

# CADES

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News

CADES 5,125 % octobre 2008  
CADES 3,15 % juillet 2013  
CADES 5,25 % octobre 2012  
CADES 3,8 % juillet 2006  
CADES 3,4 % juillet 2011

## É D I T O R I A L



**Patrice RACT MADOUX**  
Chairman of CADES

2003 measured up to CADES' expectations, since for the eighth year running, the Caisse d'Amortissement de la Dette Sociale demonstrated its capacity to pay down the debt that was transferred to it within the deadline set forth by law. In the first half of the year, pursuant to the Social Security Finance Act for 2003, CADES paid a total of 1.28 billion euros to various social security funds. This additional outlay had an impact on CADES' results for 2003. A second and last installment, for a slightly lower amount, (1.1 billion euros) will fall due in 2004.

While these exceptional payments slow the pace of progress, they do not compromise the ability of CADES to fulfill its stated role, which is to amortize the accumulated 53.8 billion euros of social security debt that have been transferred since 1996. All of the modeling performed on the basis of various hypotheses concerning GDP growth, interest rate fluctuations and inflation suggest that the assumed debt will be fully paid by the legally defined deadline. At year-end 2003, the outstanding portion of the debt was 38.25 billion euros. After a year in which its note issues did not exceed 3.5 billion euros, CADES' borrowings in the financial markets will total between 5.5 and 6 billion euros in 2004. The issue strategy involves giving preference to index-linked bonds, stepping up "customized" transactions, and ensuring a high level of liquidity for the major issues listed on MTS France. In addition, 2004 promises to be an exceptional year for CADES. As an issuer of quality that enjoys near-sovereign status and the highest ratings from all the principal international agencies, CADES is poised to take on any new responsibilities that may be assigned to the agency by lawmakers in connection with the social security reforms planned for 2004. The CADES Board of Directors assembled on April 8, 2004 to approve the financial statements for the year ended December 31, 2003. The financial statements were presented to the CADES Supervisory Committee at a meeting chaired by Senator Gouteyron, Vice-President of the French Senate.

*P Ract Madoux*

At a meeting held on April 8, 2004, chaired by Patrice Ract Madoux, the CADES Board of Directors approved the financial statements for 2003.

The financial statements were submitted to the Supervisory Committee, chaired by Mr. Gouteyron, Vice President of the Senate, at a meeting held on June 3, 2004.

### Key Figures

At December 31, 2003,  
In billions of euros

#### Earnings

Net CRDS revenues	4.721
Payment to the government	- 3.000
Interest expense	- 1.432
Exceptional SSFA 2003 payment	- 1.283
Net loss	- 0.987

#### Net debt remaining to be paid

Initial	52.8
Outstanding	38.25

2004  
CADES 3,8 % juillet 2006  
octobre 2012  
+ % juillet 2011



## 2003 Financial Statements

As expected, CADES' exceptional payment of 1.283 billion euros by CADES to various social security funding organizations made a dent in its results for 2003. A loss of 987 million euros was recorded, compared with a gain of 227 million euros in 2002. The second and last installment of CADES' supplementary contribution to social security funds, set forth in the Social Security Finance Act for 2004, will skim 1.1 billion euros off the results for the next fiscal year.

Proceeds from the CRDS tax totaled 4.721 billion euros.

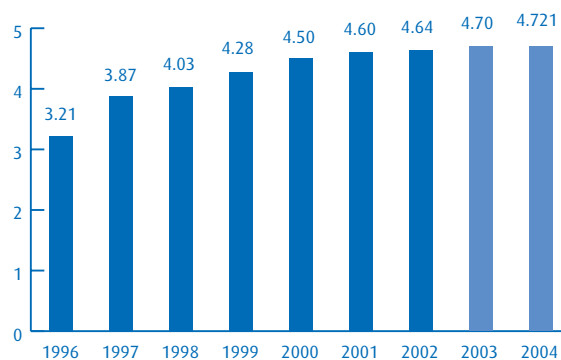
In 2003, CADES also wound up the disposal program for the real-estate assets it received when the agency was founded. These sales will have swelled CADES' revenues by a total of 480 million euros since 1996.

On December 31, 2003, the redemption value of CADES' debt was 29.972 billion euros, versus 29.146 billion euros one year ago.

