

# CADES

MAY 2002 - No. 7

## Newsletter

ca des 5.125% October 2008  
ca des 3.375% July 2004  
ca des 3.8% July 2006  
ca des 5.25% October 2012  
ca des 3.15% July 2013



**Patrice RACT MADOUX**  
Chairman of Cades

### E D I T O R I A L

**C**ADES' financial statements for 2001, recently approved by its Board of Directors, confirm that the agency is running smoothly and that it is fully up to the task of paying down the 50.94 billion euros of social security debt transferred to CADES in 1996 and 1998.

CADES' commitment to overall balance and disciplined financial management has enabled it to repay 10.9 billion euros in six years. Forecasts based on current data lend support our objective of repaying the outstanding balance of 40.05 billion euros by January 31, 2014, the deadline set by law.

The success of CADES on the international financial markets is due in large part to its excellent image. We have earned this reputation through a commitment to full disclosure and our willingness to submit to extremely disciplined internal and external audit processes.

Our status as an issuer of the first rank, combined with a highly flexible issue program, gives us access to the most promising market segments. In January of this year, CADES took advantage of this position, issuing a 380 million-euro bond targeting Japanese retail investors. One of the main thrusts of our 2002 issue policy is to pursue this strategy, with particular emphasis on products pegged to the French consumer index.

*P Ract Madoux*

CADES' financial statements for 2001 were submitted to the approval of its Board of Directors on April 25, 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 December 31, 2001  
in euro billions

##### Net debt remaining to be paid

|             |       |
|-------------|-------|
| Initial     | 51.4  |
| Repaid      | 10.9  |
| Outstanding | 40.05 |

##### Income

|                             |        |
|-----------------------------|--------|
| CRDS net revenues           | 4.599  |
| Net income from real estate | 0.004  |
| Payment to the government   | -1.852 |
| Interest expense            | -1.560 |
| Net income                  | 1.168  |

July 2004  
ca des 3.8% July 2006  
ca des 5.25% October 2012



CADES continues to run smoothly and is perfectly

**Overall balance is maintained**

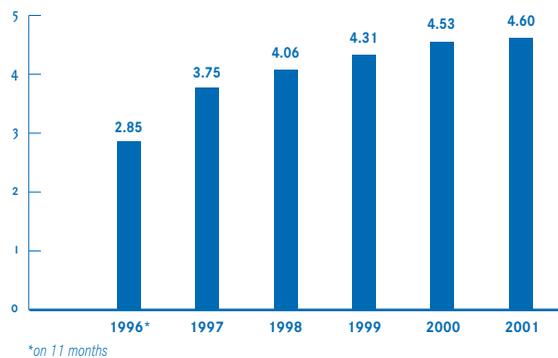
Legislative changes affecting CADES in 2001 had a measurable but limited impact on the overall balance of its financial structure. CADES still expects to fully pay down its debt by 2014 at the latest.

Measures exempting the non-tax-paying unemployed and non-taxable retirees from the CRDS (2001 Finance Act) limited growth in CRDS revenues to 2.23% in 2001, resulting in total revenues of 4.60 billion euros for the year. This slowdown was partially offset by a 350 million franc reduction in CADES' annual payment to the government.

A new schedule of payments, introduced in the 2002 Finance Act, calls for increased payments of 3 billion euros to the government annually from 2002 to 2005 (versus 2008 initially). Actuarial neutrality is still ensured for 2014.

