on a CRDS revenue target of €4.6 billion, scheduled redemptions of €4.5 billion and a payment to the government of €3 billion, CADES plans to issue nearly €4.5 billion in 2002. This year's issuance policy will be guided by three major considerations:

- Maintain sufficient liquidity for the three listings on the MTS France.
- Remain actively focused on bonds pegged to the French consumer price index (excluding tobacco). The addition of a third point to the yield curve is also being considered.
- Develop customized products, including structured products, private placements or new currency denominations.

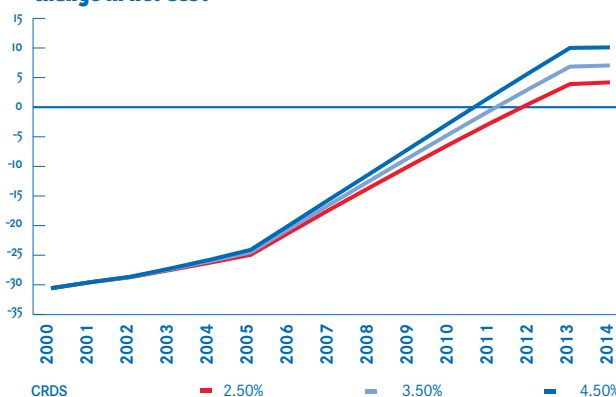
The January 2002 issue of a €380 million "uridashi" (3.7%, due February 2005) bond targeting Japanese retail investors meets funding objectives.

Debt amortization profile

in euro billions



Change in net debt



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16 MTS primary dealers committed to market making

ABN Amro	<AABCADES>
Barclays Capital	<BARCAPCADES>
BNP-Paribas	<BNPPCADES>
CDC Ixis	<CDCCADES>
Commerzbank	<CBEURO03>
Crédit Agricole Indosuez	<CAICADES01>
Deutsche Bank	<DBF75>
Dresdner Kleinwort Wasserstein	<DRBCADES>
HSBC-CCF	<HSBCCCCFCADES>
JP Morgan	<JPMEUSUP01>
Lehman Brothers	<LBCADES>
Merrill Lynch	<MLFCADES>
Natexis Banques Populaires	<NBPCADES>
Nomura	<NOMCAD01>
Société Générale	<SGCADES01>
UBS	<UBSEURO04-06>

BRIEFLY NOTED...

• New members of the CADES team in 2001

Corporate Secretary's office:

Denis Sarazin-Charpentier and Geneviève Gauthier.

Front office:
Pierre Hainry.

• Appointed to the Supervisory Board:

Senator Alain Vasselle replaces Mr. Descours, Senator Alain Joyandet replaces Mr. Oudin, Ms. Daniele Karniewicz replaces Mr. Cazettes,

Mr. Gérard Quevillon replaces Mr. Ravoux.

• **The Supervisory Board** met on October 24, 2001. Marc Laffineur, Deputy, chaired the meeting.