CADES

The Letter

N°25 JUNE 2009

"2008 full year results and annual report, examined during CADES Supervisory Board held on June 10, 2009, showed once again, under difficult market conditions, great efficiency of social debt amortization system managed by CADES and unique in the world" (Mr. Jean-Jacques Jegou, Senator of Val de Marne, Chairman of the Supervisory Board).

Jean-Jacques Jegou
Chairman of the Supervisory Board

2008 full year results were approved at the end of April by the Board of Directors.

In 2008, CADES earnings reached €5.98 billion:
- €2.9 billion were allocated to amortising the debt in accordance with the amortization objective fixed by law for 2008;
- €3.1 billion to interest payments, a similar amount to previous year.

A capacity to adapt to and respond quickly to market conditions, combined with the strong relationship it has build progressively with investors throughout the world, helped CADES to successfully issue €8.6 bn of bonds under various financial instruments and investment terms during 2008. For the first time, the US dollar market represented the first financing source before Eurobonds.

Three issues were launched before the summer 2008, two 3-year and one 5-year maturity. A new benchmark bond with a 5-year maturity was launched at the end of August, just before the financial crisis deepened, allowing CADES to benefit from historical low financial conditions (Euribor 3-month -14 bps).

Short-term issuing programmes were very active, mainly US dollar issues. Risk aversion led investors, especially central banks, to shorten their investment maturities and to shift towards zero-risk instruments from governments and quasi-government organisations such as CADES.

Patrice Ract Madoux
Chairman of the Board of Directors

The liquidity of these markets allowed CADES to redeem its bonds and to carry out part of the debt transfer under extremely favorable financing conditions.

The beginning of the year 2009 confirmed CADES in its position of first-ranked international issuer. The €26.9 bn newly assumed debt increased its financing programme to €33.1bn. Despite market conditions, the CADES programme is running well with €15,5 bn already issued. Operations successfully met the requirements of investors who rank CADES' issues highly as possessing quality and stability in today's uncertain capital markets.

KEY FIGURES AS OF 31/12

In million euros	2008	2007	2006
CRDS revenues	5, 980	5,681	5,479
Financial results	-3 093	-3 101	- 2 661
Net earnings	2,885	2,578	2,815

APPOINTMENTS

Board of Directors
Mr. Ramon Fernandez replacing Xavier Musca (by decree from April 17, 2009)

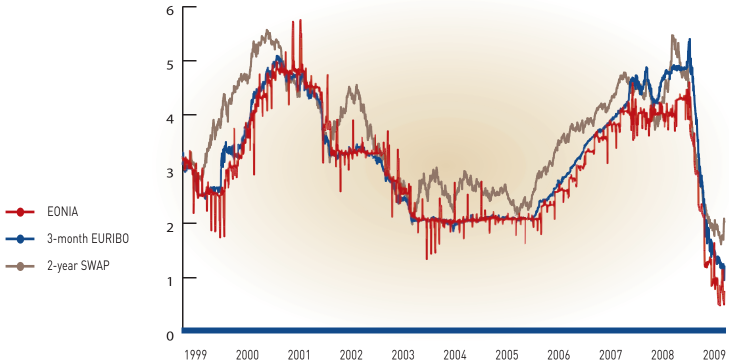
Supervisory Board
Mr. Ramon Fernandez, as a representative of the Minister in charge of economy and finance, replacing Mr. Xavier Musca (by law from March 23, 2009)
Mr. François de La Guéronnière, as a representative of the Minister of Agriculture (by law from February 5, 2009)
Ms. Véronique Hespel, as a representative of the Treasury auditing body, suggested by the chief of the department (by law from February 5, 2009)

Highlights from 2008 included aggravation of the financial crisis and its spread over the economy. Changes in interest rates during the year mirror the 2 main phases which highlighted 2008.

FRENCH STATE BOND RATE WITH 2-, 5- AND 10-YEAR MATURITY EVOLUTION

Rates climb and the curve flattens while prices are going up and economy is slowing down (stagflation scenario).
The general expectation is that the crisis will be limited sectorally and geographically. Crisis appears to give rise to a serious but manageable slowdown in the US and potentially in Europe. However, emerging countries, characterized by solid growth, appear to be able to support the world economy. Those expectations translate into strong raw material price increases until July when the oil price reaches $147.3 per barrel. Inflation then becomes the major concern and interest rates peak before the summer.

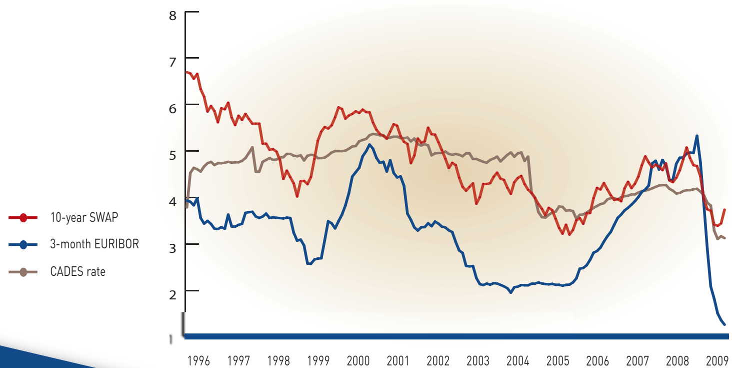
EUROZONE SHORT-TERM RATE EVOLUTION



After summer, the raw material bubble bursting and the dollar climbing result in recession for several countries. This marks the end of the decoupling theory. Lehman Brothers' bankruptcy contributes to this perception and the crisis transfers from financial markets to the real economy. After world growth long supported by credit expansion, the collapse of the banking system leads to expectations of deep and lasting recession.
Conjuncture indicators take off and inflation forecasts collapse turning instead to prospects of deflation. To face this deflation risk scenario, central banks cut interest rates dramatically. From this point, all rates go down in a substantial steepening of the curve.

CADES refinancing rate decreases by 100 bps from 4.13% on October 31, 2008 to 3.13% on May 31 2009.

REFINANCING RATE EVOLUTION



This decrease combines two elements:

- **Increase of variable and revisable rate indebtedness**
  To refinance ACOSS newly assumed debt (€10 bn on December 23, 2008, €10bn on February 6, 2009 and €6.9bn on March 6, 2009), CADES increases the proportion of its variable and revisable indebtedness from 11.1% to 27.0%.
- **A strong decrease of the refinancing cost of the variable and revisable debt component.**
  Decrease in six months of 300 bps of the ECB interest rate allows CADES to improve the cost of refinancing its variable and revisable debt (from 4.87% to 1.14%).
  Rate decreases are exceptional in size and pace, allowing CADES to bring down its refinancing cost to an almost historical low since CADES' inception (3.13%).
  Due to the future elongation of the average length of the borrowing (given the size of the funding programme), the refinancing rate is expected to pick up in the following months.

INFORMATION ABOUT CADES

Geneviève GAUTHEY
Budget and Media Manager
Tel: +33(0)1 55 78 58 07
genevieve.gauthey@cades.fr

Magali CLAVIER
Assistant to the Chairman and webmaster
Tel: +33(0)1 55 78 58 00

www.cades.fr
Bloomberg CADES <GO> - Reuters CADES/T/U/V

CADES information letter
15 rue Marsollier - 75002 Paris

Website: http://www.cades.fr

Director of Publication
Patrice Ract Madoux

Text contribution: CADES

Design: Actifin

ISSN 1633-1915