

# CADES

News

N° 14 - JULY 2005

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

## EDITORIAL



**Patrice RACT MADOUX**  
 Chairman of CADES.

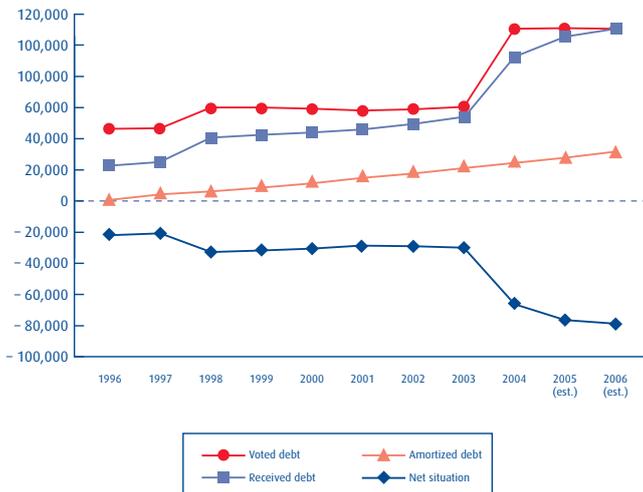
When its scope was extended under the Health Insurance Act of August 13, 2004, CADES responded by stepping up its issue program to accommodate an additional 50 billion euros in debt, including 15 billion euros related to the forecast deficit for the 2005-2006 period. Including the supplemental payments made to Social Security funding organizations (€2.9 billion) in 2003 and 2004, this latest additional amount – which follows sums assumed in 1996 (€46.1 billion) and in 1998 (€13.2 billion) – brings the total “voted debt” entrusted to CADES to 110.4 billion euros. Of the total, a amount of 92.4 billion euros had actually been transferred to CADES on December 31, 2004 (see graph below). A final 3-billion euro payment to the State has yet

to be made, and the aforementioned 15 billion euros in projected deficit has not yet been assumed. Since it was founded in 1996, CADES has amortized 26.6 billion euros in capital and paid 12.6 billion euros in interest for a total payoff of 39.2 billion euros. Financial statements for year-end 2004 showed a net deficit position of 65.7 billion euros, a figure that provides an initial rough estimate of total debt issued. To this end, its framework has been strengthened by the decision to no longer subject the dedicated CRDS tax, its principal source of revenue, to time limits. After reaching 4.9 billion euros in 2004, the CRDS tax is expected to provide revenue of 5.08 billion euros in 2005. As a reminder, CADES will have completed its entrusted remit when the total debt has been repaid. Since the beginning of this year, CADES has consolidated its reputation as an issuer of the first rank. After raising a total of 41 billion euros in the markets in 2004, the agency is poised to issue debt totaling 38.7 billion euros this year. This issuance program is being rolled out under excellent financing conditions – in particular, the very low level of the euro yield curve and strong interest in CADES issues on the part of investors from Europe, Asia and the Middle East. CADES is using a broad array of refinancing tools and currencies, while also giving preference to benchmark bonds in euros traded via the electronic markets (MTS), inflation-indexed notes (CADESi), and private placements. CADES has consistently demonstrated its efficiency as a vehicle for paying down entrusted social security debt since it was first founded.

*P Ract Madoux*

### Voted, transferred and amortized debt ; net liability position

In millions of euros



### A sought-after, liquid, flexible issuer

At December 31, 2004, the debt taken over by CADES totaled €110.4 billion.

**Total debt**  
 €110.4 billion

### Focus

At June 30, 2005, inflation indexed bonds issued by CADES totaled €10.45 billion.

**Inflation indexed**  
 €10.45 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  
 cades 3,8 % juillet 2006  
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## Key annual financials

Due to the one-off contribution of 1.097 billion euros that CADES made to social security funding organizations and the payment of 3 billion euros to the French State, the financial statements for the year ended December 31, 2004 showed a deficit of 752 million euros. This is a 235 million euro improvement over the previous year. Once these exceptional payments are completed, the last being planned for 2005, CADES expects to show a significant surplus.

