CADES Newsletter

DECEMBER 2002 – No.8

cades 3.375% July 2004
cades 5.125% October 2008
cades*i* 3.8% July 2006
cades 5.25% October 2012
cades*i* 3.15% July 2013
cades*i* 3.4% July 2011

Patrice RACT MADOUX
Chairman of Cades

EDITORIAL

CADES' financial statements for the first half of 2002 attest to its commitment to disciplined management and the highest levels of disclosure in fulfilling its mission of paying down the social security debt.

CADES is not only in a position to redeem its bond issues and meet its repayments to the government, but also will make an additional contribution towards amortizing the social security debt in 2003. Although this exceptional payment of approximately 1.3 billion euros will generate an accounting loss in 2003, this in no way compromises CADES' excellent reputation as a debt issuer of the highest quality. Assuming median growth of 3.5% in CRDS revenues per annum from 1996 to maturity, CADES fully expects to be able to pay down the remainder of the social security debt it has assumed by the January 2014 due date.

Since it was established in 1996, CADES has played a role in reforming the social security system, taking on debt totaling 52.8 billion euros. Today, 39.4 billion euros remain outstanding.

In accordance with its strategy of focusing on products that are optimally correlated to its resources, CADES launched a new French inflation indexed bond issue in June 2002, maturing in 2011. Encouraged by the high demand for this product on the part of French and foreign investors, CADES has tapped up the issue twice since that date. Other products have played a major role in its issuance program, particularly short-term and customized instruments, selected to enable CADES to best adapt to changes in the bond and capital markets.

P Ractmdx

July 2004
cades*i* 3.8% July 2006
s 5.25% October 2012
s*i* 3.4% July 2011

CADES' financial statements for the six months ended June 30, 2002 were submitted to the approval of its Board of Directors on October 22, 2002. Mr. Ract Madoux chaired the Board meeting.

An issuer of quality

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

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

Key Figures
at June 30, 2002
in euro billions

Net debt remaining to be paid	
Initial	52.8
Outstanding	39.4
Income	
CRDS net revenues	2.101
Net income from real estate	0.020
Payment to the government	-1.500
Interest expense	-0.740
Net income	-0.121

CADES 1996 — 2014

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED

Half-year results in line with objective of financial balance at year-end

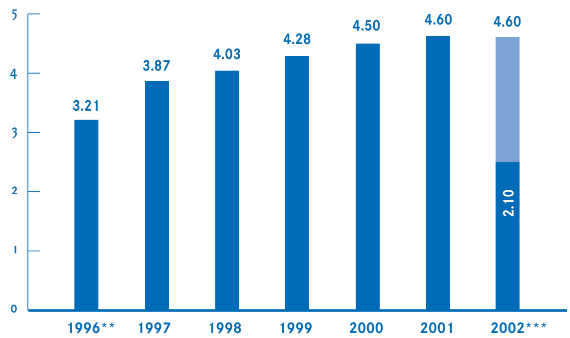
In the furtherance of its mission, which is to pay down the debt it assumed from the *Agence centrale des organismes de Sécurité Sociale* (ACOSS) and make annual payments to the government until 2005 on that portion of the social security debt taken over by the government, CADES receives all receipts (net of collection fees) from the social debt reimbursement contribution (CRDS). In line with forecasts, CRDS revenues amounted to 2.101 billion euros for the first half of 2002, up 2.88% compared with the corresponding prior period.

In the first half of 2002, CADES disposed of a dozen properties in its real-estate portfolio for a total of 67 million euros, generating a capital gain of 16.8 million euros compared with the balance sheet carrying value of the properties in question.

In accordance with prevailing accounting regulations, CADES recorded one-half of the 1.2 billion increase in its annual payment to the government. This additional expense, approved under the 2002 Finance Act, was not offset by higher revenues during the period ended June 30, 2002. However, CRDS revenues will increase by the end of the year, when the portion of such revenues that is collected by the Treasury network is transferred to CADES. Since the accounting loss of 121 million euros recorded for the first half of 2002 will be offset by the end of the current year, the forecast of financial balance in 2002 remains unchanged.