Of the total 53.8 billion euros of debt transferred to CADES since the agency was established in 1996 (including off-balance sheet commitments: 3 billion-euro annual payments to the government in 2004 and 2005 and 1.1 billion euros for the second installment of the exceptional payment to various social security funding organizations), 38.25 billion euros remain to be paid down by January 2004.

### Growth of net CRDS revenues

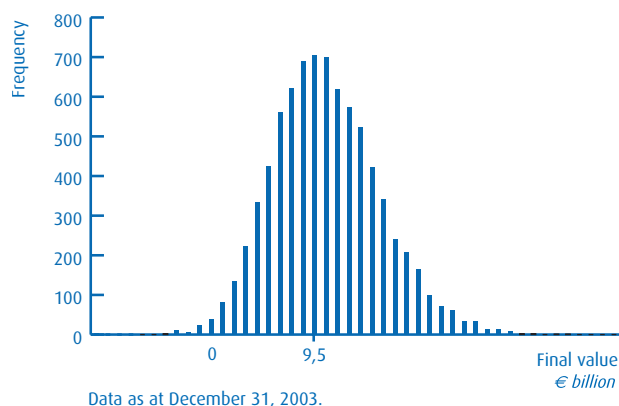
*In billions of euros*



### 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.

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



# Active Debt Management

The variety of operations carried out in 2003 illustrates the diversity of the markets in which CADES is a player.

CADESi 2006 and CADESi 2011, the inflation-indexed bonds, were each tapped up twice. The percentage of debt pegged to the French inflation index jumped to 38%, due to the setup of swaps for which the payer portion is indexed to inflation. A rise in demand from a wide range of investors spurred the spectacular growth of the market for inflation-indexed products, both securities and derivatives.

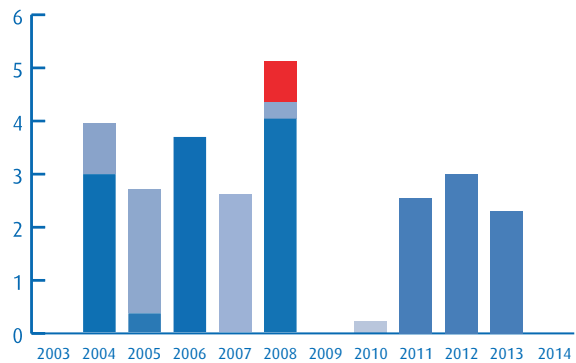
A wide variety of private placements were also arranged, in the form of EMTNs or formal financing arrangements.

## The 18 MTS primary dealers committed to market making

ABN Amro  
 Barclays Capital  
 BNP Paribas  
 CDC Ixis  
 Crédit Agricole Indosuez  
 Crédit Suisse First Boston  
 Deutsche Bank  
 Dresdner Kleinwort Wasserstein  
 HSBC-CCF  
 JP Morgan  
 Lehman Brothers  
 Merrill Lynch  
 Morgan Stanley  
 Natexis Banques Populaires  
 Nomura  
 Schroder Salomon Smith Barney  
 Société Générale  
 UBS

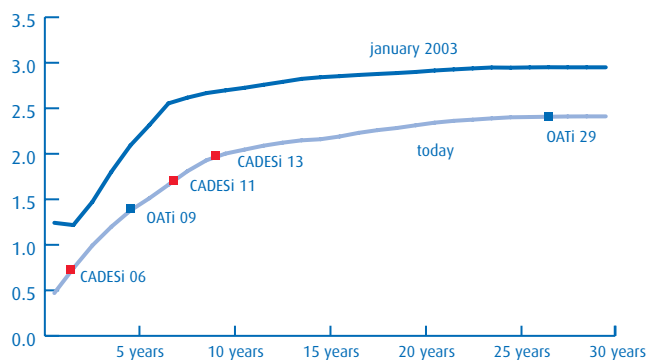
### Amortization schedule of debt

In billions of euros



- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 1. EUR 6.375% July 29, 2004      | 8. EUR IAB 4.71% May 11, 2008     |
| 2. EUR 3.375% July 12, 2004      | 9. EUR 5.125% October 25, 2008    |
| 3. EUR 6% July 25, 2005          | 10. EUR IAB 4.6% July 15, 2010    |
| 4. EUR 3.7% February 5, 2005     | 11. EUR CADESi 3.4% July 25, 2011 |
| 5. EUR CADESi 3.8% July 25, 2006 | 12. EUR 5.25% October 25, 2012    |
| 6. EUR 6.25% October 25, 2007    | 13. EUR CADESi 3% July 25, 2013   |
| 7. GBP 6.25% March 5, 2008       |                                   |