In 2004, CRDS revenue totaled 4.896 billion euros, compared with 4.721 billion euros one year earlier.

### Condensed balance sheet at December 31, 2004

In millions of euros

Debt carryover at 01/01/04	- 30,165
Deficits assumed in 2004	- 35,000
Result at 12/31/04	- 752
Property endowment	181
Outstanding debt	- 65,736

### Financial highlights at December 31, 2004

In millions of euros

CRDS Revenue	4,896
Interest expense	- 1,554
Payment to the government	- 3,000
Payments to social security funds	- 1,097
Net result on 12/31/04	- 752

## Extending the scope of CADES

Enacted last summer, the French social security reform led to a slight increase in the resources at the disposal of CADES. Since January 1, 2005, the CRDS tax is assessed on 97 % of gross wages (versus 95 % previously). Parliamentary discussion on the so-called "organic law" pertaining to social security funding should determine the procedures for any additional debt assumed after 2006. In this case, CADES would be allocated additional financial resources to discharge its public mission.

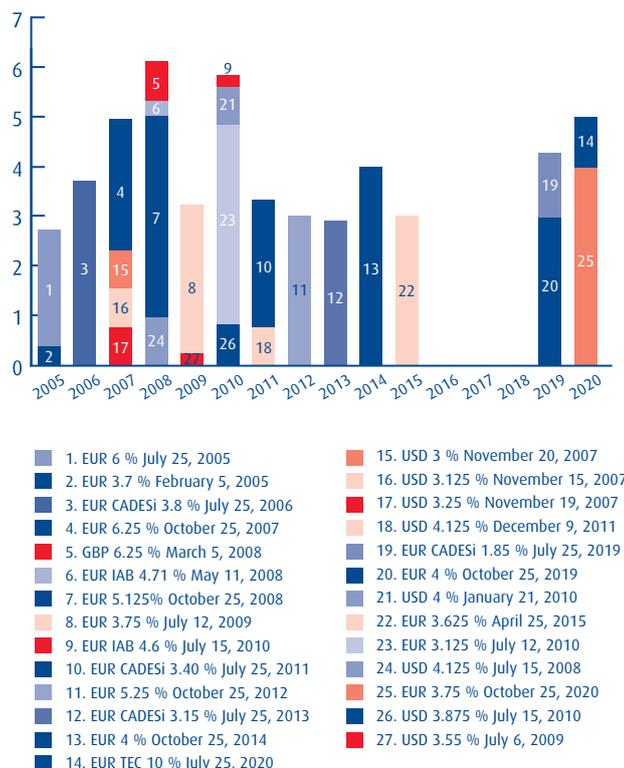
## A financing program of close to 39 billion euros

To meet the financing obligations that are partly covered by CRDS revenue, CADES is a regular issuer in the financial markets. Taking into account projected CRDS revenue of 5.08 billion euros and various disbursements (bond redemptions at maturity totaling 28.2 billion euros, interest payments of 2.6 billion euros, a 10 billion euro payment to social security funding organizations, and the last installment payment to the State of 3 billion euros), CADES plans to issue 38.7 billion euros in debt in 2005. This program is mainly composed of benchmark issues in euros (for a total of between 10 and 15 billion euros) due in 2010, 2015 and 2020. Other types of issue will be made for between 2 and 5 billion euros: French inflation linkers with maturities of up to fifteen years, notes in other currencies (USD, GBP) and private placements in a variety of currencies (USD, €, JPY, NZD, GBP, AUD, HKD, etc.). In addition, CADES intends to seek funding in the short-term markets using the entire range of commercial paper and treasury note options available. The first half of 2005 has been active. Over the period, CADES issued three euro-denominated benchmark bonds for a total face value of 11 billion euros. Two existing CADESi lines were tapped up, maturing in 2013 and 2019, for a total of 900 million euros. Three USD denominated notes were issued for a total of 3.125 billion dollars.

With issues of 38.7 billion euros scheduled for 2005, CADES is the seventh largest government/quasi-government issuer in Europe. Its status as a quasi-sovereign issuer has earned CADES the best credit rating given by the major international agencies.

## Bond maturity schedule

In billions of euros



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