CADES News

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ÉDITORIAL

Patrice RACT MADOUX
Chairman of CADES.

The adoption of the French public health insurance reform this summer is a watershed for CADES. In fact, Article 76 of Act No. 2004-810 of August 13, 2004, published in the Official Journal of August 17, 2004, broadens CADES's remit, assigning an additional €50 billion of social security deficits to our establishment. Of this total, €35 billion represent the deficits accumulated from 2002 to 2004. An initial installment of €10 billion, scheduled for September 1, 2004, will be followed by a second €25 billion transfer no later than December 31, 2004. CADES is also due to receive, up to a €15 billion limit, the projected deficit for 2005 to 2006.

To fulfill its enlarged mission, CADES's lifespan has been extended past the January 31, 2014, deadline, until such date as the social security debt transferred to it has been fully extinguished. Since its creation in 1996, CADES has assumed a debt of €103.8 billion. Of this sum, €17.5 billion have already been paid down.

These additional obligations and the changes they imply reinforce CADES's profile. In fact, the extension of the lifetime of CADES and, concurrently, the Contribution au remboursement de la dette sociale (CRDS) levy beyond January 31, 2014, enable CADES to dig into financial resources that are no longer stamped with an expiration date. By multiplying CADES's possibilities at the long end of the yield curve, these extensions will clearly fortify its standing.

CADES has taken the measures required to ready itself for the new burden. In fact, it has already ensured the refinancing of the €35 billion debt to ACOSS. CADES turned to the financial markets for financing, favoring short-term domestic debt (billets de trésorerie) and commercial paper. It also called on the banking market and secured a one-year, €20-billion club deal, credit facility. To complement these resources, CADES negotiated bilateral lines of credit totaling €15 billion with several institutions in the market.

These bank credit facilities are destined to be refinanced on the bond and EMTN markets. As an experienced issuer enjoying quasi-sovereign status, the highest ratings and a zero risk weighting for capital ratio calculation purposes, CADES will offer new opportunities to investors. To gear up for the €39 billion debt it will progressively assume over one year, CADES will organize a series of road shows among the principal financial markets as of this fall.

A sought-after, liquid, flexible issuer

At August 17, 2004, the debt taken over by CADES totaled €103.8 billion.

Total debt: €103.8 billion

Focus

At august 17, 2004, indexed bonds issued by CADES totaled €7.75 billion.

Indexed €8.55 billion

An issuer of quality

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

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

Extension of the mission of CADES

Alongside the public health insurance reform, which led to an extension of CADES's remit and resources, in 2004, CADES continued to manage the debts it assumed from the French social security system.

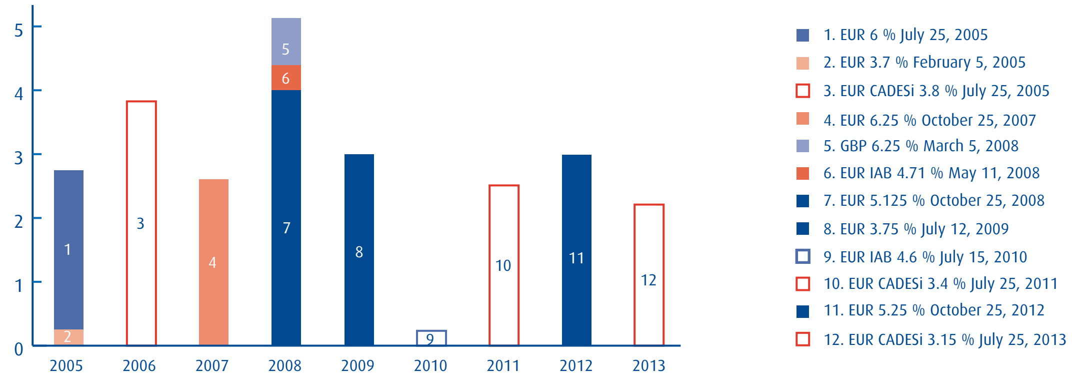
This year, CADES thus proceeded to launch a €3 billion issue maturing in July 2009, with a 3.75% coupon. Despite an unsteady market environment linked to international tensions, the threat of rate hikes and a lack of liquidity, the new issue met with enthusiastic success. Consequently, CADES notched up the volume of the issue from 2 to 3 billion euros in order to satisfy investor demand. This popularity enabled CADES to refinance its debt at only 7 basis points above the benchmark OAT bond from the French Treasury. The gains from this issue served to redeem €4 billion of bonds, which matured on July 12 (EUR 3.375% for €3 billion) and July 29, 2004 (NLG 6.375% for €1 billion).

With this latest issue, CADES now covers the entire maturity spectrum from 2005 to 2013. The length of the yield curve is expected to grow as CADES refinances the additional €50 billion debt it will be entrusted with. To gear up for this transfer, CADES has already stepped up its Euro Medium Term Notes program (AAA/Aaa ratings) from 10 to 15 billion euros. Likewise, it boosted its short-term domestic billets de trésorerie program (A1+, F1, and P1 ratings) from 7 to 20 billion euros.

CADES also called on the banking market and secured a one-year, €20 billion credit facility from a pool of ten banks including ABN Amro, Barclays Capital, BNP Paribas, Calyon, Deutsche Bank, Dresdner Kleinwort Benson, JP Morgan, Natexis Banques Populaires, Citigroup and Société Générale. To complement these resources, lines of credit totaling €15 billion were negotiated with individual banks: BNP Paribas, CDC Ixis, CSFB and Lehman Brothers.

In the next 12 months, CADES will require financing of 39 billion euros, reflecting two installments payable to ACOSS (35 billion euros), the redemption of bonds and EMTN maturing in 2005 (3.3 billion euros), 3 billion euros payable to the French government, and interest due on borrowing and finance programs (2.5 billion euros). To meet these commitments, which total 43.8 billion euros, CADES intends to launch issues totaling 39 billion euros over a one-year period. The total will be added to CRDS revenue of approximately 4.8 billion euros.

Amortisation schedule of medium and long term debt at August, 20th 2004



Appointments

CADES welcomes Mr. Xavier Musca to its board of directors. Mr. Musca is the new Treasury Director replacing M. Jean-Pierre Jouyet. CADES's supervisory board also underwent a change with the arrival of Mr. Philippe Vitel, Member of Parliament from the Var, who succeeded Mr. Bernard Accoyer, also a Member of Parliament, from the Haute-Savoie.

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