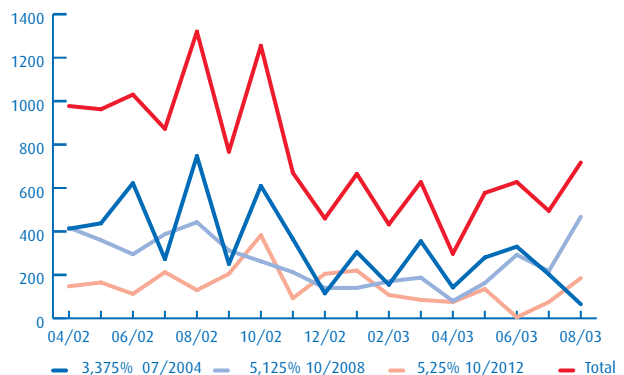
### Yield curve as at May 26, 2004



### Transactions on MTS France

CADES benchmark issues in euros

In millions of euros



## 2004 Outlook

Founded in 1996, CADES (Caisse d'Amortissement de la Dette Sociale, or Social Security Debt Repayment Fund) has until January 31, 2014, to pay down the 53.8 billion euro debt accumulated by social security organizations before 1999. CADES receives the proceeds of a special tax known as the CRDS (social security debt repayment contribution), which are correlated with economic activity in France. Proceeds from the CRDS cover a variety of expenses: scheduled repayments of a portion of the debt; scheduled payments to the government, which financed part of this debt; general operating expenses and interest payable to the holders of bonds issued by CADES. To meet these financial obligations, CADES completes issues on the basis of its own needs and market demand, with the goal of paying down the total debt it has assumed by 2014. Managing debt via periodic bond issues is a complex financial undertaking that requires accurate forecasts of economic and market trends. Raising funds in the international financial marketplace under optimal conditions requires skill, disciplined management and a sterling reputation as an issuer. After eight years, CADES has acquired genuine and effective expertise in this field.

The 2004 issue program will primarily involve raising funds to redeem maturing issues and make the various payments due to the government and social security funds organizations.

In July, bonds totaling nearly 4 billion euros will mature. Of this sum, 3 billion euros are linked to a benchmark issue in euros and close to 1 billion euros represent an issue in Dutch florins that was not converted to euros.

In addition, CADES will pay 3 billion euros to the government and 1.1 billion to various social security funds.

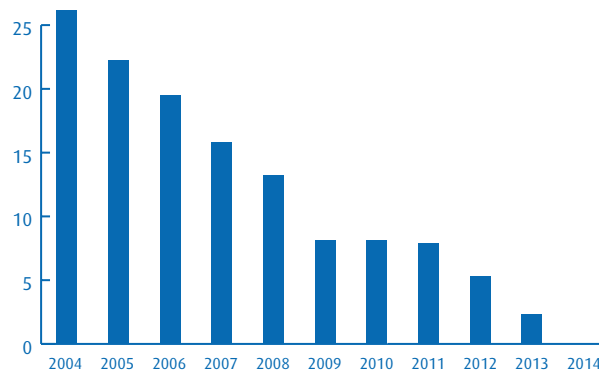
Factoring in estimated CRDS revenues nearing 4.8 billion euros, 1.5 billion of interest expense and various bond redemptions, 2004 issuances will likely total between 5.5 and 6 billion euros.

A new benchmark issue will certainly be launched in the early months of the year. CADES will continue to increase its exposure to French inflation, which may involve tapping up one or more of its outstanding CADESi indexed bonds. CADES will also continue to seek out private placements in various currencies.

Against the backdrop of the social security reform currently being elaborated, CADES may well be asked to play a new role, which could entail the transfer of additional past debts. The agency is capable of extending its role without compromising its financial balance.

### Debt amortization profile

*In billions of euros*



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