**CRDS growth**

*in euro billions*



**CADES: disciplined management**

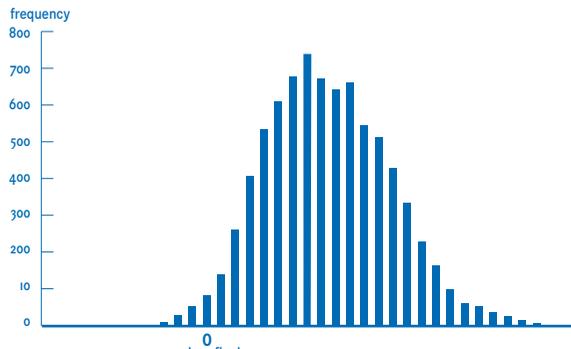
In 2001, CADES continued to enforce its disciplined approach to expense and risk management. External controls and audits performed throughout 2001 attested to the high quality of its financial management, further reflected in the discharge granted by the Cour des Comptes (the French Audit Office) for 1996 to 1999.

These high standards, combined with an effective issue strategy, enabled CADES to post net income of 1.17 billion euros in 2001 and reduce its total debt for the sixth year in a row. Since 1996, CADES has paid down 10.9 billion euros of its initial debt of 51.4 billion euros.

Based on these observations and the conservative hypothesis of 3.5% growth in CRDS revenues per annum, CADES expects to be able to fully repay outstanding debt on schedule, by the end of its lifetime in 2014.

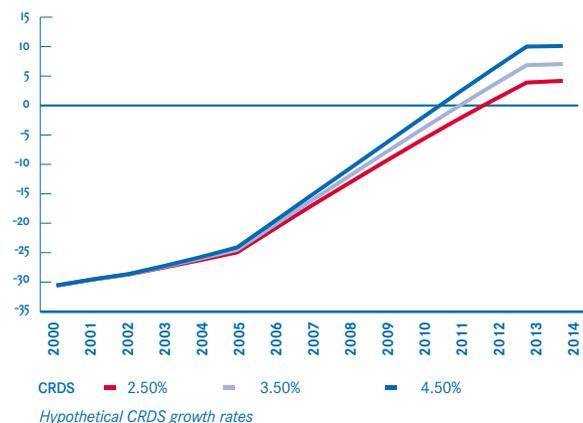
**Analysis of the final value of CADES issues: January 31, 2014**

*(current structure)*



**Change in net debt**

*in euro billions*



# adapted to its mission

## An active and targeted bond issue policy

CADES' position as a top-grade issuer and its ability to respond quickly to demand supported the implementation of an ambitious bond issue program involving 3.54 billion euros in 12 tranches. With this issue, CADES took full advantage of market conditions and reinforced its image as a sought-after, liquid issuer.

The objectives of the program were to step up the issue of bonds pegged to the French consumer price index, strongly correlated to CRDS revenues, and enhance the liquidity of its benchmark debt issues.

All twelve tranches that were launched in 2001 served to tap up existing issues.

This program primarily impacted two inflation-indexed issues – CADES<sub>i</sub> 2006, tapped up 2.180 billion euros in eight issues to reach total outstandings of 2.830 billion euros, and CADES<sub>i</sub> 2013, tapped up 300 million euros in two issues to reach total outstandings of 2.3 billion euros – and two fixed rate issues, the 3.375% 2004, tapped up 500 million euros and the 5.25% 2012, tapped up 561 million euros, bringing them to a total of 3 billion euros each.

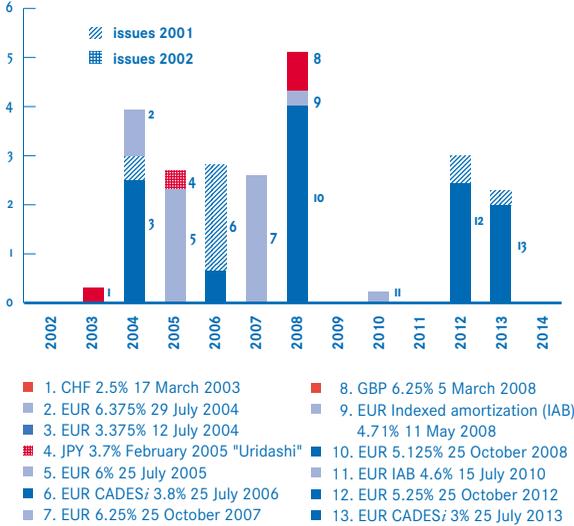
Another highlight of the year was the decision to list CADES' three most liquid euro bonds (maturing in 2004, 2008 and 2012) on the MTS France electronic trading platform as of April 2001. The dual objective of this strategy of listing CADES products alongside government bonds was to enhance the liquidity and visibility of these benchmark issues.

