

CADES

N°13 - FEBRUARY 2005

News

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



Patrice RACT MADOUX
Chairman of CADES.

EDITORIAL

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 billion 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 (at 12/31/2003) to €67.3 billion at the end of 2004.

The new legislation did not impact CADES's financial statements for the first half of 2004, approved by the board of directors on October 14, 2004. As in 2003, CADES made an exceptional payment to various social security organizations. This second and last payment of €1.097 billion (versus €1.28 billion in 2003), set forth in the Social Security Finance Act for 2004, took its toll on the financial statements, which announced a €1.065 billion deficit at June 30, 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 €3 billion will take place in 2005.

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, gave CADES access to a financial resource with no defined term. This enlarged role allowed CADES to confirm its position as a leading issuer and opened up new opportunities in the financial markets. 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 expects to issue approximately €39 billion in long-term and short-term notes this year. In so doing, CADES 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.

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.

P. Ract Madoux

A sought-after, liquid, flexible issuer

At December 31, 2004, the debt taken over by CADES totaled €103.8 billion.

**Total debt:
€103.8 billion**

Focus

At December 31, 2004, inflation indexed bonds issued by CADES totaled €9.55 billion.

**Inflation indexed
€9.55 billion**

An issuer of quality

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

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

2004
ca des 3,8 % juillet 2006
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CADES

New resources for CADES

The social security reform unlocked new resources for CADES. As of January 1, 2005, the tax base for the CRDS expands, from 95% to 97% of gross wages, injecting an additional €62 million or so each year. CRDS revenue is expected to exceed the €5 billion mark in 2005, for the first time ever. This would be a 4.7% increase compared with the current estimate of €4.85 billion for 2004.

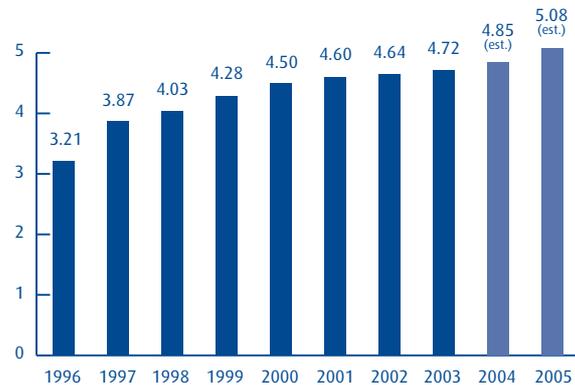
Naturally, CADES's financial statements for the year were impacted by the second and last installment of its supplementary contribution to social security funds. As set forth in the Social Security Finance Act for 2004, CADES paid €1.097 billion to these funds (€1.28 billion in 2003). At June 30, 2004, its net result for the half-year was -€1.065 billion, up from -€1.398 billion for the same period in 2003. For the first six months of 2004, CRDS revenue totaled

€2.229 billion, versus €2.122 billion one year ago.

The result of assuming these additional deficits was an increase in the principal of the outstanding debt, from €31.2 billion (at 12/31/2003) to €67.3 billion.

Increase in net CRDS revenues

In billions of euros

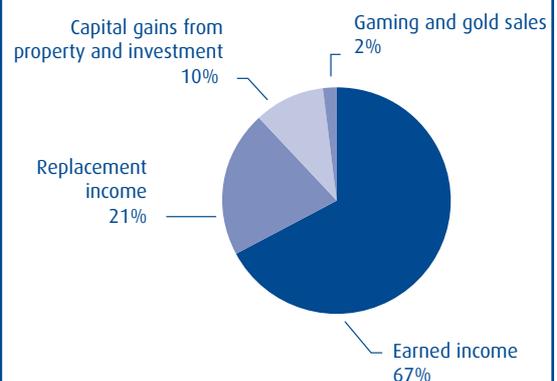


The new mission entrusted to it by French lawmakers, combined with the decision to maintain the CRDS social security debt repayment contribution (*Contribution au Remboursement de la Dette Sociale*) beyond the original January 31, 2014 deadline, gave CADES access to a financial resource with no defined term.

Starting on January 1, 2005, the tax base for the CRDS is 97% of gross wages, as opposed to 95% previously.

Sources of income subject to the CRDS tax

(0.5% tax rate)



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.

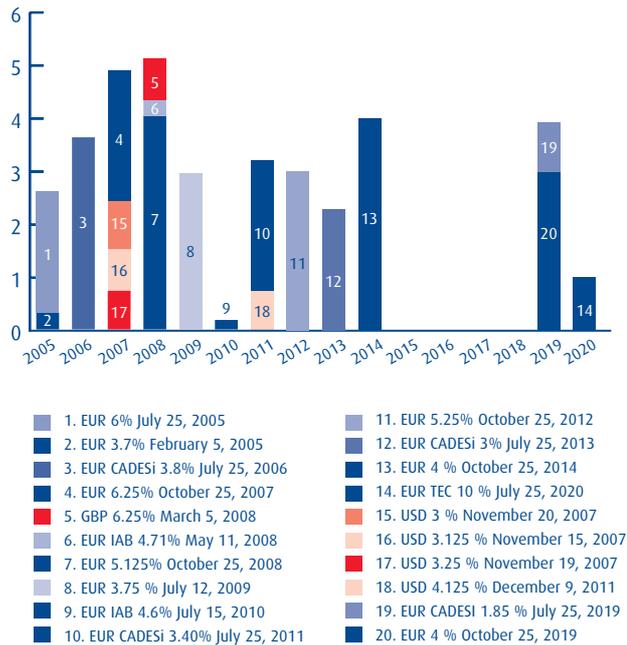
Debt structure

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 long-term and short-term notes in 2005. This would make it the seventh largest government or quasi-sovereign issuer in Europe.

