# 2005 Forecasts for the CADES

## PRESS RELEASE

2004 was a year of change for CADES. The social security reform adopted in mid-summer enlarged its core mission, consequently extending its original mandate, which was set to end on January 31, 2014, to the date on which the social security debt that has been entrusted to the agency is fully extinguished. Since its inception in 1996, CADES has already repaid €18,6 billion of capital of the €103.8 billion in social security debt that it has gradually assumed, including the additional €50 billion spread over the period 2004-2006. As indicated in Act no. 2004-810 dated August 13, 2004 pertaining to health insurance reform, this additional debt reflects (i) €35 billion in deficits accumulated from 2002 to 2004, and (ii) up to a maximum of €15 billion in projected deficits over the period 2005-2006 transferred to CADES. As a result of assuming these additional deficits, the principal of the outstanding debt increased from €31.2 billion (on December 31, 2003) to €67.3 billion.

The new mission entrusted to it by French lawmakers, combined with the decision to maintain the CRDS social security debt repayment contribution (Contribution au Remboursement de la Dette Sociale) beyond the original January 31, 2014 deadline, gives CADES access to a financial resource with no defined term. Last year's reform also broadens the revenue base, as the CRDS is now levied on 97% of gross wages, as opposed to 95% previously, effective January 1, 2005.

In 2005, CRDS revenue is expected to exceed €5 billion for the first time ever—a 4.7% increase over the €4.85 billion collected in 2004. In connection with the plan to extinguish the prior accumulated social security debt, CADES made another payment of €3 billion to the government in 2004. The last transfer of Eur 3 bil will take place in 2005.

CADES' total debt issuance program amounted to €41 billion in 2004. On December 31, 2004, the CADES debt profile by due date stretched from 2005 to 2020. Concentrated in the second half of last year, CADES' 2004 issues were conducted under excellent financial conditions, linked to the very low level of the yield curve and high investor interest.

In 2005, CADES will maintain this sustained issuance schedule and intends to make use of all the financial resources available to it in a variety of issue currencies, with a preference for notes linked to inflation (CADESi), private placements, and euro issues quoted on MTS. In light of CRDS revenue projections of €5.1 billion and the various disbursements scheduled—redemption of notes at maturity (€28.2 billion), interest payments (roughly €2.6 billion), and payments to the government (€3 billion) and social security organizations (roughly €10 billion), CADES expects to issue approximately €39 billion in notes in 2005. This would make it the seventh largest government or quasi-sovereign issuer in Europe.

CADES enjoys the status of a quasi-sovereign issuer and has earned the highest credit ratings from international agencies. It is thus able to continue to fulfill its expanded mission with confidence.

**CADES: A BENCHMARK ISSUER IN THE EUROPEAN MARKET**

**Created in 1996, CADES is an administrative public agency under the authority of the French government. CADES enjoys the highest ratings by the principal international rating agencies (AAA/A1+, Aaa/P1, AAA/F1+), and a 0% Basel ratio weighting, which makes CADES one of the five largest non-government issuers in Europe.**