Net CRDS growth*

in euro billions



** Net of collection fees (ACOSS, Trésor Public)*
*** on 11 months*
**** estimate*

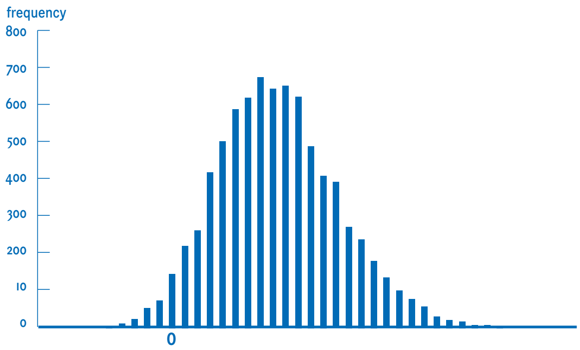
Objective of fully repaying debt by January 2014 due date maintained

CADES intends to continue practicing the discipline and commitment to full disclosure that have characterized its financial management in the past, and consequently is confident that the social security liabilities it has assumed will be fully amortized within the deadline established by law.

Moreover, assuming 3.5% growth in CRDS revenues per annum from 1996 to maturity (a conservative estimate), CADES expects that its active debt management strategy will enable full repayment by January 2014.

Analysis of the final value of CADES issues: January 31, 2014

(current structure)



JUNE 30, 2002

Active debt management

New CADES*i* 3.40% maturing in July 2011 meets with success

During the first quarter, CADES redeemed a 2.7 billion euro 5.5% bond issued in June 1996 and a 1 billion dollar 6.5% bond issued in 1997. Both issues had reached maturity. In June of this year, CADES launched a third indexed bond issue pegged to the French consumer price index (excluding tobacco), the CADES*i* 3.40% due in July 2011.

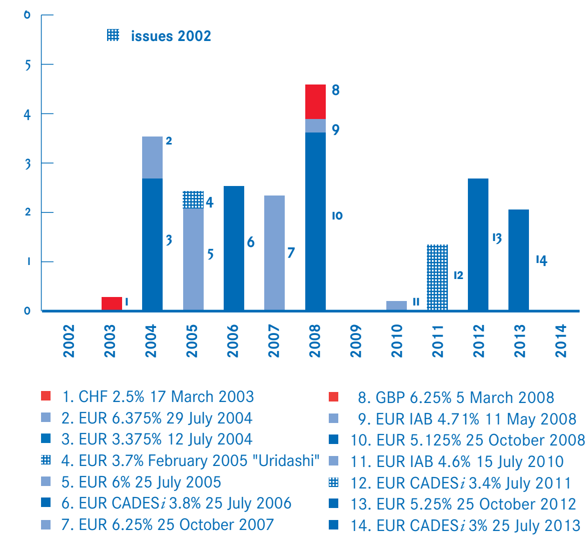
Inflation-indexed bonds present the dual advantage of being closely correlated to CADES' resources – CRDS revenues – and offering investors an attractive return. In addition, demand for this type of product continues to rise.

This transaction, which initially totaled 600 million euros, added a third point to the yield curve, between the existing CADES*i* 2006 and CADES*i* 2013 issues. Together with the OAT*i* 2009 and OAT*i* 2029 issues by Agency France Trésor, and the CNA*i* 2016, it has contributed to building a real rate yield curve of increasing significance, and has met with considerable success among investors, for whom the visibility and security of CADES are key decision factors. In response to demand, CADES tapped up the issue by 400 million euros in July and by 500 million euros in November, bringing the total amount outstanding to 1.5 billion euros.

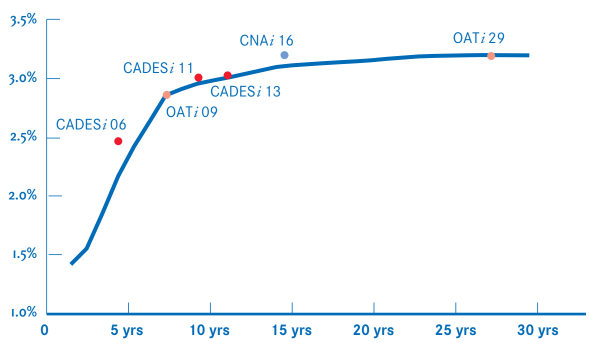
With this new issue, the total amount of CADES' debt indexed to the French consumer price index (excluding tobacco) reached 6.6 billion euros, approximately 23% of its total outstanding debt. For the year 2002, the proportion of indexed bonds is even more significant: 1.5 billion euros of an issuance program totaling 4 billion euros.