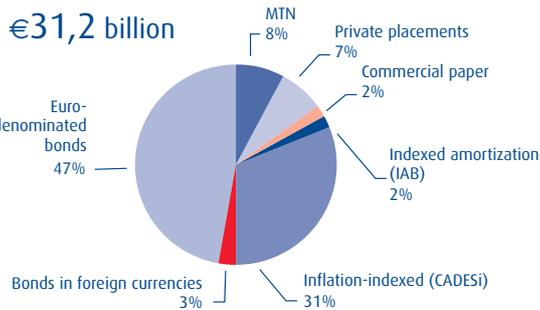
Bond maturity schedule at December 31, 2004

In billions of euros

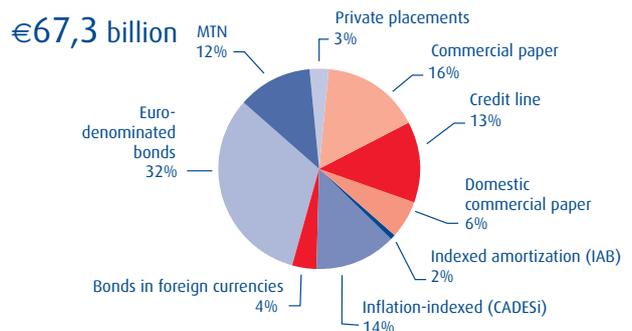


Change in debt structure

At December 31, 2003



At December 31, 2004



The 18 MTS primary dealers committed to market making

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

Real yield curve at December 31, 2004



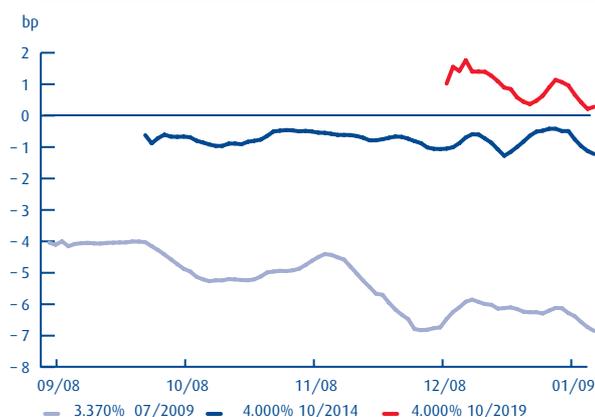
A major debt issuance program

To meet its financial commitments, partially covered by revenue from the CRDS levy, CADES is an active participant in financial markets. Its issuance program is designed to enable CADES to redeem bonds reaching maturity and make its various payments to the government and social security funds. In 2004, CADES redeemed €4 billion of bonds that matured in July, while paying €3 billion to the government and €1.097 billion to various social security funds. In addition, CADES raised €35 billion in the short-term domestic commercial paper and banking markets to finance the transfer of the social security deficits accumulated from 2002 to 2004. All in all, CADES borrowed €41 billion in 2004, including €11 billion from four bond issues.

These bonds are fixed-rate or inflation-indexed (CADESi) bonds maturing in 5, 10 and 15 years. The bond issue due October 25, 2014, alone totals €4 billion. Offering a face value of 4%, this new issue is CADES's largest since its inception. CADES also issued €5.6 billion of MTN (medium term notes) in a number of currencies (USD, EUR, JPY, NZD, GBP, AUD and HKD). Some of these transactions were private placements.

Access to this market segment signifies that, after swaps, CADES can benefit from more favorable refinancing conditions than those for benchmark bonds. At the short end of the yield curve, CADES stepped up its commercial paper issues by €15.4 billion. Lastly, CADES drew a total of €9 billion from several lines of credit.

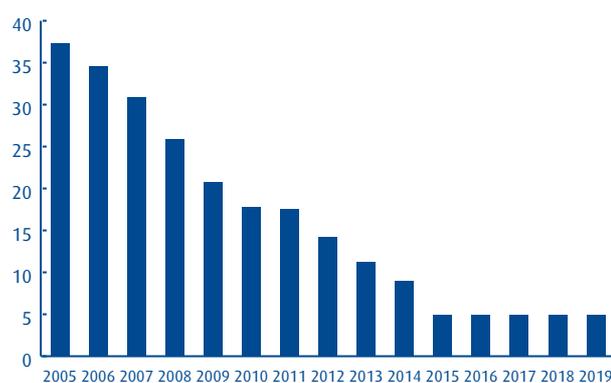
Change in the spread for recent bond issues in the secondary market



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 long-term and short-term notes in 2005. This would make it the seventh largest government or quasi-sovereign issuer in Europe.

Debt amortization profile

In billions of euros



CADES Newsletter
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ISSN 1633-1915

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