In less than eight months, CADES substantially increased its liquidity and drew increased attention to its products. Its spreads differ little from those on government bonds, both in respect to historical values and compared to similar issuers.

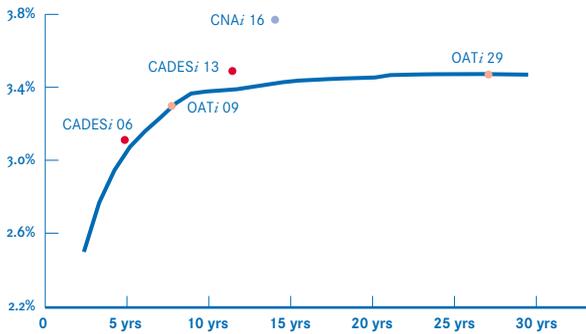
EMTN transactions, which represented the majority of CADES' debt issues in 2000, amounted to only 115 million euros in 2001. CADES redeemed issues of USD 2 billion in December 2001.

## Amortization schedule of medium- and long-term debt

May 2, 2002



## Yield curve at April 19, 2002



## Transactions on MTS France

in euro billions



Based on anticipated CRDS revenues of 4.6 billion euros in 2002, scheduled redemptions of medium- and long-term debt totaling 4.3 billion euros, debt servicing charges of 1.5 billion euros and the annual payment of 3 billion euros to the government, CADES estimates its borrowing requirement at 4.5 billion euros for 2002.

Its issue program is guided by three key considerations: maintaining a high level of liquidity for the three benchmark issues listed on MTS France, further expanding the issue of bonds pegged to the French consumer price index and developing customized products such as the 380 million-euro "uridashi" bond issued in January 2002 in Japan.

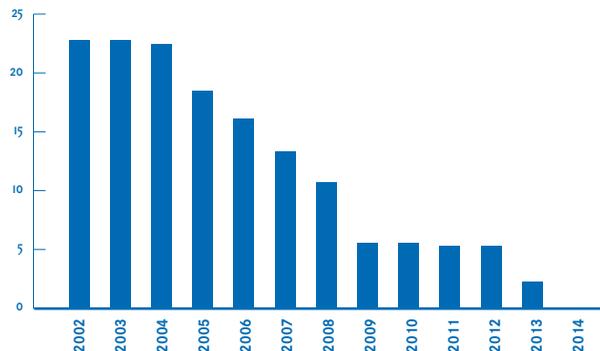
In 2002, CADES also plans to sell the majority of its real estate portfolio, comprising 35 buildings with a book value of 178 million euros.

Taking into account the recent legislative changes, CADES should attain a budgetary position of close to balance in 2002, in accordance with its objective of fully amortizing its debt by 2014 at the latest.

The repayment of CADES's off-balance sheet commitments to the government will be accelerated as a result of the revised schedule of payments.

#### Debt amortization profile

*in euro billions*



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4 bis, Boulevard Diderot  
75012 Paris

Web site:  
<http://www.cades.fr>  
Director of publication:  
Patrice Ract Madoux

Written by: CADES  
Conception et édition

Designed and published by:  
FRI Communication

English adaptation:  
Peggy Ganong

ISSN pending

## 16 MTS primary dealers committed to making market

|                                |                 |
|--------------------------------|-----------------|
| ABN Amro                       | <AABCADES>      |
| Barclays Capital               | <BARCAPCADES>   |
| BNP-Paribas                    | <BNPPCADES>     |
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| UBS                            | <UBSEURO04-06>  |

## 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.