Customized products, for which there is strong demand, also play a key role in the CADES strategy. In January of 2002, CADES launched one such issue, a 380 million euros (Uridashi) bond targeting Japanese retail investors.

Amortization schedule of medium- and long-term debt



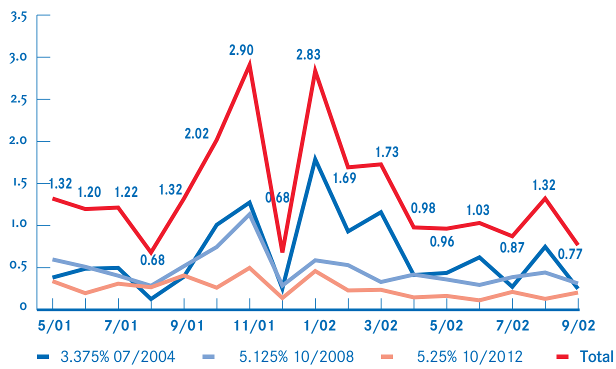
Yield curve



Transactions on MTS France

Benchmarks of CADES euro-denominated issues

in euro billions



2003 OUTLOOK

CADES pursues its winning issue strategy

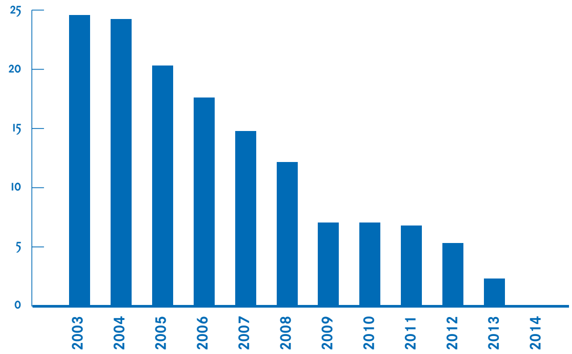
CADES' decision to further develop customized products, while increasing the number and amount of issues pegged to French inflation and enhancing the liquidity of its traditional issues, clearly illustrates its commitment to continuously adapting its offer to market and investor needs, thereby fulfilling its mission of repaying the social security debt by 2014.

In an investment market that prizes high-quality bonds with top ratings from the international rating agencies, CADES' commercial paper is a standout. It continually maintains the liquidity of its benchmark debt issues (maturing in 2004, 2008 and 2012) on the MTS France platform in order to meet demand, particularly from the central banks. Through its indexed bond issues, for which market demand continues to increase, CADES is able to achieve a strong correlation with its CRDS revenues and also provide investors with an effective hedge against inflation.

In the interest of maintaining the highest degree of visibility for its issues, CADES plans to pursue its ambitious communications program, which includes frequent presentations to investors in France and abroad and regular press conferences.

Debt amortization profile

in euro billions



16 MTS primary dealers committed to making market

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	<HSBCCCFCADES>
JP Morgan	<JPMEUSUP01-04>
Lehman Brothers	<LBCADES>
Merrill Lynch	<MLFCADES>
Natexis Banques Populaires	<NBPCADES>
Nomura	<NOMCAD01>
Société Générale	<SGCADES01>
UBS	<UBSEURO04-06>

Appointments...

Board of Directors

By decree of the President of the Republic, dated October 16, 2002, **Mr. Patrice Ract Madoux** was reappointed chairman of the board of directors of the Caisse d'Amortissement de la Dette Sociale. *(Decree of October 16, 2002, published in the J.O. No. 244 of October 18, 2002)*

Mr. Benoît Coeuré, Deputy Chief Executive of Agence France Trésor, replacing **Mr. Sylvain de Forges**

Supervisory Board

Mr. Bernard Accoyer and **Mr. Eric Besson,** elected representatives of the French Assemblée Nationale, replacing **Mrs. Muguette Jacquaint** and **Mr. Marc Laffineur.**

Mr. Adrien Gouteyron, elected representative of the French Sénat, replacing **Mr. Alain Joyandet.**

CADES

Éric Ralaimiadana joined CADES in early May. His duties include monitoring the ALM model.

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Bloomberg	CADES <GO>
Reuters	CADESMTS01
	CADESMTS02
	CADES01-04
	CADES/CADET
	CADEU/CADEV

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